

what will be our programme before the close of this year.

As regards the question of "prescribing" referred to by the hon. Member, I would not dilate on the legality of it, but only say that rules are part of the law and no substantive legislation can contain in it all that has to be prescribed by the rules. The different types will have to be prescribed in the rules and it will be necessary for all those who are engaged in manufacturing things in this country and who come under the quality, control, to be aware of the various rules which the Council may, from time to time, prescribe under the authority given to it by this august House. Therefore, it is not possible to give any period of 15 days or one month. I hope the hon. Member will appreciate the difficulty. In the case of textile goods it may be 3 months, though in the case of printed fabrics it may be necessary to keep the period even as fifteen days. We do not want the export trade to be prolonged by these disputes. In other countries, as, for instance, Brussels, where I had been the other day, the International Court of Arbitration for Export Trade gives the award in 36 hours because they do not want the customers to suffer and it is felt that it is better to satisfy him by an immediate judgment. And in almost all cases the judgment is in favour of the buyer for they think it is better to create goodwill of the buyers. In our country if years and years are allowed to the defaulters to produce bad goods and to sell those bad goods, and if they ask for postponement and postponement, it will do more harm to everybody than otherwise. Therefore, it will be our endeavour to expedite things and to ask these tribunals to give their awards immediately, consistent with the dignity of law and the provisions of the law so that our export trade may increase as a result of those awards rather than create a bad impression.

With these words, Madam, I request that the House may be pleased to agree to my motion.

THE DEPUTY CHAIRMAN: The question is:

"That the Bill be passed."

The motion was adopted.

MOTION RE REPORT OF THE
COMMISSION OF INQUIRY INTO
THE ADMINISTRATION OF CER-
TAIN DALMIA-JAIN COMPANIES

THE MINISTER OF INDUSTRY
(SHRI N. KANUNGO): Madam, I beg
to move:

“That the Report (1962) of the Commission of Inquiry appointed to investigate into the administration of certain Dalmia-Jain Companies, laid on the Table of the Rajya Sabha on the 23rd January, 1963, be taken into consideration.”

As hon. Members are aware, this motion should have been moved and discussed in the last session of the House, but owing to lack of time it could not be taken up then.

As the memory of the events which led to the constitution of the Commission in 1956 might have become somewhat blurred owing to the passage of time, I would seek the indulgence of the House for recapitulating them briefly at the outset. On receipt of numerous complaints between 1949 and 1951 Government ordered investigation into the affairs of three important companies of the Dalmia-Jain group in 1952. On the basis of the findings of the Inspector who found many objectionable features in the management of D.J. Airways Ltd., the Registrar of Companies, Delhi, filed a First Information Report with the Special Police Establishment in November 1953. The Special

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Police Establishment after obtaining search warrants from the District Magistrate Delhi, conducted a large number of searches all over India for the relevant books and accounts relating to D.J. Airways and the allied concerns and got hold of material which was subsequently made over to the Commission.

While these enquiries were going on, on receipt of some information about the diversion of funds by the Bharat Insurance Company belonging to this group an investigation was ordered into the affairs of this company and the investigation report submitted in July, 1953, disclosed considerable manipulation of the company's funds and callous disregard of the interests of the policy-holders. Subsequently, the company's failure to produce the securities held by it for its auditor's physical verification came to the notice of Government whereupon the matter was entrusted to the Special Police Establishment. Following investigation by the Special Police Establishment, Shri R. K. Dalmia was arrested and subsequently prosecuted on charges of criminal conspiracy and breach of trust under section 120 B read with section 409 of the Indian Penal Code. He was duly convicted by Government that a comprehensive imprisonment in 1959. The inquiries and investigations mentioned about *prima facie* disclosed a deliberate scheme of the Dalmia-Jain group to utilise the funds of the companies under their control for the personal gains and expansion of the business interests of this group. It was, therefore, felt by Government that a comprehensive investigation into the affairs of companies managed by this group was called for in order to ascertain the full facts about the *modus operandi* of the management, to expose the malpractices committed by the group of industrialists connected with these concerns and to recommend steps to be taken to prevent such malpractices in future. Government, therefore, set

up a Commission of Inquiry in December, 1956, under the provisions of Commission of Inquiry Act 1952, to inquire into and report on the administration of nine companies, the nature and extent of the control, direct and indirect, exercised over such companies and firms or in any of them by Shri Ramkrishan Dalmia, Shri Jai Dayal Dalmia, Shri Shanti Prasad Jain, Shri Sital Prasad Jain, Shri Shriyans Prasad Jain, their relatives employees and persons concerned with them and also to report what measures in the opinion of the Commission were necessary to ensure in future due and proper administration of the funds and assets of companies and firms in the interests of the investing public. Subsequently a tenth company, namely, Dalmia Dadri Cement Ltd., was added to the list.

SHRI LOKANATH MISRA (Orissa): On a point of clarification Madam. I would like to have a clarification from the hon. Minister here.

THE DEPUTY CHAIRMAN: What clarification? You have not yet heard him.

SHRI LOKANATH MISRA: Madam, he said that a tenth company was added. But there was another company, namely, The Kalinga Tubes, of which Mr. Jain was Chairman. Why was it left out?

SHRI A. D. MANI (Madhya Pradesh): That is the point.

SHRI N. KANUNGO: That is a matter of detail.

SHRI LOKANATH MISRA: Some money also invested by Mr. Jain from that company.

SHRI N. KANUNGO: The original Notification appointing the Commission required that in addition to its findings on the alleged malpractices the Commission should recommend the

action which in its opinion, should be taken as and by way of securing redress of punishment. This portion of the terms of reference of the Commission was held by the Supreme Court to be *ultra vires* the Commission of Inquiry Act on an appeal preferred against the order of the Bombay High Court in several writ petitions filed by Shri Dalmia and others soon after the appointment of the Commission. The original terms of reference thus stood modified accordingly. The Commission, therefore, has not made any observation or recommendation in its Reports as to the action needed "as and by way of securing redress or punishment" of Shri Dalmia and other members of this group or other on whom personal responsibility had been fixed for the irregularities and malpractices. The implication of the above decision of the Supreme Court was that the Commission was placed essentially in the position of a fact finding tribunal. Its Report thus embodies the available facts supported by documentary and other evidence relating to the various irregularities and malpractices of the scheduled companies noticed in the course of the enquiry. In any judicial action, these acts will, therefore have to be proved in the usual meticulous way before competent courts of law.

The Commission was originally headed by the late Shri Justice S. R. Tendolkar of the Bombay High Court and on his resignation Shri Justice Vivian Bose was appointed Chairman in 1958. Numerous petitions before High Courts and appeals before the Supreme Court as well as applications before the Commission itself by Shri R. K. Dalmia and others challenging the validity of the appointment of the Commission its constitution, its jurisdiction, etc. held up the proceedings before the Commission for a considerable time and delayed the completion of its work by nearly two years. Further, the dilatory tactics adopted by the companies whose affairs were investigated and by the persons in charge of their management in not

producing the necessary evidence before the Commission and destruction of valuable records with the object of thwarting the efforts of the Commission considerably delayed its progress.

The Commission submitted its Report in two parts. The first part dealing with the irregularities and malpractices committed in the scheduled companies under investigation was received by Government on the 18th June 1962. The second part of the Report which contains the Commission's recommendations as to the steps to be taken to prevent recurrence of such irregularities and malpractices in future was received on the 31st October, 1962.

I need not go into the various findings of the Commission contained in part I of its Report as Members to whom copies of the Report have been supplied individually are already aware of them. A general summary of its findings has been made by the Commission itself in Volume I of the Report.

In part II of the Report the Commission has noted the fact that the company law has been considerably amended and tightened since these malpractices took place first in 1956 and subsequently in 1960 and observed that it had only a few recommendations to make for further amendment of the Act with a view to closing the existing loopholes and removing the current deficiencies in the Act. It also made some observations regarding the organisation and working of the administrative machinery.

In view of the Supreme Court's ruling already referred to, which precluded the Commission from reporting on the action to be taken as and by way of securing redress or punishment it was left to Government to consider what further penal or administrative action by way of punishment or redress they can take against the persons concerned on the basis of

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the available material. In doing so it became necessary to examine the evidence collected by the Commission in detail and assess the extent to which such evidence will have to be supplemented if legal action against the persons found guilty of various malpractices by the Commission were to be taken. Such an examination and study was undertaken in the Department of Company Law Administration in consultation with the Law Ministry and as the House is aware Government requested Sarvashri C. K. Daphtary, the then Solicitor-General and A. Vishwanatha Sastri, a retired Judge of the Madras High Court, to consider the Report and advice Government as to the steps that could be taken in pursuance of the findings of the Commission. The Report received in two parts has already been placed before the House, Part II on the 29th April 1963 and Part I on the 6th May 1963.

In pursuance of the suggestions contained in Part I, the Special Police Establishment has undertaken a further study of ten transactions in regard to which these two lawyers felt that proceedings in a court of law might be sustainable. This examination by the Special Police Establishment has not yet been concluded and on account of the huge mass of evidence that has to be carefully sifted and studied, is likely to take another two or three months. In regard to Part II of the Daphtary-Sastri Report, Government have taken up the question of amending the company law and a Bill in this regard is to be brought forward very soon.

Following the consideration of the Report, Government have taken certain steps through the various administrative Ministries to ensure that in considering applications for grant of statutory approval under the Companies Act and other connected laws and issue of licences and other facilities for setting up new lines of busi-

ness or the substantial expansion of the existing ones by companies and persons belonging to this group due care and diligence is exercised. I may also mention for the information of the House that two members of this group have vacated their offices on the Board of a leading banking concern after the publication of this Report.

Apart from the Report of the Commission, on receipt of some complaints Government have ordered investigation under section 237 of the Companies Act into the affairs of five companies which are under the control and management of Shri Shanti Prasad Jain, a leading member of the Dalmia-Jain Group. These companies are:

- (i) Bennett Coleman and Co, Ltd.
- (ii) Rohtas Industries Ltd.
- (iii) New Central Jute Mills Ltd.
- (iv) Sahu Jain Ltd.
- (v) Ashoka Marketing Co., Ltd.

In view of the Supreme Courts company an investigation under section 249 of the Companies Act to determine whether it is an associate of the managing agency company Sahu Jain Ltd., has also been ordered. An enquiry has also been ordered under section 235 of the Companies Act into Asia Udyog Private Ltd., which is one of the ten companies covered by the Commission's investigation. These investigations are proceeding.

In considering this Report, I submit, it is necessary to bear in mind that the various irregularities and malpractices pointed out by the Vivian Bose Commission occurred at a time when the Company Law in force was not the Act of 1956 as amended by the Act of 1960, but the Act of 1913, a much milder piece of legislation based on the philosophy of *Laissez faire* of an earlier generation. Further, the Department of Company.

Law Administration was not in existence at that time, and the responsibility for the administration of the Act, such as it was, was left to the State Governments. Indeed in that period, it was only in the States of West Bengal and Bombay that there were full-time Registrars of Companies, the Registrars in other States being all part-time officers who were also Registrars of Co-operative Societies, Directors of Industries, etc. This necessarily resulted in inadequate administration or enforcement of the Act. Hon. Members will recall that one of the main objects of setting up the Department of Company Law Administration in 1955 in the Central Government was to replace this unsatisfactory arrangement by an administrative set-up, which, if it was properly equipped with the requisite tools, could ensure effective administration of the Companies Act, and if it was properly organised could exercise adequate supervision over the corporate sector.

Hon. Members are no doubt aware that Company Law, which is by far the most important piece of legislation designed to regulate commercial practices in the corporate sector has undergone considerable changes since the period covered by the Commission's Report (1945—1955) by virtue of the amendment of the Companies Act effected first in 1956 and subsequently in 1960. A large number of questionable transactions which might have been within the four corners of law under the 1913 Act are no longer so, and have become punishable under the present Companies Act. A number of wholesome restrictive provisions to check misuse of powers by corporate management have been introduced in law and numerous safeguards of a preventive or prophylactic nature have been provided to ensure that unhealthy corporate trends are kept under control. The concept of "associates" and "relatives" introduced in law for the first time in 1956 have effectively restrained company managements from entering into tran-

sactions of a dubious nature with their relatives or members belonging to their group by making such transactions valid only if they are sanctioned by the General Body in some cases and by the Central Government in others. It is no longer possible to make advances or loans to concerns with which the directors of public companies are associated without the approval of the Central Government. It is also not possible for a public company to make investments in the shares of other companies beyond certain limits without such approval. The associates of managing agents cannot be appointed as selling or buying agents and compensation for termination of managing agency agreements can be paid only on lines permitted by law. Public companies cannot freely be converted into private ones and accounts of branch offices have got to be compulsorily audited unless exemption is granted by the Central Government. Payment of managerial remuneration has been brought under control and certain safeguards have been provided in law to prevent any ownership of shares affecting prejudicially the interests of shareholders. Increased powers have been granted to Government to order an investigation in suitable cases and provision for special audit of accounts under certain circumstances has been introduced.

I mention these changes effected in 1956 and 1960 in company law by way of illustration only, to submit to the House that the tightening of the Companies Act that has been effected since the happening of events commented upon by the Commission has considerably reduced the possibility of the recurrence of such events, a fact that has been noted by the Bose Commission in its Report. In para 2 of the Report, the Commission has observed:

"The Companies Act of 1956 and the amendment Act of 1960, have certainly brought about far-reach-

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ing changes to the provisions exist-
ing under the Indian Companies
Act, 1913 as amended in 1936. Var-
ious deficiencies and malpractices
disclosed and discovered in the ad-
ministration of companies have been
lessened and the loopholes plugged
to a large extent. For example, one
of the malpractices which came to
our notice, namely, the premature
and deliberate termination of
managing agencies and payment of
compensation for termination has
been effectively dealt with in the
Companies Act as well as in the
Taxing Statute. We are therefore
left with not many recommenda-
tions to make."

That the changes in law so far effect-
ed do not go all the way and do not
completely eradicate the evil of mis-
management or dishonest corporate
practices has, however, to be acknow-
ledged. Both the Bose Commission as
well as the Daphtary-Sastri Report
have made recommendations and sug-
gestions for the amendment of the
present Companies Act in order to
plug the existing loopholes and defi-
ciencies. These recommendations and
suggestions are being considered by
Government along with the recom-
mendations of the Jenkins Committee
which went into the working of the
joint stock companies in U.K. last
year. In the light of these various re-
commendations and proposals, a Bill
to amend the Companies Act will be
brought before the House very soon.
In the enforcement of the punitive
provisions of the Companies Act the
powers at the disposal of the Govern-
ment are only those of enquiry, inves-
tigation and prosecution. Penalties
and punishments can be imposed by
courts only.

Though a company would be regis-
tered as a corporation under the Com-
panies Act, its operation would be re-
gulated by provisions of other statutes

which govern those operations de-
pending upon the nature of such ope-
rations. For example a banking or
an insurance company is governed
wholly as far as its operation goes by
the Banking Act and the Insurance
Act. Similarly, a company generat-
ing and distributing power would be
governed by the Electricity Act. A
company whose operations are indus-
trial production will be governed by
the Industries (Regulation and Deve-
lopment) Act. And above all the in-
centives and disincentives in any ope-
ration would be largely governed by
the various general and special taxa-
tion laws. Therefore, a company can
be adequately regulated only when
the various statutes governing the par-
ticular field of operation are set in
motion along with the Companies Act.
This we always endeavour to do.

I do not want to take any more
time of the House at this stage. I pro-
pose that the motion be taken into
consideration.

SHRI NIREN GHOSH (West Ben-
gal): Madam, I want one or two
clarifications from the hon. Minister
before the debate opens.

SHRI A. D. MANI: He can raise
them in his speech.

SHRI NIREN GHOSH: But I must
have the clarification before . . .

THE DEPUTY CHAIRMAN: Mr.
Ghosh, be brief and address the Chair
always.

SHRI NIREN GHOSH: Will the hon.
Minister enlighten us on one point?
He said in the statement just now
read out that the original purpose of
the Enquiry Commission was modified
by the Award of the Supreme Court
and that various impediments were
placed in the way of the functioning of
the Commission. Now, the Govern-
ment were aware of all those things.
What exactly did the Government do
in those days in order to help the
Commission so that it can have the

original terms of reference and speedily finish its labour? That is one point. The second point is . . .

THE DEPUTY CHAIRMAN: How many points have you?

SHRI A. D. MANI: You can raise all those points in your speech.

THE DEPUTY CHAIRMAN: Let your first point be clarified.

SHRI N. KANUNGO: This is a matter of argument. Am I to take each point and answer it? Then the debate will become impossible. The points will be recorded in the proceedings and when I reply I will meet those points.

The question was proposed.

THE DEPUTY CHAIRMAN: There are two amendments.

SHRI M. N. GOVINDAN NAIR (Kerala): Madam, I move:

1 "That at the end of the Motion, the following be added namely:—

'and having considered the same, this House is of opinion that all the Dalmia-Jain business concerns be immediately taken over by the Government'."

[The amendment also stood in the name of Shri Niren Ghosh.]

2 "That at the end of the Motion, the following be added namely:—

'and having considered the same, this House is of opinion that in the light of the disclosures made in the said Report, a permanent Statutory Commission should be set up to keep a watch over and enquire into the affairs of the Big Business concerns to check corruption and malpractices, curb monopoly and concentration of wealth and safeguard the interests of the public and the State'."

The questions were proposed.

SHRI M. N. GOVINDAN NAIR: Madam, Deputy Chairman, at the very outset let me pay tribute on my behalf and on behalf of my party to the commendable work done by the Vivian Bose Commission in bringing to light the malpractices systematically followed for years by one of the most prominent industrial houses in this country. The Commission has already pointed out that they have robbed Rs. 260 lakhs from the investing public and Rs. 150 lakhs from the exchequer by way of tax evasion. Now, in this stupendous task the Commission had to face evasions, opposition and often resistance and defiance. In spite of all that today we have before us a monumental work which throws light on how this big business houses are being run.

Now, as the hon. Minister himself has pointed out, the Commission was appointed to find out the *modus operandi* of these people. And what is it that has been revealed? Utilising the funds of the public limited concerns under their control they buy other concerns with large accumulated reserves and substantial liquid cash. Then these assets are transferred in the name of other concerns of the Dalmia-Jain group and finally when the entire money has been thus drained away, the public limited company is converted into a private limited company and then that private limited company with the help of obliging auditors and liquidators is destroyed so that no trace is left behind. Now, I ask you, Madam, is there much difference between a set of robbers who somehow get hold of the key of a house, enter into it, remove all the valuables and finally set fire to the house and get off?

SHRI A. D. MANI: That is called company law.

SHRI M. N. GOVINDAN NAIR: This is what has been said by the Vivian Bose Commission. They have dummy concerns as managing agents which are given long-term managing agencies

[Shri M. N. Govindan Nair]

and then they are abruptly ended after which a huge amount is paid by way of compensation and finally that concern is also brought to ruin. Then there are fraudulent payments for themselves as underwriting commission. There are allotment of shares to fictitious persons, fabrication of accounts, vouchers and documents, fictitious entries regarding inter-company loans etc. They dishonestly refrain from declaring bonus and then when the price of the shares goes down they buy them and then declare bonus and sell the shares for a higher price. All these things have been dealt with in detail in the Report of the Commission. It has been pointed out that the Commission could function only as a fact-finding Commission. At the same time the Government should remember that when the Commission was appointed first they wanted to give them wider jurisdiction and they selected persons who were quite competent to do the job as the Government desired. That was why they had an ex-Supreme Court Judge as one among them, but unfortunately, they had to restrict themselves to the responsibilities of fact-finding only. So, I suggest that now it is left to the Government to take necessary action. And hearing the Minister I am sorry to say that when he comes to that aspect of the matter he reminds us of the 1913 Act, then the 1936 Act and all that.

SHRI A. D. MANI: It is only the earlier generation we are reminded of.

SHRI M. N. GOVINDAN NAIR: And he seeks the help of prominent jurists. To that I would come later. One of the defences of Shri S. P. Jain was: "I am not the only one who practises it". My friend, Mr. Mani said: This is what is meant by company law. If that is so, it leads us to certain other conclusions. If there are loopholes in law by which these people cannot be caught, if the company law itself permits them to commit such fraudulent acts, then can it be that only the Dalmia-Jain group exploited that

situation or is it that this has been the common practice with all these big business houses?

SHRI A. M. TARIQ (Jammu and Kashmir): For instance.

SHRI M. N. GOVINDAN NAIR: Thackerseys comes to mind.

SHRI A. D. MANI: Only one firm?

SHRI M. N. GOVINDAN NAIR: No. The way in which these people are accumulating wealth has been shown in this. You examine how many of these people have doubled and redoubled their capital during the last ten years. Since my friends are interested, during the last ten years, according to a study of Prof. Hazari, Tatas have increased their gross capital from Rs. 152 crores to Rs. 388 crores, Birlas from Rs. 65 to Rs. 159 crores, Martin-Burns from Rs. 40 to Rs. 92 crores and Dalmia-Jain from Rs. 31 to Rs. 76 crores.

SHRI A. D. MANI: Not much.

SHRI A. M. TARIQ: Especially for Mr. Mani.

SHRI M. N. GOVINDAN NAIR: So, it is a matter of grave concern. About Birlas the same Prof. Hazari has made certain references in his study. He says:—

"The Birla chain is the most complex of all."

SHRI A. D. MANI: Naturally.

SHRI M. N. GOVINDAN NAIR: He says:

"One cannot find any single principal company in the Birla Complex, to which ultimate control can be traced on a purely inductive basis"

In the case of Dalmia group, we had the DCPM, the Dalmia Cement and Paper Marketing Company, and because of that you could get hold of them. In the case of Birlas you cannot get them like that. Then, it says:—

"Controlling investments are dispersed over a phenomenally large number of corporate investors, trusts, and individuals, many of whom are not members of the Birla family nor even top executives of the Group. Controlling equity in most of their leading industrial companies is held mostly in the names of Investment companies registered in the States of Madhya Pradesh and Rajasthan."

That is why in the present context, in view of what has been revealed by the Vivian Bose Commission, it is high time we took note of this factor and appointed a statutory commission to enquire into the working of all these concerns and I believe that my amendment will get support from all sides of the House.

Now, I do not think that under cover of loopholes in the company law the Government can shirk its responsibilities for all this kind of development. Now, these big business houses were encouraged in such activities by the latitude the Government has shown to them during all these years.

SHRI A. D. MANI: There was a general election at that time.

SHRI M. N. GOVINDAN NAIR: It is not only general election.

SHRI M. GOVINDA REDDY: (Mysore): What you mean by encouraged?

SHRI M. N. GOVINDAN NAIR: I will come to the general election at a later stage. (*Interruption*). My point is, if the Government wants to check such malpractices and irregularities, what should be the attitude which they should follow towards those people against whom such charges have been proved. For example, this morning in reply to a question the Minister informed us that one Bajoria was fined Rs. 22 lakhs . . .

SHRI A. D. MANI: McLeod and Company.

SHRI M. N. GOVINDAN NAIR: . . . for under-invoicing.

SHRI N. SRI RAMA REDDY (Mysore): It is the total.

SHRI M. N. GOVINDAN NAIR: The B.I.C. which was taken over from Mundhra was handed over to the same Bajoria. Why? Is it because the Government found that Mundhra was not competent enough to conceal this fraud and that a better person should be appointed for that job that this company was handed over? Otherwise, how can you justify it?

SHRI NIREN GHOSH: Bajoria is an honourable man.

SHRI M. N. GOVINDAN NAIR: Now, take the case of Dalmia group itself. This Report has shocked the entire country, but the Secretariat of the Central Government did not know it. After this Report has been published, three licences were given to the very same group. Why? Now, Rs. 187 crores are in arrears as income-tax, from the big business houses. If an ordinary peasant fails to pay his rent or tax, his movable and immovable property are auctioned. He is sent to the street. What action has the Government taken against these people? Even Tatas have to pay Rs. 2 crores. Now, a gentleman was given a reward for exposing the suppressed income-tax of J.K. concerns. Rupees seven crores were revealed.

SHRI A. D. MANI: How much was the reward?

SHRI M. N. GOVINDAN NAIR: It was something like Rs. 35,000. I mean to say that payment of reward was a loss to the Government because this amount of Rs. 7 crores was not realised. No action was taken by the Government against J. K. concerns and this person who got Rs. 35,000, he alone benefited. (*Interruption*).

SHRI C D PANDE (Uttar Pradesh) Only the Communists will make capital out of these mistakes

SHRI M N GOVINDAN NAIR Is it a mistake? If it is one instance, then it can be called a mistake. If it is a continuous affair, it is part of a policy.

Then about underinvoicing, the Customs take possession of certain consignments of one Ramnath Goenka. For 24 hours the consignment was under the custody of the Customs people, but within 24 hours it had to be released. Why? Is it because that within 24 hours the Customs people were able to go through the whole thing and found that nothing was there to be taken note of that they released it? Is it like that or is it that someone moved in Delhi so that the Customs people had to release the whole thing? I do not know? So, if I go on like this, there are so many instances which I can quote.

Now, my point is that it is this attitude, it is this softness towards the business houses in the country that is responsible for this kind of development. Now, everything is attributed to loopholes in the Company Law. My submission is that there are loopholes dug up by the big business in the administrative structure that help them, and that is why everything is interpreted in their favour. If the Government is serious in putting an end to this State of affairs, Madam I would suggest that they should beware of every Government Secretary who is above 50 and nearing the retiring age.

SHRI N KANUNGO Dangerous age

SHRI M N GOVINDAN NAIR Very dangerous age. It is dangerous, because they are like suitors counting the big business to join them immediately after retirement, when you

are a suitor and when your fiancée wants anything, you will go out of your way to get it done. That is the psychology with which many of your Secretaries function today, because as soon as they get out of here, they get very lucrative posts in some of these concerns. When that is so, how can you take stern action against anybody? That is one but that is not all. That is only one layer of the administration, the bureaucracy. But there is the other layer, the Ministers. I am not generalising. I know there are very good people.

SHRI A D MANI That is generalising.

SHRI M N GOVINDAN NAIR But there are Ministers with sons or sons-in-law in the employment of big business. When these in-laws and out-laws join together then the Ministers naturally become helpless. Now, I ask how many of the State Ministers' or Central Ministers' sons or sons-in-law are employed in these big concerns?

SHRI ARJUN ARORA (Uttar Pradesh) They have to earn their bread.

SHRI M N GOVINDAN NAIR Yes, yes. (*Interruption*) The most interesting fact is that with all his experience, competency or efficiency, if the Minister changes his portfolio his son gets demoted or son-in-law gets demoted.

SHRI ARJUN ARORA Do you advocate that the portfolio should not change?

SHRI M N GOVINDAN NAIR My point is that in the administrative structure the Ministers are softened by big business by employing their sons or sons-in-law. That is not all. Now I come to the third layer, the Parliament and Legislatures.

AN HON MEMBER What about the Communist Party?

SHRI M. N. GOVINDAN NAIR: When some big business houses say that they are helping the elections for the Congress for the whole State, how can Members of Parliament or a State Legislature, when questions relating to their affairs are posed before them, tackle them strongly and frankly and honestly? Here, Madam, is an extract from a petition submitted by Shri Dalmia himself before the Sessions Court on 24-10-1958. There he says:

"I met from my own pocket the election cost of Bihar Congress though a few candidates contributed small amounts for their own expenses."

SHRI A. D. MANI: What is that?

SHRI M. N. GOVINDAN NAIR: This is from a petition submitted before the Court by Dalmia himself.

SHRI ARJUN ARORA: He is admittedly very unreliable. You will not agree that Dalmia is reliable.

SHRI M. N. GOVINDAN NAIR: I do not say that he is reliable, but my point is, when this has been before the public, how is it that it was not contradicted?

SHRI LOKANATH MISRA: Would you kindly place it on the Table of the House?

SHRI M. N. GOVINDAN NAIR: I shall place it. Recently, the Chief Minister of Orissa, Shri Patnaik, gave a tape-recorded press conference, and in that press conference he stressed that Rs. 15 lakhs were got from Mr. Serajuddin for Orissa elections.

SHRI A. D. MANI: Who says that?

SHRI M. N. GOVINDAN NAIR: From Mr. Serajuddin Rs. 15 lakhs were got, and this statement comes from a responsible Congressman; it is published in the press and it is not contradicted, which means . . .

DR. NIHAR RANJAN RAY (West Bengal): On the strength of which document does he make this statement? Is he prepared to lay it before the House?

THE DEPUTY CHAIRMAN: What is the basis for your statement?

SHRI M. N. GOVINDAN NAIR: It appeared in the press, and I think any Member will know it, because it was a report which was noted by all. If necessary, I shall place it on the Table tomorrow. (*Interruption*). I would not withdraw my statement. I shall place it before the House.

AN HON. MEMBER: Not the tape record, but the report.

SHRI N. KANUNGO: Now, the hon. Member has made a statement. Either he should submit to the House the documents on which he makes this statement or he should withdraw it.

4 P.M.

THE DEPUTY CHAIRMAN: He said that he was going to produce the paper from which he had read out. Is that correct, Mr. Nair?

SHRI M. N. GOVINDAN NAIR: Yes.

THE DEPUTY CHAIRMAN: He is going to place it.

SHRI M. N. GOVINDAN NAIR: In such matters, I am not obstinate.

SHRI N. KANUNGO: That is all right as long as he places it.

SHRI M. N. GOVINDAN NAIR: More than the loopholes in the law, it is the softening of the administrative structure at the various levels that is responsible for the present state of affairs. This morning a question was asked about Messrs. Bird & Co. It is of course under investigation. I am not going into its merits at

[Shri M N Govindan Nair]

all But it is strongly rumoured in Delhi that four Ministers are involved through their sons or sons-in-law or brothers-in-law

SHRI AKBAR ALI KHAN (Andhra Pradesh) Are you going

SHRI M N GOVINDAN NAIR I may agree with you

SHRI AKBAR ALI KHAN You should have basic evidence of some documents Should we go on rumours?

THE DEPUTY CHAIRMAN I think Mr Nair

SHRI M N GOVINDAN NAIR I also agree (Interruption)

SHRI N SRI RAMA REDDY What are we discussing, the Vivian Bose Commission's Report or the conduct of the Ministers here?

SHRI M N GOVINDAN NAIR It is very much connected with the discussion of the Vivian Bose Commission Report Why should the Ministers get tied up with these people? I am prepared to admit, if it is proved, that these are irresponsible talks by indecent people, spread for the character assassination of Ministers All that I am prepared to accept but the point is

SHRI M P SHUKLA (Uttar Pradesh) Would the hon Member let us know why it is that the Communist Government of Kerala invited the Birlas and others for their own production?

SHRI NIREN GHOSH Because the Kerala Government which was in power could not arrange things as they pleased under your Constitution

SHRI M N GOVINDAN NAIR The question is this There are talks that certain Ministers are involved through their sons and in-laws in the Bird & Company affair When I say this why should you create an uproar?

THE DEPUTY CHAIRMAN You should stick to facts you better not yield to rumours

SHRI M N GOVINDAN NAIR That is all right

SHRI KHANDUBHAI K DESAI (Gujarat) Are we discussing some rumours going on in the city or are we discussing here the Vivian Bose Commission's Report?

SHRI M N GOVINDAN NAIR Not only am I speaking about these rumours, I have suggested a concrete method by which these can be exposed Have a statutory committee Go into the matter, find out whether Ministers are involved in it and get them out of it

Now Madam, I come to the other side

SHRI A D MANI Dalmia side

SHRI M N GOVINDAN NAIR I admit that we have a very competent man as our Law Minister He was recently trying to be the initiator interpreter and executor of law He felt himself competent to do so He felt himself competent to advise Parliament to enact laws in violation of the Constitution So, I have absolutely no doubt that we have a very competent Law Minister I am not a lawyer, I understand something of law from the practices I see around

AN HON MEMBER From lawyers

SHRI M N GOVINDAN NAIR And here I was shocked to find, after reading the Report of the Bose Commission that the Government found itself helpless to proceed against them harass them They say, there is no provision Now

SHRI AKBAR ALI KHAN Government will proceed according to the law and not according to the individual

SHRI M N GOVINDAN NAIR That is why I ask . . .

AN HON MEMBER For their interest

SHRI M N GOVINDAN NAIR
If a man like me or Mr Mani commits a similar offence, I am quite sure that we will be hanged for it

SHRI AKBAR ALI KHAN They are sons-in-law of a very important person

SHRI M N, GOVINDAN NAIR
Now my point is why is it that these people are not arrested for criminal conspiracy. They had committed a breach of trust. Can anyone deny it? Or do you want a new law? Can any body deny that a breach of trust was committed by them? Have they not cheated the people? As I mentioned earlier, dividends are not declared in order to deliberately bring down the value of the shares. Then you buy them and declare the dividend. Is it not cheating? Are not criminal proceedings possible against such actions? I cannot understand it. Now, a sum of Rs 4,50,000 or so has been taken by Shri R Dalmia who is neither a director nor an officer of the concern.

AN HON. MEMBER He is now in jail

SHRI M N GOVINDAN NAIR
That is all right. But I ask you. Is it not a breach of trust? Is not any action possible? Then, announce it openly that if such things are done, our law is helpless. We cannot do it. If one-hundredth or one-millionth part of such a crime is committed by somebody else, by an ordinary citizen, I know that the law will be there to take action against him. But when such people commit such a daylight robbery such fraud you say that your law is helpless. Then if that is so, if the arms of law are not long enough to reach them, I would suggest, change the law. If the Constitution stands in the way, change it and see that such people are booked and they are booked in such a way that nobody will dare repeat similar crimes hereafter.

Instead of that, the Minister pleads helplessness before us under cover of the Company Law and its loopholes. I say, if the Government is not going to take note of the seriousness of the crimes committed by the big business and take a strong stand to put an end to them by weeding out all the suspicious contacts and relations with big business, it will be bad for them, bad for the country. We cannot allow such rot to eat into the economic life of the country and run our country. We have to take note of this factor.

Thank you Madam

SHRI KHANDUBHAI K DESAI
Madam Deputy Chairman at the outset I would like to pay my compliments to the Vivian Bose Commission for having placed before the country the fraudulent transactions that have been done by the various companies managed by the Dalmia group.

[THE VICE-CHAIRMAN (SHRI M GOVINDA REDDY) in the Chair]

As the Minister has said at the outset, all these frauds or misappropriations or manipulations were done under an old Company Law which is a generation old, that is the 1913 law. Since then, a comprehensive legislation has been brought on the Statute Book and certain loopholes have been plugged. Subsequent loopholes have been plugged in 1960 and I believe that a new legislation will be coming up in order to plug further loopholes which are even now possible under the existing law. In spite of many handicaps and obstructions created by Ramakrishna Dalmia and his associates the Commission has done a very good job. The Report is both interesting and instructive to laymen like us. One need not go into the various details which have been discussed at very great length in the Report but I am sure the Government on the facts found in the Report, will bring before this House and the other House some

[Shri Khandubhai K. Desai]

further legislation in order that such frauds and manipulations may not occur in future

In a nut-shell Sir, these Dalmia companies, whose master-mind and architect was Ramkrishna Dalmia and his associates, found according to my lay readings three gold mines in the form of (1) Shapooji Bhaioocha and Madhavji Dharamsi Mills, (2) the Lahore Electric Co and, last but not the least, Disposal transactions which were made by Shri Shanti Prasad Jain somewhere in 1946 when they purchased from the Disposals goods worth Rs 5 crores for disposal. Now, these were the three gold mines which they wanted to mine for themselves personally rather than for any public good. The Dalmia Cement and Marketing Co was utilised under the then existing law as a clearing house for all these frauds. These are the facts as revealed in the Report.

Now, how was it possible? As a Member of the Select Committee for both the Bills, I think even the present law is not enough to stop these malpractices in the future even with the comprehensiveness which it has got. The company law depends upon the honesty, integrity and independent judgment of the auditors. In 1960 a special audit, as we see, is provided on the assumption that the auditors are quite independent people. But from practical point of view we know that the auditors are, more or less, the creatures however much they may boast the other way about of the board of directors. They have got to carry out what the board of directors or the chairman or the managing director directs them. And that is what has been clearly pointed out in the Commission's Report. But for the collusion of the auditors such large-scale frauds and manipulations could not have been possible. Therefore the special auditor provision in the 1960 law is not adequate. Some of us even then suggested publicly in the Select Committee that the time now has come when it will be worth while, expedient and

in the public interest to nationalise the audit service so that we can have the watch-dog of Parliament and the democratic Government to watch the working of all the companies. If for the time being that is not possible for practical reasons, I may suggest for the consideration of the Government that in the present system of audit there must be added collateral check audit for every company so that there will be a healthy fear that if collateral check audit is provided in the law, even the so-called independent auditors will be alert because if something is found out they will lose their certificate and licence to audit. It is a healthy, indirect way of looking at this problem. Mr Vice-Chairman, Sir, this is one suggestion that I would place before the Government for their consideration when the amending Bill is brought before it. I think it should not only be done but it should be a "must" in the new Bill, because as it is, now the corporate investment has considerably increased during the last fifteen years under the protective shelter given by the Government in various ways. The public funds are being utilised either through banks or through the Industrial Finance Corporations or through certain other credit institutions guaranteed by the State. So, they are all public funds and it is but proper that the public funds are very properly audited and accounted for so that the trust in the private enterprise by the shareholders and investors will be fully maintained if the Government brings in a clause in the law showing that all reasonable care and precaution has been taken by the Company Law Administration for the proper utilisation of the funds. Therefore, I suggested either the nationalisation of audit or, failing that, collateral check audit.

Now, the other revelation which has been brought about in the Report is that there are as many accounting years in the company as there are months. In one company there is January. In the second it is Febru-

ary. In the third it is March and in the fourth it is April and so on. So, at the time of casting the balance-sheets there are cross entries from one concern to the other, as it is called in Gujarati *havala*. For purposes of audit they will show proper accounts. But immediately within a month or a fortnight of the accounting year they will again transfer it to the lending company. Now, if you want to stop that, the only way that you can do is to have one uniform financial accounts year. Either it may be March-March, December-December or June-June whatever is suitable. That is the other suggestion which I would like to make. While going through the Report—as I said it was found very interesting and instructive Report—I found that there was a lot of manipulation done in the matter of private and public companies. The suggestion has been made by various people who appeared before the Select Committee on the 1960 (Amendment) Bill that the distinction between private and public companies should be done away with. That is, all the liabilities which a public company has to go through under the Company Law should be applicable equally to a private company. There is no private company also. What is private? Is it private money? Whether it is private limited or public limited, it has to deal with banks, it has to deal with the depositors. It gets loans from the public companies. It gets loans from the I.F.C. and others. So the time has now come for the new amendment to do away with the distinction between private and public limited companies. If these 2 or 3 suggestions of mine are carried out, the inducement and urge to create fraud and manipulation will be lessened gradually. Why are they doing all these things? It is either to appropriate the money for themselves or to defraud the public exchequer of the taxation. Some rough calculations have been made that Dalmias have been able to defraud the public companies to the extent of Rs. 2 or 3 crores and to the same extent they have been able to defraud the public

treasury of their taxation liability. More they could not find out because there is an easy method of destroying the records and documents by first converting the public concern into a private one, then taking it to liquidation and then pass a resolution that the documents may be destroyed.

The last suggestion which I would make is that no public or private company should be allowed to be taken to liquidation either voluntarily or otherwise unless the company's accounts and the case for liquidation is properly examined by a court.

These are the few suggestions I would make. It is no use now going into the question of who are responsible and who are not. I am very definitely of the opinion that even though in the matter of this group the responsibility is being shifted to Mr. R. K. Dalmia, who is the master-mind behind it, the beneficiaries of the fraudulent transactions are his associates too. Therefore Mr. Dalmia and all his associates are morally and constructively responsible for all the transactions that have been pointed out by the Bose Commission and should be dealt with accordingly.

With these few words I would very humbly commend these 3 or 4 suggestions to the Government in addition to certain other technical amendments which are being made.

SHRI ROHIT M. DAVE (Gujarat): Mr. Vice-Chairman, I also join in paying my tribute to the Vivian Bose Commission for doing this monumental work and giving us a Report which is very revealing and which points to some of the glaring defects and deficiencies in our law and administration which has resulted in large scale fraud on the public as well as on the Government. Normally, one might take a cynical view and say that wherever there is profit motive, people always try to amass as much money as they can through various

[Shri Rohit M. Dave.]

devices, some legal and some extra-legal, in the hope that they might not be caught and one has to reconcile oneself to such a situation. Unfortunately, we are so situated today that it is not possible for us to take such a cynical view. Both the defence and development of this country require large scale economic expansion and howsoever I may wish, it is not possible for the public sector to undertake the sole responsibility of this economic expansion. We have, therefore, to depend upon the private sector, upon the corporate sector for our economic development and if this sector does not play its part, honestly and efficiently, it will not only be a question of moral turpitude of a personal character but it would spell disaster to the country as a whole. We have, therefore, to take a very serious view of the defects and deficiencies that have been pointed out in the Commission's Report. To my mind, this Report has two aspects. One is to bring to book those who are found responsible or who are found guilty of breaking the law and committing the fraud. I am sorry to say that in this connection the Government has failed in its duty to bring to book the culprits all these years. As the Minister has already pointed out, since 1949 rumours were heard about certain irregularities and breaches of laws by certain concerns. A very complicated and long-drawn-out machinery was put into motion in order to deal with this complaint. We had first certain investigations, then investigation by the S.P.E. then a Commission, then another Committee to give legal advice as to what should be done and now again, inspection by the Company Law Administration and by the S.P.E. Much precious time has been lost with the result that evidence is not available and whatever one might do, it is now quite certain that the guilty will not be brought to book. I am not one of those who would advocate any historic prosecution of any person, whatever be the sentiment in the public. It is the law which has to take its

own course, and as far as we the Members of Parliament are concerned, we have only to see that the law does take its course and that the Government does discharge its duty. It is not for us to recommend who should be prosecuted and who should not be prosecuted, because we as Members of Parliament are not competent to do so. But certainly we are entitled to register our sense of sorrow when we learn that the machinery that was put into motion was so complicated and so long-drawn-out that *prima facie* it is now likely that all the guilty are not to be brought to book. Here again, it is not just a question of bringing the guilty to book, though that by itself is a very commendable object and it is the responsibility of the Government to do so. However, in the present circumstances, this has become very important because a feeling is growing in the community that you can do anything you like and get away with it, that the administration of law in this country has become so lax that it is possible for you to indulge in all sorts of malpractices. There is not the fear of law in the minds of the public, especially in the minds of the business community, I am very sorry to say it. As I have said at the beginning, I know we have to depend upon the industrialists and the business community and the private sector for the development of our economy and it would not be wise to pass any judgment in a generalised manner. But with all sense of responsibility I am constrained to say that today, at least in the industrial community and the business community, the respect for law has disappeared, and the feeling has grown that you can do anything you like as long as you are clever enough to hide what you are doing. This particular Report is a monumental testimony to this fact and because all those who are responsible for the crimes that have been indicated in this Report are not going to be brought to book, because of the type of machinery that was put into motion, the feeling is further likely to go abroad that you can get away with such

crimes as have been indicated in this Report. It is from that point of view that I am really sorry that such a procedure was followed and enough promptitude was not shown in dealing with such malpractices, even when the Government became fully aware that something was very wrong with this group.

Apart from that, Sir, there is the further question of preventing these malpractices and of seeing what could be done about them. The hon. Minister has told us that he is bringing in amendments to the Company Law in order to plug certain loopholes that have come to light. I do not know what is going to be the nature of these amendments. Here again, I would like to point out that the Report of the Commission has indicated that it is not merely a question of plugging the loopholes in the Company Law. The malady is much deeper and we have to deal this malady from all the aspects of the question, rather than merely plugging the loopholes in the Company Law, though I do not for a moment belittle the importance of plugging those loopholes.

Sir, I had the good fortune of being a member of the Joint Select Committee which sat on the Bill to amend the Company Law in 1960, and there I found that from the side of the businessmen and from the side of the industrialists all possible obstructions were put in order to prevent the work of making this Company Law as fool-proof as the Government wanted to make it, and in many respects the Government succumbed to the pressure, and ultimately, the law which emerged and which this Parliament passed, was a law which had many defects and deficiencies. Even apart from the defects and deficiencies in the Act itself, it is still not quite clear what are the implications of this Act and many a time I am bewildered at the sort of game of chess that goes on between the Company Law administration on the one hand and the business community on the other. I

would give only one instance. In the Select Committee we had discussed at great length the desirability of stopping the practice of publishing only the summary of the prospectus which might not give a clear picture of the objects of the company. In this Report itself the dangers of such advertisements in such announcements have been pointed out and it has been indicated that by merely seeing the name of a particular company, the shareholders are misguided as a result of which they put their money into that company, thinking that it is an airway company, while really it is something different.

SHRI M. N. GOVINDAN NAIR: It was for motor cars.

SHRI ROHIT M. DAVE: Yes, for buying motor car spare parts. The mere mention of the name of the company can create so much difficulty for the honest shareholders, the honest investing public who want to participate in the economic development of this country, the public who have been called upon day after day to save as much money as they can and put it in the service of the economic development of the community. Therefore, one would have thought that the Government and the Company Law Administration had sufficient resources to see that these people are protected. But what do we find? I read the other day a report that a notice was sent by the Company Law Administration to the parties concerned that henceforward it was illegal to publish such summaries of prospectuses. Yet I find that again and again summaries of prospectuses do appear and I am yet to come across a single news item wherein the Company Law Administration has launched any prosecution against any such party. We have a law and we were assured at that time that this section as it was, was quite sufficient to protect the investing public. The Company Law Administration has announced that it would be an offence to publish such summaries, that it would be illegal, still we read

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in the newspapers such summaries. What is happening? How is it that no prosecution is being launched? Is there something wrong with the law? If there is something wrong in the law, how is it that it was not looked into at that time? How long are we to go on waiting and watching this game of hide and seek between the Company Law Administration on the one hand and the business community on the other, before the legitimate interests of the investing public are properly safeguarded?

Then again, we were told that the speeches of the chairmen of companies should not be published, unless certain other items were also published with them. But we do find such speeches being published every day.

AN HON. MEMBER: They are paid for it.

SHRI ROHIT M. DAVE: Here and there they are paid for it.

SHRI ARJUN ARORA: Yes, from the funds of the company.

AN HON. MEMBER: It is advertisement.

SHRI ROHIT M. DAVE: Other methods are found to give the summary and the objects and reasons of the company, by way of certain advices to the investors in the financial newspapers which are now appearing in our country. If the investing public is really to be protected, it is the business of the Company Law Administration to see that the investing public is protected, but I am afraid that they have not got enough powers under the Company Law to see that the legitimate interests of the investors are protected. That is one aspect of the question. As I said even if all these loopholes are plugged, we are not going to have a situation which might be reasonably foolproof. We have got here the case of auditors and even the case of liquidators who were pressed into service by this group in order to practise fraud on the shareholders. What are we doing about this? I fully realise that it is

not possible for the Government to check each and every fraud, to check each and every irregularity nor is it possible for the shareholders to do so. Both the shareholders and the Government have to depend upon the reports of the auditors. It is the auditors who are the eyes and ears of the investing public as well as the Government. If these eyes and ears themselves are defective, and if they are able to enter into collusions with the dishonest people in the industry, how are we going to protect again the interests of the investing public.

Here again, it is not merely a question of plugging the loopholes in the Company Law. We have to find ways and means whereby the auditors are not in a position, the liquidators are not in a position to be a party to the fraud on the investing public. There are instances given in this Report regarding the fraud on the public exchequer, that false accounts are kept that profits have actually been earned have not been shown and thereby the public exchequer is deprived of its legitimate share out of the profits of the company or the individuals. Now, no plugging of the company law is going to help us against these malpractices. Are we to understand that today no false account books are being written? Are we to understand that all the incomes and profits of individuals and corporations are fully being revealed and that the public exchequer is in a position to get its legitimate share out of the incomes and profits of the individuals and companies? Again, it is common knowledge that it is not so and that we have failed so far to revise the income-tax law whereby it would be possible for us to get our legitimate share. Again it is a question of disrespect for law and disrespect for administration.

SHRI A. D. MANI: Lack of character.

SHRI ROHIT M. DAVE: People feel that they can get away. They feel that it is always possible for them to

indulge in these malpractices and that nothing would happen to them. If this kind of things go on, this type of paralysing, lack of character or loss of character would continue with the result that the entire community will almost lose confidence in personal morality as well as public morality. This is not a small thing. This is something which is eating into our very vitals, our society and our community and it is the responsibility of the Government to see that effective measures are taken whereby the law of the land is respected and no one is able to escape. Partly this is the fault of the law as such and partly it is also due to lethargy in administration.

The Company Law Administration in its Report year after year has pointed out deficiencies in the administration of the company law. They have complained that enough resources are not placed at their disposal whereby it would be possible for them to discharge the onerous responsibility that they are called upon to discharge with reference to the corporate sector which is fast growing and expanding. The Company Law Administration in its Report has pointed out that its scope is too limited that it is not possible for it to detect all the various loopholes that are existing in the working of the corporate sector and unless its jurisdiction is enlarged and all the various acts which deal with the working of a given company are brought under its purview, it will not be possible for the Company Law Administration to discharge its functions effectively. We go on reading on the very first page of the Report of the Company Law Administration, year after year, this complaint and this suggestion. So far nothing has been done about it. The whole thing is allowed to drift as it is with the result that the corporate sector goes its own way and there is hardly any indication of improving the situation and, what is more, any indication which would suggest that the Government is keen in seeing that the

corporate sector functions properly. Unless this keenness is shown, unless this awareness is shown, unless this determination is shown, because of the vast expansion of our economy and the opportunities that are easily available to get rich quickly without contributing one's own productive share in the development of the economy, this sense that one can get away with crimes against community will continue. Because the temptation is so great, because the opportunities are so many, it is all the more the responsibility of the Government to see that people do not succumb to these temptations, that people are not induced to take advantage of the opportunities that are just appearing before their eyes.

The greater inducement, the stricter ought to have been the administration of the law and greater ought to have been the determination on the part of the Government to see that law is respected. It is this aspect, lack of determination on the part of the Government and their own helplessness to effectively implement the law, which forms part of the sad features of the working of our corporate sector today. Again, I do not wish to indicate even for a moment that the entire corporate sector is dishonest, that the entire corporate sector is corrupt, but what I am concerned with is this growing sense of immunity from the administration of the law which is real and we have to arrest it here and now. We have to see that those who are honest, those who are competent, those who are efficient are protected, that the confidence of the investing public in the corporate sector grows more and more so that it may be possible for us to induce larger and larger number of income earners into our community to save more and to put their savings in the service of the development of our economy.

Therefore, Sir, this is not merely a question of plugging certain loopholes. This is a question of creating the climate in the country whereby it may be

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possible for us to make it clear to all whom it concerns that the breaking of law, that the evasion of law will not pay in the long run. If we are able to create this atmosphere, the monumental work which this Vivian Bose Commission has done would be of some value and whatever might have been the situation in the past, at least in the future it will be possible for us to create greater confidence in the investing public.

Sir, I thank you.

श्री कृष्ण चन्द्र (उत्तर प्रदेश): माननीय उपाध्यक्ष जी, आज हमारे सामने विवियन बोस कमिशन की रिपोर्ट विचारार्थ पेश है। जो माननीय सदस्य मुझसे पहले इस विषय पर बोल चुके हैं उन्होंने कमिशन के चेयरमैन श्री विवियन बोस को अपने अपने ट्रिब्यूट्स दिये हैं उनके प्रति अपने आदर की भावना अर्पित की है। मैं भी उनके साथ शामिल होना चाहता हूँ और अपनी ट्रिब्यूट्स कमिशन के चेयरमैन को देना चाहता हूँ। उन्होंने वाकई बड़ा परिश्रम करके एक ऐसी विस्तृत रिपोर्ट इस देश के सामने पेश की है जिससे देशवासियों की आंखें खुल सकती हैं और उनको पता लग सकता है कि कानून के शिकंजे के अंदर रहते हुए भी ऐसे लोग हैं जो अपना दांव पेच, धोकाधड़ी फरेबे, यह सब खुले आम कर सकते हैं, और थोड़े दिन में अपने आप को मालामाल बना सकते हैं।

डालमिया जैन ग्रुप के बारे में जो कमिशन ने जो अपने उद्गार प्रकट किये हैं उससे सभी लोग सहमत होंगे जब यह रिपोर्ट सब लोगों के सामने अच्छी तरह से आ जायगी। डालमिया जैन ग्रुप गत महायुद्ध से पहले कोई बहुत धनाढ्य घराना, बहुत धनाढ्य ग्रुप नहीं था। वे एक मामूली हैसियत के पूंजीपति थे, इतने बड़े पूंजीपति नहीं थे जितने कि वे आज हो गये हैं। उन्होंने लड़ाई का पूरा फायदा उठाया। वैसे तो लड़ाई का फायदा और पूंजीपतियों ने भी

उठाया है और अपने आप को मालामाल किया है लेकिन डालमिया ग्रुप ने जो लड़ाई का फायदा उठाया और जिस तरीके से उठाया है मेरे खयाल में और किसी पूंजीपति को उतनी सूझबूझ बड़मानी करने की नहीं थी। डालमिया जैन ग्रुप की एक फर्म थी, दुकान थी जिसका नाम था एलनबरी कम्पनी। वह प्राइवट लिमिटेड कम्पनी थी, वह एक विदेशी कम्पनी थी, जिसको उन्होंने खरीद लिया था। मोटरों को दुरुस्त करने का, मोटरों को बेचने का वह एक कारखाना था। तो उसको उन्होंने खरीद लिया और खरीद कर उन्होंने लड़ाई के अवसर पर जो अमेरिका की बहुत सी फौजें यहां पर आई थीं और जो बहुत सा फौजी सामान यातायात का उनका यहां पर आया था, जो बहुत बड़ी संख्या में तरह तरह की मोटर गाड़ियां यहां पर आई थीं, इस एलनबरी कम्पनी ने उनकी सर्विसिंग का ठेका ले लिया कि उनको वह ठीक हालत में लड़ाई के लिये मेनटेन करेगी, ठीक हालत में रखेगी, उनको दुरुस्त करती रहेगी और ऐसी हालत में रखेगी कि जो वे अच्छी तरह से काम दे सकें। इस जरिये से, जब लड़ाई खत्म होने की थी, तो उनको इस बात का पता लग गया कि अमेरिका के पास बहुत सी मोटर गाड़ियां हैं और जिन वक्त लड़ाई खत्म होगी तो अमेरिका अपनी इन सब गाड़ियों को मिट्टी के मोल पर बेच जायगा तो डालमिया जैन ग्रुप के दिमाग में यह बात आई कि इस मौके का फायदा उठाया जाय और अपने आप को मालामाल किया जाय। एलनबरी के पास इतना सरमाया नहीं था कि वह इतने बड़े सौदे को ले सकती, कई करोड़ों का मामला था। जैसा कि विवियन बोस सा ब ने अपनी रिपोर्ट में लिखा है, एलनबरी कम्पनी के बैलेंस शीट से मालूम होता है कि उसका सरमाया, एसेट, एक करोड़ कुछ लाख का था और उतने ही के करीब, कुछ कम की, उनकी लाइबि-

लिटी थी। तो वे एक करोड़ भी नहीं जुटा सकते थे, अगर बहुत कर सकते थे तो १ करोड़ रुपया बैंक से उधारखाते में लेकर सौदे में दे सकते थे। लेकिन यह सौदा तो बड़ा तीन करोड़ रुपये का था। तो उन्होंने डाइरेक्टर जनरल आफ डिस्पोजल्स से बात-चीत की कि कितने में यह सौदा बन सकता था। डाइरेक्टर जनरल ने उनको यह आफर कर दिया कि २ करोड़ रु० ४६ लाख अगर आप दें तो मैं आपको ये सब गाड़ियों का लाट दे दूँगे। अब उनके दिमाग में यह बात आई कि इस सौदे को लिया जाय। एलनबरी के पास इतना पैसा नहीं था तो उन्होंने एक तरकीब सोची कि पब्लिक लिमिटेड कंपनी बनाई जाय क्योंकि एलनबरी तो प्राइवेट लिमिटेड कंपनी थी, इस वास्ते प्राइवेट लिमिटेड कंपनी की हैसियत से वह पब्लिक से शेयर के लिये अपील नहीं कर सकती थी। लिहाजा उन्होंने एक तरकीब की कि पब्लिक लिमिटेड कंपनी दूसरी बनाई जाय और उस के जरिये से पब्लिक से शेयर मांगें जाय और उस रुपये को इस में लगाया जाय। लेकिन पब्लिक के सामने अगर यह चीज रख देते कि यह काम हम करने जा रहे हैं तो शायद पब्लिक के लोग शेयर नहीं खरीदते। उस जमाने में हवाई जहाजों की कंपनियों के शेयर की पब्लिक में खूब मांग थी, तो इस वास्ते डालमिया जैन ग्रुप ने एक हवाई जहाज चलाने की कंपनी बनाई, अर्थात् डालमिया जैन एयर-वेज लिमिटेड और उसके जरिये से उन्होंने पब्लिक से शेयर मांगें, अखबारों में पब्लिक अपील निकाली। उस कंपनी का उद्देश्य और मंतव्य जो लिखा उसमें जो सब से बड़ा मंतव्य था वह था हवाई जहाज का धंधा चलाना। कंपनी का नाम भी हवाई जहाज की कंपनी था। और हर पब्लिक का आदमी यह समझता था कि यह कंपनी हवाई जहाज को चलाने के लिये बनाई गई है, उसी का यह धंधा करेगी। किसी के दिमाग में यह बात नहीं आ सकती थी कि वह कंपनी अमेरिका की लड़ाई में काम आने वाली मोटर

कारों का धंधा करेगी। और उद्देश्यों में कहीं उन्होंने लिख दिया कि अदर व्हीकल्स, यानी दूसरी गाड़ियों का, भी धंधा करेगी। अब दूसरी गाड़ियों के अंदर तमाम मेन बिजनेस उन्होंने मोटर का ले लिया, और यह एक ऐसी चीज थी जो और किसी के भी दिमाग में नहीं आ सकती थी। कंपनी जो अपना नाम रखती है उस नाम के अनुरूप ही उसका मुख्य धंधा होना चाहिये और जो उनके खास मंतव्य और उद्देश्य हों उनके अनुरूप ही उनका धंधा होना चाहिये। इसके अलावा जो धंधा वह करें वह बहुत छोटा सा धंधा कर लें तो हर्ज नहीं लेकिन मुख्य धंधा उनका वही होना चाहिये। आज हमारे कंपनी ला और कंपनी ला का जो इंतजाम करने वाले हैं वे सब इस बात की कोई देख-भाल नहीं करते और न उनके पास इस किस्म के कोई अधिकार है कि वह चीज को रोकें। तो डालमिया ग्रुप ने इसका फायदा उठाया।

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY): How much time will you take?

SHRI KRISHNA CHANDRA: I will take at least 15 minutes.

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY): Congress Members are to get only 15 minutes each. You have already taken 8 minutes. Could you finish your speech in two or three minutes? In that case I suggest that the House may sit a little longer.

SHRI KRISHNA CHANDRA: I shall continue on the next day.

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY): The House stands adjourned till 11 a.m. on Friday, 16th August.

The House then adjourned at one minute past five of the clock till eleven of the clock on Friday, of the 16th August 1963.