

foreign banks in India are governed by the directive of the Reserve Bank. The third point was whether the cheque system would be allowed. At least it is a matter which can be considered. The suggestion that a certain number of cheques may be permitted even under the new system of higher interest on pure savings accounts will be considered.

**DR. RAJAT KUMAR CHAKRA-BARTI:** The hon. Minister just now said that no small savers have so far withdrawn their bank accounts. May I remind him that the poor people and small savers do not have any alternative? They have to go by whatever is fixed by the Government. May I know from the hon. Minister what happened to the golden rule of one cheque per week from the savings bank account? Why that principle has been discarded and the small savers unnecessarily punished by forcing them to keep two accounts—one with the cheque system and the other without it?

**SHRI H. M. PATEL:** I have already said that this point will be considered, is under consideration.

**DR. RAJAT KUMAR CHAKRA-BARTI:** What about one cheque per week?

**MR. DEPUTY CHAIRMAN:** He said he will consider it. Next question.

#### **Loan by the Central Bank to Kohinoor Mills**

\*32. **SHRI LAKSHMANA MAHA-PATRO:**†

**SHRI YOGENDRA SHARMA:**

**SHRI S. KUMARAN:**

**SHRI SANAT KUMAR RAHA:**

Will the Minister of **FINANCE AND REVENUE AND BANKING** be pleased to state:

†The question was actually asked on the floor of the House by Shri Lakshmana Mahapatro.

(a) whether the Central Bank of India sanctioned loans of about Rs. 25 crores during the last two years to the Kohinoor Mills Company Ltd., Bombay;

(b) whether it is a fact that the sanction of these loans was without the RBI authorisation; and

(c) if so, what are the details in this regard and what action has been taken against the persons responsible for these irregularities?

**THE MINISTER OF FINANCE AND REVENUE AND BANKING (SHRI H. M. PATEL):** (a) to (c) A statement is laid on the Table of the House.

#### **Statement**

The Kohinoor Mills Co. Ltd., Bombay, a textile mill with installed capacity of 1,30,200 spindles and 1960 looms and employing about 8000 workers, has been a client of the Central Bank of India since 1957 and has been extended credit facilities by the Bank from time to time. For the credit facilities to the Company, the Bank holds a formal credit authorisation from the Reserve Bank of India up to a limit of Rs. 4.75 crores since July, 1974. Under the discretion vested with it under the Credit Authorisation Scheme the Bank also allowed a temporary limit of Rs. 25 lakhs for a period of 3 months from December, 1974 and the Reserve Bank of India was advised of the same as required under the Scheme. The Reserve Bank of India also accorded authorisation in May, 1975 for an additional sum of Rs. 50 lakhs for a period of 3 months. The validity of these enhanced limits expired in August, 1975, whereafter technically the regular limits of the company upto Rs. 4.75 crores became operative.

Since the later half of 1974, the company has been experiencing serious financial difficulties. According to the Bank since then it has been trying to nurse the mill company into health and in the course of this process it has to extend certain increased facilities to the company. The Bank has

further stated that in the course of the nursing programme it appointed in November 1975, Tata Economic Consultancy Services for carrying out a detailed techno-economic study of the company and give its opinion on the viability of the mills.

The following is the position of the account as on 30th April 1975 and 29th June 1977:—

(Rs. in crores)			
		Debit balance	
		30-4-75	29-6-77
(i) Cash Credit Limits	4 62	17 67*	
(ii) Bill limits which are self liquidating	0.48	3.69	
TOTAL :	5 10	21.36	
(iii) Contingent liabilities (L.C. limits, Guarantees etc.)	0.64	2 42	

\*Inclusive of interest to be debited of Rs. 98.43 lakhs.

All the facilities as on 29th June, 1977 are secured by hypothecation of current assets of the value of Rs. 6.55 crores as also by equitable mortgage over the company's fixed assets of the book value of Rs. 2.24 crores, but their market value is estimated by Tata Economic Consultancy Services, in a report submitted to the Bank, at over Rs. 20 crores. These facilities are also guaranteed by certain Directors in their personal capacity and by an associate company.

In connection with the nursing programme, the Bank applied in October, 1975 to the Reserve Bank of India for authorisation of credit limits aggregating to Rs. 9 crores, against the previous limit of Rs. 4.75 crores for which the Bank was holding authorisation. Since a clear picture had not emerged

as to the viability of the mills (the Consultants' study on viability was pending), the Reserve Bank of India asked the Central Bank of India in January, 1976 to review the company's entire credit requirement by 31st July, 1976.

In the meanwhile, on receipt of the report of the Consultants, the Bank, using its position, made important changes in the management in June, 1976 by which, amongst others, the Chairman and the Executive Directors were replaced by professional people. According to the Consultants, given better management, the unit is viable with proper monitoring and actually, since the change of management, there has been an improvement in the situation, in as much as, the monthly cash losses (excluding interest) which were of the order of Rs. 57 lakhs have come down to Rs. 23 lakhs. The new management has been asked by the Bank to review the requirements of finance in order to make a realistic assessment of the total credit needs to make the company viable. On receipt of the data from the company, the Bank will make a comprehensive application for credit authorisation, in a formal manner, to the Reserve Bank of India. It is this exercise undertaken by the new management which, according to the Bank, is taking time. The position of the company's account and the other developments were however, communicated by the Bank to the Reserve Bank of India on several occasions.

Certain allegations have, however, been made against the Bank in regard to these facilities to the company and that these facilities have been granted without obtaining proper credit authorisation from the Reserve Bank of India. Government of India have requested the Reserve Bank of India to look into the matter. A preliminary report has now been received from the Reserve Bank. Reserve Bank has advised in the preliminary report that though the Bank has not in any formal manner obtained any credit authorisa-

tion over and above the limit of Rs. 4.75 crores, it has been keeping the Reserve Bank informed of developments in the account and the position of the outstandings therein on various occasions, and there have also been discussions between the Bank and the Reserve Bank of India in the matter from time to time.

**SHRI LAKSHMANA MAHAPATRO:**

The statement laid on the Table of the House is a very sympathetic history of the Kohinoor Mills. The real issues that are raised in the question, namely, whether the amount of Rs. 25 crores was given by the bank without due authorisation, whether the RBI was a party to this and whether any action has been taken against the persons responsible for such violation of the Credit Authorisation Scheme, have not been answered in this long statement that has been placed before the House. Therefore my questions are these. Is it a fact that no prior sanction was taken? This violation was not just on one occasion, but on many occasions. For example, on April 4, 1976, there was a credit outstanding against that particular company, namely, Kohinoor Mills, to the tune of Rs. 4.75 crores. On the 10th January, 1976 it rose to over Rs. 10 crores. Again, between 19th January, 1976 and 5th May, 1977, another sum of Rs. 11 crores was given and this was again without proper sanction. Is it true that all these violations were allowed because of the fact that Kapadias who are the owners of this mill were also on the Board of Directors of the Maruti? Is it also a fact that all this was within the knowledge of the Reserve Bank of India which did not act in time?

**SHRI H. M. PATEL:** The hon. Member has complained that this long statement does not answer his questions. In fact, it does, I submit, answer his questions. Only one thing is I have answered it in a different way. His first question is: (a) whether the Central Bank of India

sanctioned loans of about Rs. 25 crores during the last two years to the Kohinoor Mills Company Ltd, Bombay. Now, the answer to that question can just be "No". But I have tried to explain the correct position. The Central Bank has a running account of Kohinoor Mill and from that account moneys are drawn and all that and the accumulated amount at a different point of time will come to a different figure and, as you will see in the statement, I have already stated that on the 29th June, 1977, the amount outstanding as a whole was like this: Cash credit limit was Rs. 17.67 crores and the Bill limits, which are self-liquidating were Rs. 3.69 crores, totalling Rs. 21.36 crores. As against this, the position on the 30th of April, 1975 was like this: The total outstanding was Rs. 5.10 crores.

**SHRI KALYAN ROY:** We must know whether it is *bona fide* or *mala fide*.

**SHRI H. M. PATEL:** That is another thing. I am only explaining what is contained in the statement. If you go through the statement, you will see that the Bank got into difficulties and in that case the question that came up before the Bank was whether it should nurse it back into health or not and, if it was decided that it should be nursed back to health, it was to be sufficiently viable. At a certain stage, the bank also brought in Consultants and put its own management and, today, it is the Bank's management, the management appointed by the Bank itself, which runs the mill and that management was appointed in accordance with the report of the Consultants. The Consultants said that the mill was capable of being revived. Since there were about 8,000 workers or so, it was felt that the mill should be enabled to survive.

So far as the question whether one of the Directors of this mill had shares in the Maruti Co. is concerned that is correct I believe. One of the Kapa-

dias, Sudhir Kapadia was a Director in one of the Maruti companies. I think that is all to it.

SHRI LAKSHMANA MAHAPATRO: That explains everything. But my initial question was what action has been taken against the persons responsible for this. In the statement it has been said that the matter has been referred to the Reserve Bank of India and it is also said that the Reserve Bank of India has sent a preliminary report and the report, the preliminary report, also says that there is no authorisation given and the scheme has been violated. What action has been taken on this? What is being done about it? That is my question.

SHRI H. M. PATEL: I should have answered that question also. It is correct that the Reserve Bank's authorisation was necessary when the limit of 4.75 crores was exceeded. Although formal authorisation was not obtained, the Reserve Bank of India was kept informed of the position of the Bank's accounts and of what the Central Bank was proposing to do. Therefore, although in one sense formal authorisation had not been obtained, the Reserve Bank of India had been kept informed.

(Interruptions)

SHRI JAHARLAL BANERJEE: Ridiculous.

SHRI H. M. PATEL: Therefore, the Reserve Bank of India does not disown its responsibility. Then, so far as the question regarding action being taken against anybody is concerned the account is still running. What we have done is to have the whole matter investigated and have a full report submitted.

SHRI BHUPESH GUPTA: By whom?

SHRI H. M. PATEL: By the Reserve Bank of India.

SHRI LAKSHMANA MAHAPATRO: The Governor of the Reserve Bank can't do it. (Interruptions)

SHRI H. M. PATEL: The position is this: The Governor who is there today was not the Governor then.

SHRI LAKSHMANA MAHAPATRO: May be. But the Governor was the Secretary in the Department of Banking here.

SHRI H. M. PATEL: That does not mean that he was running the Bank.

SHRI LAKSHMANA MAHAPATRO: I think it is not correct. The Bank is responsible.

SHRI H. M. PATEL: The Reserve Bank is responsible. I am only trying to tell you that the investigation will be fair and proper because it would be conducted by somebody who was not in the picture... (Interruptions)

SHRI LAKSHMANA MAHAPATRO: Does not matter. (Interruptions)

SHRI KALYAN ROY: It is totally false.

MR. DEPUTY CHAIRMAN: Yes: Mr. Yogendra Sharma.

श्री योगेन्द्र शर्मा : मान्यवर, यह सवाल एक बड़े घोटाले का सवाल है और इस घोटाले में कोहिनूर मिल, मारुति कम्पनी, सेण्ट्रल बैंक और रिजर्व बैंक ये सब के सब साज्जीदार हैं। इसलिये पहली बात जो मैं मन्त्री महोदय से जानना चाहता हूँ वह यह है कि जिस वक्त यह ऋण दिया गया था, उस वक्त रिजर्व बैंक का गवर्नर कौन था। दूसरी बात यह है कि हमें तो ठीक से मालूम नहीं कि अंग्रेजी में क्या कहते हैं क्या कपाडिया साहब इस कोहिनूर मिल के मालिक थे जिस वक्त यह ऋण लिया गया था। क्या यह कपाडिया साहब मारुति कम्पनी में हिस्सेदार है? श्रीमन्, क्या मन्त्री महोदय यह बतायेंगे कि इस कोहिनूर मिल के कुप्रबन्ध के बारे में और खराब वित्तीय हालत के बारे में पहले से ही काफी चेतावनियाँ दी जा चुकी थीं।

इन चेतावनियों के बारे में हम मिर्फ दो बातों का उल्लेख करना चाहेंगे। क्या मंत्री महोदय को मालूम है कि यह चेतावनी दी गई थी और इन चेतावनियों के रहते हुए इतनी बड़ी ऋण की राशि देने का कोई कारण नहीं था। पहली चेतावनी जो टैक्सट्राईल कमिश्नर ने दी उसमें उन्होंने कहा था "The need for a closer and regular scrutiny....". होने अपने टैकनो

कमर्शियल सर्वे की रिपोर्ट में यह बात कही थी तो टैक्सट्राईल कमिश्नर की 'मोर क्लोजरस्कूटनी' की बात चेतावनी के रूप में थी।

**श्री श्यामलाल गुप्त :** यह कब दी गई थी ?

**AN HON. MEMBER:** It was during the Congress regime.

**श्री योगेन्द्र शर्मा :** मुझको ठीक तारीख मालूम नहीं है। जैसा मैंने पहले कहा यह चेतावनी मौजूद थी। जब ऋण दिया गया था उससे पहले मौजूद थी। दूसरी चेतावनी नेशनल एपैक्स बाडी ने 1976 में बनाई गई एक द्विपक्षीय कंटेक्ट कमेटी की रिपोर्ट में दी जो कि कोहिनूर मिल की हालत की जांच के लिए बनी थी। उसने अपनी रिपोर्ट में कहा था : "It would not be very long before the Company gets into liquidation....".

यह उन्होंने चेतावनी दी थी। इन चेतावनियों के बावजूद जैसा कि हमारे पूर्ववर्ती माननीय सदस्य ने कहा है नियमों का उल्लंघन करके अनियमित रूप से इतनी बड़ी राशि इस मिल को दी गई और जवाब में बताया गया है कि रिजर्व बैंक इसमें जांच कर रहा है परन्तु रिजर्व बैंक तो एक पार्टी है। इसलिए मेरा अन्तिम प्रश्न यह है कि क्या मन्त्री महोदय इस घोटाले की जांच एक ऐसी बाडी के जरिये से या एक ऐसे अधिकार सम्पन्न संगठन के जरिये से या ऐसे अधिकारी के जरिये से

कराएंगे जिनका घोटाले से सम्बन्धित जो चार पार्टियां हैं उनके साथ कोई सम्बन्ध न हो ?

**SHRI H. M. PATEL:** So far as the first question is concerned, the Reserve Bank Governor during that period was Mr. K. R. Puri.

**SHRI BHUPESH GUPTA:** A caucus man, a caucus boy.

**SHRI H. M. PATEL:** But I am merely giving the name.

**SHRI BHUPESH GUPTA:** I mentioned his name. Sir, I gave a list of nine or ten persons. His name appeared prominently therein.

**SHRI H. M. PATEL:** So far as the second point is concerned, one of the Kapadias who are the Managing Directors and who control the majority in the Board, was a Director of Maruti.

**AN HON. MEMBER:** Is it Sudhir Kapadia?

**SHRI H. M. PATEL:** I think his name is Sudhir Kapadia. I was not absolutely certain. Therefore, I did not give his name.

**SHRI BHUPESH GUPTA:** Don't you remember such holy names?

**SHRI H. M. PATEL:** So far as the warning is concerned, undoubtedly, the Kohinoor Mills had got into difficulties, and the Central Bank which went on assisting it until it reached a certain stage when the bank had to take a decision whether it should give further sums of money or create a situation in which the Mills would have to close down. The closing down of the mill would have meant throwing about 8000 workers out of employment. Therefore, the bank went into the entire question and then decided to nurse the mill by giving it more working capital and more

money. While doing so, it insisted on some of its own Directors being put on the Board. Thereafter, it also referred the mill's affairs to a firm of consultants. They were the Tata Consultants. On the basis of the Consultants' report, they prevailed upon the Kohinoor Mills to put in charge of a professional Manager, Dr. Hingorani. Since that has been done, the mills are working a little better. At least, the loss has been brought down from 57 lakhs of rupees to about 26 lakhs of rupees in a year. This is a continuous action.

**SHRI KALYAN ROY:** This is a continuous crime. Some of the top people have been shocked in Calcutta. In the last session, he said that an inquiry was being held. Central Bank itself should be inquired into.

**SHRI HIMMAT SINH:** Why was a Public Sector Consultancy not entrusted with the job? It means that one robber is helping the other robber.

**SHRI KALI MUKHERJEE:** All the misdeeds of the last Government are being inquired into. Why are you afraid of this?

**SHRI H. M. PATEL:** The affairs of the Kohinoor Mills will be looked into from the point of view of seeing how best they can be kept going. The monies that are loaned by the Bank are perfectly secure. There is no question of any difficulty on this score. But the real problem is how the Mills can be kept going.

श्री योगेन्द्र शर्मा : मैंने पूछा था कि क्या इस घोटाले की जांच किसी निष्पक्ष, निर्लिप्त एजेंसी द्वारा करवाने की कृपा करेंगे ? इसका जवाब दिया जाय ।

**SHRI H. M. PATEL:** The inquiries will go into the whole affairs and they will be carried out by a body which is independent.

**SHRI YOGENDRA SHARMA:** By whom?

**SHRI BHUPESH GUPTA:** We want a clear assurance.

**SHRI H. M. PATEL:** It will be by an independent agency.

श्री योगेन्द्र शर्मा : उन्होंने क्या कहा आप किससे इन्क्वायरी करा रहे हैं । ऐसी एजेंसी जो इस घोटाले से निष्पक्ष हो, निर्लिप्त हो । इसका जवाब आप नहीं दे रहे हैं ।

**MR. DEPUTY CHAIRMAN:** Mr. Kumaran.

**SHRI H. M. PATEL:** I have given you a clear answer. I said that it will be by an independent agency for which you are asking.

**SHRI S. KUMARAN:** I would like to know from the hon. Minister as to what the attitude of the present Government towards such questions is. Things are very clear. The Minister has stated that Kohinoor is a company owned by a monopoly group. It is already stated in the report that large sums of unauthorised money have been sanctioned. I want to know what is the attitude of the present Government about the monopoly companies utilising the Government money.

**SHRI H. M. PATEL:** I have already stated that we are not satisfied with the affairs of the Kapadia companies and the way in which they are managed. We are going to have it looked into by an independent inquiry.

**SHRI SANAT KUMAR RAHA:** That is one of the saddest episodes of banking history. Sir, the former Government and the present Government along with the Reserve Bank and the Central Bank, all together created this mess in connivance with the big business house, that is the Kapadia Bros. The public finance, the finances paid by the people to the Government financial institutions, is paid there adding to

the assets of the Kohinoor Mills. Now that under the situation, an independent enquiry is not possible by the Reserve Bank of India, I think, the Government should give a second thought to this so that an enquiry is made by some really independent organisation other than the RBI. Secondly, Sir, I want to know from the Government, under the circumstances, after investing so much money from the public financial institutions, for the revival of the Mills as 8,000 workers are involved, for ultimately taking back the money paid to the Kapadia Bros., etc., whether these Mills will be taken over by the Government.

SHRI H. M. PATEL: Sir, I have already said that the investigation will be by an independent agency.

SHRI SANAT KUMAR RAHA: We want a categorical answer. It should be Independent from the RBI.

SHRI H. M. PATEL: I have said an independent agency. What does it mean? And since you have already said that you do not want the RBI, it will not be the RBI.... (*Interruptions*).

MR. DEPUTY CHAIRMAN: Order please.

SHRI VIREN J. SHAH: It is amazing, Mr. Deputy Chairman, Sir, that the present Government allows some of the traditions of the past to continue, and the reports presented are misleading and are worded in such a manner that the correct situation is not presented before the House. Sir, I draw the attention of the House to two sentences in the statement. This is a very important matter and some two months back, the Reserve Bank had been asked to make an enquiry and prepare a report. Here it is stated, and I quote: "A preliminary report has now been received from the Reserve Bank . . . and the Bank has not in any formal manner obtained any credit authorisation." I cannot understand why our hon. Minister should allow this kind of a thing

to continue, a tradition of the past. And what is the reason for shielding the Reserve Bank officials, the Central Bank Chairman and the Kapadias? I would like to know the particular reasons why a specific report could not come for the last two months. The Reserve Bank Governor may be new but the same Deputy Governor is continuing; the same Chairman is continuing in the Central Bank. They give a report trying to save themselves, and that is the kind of report given to the House. I think this is the most objectionable way to deal with a question in this House.

SHRI H. M. PATEL: Sir, I am very glad to take note of the indignant way in which the hon. Member expressed himself. But I have already said that the Government is not satisfied with the situation and is, therefore, going to have the matter looked into by an independent agency.

MR. DEPUTY CHAIRMAN: Next Question—Shri Vaishampayan.

SHRI BHUPESH GUPTA: I demand that this matter be discussed. It should be discussed. It should not be left at that.

MR. DEPUTY CHAIRMAN: Shri Vaishampayan.

SHRI BHUPESH GUPTA: The hon. Minister knows many things.

MR. DEPUTY CHAIRMAN: Shri Vaishampayan.

#### Public distribution system

- \*33. SHRI S. K. VAISAMPAYEN:†  
SHRI F. M. KHAN:  
SHRI BIPINPAL DAS:  
SHRI DEVENDRA NATH  
DWIVEDI:  
SHRI VITHAL GADGIL:

Will the Minister of COMMERCE AND CIVIL SUPPLIES AND CO-

†The question was actually asked on the floor of the House by Shri S. K. Vaishampayan.