

[MR. DEPUTY CHAIRMAN in the Chair]

**CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE**

**Reported Irregularities In Disinvestment of Centaur Hotel, Mumbai and Violation of Shareholders Agreement in Post Disinvestment Period**

SHRI DIPANKER MUKHERJEE (West Bengal): Sir, I beg to call the attention of the Minister of Finance to the reported irregularities in disinvestments of Centaur Hotel, Mumbai and violation of shareholders agreement in post disinvestments period.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, the facts regarding the sale of Centaur Hotel, Juhu Beach, Mumbai and subsequent violation of the Agreement to Sell by the Tulip Hospitality Services Limited, as appearing from the official records, are detailed below.

Disinvestment of the hotel/flight kitchens of the Hotel Corporation of India, a subsidiary of Air India, was initiated by Air India under the supervision of the Ministry of Civil Aviation. A Sub-Committee of the Board of Air India was constituted by the said Board to oversee the disinvestment process. On the basis of the Sub-Committee's recommendation, Air India appointed M/s Jardine Fleming Securities India Ltd. (currently known as M/s JP Morgan India Pvt. Ltd.) as Global Advisors on June 6, 2000. An advertisement inviting Expressions of Interest from the prospective bidders was issued by Air India on October 11-12, 2000 for all the businesses of the Hotel Corporation of India including Centaur Hotel, Juhu Beach, Mumbai. The Sub-Committee, with the assistance of the Global Advisors, accomplished: (i) Finalisation of the transaction structure of selling the individual businesses on slump sale basis; (ii) Finalisation of the Confidential Information Memorandum; (iii) Shortlisting of bidders; (iv) Appointment of Legal Advisors and Asset Valuers; (v) Conducting data room study and due diligence by the bidders; and (vi) Finalisation of transaction documents.

On 27th September, 2001, based on a Government decision, the Department of Disinvestment took over the process of disinvestment in Hotel Corporation of India. After taking over the process, Department of Disinvestment constituted an Inter-Ministerial Group and adopted the transaction structure and transaction documents as finalised by Air India.

For the five businesses of Hotel Corporation of India that were offered for sale, the Qualified Interested Parties had already been identified. In respect of Centaur Hotel, Juhu Beach, Mumbai, Expressions of Interest

were received initially from 20 parties of whom three were found to be ineligible. Of the remaining 17 Qualified Interested Parties, 16 did not furnish the prescribed Expression of Intent Letters along with the Earnest Money Deposit of Rs. 5 lakhs, thereby withdrawing themselves from further participation from the disinvestment process. Therefore, there was only one Qualified Interested Party. On 24th October, 2001, the Global Advisors addressed the Qualified Interested Party, namely, M/s Tulip Hospitality Services Ltd. asking it to submit its price bid on 6th November 2001. M/s Tulip Hospitality Services Ltd submitted its price bid on 6th November, 2001.

An Evaluation Committee comprising the concerned Joint Secretaries of the Ministry of Civil Aviation and the Ministry of Disinvestment and the Managing Directors of Air India and Hotel Corporation of India under the chairmanship of the Joint Secretary & Financial Advisor, Ministry of Civil Aviation met on 8th November, 2001. After detailed consideration of the asset valuation report prepared by the Asset Valuer (M/s Kanti Karamsey & Co., Mumbai), the valuation report prepared by the Global Advisor and the merits and demerits of the various methods of valuation adopted by them and the then prevailing market conditions, the Evaluation Committee determined the reserve price for Centaur Hotel, Juhu beach, Mumbai at Rs. 101.60 crore. The price bid, which was in a sealed cover, was thereafter opened by the Evaluation Committee on 8th November, 2001. The bid was for Rs.153.00 crore.

The Evaluation Committee recommended for acceptance the financial bid submitted by M/s Tulip Hospitality Services Ltd. of Rs.153.00 crore for Centaur Hotel, Juhu Beach, Mumbai, since it was above its determined reserve price. The Inter-Ministerial Group, in its meeting held on 9th November, 2001, accepted the recommendation of the Evaluation Committee. The recommendations of the Evaluation Committee/Inter-Ministerial Group were accepted by the Core Group of Secretaries on Disinvestment on 9th November, 2001 and by the Cabinet Committee on Disinvestment on 10th November, 2001. Initially, Air India proposed to execute the Agreement to Sell by 21st December, 2001 and notified M/s Tulip Hospitality Services Ltd. However, M/s Tulip Hospitality Services Ltd. made a series of representations from time to time, seeking extensions for conclusion of the transaction. Three extensions were given to M/s Tulip Hospitality Services Ltd. the last being on 23rd February, 2002. These extensions were given apparently with the view to complete the sale of Centaur Hotel, Juhu Beach, Mumbai at a price of Rs.153 crore, which was

above the reserve price of Rs.101.60 crore. Since some concerns had arisen with respect to M/s Tulip Hospitality Services Limited's ability to meet the financial obligations under the transaction, a decision had been taken on 21st February, 2002 to invoke the Bank Guarantee of M/s Tulip Hospitality Services Limited and to terminate the deal. However, the Chairman, M/s Tulip Hospitality Services Limited met the then Minister of Disinvestment on 22nd February, 2002, and sought an opportunity to demonstrate M/s Tulip Hospitality Services Limited's intent to complete the transaction by producing his consortium of bankers before the Minister. On 23rd February, 2002, M/s Tulip Hospitality Services Limited and the consortium of bankers, which consisted of both public sector banks and private banks, met the then Minister of Disinvestment and committed to finance the sale transaction by 9th March, 2002. On this commitment, a further extension was granted on 23rd February, 2002, until 9th March, 2002. Since, 9th March, 2002 was a Saturday, high value clearing did not take place and, consequently, the transaction was completed on 11th March, 2002. The business was transferred to M/s Tulip Hospitality Services Limited on 31st May, 2002 on completion of transaction formalities.

As per the transaction Agreement, M/s Tulip Hospitality Services Limited was bound to offer a Voluntary Retirement Scheme to the employees of the hotel by 30th May, 2003. Anticipating that the management might not offer the Scheme in time, the Officers' Association filed a writ in the Bombay High Court on 9th May, 2003 itself. On the directions of the High Court, M/s Tulip Hospitality Services Limited introduced a Voluntary Retirement Scheme on 1st October, 2003. Since this was not fully acceptable to the Association, it approached the High Court again. However, the High Court did not give any further relief. Thereafter, on 1st July, 2004, the Association moved the matter before a Division Bench of the Bombay High Court. While the matter is before the Division Bench, the Officers' Association and the management have come to an agreement on all critical issues on 6th August, 2004. On the basis of this agreement, M/s Tulip Hospitality Services Limited filed an affidavit before the Bombay High Court on 12th August, 2004. The case now stands adjourned to 10th January, 2005.

SHRI DIPANKAR MUKHERJEE: Mr. Deputy Chairman, Sir, probably, this House is revisiting a discussion which took place here on 4<sup>th</sup> December, 2002. On a Short Duration Discussion on Disinvestment, there was an animated discussion, which covered a discussion on the sale of Centaur

Airport Hotel, at that time. This time, it is Juhu Beach. At that time, it was Centaur Airport Hotel, and my esteemed colleague- Shri Sanjay Nirupam was at his devastating best, not for going to the Well - he is not here now - but on the issue of sale of Centaur Airport Hotel. Times have changed. Two years afterwards, we are again back to the Centaur. This time it is Juhu Beach. ...*(Interruptions)*... Okay, it is Centaur. It is a French word. At that time, it was the case of Batra Hospitality Private Limited. This time, it is Tulip Hospitality Private Limited. I would restrict my questions on the Statement of the hon. Minister with the idea as to who was actually extending the hospitality, whether the Hospitality Private Limited was extending the hospitality or it was otherwise. I want to know whether the seller itself was giving hospitality or otherwise.

Sir, my first question comes from the first paragraph itself. I want to know whether the present owner, the one who has now purchased this Hotel - I will not name him - was a board member of the Air India in 1998-99. Is it also a fact that he was also a member of the Sub-Committee on Disinvestment constituted by the same board? As it has ultimately now transpired in the statement also - I will come to that point later - he is the only financial bidder. I want to know whether it was informed to all concerned by Air India, *i.e.* Ministry of Disinvestment, Ministry of Civil Aviation and all that, that this is his background and the purchaser is now becoming a buyer. I want to know whether this was known to all the Ministries, and whether any conflict of interest was involved while scrutinising the bid. Is it a fact that as the same board member of the Air India, he had told - in one of the board meetings it was told - that the major objective of disinvestment was to see that the Air India gets some money out of this sale? I would like to know how much of the money so received from this transaction was transferred to the Air India, as was desired by the buyer now. Now, he is the owner. But, as a seller, as a board member, this is what he had said in that board meeting.

Secondly, it is the same thing to which I am coming back again. That day also, on 4<sup>th</sup> December, 2002, on the Batra Hospitality, somehow or the other, it happened. At that time also, Mr. Sanjay Nirupam had charged that there was one bidder. Practically, there is one bidder. Normally, in Government tenders, if it is one bidder, you think twice. If necessary, you go in for re-tendering. What were the compelling conditions that after Government received only one financial bid, that too from the seller-turned-buyer, it did not consider a fresh tendering? Was this the only financial bid?

Sir, my next point has been covered in paragraph 6 of the Statement. Now, it was informed to the Tulip Hospitality Services. How many names this company has? Is it Tulip Star or is it Tulip Hospitality? What are their names? How these names go on changing? Please explain it because I have seen at many places that it is Tulip Star Private Limited or something, and now it is Tulip Hospitality. Were the Tulip Hospitality Services informed on 21.11.2001 that their bid has been accepted and the transaction was to be completed within one month, i.e., by 21<sup>st</sup> December or 20<sup>th</sup> December, 2001? If it is not done, then as far as the guarantee condition of the transaction is concerned, whether the bank guarantee was to be encashed, if the transaction is not completed on time because of the failure of the bidder?

If you see Para 6, it only covers the point that extensions were given to this party time and again. What were the compelling reasons for giving extensions of time to this party? Why was the Government in a hurry that only one bidder, who was not fulfilling the obligations as per the transaction, still he was being pursued or he was trying to get time for delaying so far as the transaction is concerned? Why the Government in particular was so much after this party only to see that this transaction is completed by this party. ...*(Interruptions)*... I would like to know what were the compelling reasons and why this was happening. What were the reasons? Here biggest objection which comes here is that some people came on 21<sup>st</sup> February to invoke bank guarantee on M/s Tulip Hospitality Services and to terminate the deal. 21<sup>st</sup> February who decided it? The Government is an indivisible entity. The Government does not mean Ministries and Departments. Who decided to terminate the deal? Is it a fact that based on that decision, a team of officials had come from Mumbai to Delhi to encash that bank guarantee? If it was decided on 21<sup>st</sup> February by some, then who overruled that decision? Was it decided by the Department which had decided to terminate the deal by encashment of the bank guarantee? Was it overruled by the same Department or by some other Department? Now, this whole action is opaque. We would like to be enlightened about what happened between 21<sup>st</sup> and 23<sup>rd</sup> February. What was the problem from the buyer to fulfil the transaction? What were the compulsions of the Government that if he is not in a position to fulfil the obligations, the Government was trying to help that buyer to fulfil the obligations? This is the cloudy picture which must be clarified. Who took the decision that they had to come and encash the bank guarantee? Who took the decision of overruling them? Who were involved? Did it go to

the Cabinet Sub-Committee? Where was it decided? What happened in the meeting of 23<sup>rd</sup> February? What were the minutes of the meeting? What was transacted there which were the bankers present there so far as public sector banks are concerned? I would like to know whether the Finance Department was involved and the representative of the Finance Department was there. Was it an official or unofficial meeting? Were the minutes or whatever decisions taken were circulated to all concerned? Was it by some other way of formally or informally pressurising the banks to give the money to which this party did not have access? What was the actually authorised capital of Tulip Hospitality Services? Is it Rs.5.3 crores. Which were the banks involved and which was the bank consortium which has given loan to this company? How much money has been given? Can it be straightaway inferred that public money from public sector banks was utilised - Rs.134 crores or Rs.129 crores, I do not know - by a party which did not have the money to buy a public property?

मेरा ही पैसा मेरे से ही मेरी प्रॉपर्टी मेरे से ही खरीदी जाए This transaction is not clear to us. That must be clarified. What were the conditions on which the public sector banks gave money? Now we hear a lot about due diligence. Yesterday also, the Finance Ministry was telling how the commercial freedom should be given to the banks. What commercial freedom allowed the bankers to be called by a Minister? Now you say that it is due diligence. What due diligence was made by the public sector banks? The Government is a continuing entity. It is not x, y, or z. I would like the discussion to take place in that way. I do not want any personal explanation from any one. For that I am demanding for an inquiry committee. This is my final demand and I will ask for it. If I have to give any explanation with my documents and any other explanation is to be given by someone else, it should go to that independent committee. I would like to know, as a continuing Government, what due diligence was done by the banks. I would like to know whether any interest in being paid on that money. If the interest is being paid on that money, then, how is that the condition of the hotel has come to this state that from a Five Star hotel it has come down to a Three Star hotel. My charge is, was it under-valued. The apprehension of the employees - not only the trade unions and workers - officers and all others is that this is going to be re-sold.

There is an apprehension in the minds of these employees. It is not only the trade union of workers, but officers also. The apprehension is

that this is going to be resold. Same was the case with BHPL, Batra Hospitality Private Limited. Here, there is an apprehension that it is going to be sold at Rs. 300 crores or 400 crores. I would like to know whether any information is available with the Government on this. My question is: how did the consortium of bankers check the viability of this company as a whole? I would like to know whether they are paying the interest and if they are paying the interest, then, how is it that the hotel is not able to pay salaries to the workers in due time? I would like to know whether it is a fact that the Five Star hotel has become a Three Star hotel. I would like to know whether there is any monitoring. Before para 6 and para 7 there is a gap. There is a gap in the sense that a number of representations have been given by the associations and employees working there to different Ministries. How many such representations have been monitored? I would like to know whether the shareholders' agreement had been monitored by the Government at any point of time, or, was it left to the High Court; again the same High Court. In spite of the fact that it was a Government of India undertaking, it was sold. It was a shareholders' agreement. I would like to know whether the shareholders' agreement in the post disinvestments stage was being monitored. If it was being monitored, how could these officers and associations approached the High Court? Was the condition of the hotel right? We have heard a number of things, like after privatisation, the performance has improved. I tried to see in the papers, but I have not found any reference. Would the Minister, at least, tell us what has been the performance of this hotel after privatisation? Is it a fact that most of the cases, like labour-related issues have been violated? How many representations have been received? Is it not a fact that some representation had been sent to the President and the President has referred this issue back to the Ministry concerned? But nothing has been done for the last one year. I think, the representations started coming from December, 2003 onwards. My point is, this is a typical case of first the seller becoming a bidder. This is typical where under valuation of assets had taken place. This is a typical case whether it is public sector banks coming to aid Global Trust Bank or Tulip Hospitality Service. When money is concerned, it has to come from the public sector, from the much-maligned public sector. When the whole thing turns around again, it will come back. I would like to know whether there is any single reason as to why the shareholders agreement should not be cancelled. I would like to know whether the shareholders agreement has this provision of cancellation of shareholders' agreement. I would like to know whether the Government

has gone through the affidavit filed of the High Court. Does the affidavit not show clear violation of post disinvestments clauses also? Under the circumstances, will the Government not intervene immediately to institute an inquiry in both the pre-disinvestment and post-disinvestment clauses? I would like to have a clear statement from the Ministry whether an inquiry - after all the points which have been put before him - can be made by the same Ministry, the same officials who are involved in disinvestments or post-disinvestment. This has to be done by an independent agency, independent inquiring agency. I cannot judge for myself what I have done, someone else has to judge. I say, the earlier Government had a pre-fixed, pre-determined bidder. They had fixed the man earlier. They have ensured that he got the total. If he had no money, the public sector banks had to come to help and with this pre-determination, this fellow is going to re-sell again at Rs. 350 crores. With this I demand firstly, an inquiry into this pre-disinvestment, before it is disinvested, and I also demand a cancellation of the shareholders' agreement by the Government.

प्रो. राम देव भंडारी (बिहार) : माननीय उपसभापति जी, श्री दीपांकर मुखर्जी ने बहुत विस्तार से इस कार्लिंग अटेशन में संतूर होटल के सवाल पर कई इश्युज उठाये हैं। मैं उन्हें दोहराना नहीं चाहता हूँ। मैं सबसे पहले यह जानना चाहता हूँ कि ऐसा कौन-सा कम्पलेशन था जिसकी वजह से इस होटल को औने-पौने दाम पर बेचने की आवश्यकता पड़ी? अगर यह कह कर बेचा गया कि घाटे में चलता है, तो घाटे में जो हमारे पब्लिक अंडर टेकिंग चलते हैं...

क्या हम उसकी व्यवस्था में सुधार लाकर, आर्थिक रूप से उसकी मदद करके उसको रिवाइव नहीं कर सकते? क्या उसका सिर्फ एक ही उपाय है कि उसको बेच दिया जाए? महोदय, मैंने इसे समझने की कोशिश की है। 20 लोगों ने इसे खरीदने की मंशा जाहिर की और अंत में सिर्फ एक बिडर रह गया और उस बिडर को हमने इस होटल को बेचा। जैसा दीपांकर जी कह रहे थे, कि उसके पास पर्याप्त पूंजी भी नहीं थी। पांच करोड़ के आस-पास उसकी पूंजी थी और लगातार उसको एक्सटेंशन पर एक्सटेंशन हमने दिया। हमने उसे मौका दिया और फाइनली हमारे ही पैसे से, हमारे ही बैक्स के पैसे से हमारे ही सामान को उसने खरीदा। यह जो स्थिति है, इसमें पूरी तरह संदेह की गुजाइश है कि कहीं न कहीं, इसमें कोई दूसरी तरह की बात हुई है, कोई दूसरी डील हुई है जो पर्दे के पीछे है। ...*(व्यवधान)*...

SHRI BALBIR K PUNJ (Uttar Pradesh): Sir, he is making baseless allegations ...*(Interruptions)* ..Can he justify that?...*(Interruptions)*...

श्री उपसभापति : वह बोल रहे हैं। ...*(व्यवधान)*... उनको बोलने दो।

प्रो. राम देव भंडारी : मैं पूछ रहा हूँ। ...*(व्यवधान)*... मैं किसी का नाम नहीं ले रहा। आप क्यों घबरा रहे हैं? ...*(व्यवधान)*...



श्री अरुण जेटली (गुजरात) : आप तथ्य भी नहीं कह रहे हैं। आपको जानकारी भी नहीं है।

श्री उपसभापति : आपकी बारी आएगी, तब आप बोलिएगा। ...*(व्यवधान)*... भंडारी जी, आप क्वेश्चन पूछिए।

SHRI ARUN JAITLEY: Sir, either the hon. Member must substantiate this or withdraw his remark...*(Interruptions)*...

प्रो. राम देव भंडारी : आप घबराइए मत। ...*(व्यवधान)*...

श्री अरुण जेटली : आप बिना जानकारी के बोल रहे हैं। ...*(व्यवधान)*...

प्रो. राम देव भंडारी : आप इन्क्वायरी से क्यों घबराते हैं? ...*(व्यवधान)*...

श्री उपसभापति : भंडारी जी, आप क्लैरीफिकेशन पूछिए।

श्री नीलोत्पल बसु (पश्चिमी बंगाल) : मैं एक बात कहना चाहता हूँ कि हम रोज देखते हैं कि टेंटिड मिनिस्टर, उसकी डेफिनेशन भी कुछ नहीं है ...*(व्यवधान)*...

श्री बलवीर के. पुंज : उसका डेफिनेशन यह है कि ...*(व्यवधान)*...

श्री नीलोत्पल बसु : हर रोज हाउस में हंगामा हो जाता है। इसमें क्या ऐसी बात उन्होंने बोल दी है जिस पर आपत्ति हो रही है? ...*(व्यवधान)*...

श्री उपसभापति : भंडारी जी, आप बोलिए।

प्रो. राम देव भंडारी : मैं यह कहना चाहता हूँ कि देश की जनता और संसद इस बात को जानना चाहती है और उन्हें जानने का अधिकार भी है। हमने एक जगह पढ़ा कि इस होटल को साढ़े तीन सौ करोड़ में बेचने की बात भी चली थी, आउटलुक में आया था, मैंने उसको पढ़ा है। मैं इस सरकार से जानना चाहता हूँ कि क्या सरकार इसमें एक हाई लेवल इन्क्वायरी कमेटी बैठाएगी? सीबीआई से इन्क्वायरी कराए, सीबीसी से इन्क्वायरी कराए, यह मेरी डिमांड है कि सरकार इस संबंध में इन्क्वायरी कराए और मेरे सवाल का जवाब दे। धन्यवाद।

SHRI ANAND SHARMA (Himachal Pradesh): Mr. Deputy Chairman, Sir, I have carefully perused the statement made by the hon. Minister which raises many questions in respect of disinvestment of this hotel.

First is about the procedure which was followed, especially when it comes to the Evaluation Committee and the recommendations of the Evaluation Committee. Secondly, the fact that there was a single bidder left and the Government decided to proceed with the deal with that lone bidder! Sir, without going into the original decision and what has been spoken, in great detail, by Shri Dipankar Mukherjee and Shri Bhandariji, I would like to know whether there was a need for the Government to consider the recommendation of Air India to recommend disinvestment of

this hotel. Given its location - those who are familiar with Mumbai know about it - Juhu is a prime location for any hotel and the value of the property can easily be ascertained from the market. But, in this case, the Group of Ministers decided to have an Evaluation Committee. The Evaluation Committee, surprisingly, arrives at a figure of Rs. 101 crores. How this figure was arrived at? Even if you look at the land value, not going by the structure of the hotel and the fact is that it is a functional five star hotel of Air India, you will know about the real price of it. So, I would like to know about the market value of the land of Centaur Hotel, Juhu Beach. I would also like to know whether that aspect was taken into consideration. Sir, here, the Evaluation Committee arrives at a figure and, strangely, the figure is far less than the market value of the land alone!

The second question which I would like to know from the hon. Minister is about the faulty procedure. As per the statement of the hon. Minister, there were 20 bidders who expressed or conveyed their Expression of Intent Letters. Three were found ineligible; seventeen remained as qualified interested parties. And, out of those seventeen, sixteen suddenly decided to withdraw and only a single bidder is left. Now, that should have raised a question and the Group of Ministers should have been careful that if only a single bidder is left, whose viability and credibility or the capacity was not established until Tulip Hospitality Services Ltd., should they have proceeded with the deal? When we talk of sudden disappearance of sixteen eligible parties, who conveyed their Expression of Intent, I am reminded of one term which in common parlance is used, 'match-fixing.' Out of 20 eligible parties, three are ineligible and seventeen are left. Out of seventeen, 16 disappeared and a single bidder remains and you proceeded with that transaction! The Group of Ministers and the Government of the day did not find anything odd as to why these sixteen have disappeared? You have no choice. But, was there any compulsion that you had to proceed with the sole bidder - M/s Tulip Hospitality Services Limited? If you look at the dates on which the Evaluation Committee met and how on 8<sup>th</sup> November, 2001, it arrived at a figure of Rs. 101 crores it is a mystery and it is not known that how M/s Tulip Hospitality Services Limited somehow quoted a figure slightly higher than the figure, but much, much less than the market price of the hotel of Rs. 153 crores and that is accepted! Repeated extensions, as Mr. Dipankar Mukherjee mentioned, were given to this company which did not have the financial backing and then you have public sector banks come forward by forming a consortium. And the decision, again, of 21<sup>st</sup> February, 2002, to invoke bank guarantee of

M/s Tulip and to terminate the deal is significant. This date is very significant. Sir, immediately, the Chairman, M/s Tulip Hospitality Services Limited, met the then hon. Minister. There is neither any objection to a bidder meeting the Minister nor am I casting aspersions on anybody. This decision was taken on 21<sup>st</sup> after repeated extensions were given and on 22<sup>nd</sup> February, the single bidder seeks another opportunity to demonstrate its intent to complete the transaction by producing its consortium of bankers before the hon. Minister. On 23<sup>rd</sup>, M/s Tulip Hospitality Services Limited and the consortium of bankers consisting of both public sector banks and the private sector banks met the hon. Minister.

This was an amazing speed. I can understand the keenness of the previous regime to complete its own commitments of disinvestment and privatisation. What was the purpose? What was the intent? What purpose did it serve? But, in this case, right from the word 'go', there are questions; there are clouds of suspicion. And, if we are raising these issues, in this House, through this Calling Attention Motion, there are adequate grounds. I repeat again, "21<sup>st</sup> to 23<sup>rd</sup>". It is equally mysterious, as the mysterious disappearance of 16 bidders. Therefore, the question arises why in this background, under these circumstances in respect of a property, which was clearly undervalued, and when only a single bidder was left, did the previous Government or the concerned Group of Ministers proceed with it? Sir, this is not the only case. I would like to draw the attention of this House and the hon. Minister that there are many other properties, which have been undersold, whether it was in Delhi or in Udaipur...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Please confine yourself to this one only. ...*(Interruptions)*...

SHRI ANAND SHARMA: Sir, I will. But it is again the Hotel Corporation of India. ...*(Interruptions)*...These are again the HCI properties. ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Please confine yourself to the Calling Attention. ...*(Interruptions)*...

SHRI ARUN JAITLEY: Do you want to say the properties of the Hotel Corporation of India were undersold? ...*(Interruptions)*...

SHRI ANAND SHARMA: I.T.D.C...*(Interruptions)*...Let me complete. The I.T.D.C. also. Whether the F.C.I. was undersold or the I.T.D.C. hotels were undersold or the other properties were undersold, it

was your Government. But the fact is that they were sold at a value far, far less than even the land prices. And, Sir, I have pointed out the dates, just for the sake of repetition, I repeat, "21<sup>st</sup> to 23<sup>rd</sup> February, 2002". The statement of the Hon. Minister, in fact, reveals much more and raises more questions. So, this is another related matter. Earlier too, it had been established by the Comptroller and Auditor General that the property, which had been sold, was, again, in Mumbai; again, in a similar manner. It was resold within months, and the profit was Rs. 40 crores! So, first, about the competence of the Air India, the Hotel Corporation of India... When they were running the hotel, the land prices suddenly became very cheap. The properties became very cheap. And, with the golden touch, when you give it to a single bidder, the price of the property skyrockets, it goes up. And, you allowed the resale. The resale went through, and the money was pocketed. And, the bidder, in every case, was provided comfortable support by the public sector banks. Therefore, I would demand an enquiry by the competent authority to go into those transactions where the properties were undersold. I would like the hon. Minister to inform the House about the exact market price of the land on which these hotels - Zuhu Centaur and others, which were sold - were situated. I would also like to know what action has been taken in this regard? I would also like to ask my friends did they not find anything intriguing or mysterious? Where was the need of the keenness to proceed with the single bidder? Was any accountability fixed there? If not, why? These are some questions. And, these questions require answers. They must be answered. Thank you very much.

**श्री संजय निरुपम (महाराष्ट्र) :** आदरणीय, उपसभापति जी, पिछले दो वर्षों में सेन्दूर होटलों का जो डिस-इन्वेस्टमेंट हुआ है, यह जो होटल कॉरपोरेशन आफ इंडिया के अलग-अलग होटलों का डिस-इन्वेस्टमेंट हुआ है, इसको लेकर हमारे देश में सवाल उठते रहे हैं। इस सदन में बड़ी विस्तृत चर्चा भी हो चुकी है और उसका जवाब भी दिया गया है।

बड़े गंभीर तरीके से, उस चर्चा के दरम्यान मैंने क्या-क्या बोला था, आज भी मैं उन सारी बातों पर खड़ा हूँ, एक भी बात पीछे लेकर नहीं हट रहा हूँ। क्योंकि हमारे लिए यह सिर्फ एक राजनीतिक मुद्दा नहीं है, हमारे लिए यह सिर्फ एक स्कैम नहीं है, हमारे लिए मुद्दा यह है कि यह आम कर्मचारियों के जीवन का प्रश्न है। जब एयरपोर्ट सेन्टोर का रीसेल हुआ, जब उसे फिर से बेचा गया था, तब मैं यहां सदन में खड़ा होकर यही कह रहा था कि एयरपोर्ट सेन्टोर के सारे कर्मचारियों को वी.आर.एस. दी जा रही है। वी.आर.एस. यानी वोल्युंट्री रिटायरमेंट स्कीम। अगर वोल्युंट्री होता तो एक्सेप्ट किया जा सकता था, लेकिन वह सी.आर.एस. हो गई थी, कम्पल्सरी रिटायरमेंट स्कीम हो गई थी। मैंने रिकार्ड पर कहा था कि जिस सज्जन ने, जिस कंपनी ने वह एयरपोर्ट सेन्टोर खरीदा था, वे जबर्दस्ती एक-एक कर्मचारी से कह रहे हैं कि अगर आप नहीं गए तो आपको असम भेज दिया जाएगा, आपको यू. पी. भेज दिया जाएगा, बिहार भेज दिया जाएगा।

वे सारे के सारे मुंबई के स्थानीय मराठी कर्मचारी थे। कोई आदमी मुंबई छोड़कर, महाराष्ट्र छोड़कर असम नहीं जाएगा, इससे बेहतर तो वह नौकरी छोड़ दे। आखिरकार एयरपोर्ट सेंटोर के जो साढ़े सात सौ कर्मचारी थे, उनको जबर्दस्ती वी.आर.एस. दी गई। इसलिए वित्त मंत्री महोदय ने इस स्टेटमेंट में जिस वी.आर.एस. शब्द का इस्तेमाल किया है, यह बदलकर अगर सी.आर.एस. कर दे तो हमें ज्यादा संतोष होगा। इससे कम से कम सरकार की भूमिका तो स्पष्ट हो जाएगी, फिर वह चाहे इधर की सरकार हो या उधर की सरकार हो। एयरपोर्ट सेंटोर में जो होना था, वह तो हो गया, आज मुद्दा जुहु सेंटोर का है। जुहु सेंटोर में बिल्कुल वही हो रहा है जो दो साल पहले एयरपोर्ट सेंटोर में हुआ था। तब अगर हमारी बात मानी जाती, तब अगर रीसेल को रोका जाता, तब अगर उन कर्मचारियों के भविष्य को सुरक्षित रखने के लिए सरकार की ओर से कदम उठाए जाते, तो जो आज जुहु स्थित सेंटोर होटल के साथ हो रहा है, उसके कर्मचारियों के साथ हो रहा है, वह निश्चित तौर पर नहीं होता। कुछ दिन पहले, अचानक जुहु सेंटोर होटल के मुख्य द्वार पर एक नोटिस लगा दिया जाता है। मैनेजमेंट, तुलिप स्टार, तुलिप हॉस्पिटैलिटी के मालिक, केलकर साहब, बड़ी मेहनत, भाग दीड़ करके उन्होंने होटल लिया, कहां-कहां से बैंकों से लेकर पैसा जमा करके लिया, उसके बाद, दो साल के अंदर उन्हें महसूस हो गया कि उनके लिए होटल चलाना मुश्किल हो रहा है। सबसे पहले किसे निपटाया जाए? होटल के कर्मचारियों को। अभी दो महीने पहले उन्होंने होटल के मुख्य द्वार पर नोटिस लगा दिया कि कल से जुहु सेंटोर का कोई भी कर्मचारी होटल में नहीं आएगा, वह घर पर बैठा रहे, उसे आधी सैलरी घर पहुंचा दी जाएगी। यह तो कर्मचारियों के अंदर, उनका अपना, इसे बाहुबल तो नहीं कह सकते लेकिन उन्हें जिद थी काम करने की, वे काम करने में लगे रहे, कहा कि नहीं, हम घर पर नहीं बैठेंगे। उन्होंने कहा कि ठीक है, हमें वी.आर.एस. देनी है तो हमें पहले पूरा पैसा दीजिए। उन्होंने कहा कि नहीं, हम पैसा बाद में देंगे। वहां से चार-पांच किलोमीटर दूर हाई वे पर एयरपोर्ट सेंटोर है, उसका पूरा तमाशा उनके सामने था, बोले कि जैसे उन सबको घर भेज दिया, उसी तरह से हम सबको घर भेज दिया जाएगा और एक पैसा हमें मिलने वाला नहीं है। इसलिए वे नहीं गए और उन कर्मचारियों की बढ़ती हुई यह होटल आज भी चल रहा है। कर्मचारी काम कर रहे हैं, होटल चल रहा है। लेकिन सवाल यह है कि होटल फाइव स्टार से घटकर थ्री स्टार हो गया, टू स्टार हो गया। यह बिल्कुल सच है यह हुआ, क्योंकि उस होटल के क्लब में मैं रोज जाता हूँ। मैं रोज स्कोच खेलने जाता हूँ। इस होटल की रोज कैसे दुर्गति होती चली जा रही है, मैं इसका गवाह हूँ...(व्यवधान)... अभी मेम्बरशिप से निकाला नहीं गया हूँ। मैं देख रहा हूँ कि दिन-प्रतिदिन उस होटल की कैसे दुर्गति होती जा रही है...(व्यवधान)... बिल्कुल, यह प्राइवेटाइजेशन के बाद भी हो रहा है। इसलिए मैं अपनी सरकार से भी पूछ रहा था और इस सरकार से भी पूछ रहा हूँ कि डिसइन्वेस्टमेंट का मतलब क्या है? डिसइन्वेस्टमेंट का जो सीधा मतलब हमें समझ में आया वह यह है कि सरकार कुछ धंधों से स्वयं बाहर निकल जाना चाहती है और उस व्यापार, उस धंधे को निजी सेक्टर के हवाले छोड़ देती है। कोई जरूरी नहीं है। अरुण जेटली जी हमेशा बोला करते थे कि सरकार का काम होटल चलाना नहीं है, बिस्कुट बनाना नहीं है आदि। बहुत अच्छी बात है, हमें भी अच्छा लगा। यह बात हमें भी अच्छी लगी कि सरकार को इन धंधों से बाहर निकल जाना चाहिए, साइड बिजनेस से निकल जाना चाहिए और प्राइवेट सेक्टर को देना चाहिए। यह बिल्कुल उसी उद्देश्य से हुआ है, लेकिन एयरपोर्ट सेंटोर में यह नहीं हुआ है। आज एयरपोर्ट सेंटोर बंद हो चुका है। शायद बहुत कम लोगों को पता होगा कि एयरपोर्ट सेंटोर बंद हुए लगभग साल भर हो गया है। वहां अब कोई

होटल नहीं चल रहा है, इसलिए हमारा दुख, हमारी चिंता यह है कि सरकार का डिसइन्वेस्टमेंट का उद्देश्य क्या है। ... (व्यवधान) ... हो गया है। पता नहीं क्या हो रहा है, हम तो अंदर जाते नहीं हैं, लेकिन वह पूरी तरह से बंद हो चुका है, अंदर क्या हो रहा है, यह तो वे ही जानें। यह तो छानबीन का विषय है। छानबीन हो। मैंने तो दो साल पहले मांग की थी कि छानबीन होनी चाहिए, आज भी बोल रहा हूँ कि छानबीन होनी चाहिए। डिसइन्वेस्टमेंट का उद्देश्य था कि सरकार को अपने धंधे से निकलकर निजी सेक्टर के हवाले कर देना चाहिए। यह डिसइन्वेस्टमेंट का उद्देश्य था। लेकिन दुर्भाग्यवश डिसइन्वेस्टमेंट का जो आउटकम निकलकर आया है, जो नतीजा निकलकर आया है, वह यह है कि धीरे-धीरे सरकारी धंधे बंद होते चले जा रहे हैं, जिसका एक उदाहरण एयरपोर्ट सेंटोर होटल है।

इस तरह का एक उदाहरण एयरपोर्ट सेंटूर है, इसलिए आज के हमारे वित्त मंत्री धिदम्बरम से मेरा यही निवेदन है कि जिस प्रकार से एयरपोर्ट सेंटूर बेचा गया, रिसेल किया गया, उसी प्रकार से जुहु सेंटूर के रिसेल की जो कांस्पिरेसी चल रही है, उसे रोकने के लिए वे इस सदन में वचन दें। वह फिर से नहीं बिकना चाहिए। अगर ट्यूलिप स्टार वाले नहीं चला सकते तो डिस-इन्वेस्टमेंट के जरिए हम ने जो फंड जमा किया है, उस से यह होटल टेक-ओवर किया जा सकता है। शौरी साहब बता रहे थे कि पिछले साल हम ने करीब 15 हजार करोड़ जमा किया है, उस में से 153 करोड़ से यह होटल वापिस टेक-ओवर किया जा सकता है क्योंकि यह सरकार की संपत्ति है और उन कर्मचारियों का भविष्य सुरक्षित रखना सरकार की जिम्मेदारी है। इसलिए मेरी पहली मांग यह है कि ट्यूलिप स्टार सेंटूर होटल नहीं चला पा रहे हैं तो सरकार उस को वापिस टेक-ओवर करे। महोदय, 15 हजार करोड़ के डिसइन्वेस्टमेंट फंड में से 153 करोड़ प्लस इंटरेस्ट देना बहुत बड़ी चीज नहीं है। इस से यह भी पता चलेगा कि वह 15 हजार करोड़ रुपया कहाँ है। इस पैसे का इस ढंग से इस्तेमाल होना चाहिए।

दूसरी बात, रिसेल बुनियादी तौर पर एक गलत परंपरा थी। इस परंपरा को अरुण शौरी जी ने अपने ढंग से जस्टीफाई किया था। मैं चुप हो गया था क्योंकि वह मुझ से बहुत सीनियर हैं। मैं ने उस के बाद कुछ नहीं बोला। महोदय, दुर्भाग्य यह रहा कि जिस बत्रा हॉस्पिटलिटी को हम ने एयरपोर्ट सेंटूर दिया या उन्होंने लिया ... (व्यवधान) ... अब मुझे होटल चलाना है और मैं रेडिसन होटल की होल्डिंग कंपनीज का चेयरमैन हूँ। वह होटल चला रहे थे, इसीलिए उन को वह होटल दिया गया। आप की टर्म्स एंड कंडीशंस में है कि You have to be an hotelier with experience of running a Five Star hotel. Due diligence आप ने दिया, लेकिन उन्होंने 4-5 महीने के अंदर रिसेल किया। अब उस बत्रा हॉस्पिटलिटी को या उस व्यक्ति को हम को निश्चित तौर पर ब्लैकलिस्ट करना चाहिए था और आने वाले दिनों में डिस-इन्वेस्टमेंट के प्रोसेस में इस व्यक्ति को कभी भी पार्टिसिपेट करने का मौका नहीं मिलना चाहिए था। दुर्भाग्यवश हुआ यह है कि दिल्ली सेंटूर के डिस-इन्वेस्टमेंट का काम चल रहा है। पहले एक ड्यू डिजिलेंस की लिस्ट है। सिविल एविएशन मिनिस्ट्री में अपने दो-चार दोस्त हैं, जो दे जाते हैं name of Parties, Due Diligence, Site Inspection. महोदय, इस में एक सीरियल नंबर होता है और एक कोड नंबर होता है। सीरियल नंबर 20 पर ए.एल. बत्रा हैं और उन का कोड नंबर है 17. उन्होंने दिल्ली सेंटूर के लिए एप्लाई किया, यह वही बत्रा हॉस्पिटलिटी है। इस के मेन मालिक जिन्होंने सेंटूर होटल के लिए एप्लाई किया था, वह बत्रा ही थे यानी रेडिसन होटल की होल्डिंग कंपनी ए.बी. होटल के चेयरमैन थे। फिर से ए.एल. बत्रा साहब एक

उद्यु डिजिलेंस में पार्टिसिपेट करते हैं और उस के बाद उन का नाम शॉर्टलिस्ट किया जाता है। महोदय, जिस व्यक्ति को ब्लैकलिस्ट करना चाहिए था, उस को शॉर्टलिस्ट किया जाता है। अब उन्हें शॉर्ट लिस्ट कैसे किया गया? By January 5, 2004, out of 39 parties, 20 parties submitted EMDs worth Rs. 16.50 crores and the amount has been deposited with the Air India. These thirty parties are : एक नंबर पर दे रहे हैं, कोड नंबर 3.5, 15, 16, 17 only for Centaur Airport Delhi.

AN HON. MEMBER: What have they to do about these deeds?

श्री संजय निरुपम : इसलिए मेरा वित्त मंत्री महोदय से सब से पहला निवेदन यही है कि जिस व्यक्ति को हम ब्लैकलिस्ट नहीं कर पाए, उसे ब्लैकलिस्ट किया जाए तब आज उधर से आनंद शर्मा जी और जय राम रमेश जी ने जो अपनी बातें रखी हैं, उन का कोई अर्थ निकलेगा। ठीक है, किसी व्यक्ति ने गलती की और हम उस को पकड़ नहीं पाए मगर आज कम-से-कम वह गलती न करे, इसलिए उस को ब्लैकलिस्ट किया जाना चाहिए। इस आशय की मैं एक मांग करना चाहता हूँ। ... (व्यवधान) ... इक्वायरी मेरे कहने से होगी? क्या मेरे चाहने से सरकार चलेगी? अगर सरकार में हिम्मत है तो सरकार इक्वायरी करके दिखाए। ... (व्यवधान) ... इस तरफ से विरोध करने से या समर्थन करने से सरकार चलेगी? आप को जो अच्छा लगे, आप करिए। हम ने तो कभी विरोध नहीं किया। हम जब सत्ता पक्ष में थे तब हम ने मांग की थी कि डिसइन्वेस्टमेंट गलत हुआ है।

सेल के मुद्दे पर मैंने अपनी बात रखी थी। सेल के मुद्दे पर एक राय यह भी है और कॉलिंग अटेंशन के स्टेटमेंट में ये सारी बातें कही गयी हैं। ... (व्यवधान) ... उपसभापति जी, सेंट्रल एअरपोर्ट और सेंट्रल जुहु में एक छोटा सा फर्क है। मैं चाहूंगा कि वह सदन के सामने रखा जाए।

एअरपोर्ट सेण्टॉर का जो फ्लोर प्राइस तय किया गया था वह था 78 करोड़ रुपए, अरुण जी, अगर मैं गलत हूँ तो करेक्ट कर दीजिएगा, 78 करोड़ रुपए फ्लोर प्राइस तय किया गया। Rs. 78 crores was the floor price of Airport Centaur, the figure was somewhere around that. ... (व्यवधान) ... पहले यह 78 करोड़ था, बाद में फाइनेन्सियल टर्म्स हुए तो 78 करोड़ हुआ और वह होटल बिका 84 करोड़ रुपए में, यानि 6 करोड़ रुपए का फर्क था। अब इतनी करीब, इतनी क्लोज टेंडरिंग कभी नहीं हुई।

जुहु सेण्टॉर में क्या हुआ? उसकी फ्लोर प्राइस थी 101 करोड़ रुपए और वह होटल बिका 153 करोड़ रुपए में। इसका मतलब यह कि जो बिडर था, वह 50 परसेंट ज्यादा प्राइस पर ले रहा था और वह बहुत ज्यादा इनसाइडर ट्रेडिंग में इन्वोल्व नहीं था। मेरे पास यह सारे फैक्ट्स और फिगर्स हैं, पूरी जानकारी मेरे पास है, सभी कागज-पत्र मेरे पास हैं, अगर फाइनेन्स मिनिस्टर साहब चाहें तो मैं इन्हें आपके हवाले करने को तैयार हूँ। मैं निश्चित तौर पर चाहूंगा कि भविष्य में इन्वेस्टमेंट का प्रोसेस साफ-सुथरे ढंग से हो, अच्छे ढंग से हो, आम कर्मचारियों की जो नौकरी है वह सुरक्षित रहे, हमारी संपत्ति, सरकारी संपत्ति, हमारी असेट आने-पीने दामों पर न बेची जाए। तीसरी बात, सरकार जो बिजनेस कर रही है, वह सदा-सदा के लिए डिसइन्वेस्टमेंट के नाम पर बंद न किया जाए।

3.00 p.m.

उपसभापति महोदय, मैं अपनी यह तीन मांगें आपके माध्यम से सदन के सामने रख रहा हूँ। आज देश भर में डिसइंवेस्टमेंट को लेकर जो एक गलतफहमी पैदा हुई है, उस गलतफहमी को भी दूर करना जरूरी है। इस सरकार ने, जब हमारी सरकार गई, उसके बाद आप लोगों ने बहुत बड़े-बड़े वायदे किए थे। पूरे देश में एनालायस आया कि 'Disinvestment was one of the biggest reasons for the debacle of this Government'. आपने आते-आते क्या बोला? कि हम डिसइंवेस्टमेंट नहीं करेंगे और अगर डिसइंवेस्टमेंट करेंगे तो सोच-समझकर, प्रोफिट मैकिंग का नहीं करेंगे। अब सरकार ने क्या किया? एअरपोर्ट अथोरिटी, जिसका 503 करोड़ का प्रोफिट है, उसके डिसइंवेस्टमेंट की घोषणा कर रही है। इनके पास तो कोई मेंडेट नहीं था डिसइंवेस्टमेंट के खिलाफ, मगर आपका मेंडेट है डिसइंवेस्टमेंट के खिलाफ। आपने प्रोफिट मैकिंग कंपनी नहीं बेचनी हैं, यह मानकर के आपने लोगों से वोट मांगे, लोगों ने वोट दिए और आपने अपनी सरकार बनाई, लेकिन आपकी सरकार आते ही देश के सामने जो आपका पहला डिसइंवेस्टमेंट का केस आता है, वह एअरपोर्ट अथोरिटी का आता है। इसलिए आपसे मेरा निवेदन यह है कि पिछली सरकार को फॉलो करते-करते आप कहाँ जा रहे हैं? ... (व्यवधान) ... मैं आपको बता सकता हूँ कि सिविल एवीएशन मिनिस्ट्री में क्या चल रहा है? बता दूँ। खैर, बाद में अलग से बता दिया जाएगा।

श्री उपसभापति : नहीं, आप इसी विषय पर आइए।

श्री संजय निरुपम : मेरा निवेदन यह है कि डिसइंवेस्टमेंट का यह कार्यक्रम सोच-समझ कर होना चाहिए, नंबर एक। नंबर दो, प्रोफिट मैकिंग कंपनी नहीं बिकनी चाहिए। नंबर तीन, जो कंपनी, जो बिजनेस सरकार किसी प्राइवेट सेक्टर के हवाले करे, वह बिजनेस चलना चाहिए, बंद नहीं होना चाहिए। इस आशय के सारे प्रीकॉशन, सारी सावधानी सरकार बरते। धन्यवाद।

SHRI ARUN SHOURIE : Sir, I am very grateful to Shri Dipankar Mukherjee for raising this matter, and for a very comprehensive and factual statement by the hon. Finance Minister.

I would just ask some questions, for some information, which might either clarify many of the doubts that are there, or just fill in the blanks. Actually, there are some gaps, as has been correctly pointed out, in the Statement.

Sir, as the Minister has rightly pointed out, the Hotel Corporation of India was a subsidiary of Air India. Again, as the Minister has rightly pointed out in the second paragraph, Air India and the Civil Aviation Ministry were handling this entire process. If I may draw your attention to the ultimate sentence in the second paragraph, the Minister has said that the Sub-Committee of Air India and Civil Aviation had, in fact, with the assistance of global advisors, accomplished all the preliminary things completely. It was at



that stage when only the documents, which they had already finalised, had to be frozen and bids had to be invited (that mechanical process) that it was decided by the Government that because the Ministry of Disinvestment was handling this, because the Ministry of Civil Aviation wanted this done, we should complete this process of calling the bids.

I think, that is a very important point that the hon. Minister has made. Now, Sir, I would just take one step back; Shri Sanjay Nirupam was just now asking about this, too. Is it a fact - that is my first question - that the disinvestment of all the hotels of the Hotel Corporation of India were referred to the Disinvestment Commission in 1996 by the United Front Government in its first list of firms to be disinvested? This is my first point.

Had the Disinvestment Commission in its Sixth Report of December 1997 recommended the disinvestments of these hotels and, in particular that the hotels in Mumbai and in Delhi should be sold as separate units? As the Minister has pointed out in paragraph 3, the Ministerial Group adopted the transaction structure and transaction documents, which were finalised by Air India. Those very things were adopted. Is this done or not, as is pointed out in paragraph 3?

Now my third question is, whether, at that time, the occupancy rate of the Juhu Hotel which is certainly a prime property had not limited to between 35 to 45 per cent over the successive years and this particular property was not incurring a loss and the loss of that year was Rs.1.56 crores. The Minister probably narrated in the subsequent paragraphs the process that was followed, and Mr. Anand Sharma took great exception to this. So, I would like to know from the Minister whether the process that was followed was not exactly the same process as in every other transaction of disinvestments, with one exception to which Mr. Dipankarji has also drawn attention, and whether that process in the BALCO judgement has not been held by the Supreme Court fair, just and transparent. My next question is - this has a bearing on what follows - whether it is not a practice learning from what happened in Telecom and in the FM bids that when people used to win bids they would not pay up often and repeated extensions were granted to people to pay up. Has not from that a lesson been drawn by the Disinvestment Ministry at that time that a very substantial bank guarantee must be taken from bidders, that if they are successful and they do not pay, then that guarantee would be encashed? And, in this particular case, from the Bank of Rajasthan was not a bank

guarantee of Rs. 5 crores taken which was valid till 31<sup>st</sup> March, 2002? And - I shall come to this because this is a point involved in this - on 1<sup>st</sup> February, 2002 and again on 21<sup>st</sup> February, 2002, didn't the then Minister for Disinvestment order that this bank guarantee be invoked? It is an important point that, I am sure, may be germane to the narrative, but this has got missed. Then, is it not a fact, as the Minister has rightly said, that after all the four methods of evaluation had been followed, the reserve price was fixed at Rs.101.60 crores, which is mentioned in line 1 of page 2 of the Statement, and that the bid was of Rs.153 crores, which is 53 per cent higher than the reserve price?

Now, this gentleman, Mr. Kelkar, asked for extension. Was it not the assessment of the Ministry, at that time, that this was a very good bid and we should not let the person escape out of this? That is the point. And, that, therefore, we ordered that he must come and deposit the amount. And, whether it is not the case that then he offered that if he were given that extension, he would be prepared to give a guarantee not of Rs. 5 crores, but of Rs.15.3 crores. And, whether in giving the extension, the conditions were not imposed that he would give; actually, this was our condition that the guarantee would be raised from Rs. 5 crores to Rs. 15.3 crores, which is 10 per cent of the total bid that he had placed, and the second that the transaction documents would be signed only when the balance had been paid into the escrow account or not. Were these two conditions not imposed upon him? Then, Sir, I come to another very important fact and I do not know how this has been missed. So, I would request the Finance Minister to please enlighten us on this. One point, Sir, that hon. Minister would be kind enough to clarify that no meetings took place with the then Minister of Disinvestment alone, but with all the officers - Secretaries, Joint Secretaries, Under Secretaries - in attendance and this gentleman would come with all his lawyers and his financial officers and so on. But, the more important point is whether he did not try - I would draw the attention of hon. Finance Minister to this question - to pass off a bank guarantee of Rs.15.3 crores from a bank called Allied Boston Bank, and whether this guarantee was not found to be untenable by the then officers and Minister, and this man was then informed that you had tried to pass off a guarantee which is not tenable at all and for that reason, he came back, whether he did not come back and said that in the meantime, he had been able to organise Rs. 44 crores of his own, the promoters' money and the rest of the money from a series of banks which, as the Finance Minister said, consisted of private banks and of public sector banks. And, whether

it is not a fact that then, he was told in a meeting with all these officers and with all his advisors, that his word could not be trusted and that only if the banks voluntarily, on their own, said and reported that yes, they were prepared because they thought it to be a good business proposition in their commercial judgement, whether they would advance him the money or not. And, therefore, what the hon. Finance Minister mentioned in paragraph 6 that on 23<sup>rd</sup> February, this meeting was held with the banks. Is it not a fact that this meeting was held because the words of this man could not be trusted? He had been told on his face that you had tried to pass off a guarantee which had been found to be untenable and, therefore, we would believe only the banks which then came and whether it is not a fact - Mr. Dipankar Mukherjee is completely right in asking for the minutes of that particular meeting - that when these representatives of banks came with all the officers in attendance, with Mr. Kelkar and his financial team in attendance and the advisors in attendance, the Government's advisors in attendance, whether banks' representatives were not told that ...*(Interruptions)*... Let me ask my questions. The Finance Minister will choose to answer the questions he likes. Were they all not told that why they had been requested to come, because the previous guarantee had been found to be untenable and whether whatever they wanted to record, could they please dictate in minutes that they would prepare along with advisors, and whether the Minister did not leave the room upon that? After saying this much and disclosing to all the banks what had transpired before that.

After that when the minutes have been drawn up and signed, whether I was not called back and told, yes, here we are, and, we voluntarily have agreed to loan this money to this because we regard this as a good business proposition.

And after that whether the then Minister for Disinvestment did not say to those bank representatives that this is not enough, and, unless your principals certify what you have said, and, endorse it from your headquarters by the 27<sup>th</sup> ...*(Interruptions)*...

SHRI NILOTPAL BASU: Sir, but in the minutes...*(Interruptions)*...

SHRI ARUN SHOURIE: Sir, all sorts of speeches have been made, and, I should be allowed to ask my questions...*(Interruptions)*...

SHRI NILOTPAL BASU: But, he is repetitive...*(Interruptions)* ..

SHRI ARUN SHOURIE: Sir, whether it is not a fact that they were told that you must get your principal headquarters to endorse - that point is missing here - to the Joint Secretary of the Ministry who was handling this transaction that yes, you will adhere to this commitment of loaning the money because naturally the Government's intention was in securing the money in this.

Then, whether it is not a fact - actually the Finance Minister has rightly said it - that by the 11<sup>th</sup> of March, the amounts were fully recovered and were deposited with the FCI. The question was asked whether Air India got its money or not, the entire amount went to the owners, in this case the FCI, and, whether the hotel was transferred only after that.

Sir, I have three more questions. Firstly, whether from the records, it is not evident that every single step was reported to the Cabinet Committee on Disinvestment; even by the final report that was given to the Committee on Disinvestment on this matter by the department including the business of guarantee and so on.

Sir, I would add only one other point now, and, that is - as the Finance Minister has rightly said - whether the Government did not realise more than 53 per cent of the reserve price, and, whether the Government did not succeed in keeping the bidder from dodging its responsibilities. Whether this is not one of the best cases in which the sterling role of the officers is evident from the record in which case this untenability of this bank guarantee was named by one Under Secretary of the Ministry in this regard itself, and, thereby we held him into account.

On this final point of things being closed and all, whether it is not a fact that these hotels - certainly the cases of Centaur, Juhu; Kanishka and other hotels - are undergoing a complete renovation at this time. Thank you.

SHRI ARUN JAITLEY : Sir, several issues have already been raised, and, I will try not to repeat them. But, I have only a few questions to the hon. Finance Minister.

Is it not a fact that this hotel, as other hotels of the Hotel Corporation of India, even though strategically located at some of the best sites, had been, in the recent years, running into losses? Secondly, is it not a fact that the entire bidding process and the process of divestment was

completely transparent from the stage of issuing the bids to the stage of a public bidding?

Thirdly, is it not a fact that, as is done, in every case of disinvestment, particularly when there is a disinvestment by strategic sales, the valuers have valued this property and the shares of this property at the four most established norms of valuation namely, the discounted cash flow system, the market value of the assets, the balance sheet value, as also the value of comparable sales which have taken place otherwise. On basis of following these four criteria, an optimum market value or reserve price has been fixed by the valuer which has been accepted by the Government. Is it further not a fact that in this case, the only bid received was, at least, 50 per cent higher than the reserve price which in the case of most strategic sales has not been the case? Therefore, the difference between the reserve price and the final sale price is at least 50 per cent-as against a reserve price of Rs. 101 crores, the final bid price has been Rs. 153 crores. Further, Sir, some references have been made that no direct information has been given, that subsequent to the transaction it has been realised that subsequently this property, if sold as a company, could fetch a much higher price. Is it not a fact that in most cases of divesting companies, various factors-in the case of hotel, the plight of the tourism in the country, in the case of any other company, how that sector is doing, how the stock market is doing, how the global economy is doing-would really determine the value whether post-sale values go up or come down? A reference was made to the airport hotel. Is it not a fact, the Finance Minister can tell us, whether in companies like the VSNL, forget three months, and any company like the IPCL, when shares were sold in the market, and by strategic sale, the management was handed over, within days, the market price of the shares had actually fallen down to a much smaller percentage of the sale transaction? In the case of the IPCL, I remember, as against the transaction at Rs. 231 per share, within days, it was at Rs. 70. Therefore, how subsequently the market behaves, is that going to be one of the norms on the basis of which share values are going really to be fixed up? Is it also not a fact that in several cases where sale and divestment of hotel companies have been delayed for some reason or the other, as in the case of the Centaur Hotel in Delhi, the losses have been mounting up and the occupancy of the hotel has been going down? And, therefore, the Government has to take a commercial view of what is to be done in these matters, or, allow these properties to actually decay and not bring the relevant returns to the Government itself. Is it not a fact that if this has not been done, I gave the example of Delhi, my

friend, Mr Mukherjee, comes from West Bengal, he would know the example of the Great Eastern Hotel in Kolkata. Therefore, for the last ten years, the State Government has been trying to divest, being deferred on one objection or the other, and we know what the plight of the hotel has come to be. Is it not a fact that if we had indefinitely delayed these transactions, the cost to the exchequer would have been much more? Then, Sir, is it not a fact that there is no such Government rule or policy that even though a single bidder is much higher than the reserved price, ...*(Interruptions)*...

SHRI NILOTPAL BASU: Sir, I have a point of clarification .. *(Interruptions)*...

SHRI ARUN JAITLEY: I will not yield on point of clarification. If it is a point of order, I will yield. But, I am sorry; I am not yielding on a point of clarification. ...*(Interruptions)*. You want the Centaur to become the Great Eastern Hotel. The Government in its commercial wisdom and the Minister *(Interruptions)*

SHRI NILOTPAL BASU: Sir, it is a point of order.

MR. DEPUTY CHAIRMAN: Tell me what is your point of order.

SHRI ARUN JAITLEY: Sir, under what rule is he being permitted to ask a clarification? We don't have a system where Members are asked to give clarifications.

MR. DEPUTY CHAIRMAN: Mr. Basu, let him complete it, then you can ask.

SHRI NILOTPAL BASU: Sir, my point of order is ...*(Interruptions)*...

SHRI ARUN JAITLEY: What is the rule? ...*(Interruptions)*...He can't be allowed. What is the rule? ..*(Interruptions)*...

SHRI NILOTPAL BASU: I am quoting the rule from the Parliamentary Bulletin, part II of Friday, the 18<sup>th</sup> June, 2004, page 5...*(Interruptions)*.

SHRI MURLI MANOHAR JOSHI: It is not a rule. ...*(Interruptions)* .

SHRI NILOTPAL BASU: It is a rule ...*(Interruptions)*... May be, you have come back after a long, long time in Rajya Sabha, therefore, you do not remember...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: No, no, let him say. Mr. Basu, what exactly is your point? ...*(Interruptions)*...I don't have that Bulletin here.

SHRI NILOTPAL BASU: Sir, page 5 says, "A Member who initiates the Calling Attention Motion should not take more than 7 minutes and other Members who are called by the Chairman should not take ...*(Interruptions)*...

SHRI ARUN JAITLEY: Sir, our plight is rule to Mr. Basu ...*(Interruptions)*...Is it the best point that he has? ...*(Interruptions)*...

SHRI NILOTPAL BASU: Sir, please let me complete the whole section. "And other Members who are called by the Chairman should not take more than five minutes each and should ...*(Interruptions)*... Sir, the operative part is that Members should restrict themselves strictly to seeking clarifications on the Call-Attention Motion. While Mr. Shourie was speaking, we heard him with rapt attention because he was framing his statements in the form of questions. So, we did not raise any question. But Mr. Jaitley is making a full-fledged speech. He is not seeking any clarifications. ...*(Interruptions)*...

SHRI BALBIR K. PUNJ: Sir, when Mr. Anand Sharma was doing so, they did not object to it. ...*(Interruptions)*...

SHRI ANAND SHARMA: I asked specific questions ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Okay.

SHRI ARUN JAITLEY: I am pointedly asking questions. ...*(Interruptions)*...Is it not a fact that there is no Government policy, or regulation that merely because you have a single bidder, even though the single bidder is much higher than the reserved price, his bid is to be rejected? Is there any such policy of the Government which so mandates? Is it not a fact that the company, which purchased the shares, has finally paid up the entire amount? Is it also not a fact that in several cases, whether it was in the case of FM channels, or in the case of telecommunication licences when they were originally issued, Governments, in order to ensure the health of the industry and to complete prudent commercial transactions, have given extensions even measuring up to months and years and not in this case which was only a matter of a few weeks?

Finally, since the hon. Member who initiated the Call-Attention Motion made much of the fact...*(Interruptions)* ..attempted to state that somebody who was on the Board of Air India, as a buyer and a seller, was acting in two capacities. He did not name the person but we understand who he was referring to. I have just two or three confirmations in terms of questions to ask from the hon. Minister. Will the hon. Minister tell us the year in which this gentleman was nominated to the Air India Board and by which Government? Is it not a fact that his tenure had ended in January 1999 whereas the Advisors for the first time were appointed in this case for valuation in the year 2000 and, therefore, the two events were absolutely unconnected with each other?

MR. DEPUTY CHAIRMAN: Shri Manoj Bhattacharya. Not there.

SHRI B.J. PANDA (Orissa): Sir, I will try to abide by the rules cited by the hon. Member from West Bengal, at least in terms of the time limit here, if not in the methodology followed on disinvestments in various parts of the country. The views on public ownership of commercial activities in this country have changed quite dramatically over more than five decades. But particularly, in the last 13 years or so, there has been an emerging consensus and there are many leading lights in this house itself, even across on the other side of the House which have played a major role in this emerging consensus. And what is the consensus? The consensus that has been emerging is that the Government really ought to focus on fundamental issues of governance and get out of those commercial activities, at least those which are not strategic. This consensus is still emerging and it has emerged over many different Governments - during these last decade and a half, there have been Congress Governments, there have been coalition Governments headed by the Congress, headed by the BJP.

MR. DEPUTY CHAIRMAN: Mr. Panda, it is a Calling Attention Motion. It has a limited purpose. It is not a debate whether disinvestment is there or not.

SHRI B.J. PANDA: Sir, the question is that today's fault lines lie whether disinvestment has to be only of loss-making companies or profit-making companies. ...*(Interruptions)*...

SHRI DIPANKAR MUKHERJEE: That is not the issue.



**SHRI B.J. PANDA:** Sir, the point is that even those who opposed the disinvestment of any activity, particularly of Centaur, questioned the issue of transparency. That is the whole issue. That is where the fault line lies today.

The transparency of disinvestments of Centaur can be broken down into two aspects.

One is the valuation of the property, and the other is the bidding process itself. Is it not a fact that before the valuation procedure was put into place, which has been applied in the case of the Centaur Hotel, other prior Governments have used completely arbitrary methods of valuation? In the emerging consensus that I was talking about, it has now become an established practice to use valuation methods that make use of three or four most notable methods, most common methods that are used across the world, including such methods as discounted cash flow method, net asset valuation method, balance-sheet method, profit and loss method, and so on and so forth. All of them have been applied. It has not been done arbitrarily is the point that I am making. It is not an issue.

**MR. DEPUTY CHAIRMAN:** You put the questions to the Minister.

**SHRI B.J. PANDA:** I am putting my questions, Sir. I would like to know whether these norms of valuation have been applied or not or whether it has been done arbitrarily. The second question that arises is regarding the bidding process, and in the bidding process, the crux of the issue comes down as to why extensions were allowed to the winning party. If you go through the hon. Minister's statement, that is the crux of the issue. It is not at issue that this was the highest bidder; it was not an issue that it was substantially higher than the reserve price. The issue is, whether extensions were granted unfairly, and the question I raise is, is it not a fact that during these extensions of a few weeks that were given, the Government's interest was never at stake, because the bank guarantees that had been issued by the party, were always held by the Government and were encashable, and in fact, a price was extracted when the bank guarantees that were encashable, were increased almost by 300 per cent during the course of extension from Rs. 5 crores to Rs. 15 crores? If that is the case, then certainly, the Government's interests were never compromised.

Now, finally, Sir, I have one last point to make. Is it a fact that the Minister of State for Finance, while answering a question in Parliament itself

has pointed out that there were no irregularities in all these matters? Thank you, Sir.

SHRI MANOJ BHATTACHARYA (West Bengal): Mr. Deputy Chairman, Sir, thank you for giving me this opportunity. I would confine myself to some limited questions because, most of the questions have been very effectively raised by my colleagues, Shri Dipankar Mukherjee, Shri Anand Sharma and Shri Sanjay Nirupam. Sir, I was rather intrigued while going through the Economic Times of 19<sup>th</sup> October, 2002 when this question of Centaur Airport selling and re-selling was going on. I would like to know one thing from the hon. Finance Minister. Is it not a fact that one Shri A.L. Batra, the reputed person of the Batra Hospitality-incidentally, another Hospitality is also involved over here-was reputed to be close to RSS, and he was also present on 2<sup>nd</sup> October, 2002 when the RSS chief, Shri K. Sudarshan was making his discourse to a 2,000 strong gathering of Delhiites, including Cabinet Ministers, bureaucrats and Ambassadors. Mr. Batra was next to him on the dais as the chief guest of the function. My question is, is it not a fact that Mr. A.L. Batra of the Batra Hospitality who could make a profit of Rs. 32 crores within three months of purchasing and selling of Airport Centaur...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: How is it relevant?

SHRI ARUN JAITLEY: If questions outside Centaur are allowed, then how are the Ministers staying in Ashoka Hotel? ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: I have already pointed this out to him.

SHRI MANOJ BHATTACHARYA: Is it not a fact that Mr. Ajit Kerkar, who made a mess of Juhu Centaur, is also a person close to the RSS for what he was specially considered? Sir, number two is . *(Interruptions)*...

DR. MURLI MANOHAR JOSHI (Uttar Pradesh): It is not related to the subject. ...*(Interruptions)*...The words should be expunged. ...*(Interruptions)*...

श्री कृपाल परमार (हिमाचल प्रदेश) : सर, unrelated questions निकाल दीजिए। ...*(व्यवधान)*...

श्री रुद्रनारायण षणि (उड़ीसा) : श्री ज्योति बसु और आर.एस.एस. के ...*(व्यवधान)*... देवरस जी एक मंच पर बैठे थे, यह भी इतिहास है। क्या आज यह प्रासंगिक है?

श्री बलवंत उर्फ बाल आपटे (महाराष्ट्र) : सर, ये क्या कह रहे हैं?

SHRI MANOJ BHATTACHARYA: What is this, Sir? I am not yielding. ...(*Interruptions*)...Sir, I am asking questions only. ...(*Interruptions*)...

DR. MURLI MANOHAR JOSHI: It is totally irrelevant. It is not related to the subject. ...(*Interruptions*)...

MR. DEPUTY CHAIRMAN: Mr. Bhattacharya, please ask questions only.

SHRI MANOJ BHATTACHARYA: I am asking questions only. I am not yielding, Sir. ...(*Interruptions*)...

SHRI NILOTPAL BASU: Is 'RSS' an unparliamentary word?

DR. MURLI MANOHAR JOSHI: It is unrelated to the subject. It should be expunged. ...(*Interruptions*)...

MR. DEPUTY CHAIRMAN: Please sit down. ...(*Interruptions*)...

SHRI MANOJ BHATTACHARYA: I am on a serious question. I am not yielding, Sir. ...(*Interruptions*)...

MR. DEPUTY CHAIRMAN: It is not unparliamentary. I can't expunge it.

DR. MURLI MANOHAR JOSHI: No, no; they are totally irrelevant remarks. You can say at least 'they will not go on record'. ...(*Interruptions*)...

MR. DEPUTY CHAIRMAN: Mr. Bhattacharya, please confine yourself to the subject.

SHRI MANOJ BHATTACHARYA: Sir, I am confining myself to the subject. ...(*Interruptions*)...

MR. DEPUTY CHAIRMAN: Please sit down. ...(*Interruptions*)...

SHRI DIPANKAR MUKHERJEE: Sir, is 'RSS' an unparliamentary word? ...(*Interruptions*)...

SHRI MANOJ BHATTACHARYA: Sir, my question is very simple. I am sure that the hon. Finance Minister will kindly try to answer it. Sir, I can tell you once again-I am sure they will kindly have patience-that a gross irregularity is being observed in the sale proceedings of both these hotels, Airport Centaur and Juhu Centaur. Sir, regarding Airport Centaur Hotel, it is

being widely reported in the reputed Press that the gentleman, Mr. A.L. Batra, was considered specially to make a profit of Rs. 32 crores within three months since he was very close to the RSS! This is number one. ..*(Interruptions)*...My question was whether Mr. Ajit Kerkar who has been especially favoured by the...*(Interruptions)*...Let me understand the complexity. My question is addressed to the Finance Minister. ...*(Interruptions)*...Let me understand the complicity. ...*(Interruptions)*...Sir, let me understand the complicity. ...*(Interruptions)*...

श्री बलवंत उर्फ बाल आपटे : सर, ये क्या कह रहे हैं? ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: RSS! How do you expect the Minister to give a reply whether he is a member of RSS or not? That question is irrelevant! ...*(Interruptions)*...

SHRI MANOJ BHATTACHARYA: Sir, my question is whether...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: No, no, Mr. Bhattacharya, you should only ask a question which the Minister can answer.

SHRI MANOJ BHATTACHARYA: Sir, I am asking such question only ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Please sit down. Mr. Jairam Ramesh. ...*(Interruptions)*...Mr. Jairam Ramesh...*(Interruptions)*...Please sit down

SHRI MANOJ BHATTACHARYA: Sir, I have put only one question. ...*(Interruptions)*...There are two questions more.

MR. DEPUTY CHAIRMAN: Mr. Bhattacharya, please sit down. ...*(Interruptions)*...Please sit down.

DR. MURLI MANOHAR JOSHI: Whether it is applicable to Mr. Manoj Bhattacharya also.

MR. DEPUTY CHAIRMAN: It is applicable to all the Members.

DR. MURLI MANOHAR JOSHI: If it is applicable, Sir, then apply it and ask him to follow it.

MR. DEPUTY CHAIRMAN: That is why I am bringing it to his notice that he should ask only those questions which the Minister can answer.

DR. MURLI MANOHAR JOSHI: He has already consumed more time. ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: That question the Minister will not answer.

DR. MURLI MANOHAR JOSHI: Now, the question is he should not be given any more time. He has already exhausted his time, according to the bulletin. Therefore, he should finish it.

MR. DEPUTY CHAIRMAN: Mr. Bhattacharya, please conclude.

SHRI MANOJ BHATTACHARYA: Sir, my second question is not related to the RSS. ...*(Interruptions)*... Please have your seat. Don't get excited unnecessarily. I am not yielding. ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Please sit down.

SHRI MANOJ BHATTACHARYA: Sir, my second question is regarding the Centaur Hotel and the other hotels. Mr. Arun Jaitley was also inquiring whether they were running at a loss. My question is whether a thorough inquiry has been made to determine that these Hotels were made to run in loss for disinvestment at a cheaper price. This is number two.

The third question is whether the Government, looking at the messy condition of disinvestment which is quite proven by these sorts of proceeds, is prepared to probe into all the disinvestment processes that have taken place in the last 5-6 years and find out the gross anomalies that have taken place. These are the three questions. Thank you very much.

SHRI JAIRAM RAMESH (Andhra Pradesh): Thank you, Mr. Deputy Chairman. I seek your permission to come forward to put this question to the Finance Minister. I thank my hon. friend. I never thought that he and I would actually agree. But today is one such occasion, Sir. Before I seek the clarifications, I want to say that I speak as somebody who is deeply committed to privatisation, who wants faster privatisation. The question is not about privatisation of hotels. The question is about how these hotels were privatised. I don't think we are debating or asking questions on the merits of privatisation. I think the doubts that have arisen have been doubts on the way the privatisation has taken place. There may be two views on the need for privatisation. But this is not the afternoon to discuss that issue.

I have only one specific question to ask of the Finance Minister. We have all seen a large number of privatisations that have taken place. I have gone public and defended the distinguished former Minister of Disinvestment on many privatisations like BALCO and VSNL which have been very controversial. The question is this. Why is, repeatedly, privatisation of hotels, which almost every political party accepts as a necessity, becomes controversial? Why is it, repeatedly, that privatisation of hotels is falling prey to controversy on violation, on utilisation and so on after privatisation? We are discussing today one specific issue, the Centaur Hotel at Juhu. Some questions have been raised about the hotel at Udaipur and some questions have been raised about Centaur Hotel at Bombay Airport. The general point which I want to put to the Finance Minister is that the same amount of agitation does not exist in other privatisations. But it exists specifically in the issue of privatisation of hotels which most of the political parties accept as a necessity. So, what is it which makes the privatisation of hotels controversial? Is it the evaluation methodology that has been adopted? Is it the safeguards, which have not been built into the shareholders' agreement and which allows the buyers to get away with a different use than what we expect them to put it to? What makes, from his investigations of these privatisations, the hotel privatisation to be such a controversial topic? If we don't address this issue, I am afraid, the integrity of the entire privatisation programme is going to be called into question. This is one area on which very few people can object to the privatisation of hotels and, yet, we are spending maximum time on discussing privatisation of hotels. Thank you.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, I am rather surprised that so many questions should arise out of this statement; and even more surprised that most of these questions should be raised by someone who ought to know the answer himself. You rightly remarked, Sir, how can the Minister can answer whether "X" was a member of RSS. I can't. Equally, I can't answer the question whether it is not a fact that the then Minister of Disinvestment left the room for a few minutes. How do I answer that question? I can't answer that question. All that I can answer is on the basis of records. My good friend, Mr. Jairam Ramesh, and, the whole world knows, I am broadly votaries of restructuring the public sector enterprises, which, in some cases, would, subject to further debate, lead to privatisation. But we are not debating here why this particular hotel was privatised.

There can be two opinions on the merit of this privatisation. But we are not debating on that. And, I am not required by you, Sir, to answer that question. The question is: How was this hotel privatised? Was it done in a fair and transparent manner leaving little room for doubt? And, assuming that some legitimate doubts arise, could they be clarified in the space of a few minutes? From what I have heard today, everybody in this House has over a hundred doubts. And the best way to resolve these doubts would, perhaps, be not for me to answer them, but to agree that an inquiry will be conducted on them. Nevertheless, let me answer some of the questions. But, the answers to the questions that have been raised will, I am afraid, not go to a great extent to clarify matters because, I think, there are still areas which need to be explored and looked into by a responsible person or a body of persons. I will tell you why.

Sir, it is true that the Disinvestment Commission recommended disinvestment of the hotels of the Hotel Corporation of India in December, 1997. It is also true that on the 3<sup>rd</sup> November, 1998, the Air India Board constituted a Sub-committee on Disinvestment and a gentleman by name Shri Ajit B. Kelkar, happened to be a member of the Sub-committee. On the 10<sup>th</sup> December, 1998, the Sub-Committee decided to disinvest the hotels of the HCI and decides to appoint a consultant. On the next day, the Air India Board is reconstituted, and Mr. Ajit Kelkar ceases to be a member of the Board the next day. This could be a co-incidence. But standing here, how would I say that this is no more than a co-incidence? The Air India Board re-constituted the Sub-Committee. Of course, Mr. Kelkar is not there because he ceases to be on the Board after the decision was taken. Then, as my learned friend, Shri Shourie, said, a number of steps were taken by Air India. By June, 2000, Air India executes a Global Advisory Agreement with M/s Jardine Fleming Securities Limited. On the 5<sup>th</sup> September, 2000, a new company called Tulip Hospitality Services Private Limited, THSPL, was incorporated. On the 11<sup>th</sup> and 12<sup>th</sup> October, 2000, advertisements were issued by Air India inviting Expressions of Interest, and the last date was 31<sup>st</sup> October, 2000. And, as I have said in my statement, by the 16<sup>th</sup> of February, 2001, amongst the 20 bidders, three were found ineligible, 16 withdrew, leaving only one bidder, and this bidder was M/s Tulip Star Hotels Limited. Now, it appears from the record that the company that I have mentioned earlier, that is, the Tulip Hospitality Services Private Limited is a subsidiary of Tulip Star Hotels Limited.

The bidder is Tulip Star Hotels Ltd. Or, the QIP, the Qualified Interested Party, is Tulip Star Hotels Ltd. Air India appoints a valuer to value the hotels. ...*(Interruptions)*...That is immaterial; but it is a company known as M/s Kanti Karamsey & Co. Now what happens is this. On the 10<sup>th</sup> of September, 2001, the Minister of Civil Aviation proposes that the remaining process of disinvestment should be taken over by the Ministry of Disinvestment. On the 12<sup>th</sup> of September, 2001, the Minister for Disinvestment promptly responds by saying, "No. You continue the disinvestment". However, it is later, on the 18<sup>th</sup> December, apparently, there is a meeting between the Secretary, Ministry of Disinvestment and the Secretary, Ministry of Civil Aviation, and the Secretary writes that he has discussed the issue with the Minister of Disinvestment who has agreed that the Ministry of Disinvestment will take over the process of disinvestment. Therefore, after the 18<sup>th</sup> of September, 2001, the Ministry of Disinvestment takes over the process, about which the Ministry's earlier view was, "Let Air India continue with the disinvestment". On the 19<sup>th</sup> of September, 2001, the Minister of Disinvestment actually takes over the process and constitutes an Inter-Ministerial Group. This was done, as per the records, in anticipation of Government approval, and Government approval comes 8 days later on the 27<sup>th</sup> of September, 2001. The Valuation Report is received by the Secretaries in the two Ministries on the 6<sup>th</sup> of November, 2001. The Valuation Report encloses the Asset Valuation Report. The Asset Valuation Report is, as I said earlier, made by M/s Kanti Karamsey & Co. and they have valued the assets at two values, namely, Reinstatement Value as on 31<sup>st</sup> May, 2001 at Rs. 246.50 crores and the Depreciated Value as on 31<sup>st</sup> May, 2001 as Rs.214.14 crores. They have given a break up of the various assets involved, but I don't think I need to take the time of the House describing the assets. Someone asked how many flats were there? There were three flats in Andheri, eight flats in Mallad; maybe they were made available on rent or whatever. Eleven flats were there. But that is a minor detail. Anyway, Sir, the two valuations that we have are of assets - Rs.246.50 crores and Rs.214.14 crores. The asset valuation is presumably considered by the global advisors and the global advisors have given their report. This report is considered by the evaluation Committee two days later on the 8<sup>th</sup> of November, 2001. And from the minutes of the meeting of the 8<sup>th</sup> of November, 2001, I find that what the global advisors said was that the asset valuation method result must be adjusted; and the adjusted value of Centaur, Juhu Beach, was put as Rs.134 crores. Obviously, I cannot,



while standing here, go into all these details of adjustments. Someone must go into it; someone should go into it.

How did these two values of Rs.246 crore and Rs.214 crore come to be adjusted, and for what reasons to Rs.134 crore? Be that as it may the Evaluation Committee had before it four values. One was the DCF value which was put, I am only giving for this hotel, other hotels are also there, as between Rs.81.70 crore to Rs.121.60 crore, under the DCF method; comparable method, to which my friend Mr. Jaitley referred, Rs.32.90 crore to Rs.63.30 crore; the balance sheet method Rs.13.60 crore and the asset valuation method as Rs.134.10 crore. Then, the Committee says, and I quote, "The Committee felt that the Advisors have rightly recommended the value arrived at by DCF method as the most appropriate one for having the basis for reserve price. However, the range given by the Advisors under the DCF method being very wide, the Committee asked the Advisors to give one figure under the DCF method, taking into account the discussions of the Committee and the various questions put by the Committee to the Advisors for consideration of the Committee." Then, the Advisors say, and I quote the relevant portion, "On account of both these factors, our range of DCF values" - you will recall, Sir, the range of DCF value was Rs.81.70 crore to Rs.121.60 crores - "are larger than was could perhaps be accepted in normal circumstances." Then, the Advisors say, "If you want one value, we are giving the value as Rs.101.60 crore." That is how the reserve price came to be fixed as Rs.101.60 crore. Now, there is a note to it and with great respect, I would need advise to understand this note because it uses a lot of technical terms. For example, it says, "The Advisors arrived at the aforesaid base case values by assuming a weighted average cost of capital of 13.32 per cent. This was based on assuming the cost of debt to be equal to the current borrowing rate of HCL, (13 per cent per annum). Debt to equity ratio of 41 per cent, based on the average of the debt equity ratios of comparable listed hotel companies and the derived cost of equity of 15.3 per cent. The cost of equity was based on assuming the risk-free rate to be 9.9 per cent per annum equal to the yield of 25 year Government of India securities, levered beta of 0.72, based on average of the betas of comparable listed hotel companies and equity risk premium of 7.5 per cent based on the Advisors' suggestions." Sir, whether these are correct this can only be looked into by someone who understands terms such as levered beta etc. The point is, the Advisors said Rs.101 crore and that is how the reserve price was fixed at Rs.101.60 crore.

4.00 p.m.

Sir, as I have said in my statement, the IMG accepted the recommendations on 9<sup>th</sup> of November. The same day, on 9<sup>th</sup> of November, the CGD accepted it. And the very next day, the Cabinet Committee on Disinvestment approved the bid for Rs.153 crore. Sir, Mr. Shourie asked the question: Is it not right that every decision taken by the Ministry of Disinvestment was reported to the Cabinet, did not the Cabinet Committee approve? Yes, if the decision had been taken at the Minister's level, the Minister alone would be responsible. If the decision was taken at the Cabinet level, the Cabinet would be collectively responsible. The point is, someone must own responsibility for these decisions, and I have given the facts, at what level these decisions were taken and at what level the decisions were approved.

Now, Sir, the remaining story is what is to me, contains a number of - I was very restrained in my statement and I will continue to observe the same restraint - surprising elements. Firstly, after approval on 21<sup>st</sup> of November, Air India gives notice to Tulip Hospitality Services Private Limited, a subsidiary company through which the bid was put. Although TSHL was the parent company, the bid was actually put through a subsidiary company. That may be merely a technical matter. The notice said, "21<sup>st</sup> of December, 2001 is the last date. Pay 10 per cent of the bid amount and deposit the balance of 90 per cent in escrow account." Now, 10 per cent comes to Rs.15.30 crores. When this figure of Rs.15.30 crores occurs again, nobody is doing anybody a favour. Answering my learned friend, Mr. Panda's question, Rs.15.30 crores was a condition of the acceptance. You have to pay up front Rs.15.30 crores and balance 90 per cent in escrow account. ...*(Interruptions)*...

SHRI ARUN SHOURIE: Just a minute. ...*(Interruptions)*...Two different figures are involved to which you are drawing attention. You are right. This is the amount that is to be paid in the first instalment of 10 per cent to the HCI so that process can proceed further. Rs.15.30 crores were raised in the subsequent account in January. So all that amount they would forfeit. ...*(Interruptions)*...It is not that. ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: I am only saying that Rs.15.30 crores, front payment, was the condition from the very beginning. It was not a condition which was imposed later. I am answering my hon. friend's question. On 19<sup>th</sup> December, 2001, two days before the last date, THSPL

sought extension of time up to 15<sup>th</sup> of February, 2002. The Minister on 22<sup>nd</sup> December, 2001 granted extension up to 31<sup>st</sup> January, 2002. That was the first extension granted. On the 24<sup>th</sup> of December, the bidder was told, "You have been allowed extension up to 31<sup>st</sup> January, 2002, subject to the condition that you should pay a non-refundable amount of Rs.15.30 crores on or before 31<sup>st</sup> of December, 2001 and all other agreements must be executed and the balance should be paid in escrow account before the extended date of 31.1.2002." Now, there are two deadlines. The Government fixed a deadline of 31.12.2001 for payment of Rs.15.30 crores, but gave an extension to complete the transaction by 31.1.2001. Now the bidder submits a letter saying, "I do not accept this condition." Nevertheless,

Sir, on the 31<sup>st</sup> of December, 2001, that is the deadline fixed for payment of Rs.15.30 crores, he deposits a cheque of Rs.15.30 crores, but stipulates a condition that the cheque can be encashed by the Hotel Corporation only after execution of the agreement to sell. The advisors respond to him saying, "Your condition is not acceptable." On 8<sup>th</sup> January, the file was submitted for invoking the bank guarantee. On 31<sup>st</sup> of January, Shri Kelkar, according to the records, holds a meeting with the Minister of Disinvestment. He submits, what Mr. Shourie correctly described, as an untenable guarantee from an obscure bank and enhances the guarantee to Rs.36.50 crores. My question is, when it was an untenable income from bank, obscure why did he not say Rs.153 crores? But nevertheless, in his generosity offered guarantee of Rs. 36.50 crores.

SHRI DIPANKAR MUKHERJEE: To the Minister directly?

SHRI P. CHIDAMBARAM: Please don't put words in my mouth. I do not know. I have not looked into every single paper. But nevertheless, in his generosity, he offered a guarantee of Rs. 36.50 crores and proposed to conclude the transaction by 9<sup>th</sup> March, 2002. Quite rightly, Sir, the guarantee was found unacceptable and the proposal was found unacceptable, the conditions were found vague and unacceptable. Next day, on the 1<sup>st</sup> February, 2002, the Minister orders that the guarantee be invoked by the 4<sup>th</sup> of February, 2002 unless the bidder fulfils the requirement by that date; on the 2<sup>nd</sup> of February, advisor issues a notice to the bidder conveying the decision of the Minister. On the 4<sup>th</sup> of February, the bidder submits a banker's cheque for Rs. 10 crores to HCl. Sir, we now have a

guarantee for Rs. 5 crore and a cheque of Rs. 10 crore. We do not have a cheque for Rs. 15.30 crores except the earlier cheque which was given on the 31<sup>st</sup> of December but on the condition that it can be encashed only when the agreement was signed. It is a very complicated web. There is a Rs. 5 crores bank guarantee, there is a Rs. 15.30 crores cheque with conditions, there is an untenable guarantee of Rs. 36.5 crores on an obscure bank and there is a Rs. 10 crore cheque now. On the 6<sup>th</sup> of February, 2002, the representative of the bidder meets the Secretary, Disinvestment. It was decided that the bidder would pay Rs. 5.30 crores by the 15<sup>th</sup> of February, pay Rs. 10 crores by the 1<sup>st</sup> of March and execute Escrow Agreement and pay the balance by the 10<sup>th</sup> of March. So, now further extensions are granted with three different dates for completing three different steps of the transaction. Now, the subsidiary company, Tulip Hospitality Services Private Limited is now renamed as Tulip Hospitality Services Limited.

SHRI JAIRAM RAMESH: Mr. Deputy Chairman, Sir, since the former Minister of Disinvestment seems to be having the same copy from which the Minister is reading, can all the other Members of Parliament have the same copy because the two former Ministers are smiling at every step because they have the same document in front of them? Can the other Members have the same privilege?

श्री राजीव शुक्ल (उत्तर प्रदेश) : हो सकता है, फोटोस्टेट करवाकर ले गए होंगे।  
...(व्यवधान)...

SHRI JAIRAM RAMESH: From Tulip Photostat Investment Limited perhaps.

SHRI P. CHIDAMBARAM: Sir, the bidder had to deposit Rs. 5.30 crores by the 15<sup>th</sup> of February, 2002. The bidder failed to deposit Rs. 5.30 crores on the 15<sup>th</sup> of February, 2002. On the 18<sup>th</sup> of February, 2002 they deposited Rs. 5.30 crores. The department of Disinvestment says, 'Reiterate all the conditions that have been imposed on 6<sup>th</sup> of February, namely three conditions.' They have fulfilled only one after some delay. On the 20<sup>th</sup> of February, the file is submitted again for invoking the bank guarantee for failure to conform to the three conditions stipulated earlier. On 21<sup>st</sup> of February, the Minister, Disinvestment passes orders once again invoking the bank guarantee, notice is served on the company.

And, Air India is requested to proceed with invoking the bank guarantee. Therefore, Sir, there are two orders for invoking the bank

guarantee. The first order was made on 1<sup>st</sup> February, and the second order was made on 21<sup>st</sup> February, directing that the bank guarantee be invoked. The very next day, Mr. Kelkar, meets the Minister and Mr. Kelkar assures the Minister that he would bring all the bankers who have agreed to finance him. It appears that the Minister had agreed to meet the bankers because there is a letter of the next day where the company addresses the Minister thanking the Minister for agreeing to meet the bankers. On 23<sup>rd</sup>, Minister met the bankers. It was decided that the transaction would be completed by 9<sup>th</sup> March, 2002, and the letter for invoking the bank guarantee was withdrawn. Now, I do not find any reasons recorded in the file as to why the decision to invoke the bank guarantee was withdrawn. But, presumably, since the Minister agreed to give time up to 9<sup>th</sup> March, 2002, he might have consistent with that decision decided not to invoke the bank guarantee. On 9<sup>th</sup> March, 2002, - the date fixed for all this to happen - the Managing Director, Hotel Corporation of India, raises the question of interest on delayed payment. The payment ought to have been made much earlier. There is an interest running on delayed payment. But, from the records that I have been able to peruse - I must say that most records are not with us now and I will tell you why; now they are all with the CAG - it appears that this issue of interest was never pursued thereafter. It was raised by the Managing Director, but it has not been pursued thereafter. It appears that on 11<sup>th</sup> March, 2002, it was decided, at the official level that interest need not be charged and this decision was conveyed to the Managing Director, Hotel Corporation of India. As I said in my statement, on 11<sup>th</sup> March, 2002, the transaction was concluded. On 27<sup>th</sup> March, 2002, the Cabinet Committee ratified it. And, on 31<sup>st</sup> May, 2002, the transaction was completed and the hotel is handed over.

Now, Sir, my discomfort raises from the fact that - while as Mr. Jaitley said that there is no hard-and-fast rule - one of the facts is that prudence dictates that you do not pursue a single bidder transaction. You hold back that bid and notify or advertise the property once again to see if in the second round you will get more than one bidder. This would have, in my humble view, been the prudent course to take. But, in this case, from the records, it appears, no one seems to have raised this question, 'Was it a prudent thing to do?' It appears to me, driven by the zeal for disinvestment, they overlooked the fact that it was not prudent to pursue a single bidder transaction.

The second matter of discomfort is valuation. I, standing here, am not able to reconcile the valuation by the asset valuer which gives a reinstatement valuation of Rs. 246 crores, a depreciation valuation of Rs. 214 crores, then the global advisor's adjusted valuation of Rs. 134 crores and then the reserve price fixed at the median of the DCF.

A reference was made to the judgement in the case of BALCO. And, it was made to appear that the Supreme Court had upheld the DCF method, as the right method. There was no such thing. In the case of BALCO, the Supreme Court was concerned with three methods of evaluation - discounted cash flow, comparables and balance sheet. The Supreme Court also referred to the asset value method. The Supreme Court, in that case, says, I quote, "The range of valuation under all these methods is between Rs.587 and 995 crore, and a 51 per cent equity will make 300 to 507 crore." The Evaluation Committee, then, deliberated on various methodologies and concluded, as per the affidavit of the Union of India, that the most appropriate methodology for valuing the shares of running business of the BALCO would be the discounted cash flow method. It decided to have a control premium of 25 per cent on the base value of equity, although the Advisor had viewed that the premium should range between 10 to 15 per cent. Then, add the value of non-core assets to arrive at a valuation of 1008.6 crores for the company as a whole, fifty-one per cent of which amounts to 514 crore. So, the valuation method, adopted in the case of BALCO, is a hybrid method, where they took the range of all the three methods, added the asset value of non-core assets and arrived at valuation. Then, the Supreme Court says, "This method, in this case, is perfectly right". I don't think that this has to be taken as a certificate. And, I think, we should caution ourselves against assuming that in all cases the DCF method is the only method, and is the most appropriate method. There is no such declaration of law, as far as I am able to read. Sir, my second discomfort, as I said, is on 'valuation'. And, as I said a little while earlier, all the files have now been called for and taken over by the Comptroller and Auditor General in the usual course of discharge of his duties. I assume that the Comptroller and Auditor General will submit a report, and in that report will make his observations. I will certainly share those observations with this House. And, if that report requires me to take further action, I will certainly take further action on the basis of that report.

My third discomfort arises, what appears to me, from the indulgence granted to this gentleman by not invoking the bank guarantee, which was

ordered twice; and, by granting repeated extensions. Yes, the company was, perhaps, not a profitable company. But, when did it start making losses? It was making profits till 1999-2000 although, that was a small profit. It made loss, for the first time, in the year 2000-2001. The net loss was Rs. 1.56 crores. At that point of time, maybe the decision to disinvest was right. I am not second-guessing it. But, at that point of time, I don't think the situation was so desperate that one had to pursue a single-bid transaction, not invoke the bank guarantee, which was ordered twice, grant extensions on three occasions, and somehow close the transaction in an unusual meeting with the bankers, who would lend as much as Rs. 109 crores to finance the transaction of Rs. 150 crores. Prudence would have dictated, "Does not matter. Let us invite another bid. Let us see whether other bidders come. Let us invoke the bank guarantee". And, if Mr. Ajit Kelkar comes forward and pays interest or pays a penalty, you can always count the amount invoked in the bank guarantee against the final bid. I personally think, I mean, it appears to me in retrospect, that the then Government was driven by the zeal to disinvest. And, perhaps, as a result of that zeal, they overlooked some discomfoting aspects of this transaction. I would respectfully conclude, Sir, on the question of resale.... The agreement does not permit the resale. There is no shareholders' agreement. There is only a sale agreement. The matter is, now, *sub judice* before the High Court of Bombay regarding the Voluntary Retirement Scheme. But, if there is a violation of agreement, I would certainly advise the Ministry of Civil Aviation to take action. And, I would certainly play whatever role the Ministry of Finance has to play. Sir, I would only conclude by saying that, as at present advised, I would wait for the report of the CAG and take further steps in the matter based on the report of the CAG, especially to address some discomfoting aspects which I have mentioned. Thank you, Sir.

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## PAPERS LAID ON THE TABLE

### Notifications of the Ministry of Finance

THE MINISTER OF FINANCE (SHRI P.CHIDAMBARAM) : Sir, I lay on the Table a copy each (in English and Hindi) of the following Notifications of the Ministry of Finance (Department of Revenue), together with an Explanatory Memorandum on the Notifications: