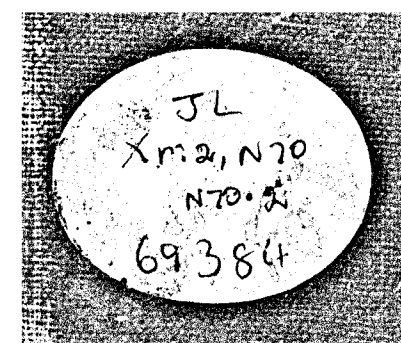
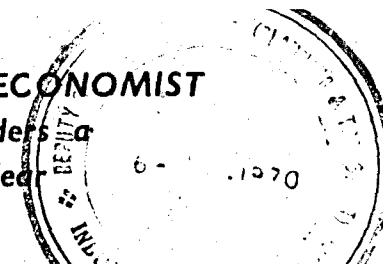




INDUSTRIAL ECONOMIST

INDUSTRIAL ECONOMIST
Wishes its readers
Happy New Year



WEDNESDAY NIGHTLY ON INDUSTRY & FINANCE, MADRAS

JANUARY 1, 1970

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Price: 75 Paise

Wasted Days of Winter Session

During its winter session, the Lok Sabha had adjourned without transacting business for three full days — two as a mark of respect to the death of its members and on another for an.

It is yet another instance of the way in which the country's business are being transacted. It costs over a crore of rupees for a day of sitting of the House and is there not a better way of paying one's homage to the dead? Again, if initially it was not decided to close for Ramzan why should it be decided after commencement of the session for the day? This tendency reverberates very much what Jerome-K-Jerome has described as "a general disinclination to do work of any type."

So much of business is to be transacted can we at all afford this type of idling? Homage to the death of a member or a co-member can be paid best by dedicating oneself to those ideals for which he or she lived for and if it was necessary, by adjourning for a few days. With over 700 M.P.s and of a number of odd ex-MPs if this convention be practised we would soon have a few days left for transacting any business while the session is in session. This is indeed a lead the Parliament can give to a country already suffering from an abnormally long list of national and festival days, cricket tamashas and the like.



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In recently concluded agreements, heavy machine tools made by giant public sector undertaking, Heavy Engineering Corporation, Ranchi, are scheduled for distribution through the widespread 21-office sales and service network of India's 78 year old engineering and machinery experts, Batliboi & Co. Pvt. Ltd.

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The extremely useful range of machines scheduled for production and delivery in 1970-71 include:

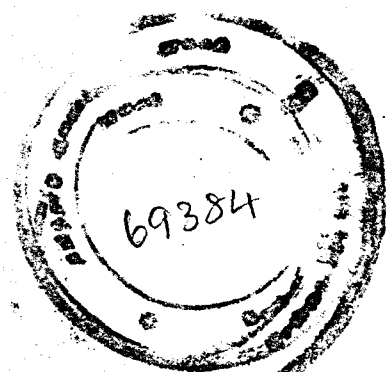
Radial Drills DR-8 and DR-10.
Horizontal Boring & Milling machines BH-100 and BH-130.
Double Column Planing Machines, PD-16 and PD-20.
Edge Planing Machines PE-12.
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"Which will you need in 1971?" asks Swaminathan pertinently. His suggestion, "Decide now." It may be sound advice. Similar machines were so far imported with delivery periods as long as 2 years. The first HEC machines in this series are scheduled for production and delivery in 1970-71.

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Precarious Balance of Power

The plenary session of the Congress organised by the ruling Party has been on lines which any one with an understanding of the leading personalities and the currents and cross-currents of the present political situation could have easily forecast. The occasion was one for the demonstration of popular support and enthusiasm for the party which is keeping the Syndicate at a safe distance from effective political power and for display of its exuberant devotion to Mrs. Gandhi's socialist aims. The spectacle of large crowds welcoming the leaders is not by any means difficult to get up. Nor is the Prime Minister lacking in the readiness to give land to the landless or rights to all or to sound the death knell of property or of safeguards in the Constitution. But none of these could soften the conflicts between the different groups and coteries in the Prime Minister's camp or easily reconcile the rival claims of a histrionic radicalism on the one hand and, on the other, the minimal requirements of the Government in respect of the administrative feasibility of policies and programmes. While Mrs. Gandhi took charge of the distribution of verbal bounties with a prodigal hand, Mr. Chavan laboured hard at creating a diversion by raising anew the bogey of monopolies and the menace of a new order of Princes rising from the private sector to throw the dispossessed

old order into the shade as a danger to socialism. Whether it was because of this tactics or because of the close-in-fighting in committees and conclaves, the economic resolution that emerged from the Subjects Committee is not different from the 10 point programme, which has now come to be invested with a special sanctity. It is interesting to note that the emphasis in the Prime Ministers' speeches had to be shifted latterly to the advantages of a mixed economy and the uses of the private sector. The changes on the 10 point programme have been limited to the demand for an immediate abolition of the Privy Purses and the privileges of the Princes, the setting up of a deadline for the completion of land reforms and the impact of fresh ferocity and zeal into the crusade against monopolies. It is idle to ask for the clarity of ideas which is incompatible with the fiery ardour that is thought to be the primary requirement of mass support now and at the next elections. Except for the vantage conferred by office on Mrs. Gandhi, the two wings of the Congress seem to suffer from a precarious balance of power. The crucial question therefore, is, how long will that vantage last? To improve the chances of retaining it, Mr. Jagjivan Ram continues to talk—with what hope or sincerity it is difficult to tell—of keeping the door open for the Syndicate to join his group again.

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An Agreeable Surprise

The decision of the Government not to give effect to the earlier announcement regarding complete decontrol of cement just before Parliament adjourned after the winter session has come as an agreeable surprise to the producers in the surplus States. It is amusing to note that the earlier representations of the smaller producers to the Government for continuing the present arrangements were not heeded even though rational arguments were put forward by the affected interests and it was crystal clear that the consumers in the deficit areas would be penalised on account of the abolition of the freight pool. It is even now not clear why the Government refused to recognise the importance of pooling freight arrangements in order to make available cement at uniform prices throughout the country even though such a practice is being adopted in the case of petroleum products and steel. The Central Government agreed to reverse its earlier decisions only after political pressure was brought on it by the affected States. It is now not known what further steps would be taken to bring about a better dispersal of the industry and facilitate decontrol. But this objective cannot be realised as with the compulsion to raise steel output in north-east India available limestone deposits will have to be conserved and there is scope for starting new units only in eastern Maharashtra and south-eastern Madhya Pradesh. Steps

A New Year Gift to Steel Industry

The steel industry has been given a New Year Gift in the shape of a rise in selling prices for different categories of steel—at an average of Rs. 77.50 per ton, the biggest in recent memories. The steel producers themselves will benefit only to the extent of Rs. 75 per ton, the balance of Rs. 2.5 per ton being utilised by government for subsidising supplies of steel to the engineering industries for export purposes. In the past major increases were effected in August 1968 and earlier in May 1967 when steel was completely decontrolled. Still the industry will not be helped to neutralise fully the increase in cost: Tata Iron & Steel Co. had asked for a rise in selling prices by Rs. 160 per ton and the Hindustan Steel by Rs. 88.50 per ton. However, the increase should go a long way to off-set higher production costs especially as sales through stock yards also have become more costly from December 1969. On a rough estimate the steel bill is expected to increase by over Rs. 50 crores which might have undesirable repercussions in many directions. It is not known how exactly selling prices of engineering goods will be affected but there is bound to be varying increases as even the actual users who secured the supplies directly from the steel producers might have to adjust the selling prices for their end-products. The government could have reduced the excise duty on steel which works out to an average of Rs. 150 per ton but with

have been taken already to create new capacity in these areas. But from the long term angle the growth of the industry in the southern States cannot be prevented as cement consumption is bound to increase regularly and by 1980 it may be necessary to have an installed capacity of nearly 35 million tonnes. It will, therefore, be a short-sighted policy if the Government adopted a policy which will hit the southern producers and help those in the deficit areas to make large profits at the expense of consumers in those areas. The freight pooling arrangement will have to be continued for quite a long time and any impression that the present comfortable position in regard to the availability of cement will continue without sustained development will be erroneous. It is only to be hoped that the cement producers will agree amongst themselves to continue the freight pool and for the time being fresh capacity will be created in areas which are nearer the deficit regions. If need be the policy of licensing fresh capacity might be re-introduced though it may be reasonably argued that it would be incorrect to penalise south Indian producers and condemn them to stagnation. The latest decision has averted needless confusion in distribution arrangements. When the position is again reviewed it will be seen that the earlier decision to decontrol was misconceived.

a high price in the open market and no controls over distribution it might be argued that any reduction in excise duties would have served only to swell the profits of middle-men.

What is needed is an elimination of the anomalous state of affairs that now exist in the open market and the wide divergence between the prices fixed by the Joint Plant Committee and those charged by the dealers to the consumers. This is possible only if there was a definite bid to raise output to rated capacity. The three public sector plants of Hindustan Steel can hope to operate on a profitable basis only if they improved their productivity and made the best use of their facilities. If steel industry could be helped to raise its output and steel exports were slashed consumers will not be hurt so badly by higher prices. Open market prices may even come down for categories and for which there is a gap between revised JPC prices and free market prices. The steel industry has an important role to play in the coming years and everything should be done by the government to boost production by installing balancing equipment, adopting new techniques and improving operating efficiency. The pious expression of the government that there should not be any increase in prices in the next five years will become a reality only then.

Syndicate Cannot be Written-off

By P. R. SRINIVAS

The Ahmedabad session of the old Congress has established one fact, namely, that it will be no walk-over for Mrs. Indira Gandhi and that, on the other hand, she and her supporters have to prepare for a tough fight, the result of which is by no means a foregone conclusion in their favour. Neither the reasons for this conclusion nor the basis of prognostications for the immediate future can be stated in precise terms. What the Ahmedabad session, taken together with the developments in the Prime Minister's party have brought out is the suddenness of the impact which the split has had on the general body of Congressmen in the country and the consequent inevitability of a relatively slow process of adjustment and alignment of opinion within the Congress and in the country at large. In the present situation, speculation about possible future development has to be attempted with reference to three levels to political power, actual and potential: The first is, of course, the Congress Party in Parliament and the State Legislatures, the second the Congress Committees and Congress members whom they have to consult and refer to and, third, the electorate, who will come into the picture with the *tour de force* of popular sovereignty by a General Election. When the split occurred, it was believed by many that the Syndicate had lost the battle and the war alike before the first cannonade was fired and that it only remained for them to sing a stirring swan-song, since the Prime Minister commanded the support of an overwhelming majority in Parliament and in the Congress Parliamentary Party. It was assumed that support for the Party in power would snowball reducing the Syndicate to a rump of disgruntled and frustrated individuals. So far as the electorate is concerned, the attractions of a "revolutionary" programme would

be conclusive in deciding the fate of the group which has been successfully tanned with the taint of reactionarism.

Sympathy for Syndicate . . .

With these assumptions, the Syndicate was written off as a political factor or force. And it is these assumptions that look like being falsified. The leader of the old Congress Party in Parliament is the acknowledged Leader of the Opposition and its strength is increasing, not diminishing. The Ahmedabad session has shown that the Syndicate has a large following both in the A.I.C.C. and the country at large. It has got the organisational framework in its hands and has command of the experience necessary to put it to good use. The public, it is also clear, has not been alienated by the wild accusations of reactionarism. And the discussions at Ahmedabad are, for the moment, a clever hedge against being outbidden by Mrs. Gandhi for popular support. It is not, of course, to be expected that when they are in the thick of the fight with their rivals, the Syndicate would forgo the advantages of professing views as radical as those of Mrs. Gandhi's Young Turks. In fact, one of Mr. Nijalingappa's charges against the Prime Minister is that she was lukewarm about bank nationalisation till she found in it a good stick to beat Mr. Morarji Desai with. The Ahmedabad Congress is now pressing for such measures as the abolition of the privy purses and more and more of extremist measures. But as conditions settle down the Syndicate would find the means of rallying a great deal of popular support for saner economic policies, though the change will necessarily be regulated by its judgment of what will or what will not go down with the masses. The Syndicate's dis-

covery of a large measure of popular sympathy for it has whetted its keenness to be more prepared for the next general elections than the Prime Minister's and her supporters'. The timing of a mid-term election is of equal tactical importance to both sides.

Plea for Good Government

It is heartening to find a veteran leader Mr. Kripalani utilising the opportunity afforded by the Ahmedabad session of the old Congress to appeal to the Syndicate to desist from competing with the Young Turks in economic radicalism. Mr. Kripalani finds in the emphasis on good government a broad political platform which the people will find more attractive than the specious promises of the new Congress to exorcise poverty from its home in this country. Obsessed with current controversies and the eventual fate at the polling booths, Mr. Nijalingappa has fastened on the personal accusations against Mrs. Gandhi, especially her popularisation of the personality cult. It is by no means certain that the cult itself is disliked by the people. What the country needs is a disillusionment about the achievements of the Government during the last 20 years and a keen awareness of the numerous points on which the nation has been positively ill-served by the Government. Mr. Kripalani's emphasis on good government, if it is developed by the old Congress, will serve the double purpose of warding off the danger of authoritarian rule and giving the people sound ideas as to the criteria by which they should judge the record of the Government. It is time that the people were weaned away from their blind addiction to extremism. Mr. Kripalani had struck a note which should soon swell unto a rising crescendo.

Monopolies and Restrictive Trade Practices Bill

Provisions Should not be Invoked on Flimsy Grounds

The Lok Sabha has passed the Monopolies and Restrictive Trade Practices Bill as expected. Mr. Fakhruddin Ali Ahmed, Union Minister for Industrial Development, in his reply to the debate on the Bill reiterated that "socio-economic objectives and acceleration of the rate of development would be the guidelines of the proposed measure." The Government has all along been contending that the Bill was intended to exercise regulatory control over businesses in order to ensure against any concentration of economic power. It also made much of the fact that, since the Monopolies Commission under the Bill was an advisory body and its verdict was binding only where restrictive practices were concerned, there was scope for taking issues to the Supreme Court or for discussion in Parliament. If any one should deem this measure to be less Draconian for this reason, he would be sadly deceived.

Bigness is no Monopoly

This is because the venom is not in this but in the definition of dominant undertaking, which under the Bill, will require to be closely watched to mulct its monopolistic leanings. The Bill considers enterprises with investments of over Rs. 1 crore as dominant undertakings. Its authors have been labouring under the illusion that mere bigness is monopoly. As pointed out in a minute of dissent, under present conditions, no sugar factory of 500 tonnes capacity or a paper factory of 40 tonnes capacity can be set up now-a-days with less than Rs. 1 crore of investment. Can such factories be deemed dominant undertakings?

The rub lies in that neither assets nor the volume of production can by itself indicate concentration of economic power. Assets are a variable fac-

tor and their size depends more on the need to maximise economies of large-scale production than on any abridgment of competition. In a capital-scarce and still highly competitive society, no firm is likely to build up assets with an eye on monopoly. Nor can the absolute volume of production be any guide in this field. Speeches in Parliament during the debate on the Bill have provided instances where the number of units is too small in particular lines of production, as for instance, manufacture of sewing machines. Each unit will in this case be accounting for a sizable volume of total production. Is the Government going to treat them as dominant undertakings for this accident and kill their initiative just when they are earning for the country sizable amounts of foreign exchange?

Ivory Tower Postulations

And when will the Government abandon its ivory tower postulations? Is it not true that the biggest unit by international standards in India is Hindustan Steel Limited, a public sector company? And that of the 10 top big Indian companies, nine are in the public sector? As Mr. Masani pointed out during the debate, most Indian companies are pigmies compared with their counterparts abroad. Most of the latter have such international links that they are referred to as transnational giants. The prejudice against bigness in India will only keep most of its big companies pigmies which will have no chance in international competition against foreign giants.

Mr. Asoka Mehta cannot be mistaken for a capitalist sympathiser. Even he has deplored a serious lacuna in the Bill inasmuch as it treats all concentration of economic power as being tantamount to monopoly. In the sphere of large-scale business management,

a good deal of concentration is, as pointed out by Mr. Mehta, necessary to enable coordination of managerial decisions and ensuring uniformity of application of policy judgments. Concentration of ownership of production can be harmful. But even that issue is irrelevant in the Indian context because in the Indian company world, there is more of concentration of management functions than of ownership.

Efficiency of Public Sector

It is alright for the Government to maintain up to a point that the Bill need not cover public sector monopolies. In theory, the public sector is not motivated by profit and it has been designed to operate in particular spheres merely because that has to be so to ensure safeguarding of social interest and consequent social obligation. The argument cannot, however, admit of any exaggeration. The public sector, in our evolving socialistic pattern of society, is to have control over the commanding heights. A stage will be reached when it will be the sole producer. Who is to ensure that it will remain efficient enough not to burden the exchequer with its losses and to assure the customers reliable supply of goods at cheap enough prices? If past experience is any guide, a special watch has to be kept on the operations of public sector companies to protect the community from these two evil consequences which have so far been afflicting them.

It is no doubt true that all this is like crying over an accomplished fact. It is equally true that political needs to espouse socialism have compelled the party in power to see through the Monopolies Bill. Wisdom demands, however, that its provisions are not invoked on flimsy grounds merely to play to the gallery. —S.R.

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Thoughts at Management Convention

Social Image of Big Business

The Management Convention and the presentation of the First Business Leadership award to Mr. J. R. D. Tata in the City recently have been utilised by businessmen and management experts to highlight the diverse problems Indian industrial society is confronted with at present. Notable among the deliberations were the consensus of group discussions on the variegated spectrum of management techniques and market orientation. Some of these are commented upon briefly below.

Management at End Points

It is gratifying to note that an awareness was expressed about the lacunae on organisational techniques in the service industries and retail trade. For quite some years, manufacturing units in the large-scale sector, and to a considerable extent even in the small scale sector, have been introducing some of the sophisticated managerial methods in order to ensure that the full benefits of specialisation in entrepreneurial functions vis-a-vis the evolving large-scale businesses could be attained. While this has gone a long way to demarcate the role of management at the different executive levels and has helped consolidate the in-built facilities necessary for vertical integration of managerial functions without effacing the necessary degree of individual independence of decisions at the various levels, its advantages have, by and large, been limited by the gaps in management at the end points served by retail trade and service industries. Continuous indifference, conscious or unintentional, to shaping the service and retail trades through the new sophisticated tools of organisation will leave a situation where the industrial set-up has a top-heavy production complex. It is as if the reservoir is got ready without the right dimension of sluices and spill-overs necessary to play to the full. Some of the

points made by Mr. M. V. Arunachalam on these lines were indeed well taken.

Correlating Small and Big

Mr. D. C. Kothari's summing up of the discussions of his group clarified these implications a little more. Over the three Plan periods and more, many attempts had been made to correlate the activities of the organised and small-scale-sectors. The reiteration of the limits of a common production programme with exclusive reservations for the small industries sector has, despite its theoretical merit, not brought about the degree of complementarity between the big and small factories so essential for an integrated scheme of production and distribution. Small units have been complaining, not without justification, that their requirements of raw materials are rarely met in the required measure. It was well that Mr. Kothari suggested that a suitable machinery should be developed to ensure uninterrupted supply of raw materials which the small factories obtain from large-scale units. The success of the common production programme demands much more than such marginal adjustments. For instance, as Mr. Kothari pointed out, India is no longer a seller's market unlike as in the past. In the wake of the rise in rural incomes due to the green revolution, aggressive salesmanship has to be organised to develop rural markets and mop up a portion of the increased purchasing power with them to broad-base industry. There has always been the recognition that, without the development of rural market towns, economic growth will lack the dynamism necessary for pacing up its own momentum. But the baffling problem is about carrying consumer goods to the villages, most of which lack communications and other infra-structure facilities. This task can no longer be postponed. The

Government for its part can help here, as Mr. Kothari had suggested, by directing nationalised banks not to insist on guarantees but to make credit available on the basis of performance.

Toning Up the Public Sector

The other group discussions on management practices covered a wide enough field. Mr. S. Narayanaswamy stressed the need for special training for civil servants and administrators at all levels. If the Public sector is to occupy the commanding heights in the economy as desired, its efficiency will have to be toned up aright. There should be the guarantee that a person trained at great expense at home and/or abroad should be kept on the job for which he has been trained instead of being shifted to any other job where his ability will have no special room for application. Perhaps if the recommendations of the Administrative Reforms Commission in this regard are implemented without reservations of any kind, the expected reorientation can materialise.

Those who like Mr. K. Sreenivasan, discussed specific questions of sophisticated managerial practices, concentrated chiefly on the elucidation of the role of the manager as one who would not be content with adjusting to the environment but act in a positive manner to help create a new environment by accepting the challenges that faced them. One is reminded here of how the introduction to energised agricultural pumpsets in Tamil Nadu was stalled for quite a considerable number of years, because a leading political genius quipped: "Electrical pumpsets? All right. But what to do with the energies of bullocks that will be automatically displaced?" This is an instance of seeking to adjust to a given environment, forgoing the more copious advantages which a change of that environment will bring about. None can gainsay that Tamil Nadu's impressive farming record will not have been possible without the harnessing of electrical energy for lift irrigation.

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Talking of agriculture, for a digression Mr. H. Sitarama Reddi deplored the tendency of government legislation to make agriculture more and more individualistic. He rightly asked: "How modern methods could be applied to agriculture when Government's policy was deliberately aimed at making the holdings smaller and smaller. A small farmer with five acres or less could not afford to go in for management consultancy in operations like soil management, fertiliser and pesticide management and so on."

Social Obligations of Industry

Whether industry or agriculture, the right attitude of the parties concerned should be to recognise that they hold their rights in trusteeship to society. The social obligations of industry were described in a forthright address delivered the other day by Mr. J. R. D. Tata under the auspices of the Madras Management Association. With refreshing candour, Mr. Tata observed: "It is no longer enough for Indian commercial and industrial enterprises to content themselves with

producing the best possible goods or services and selling them at the lowest possible price, while making a reasonable profit. The formidable challenge of the 'seventies' demands an involvement and identification of organised industry with the life and problem of the people of the community to which it belongs." Mr. Tata's idea is that each factory located in a particular area should in a sense "adopt the villages around it" for some type of community development. While in the urban areas, these units can assist municipalities in tackling social problems like eradication of slum, in the rural areas, they should serve as a complementary source of assistance to the Government in the latter's dealing with industrial co-operatives. Jamshedpur and Mithapur owe a lot to the Tatas and so the point he had been driving home should be quite obvious to every one.

The main rub is that the rural folk may not trust industry to deliver the goods if the present malpractices of a few persist. Adulteration of ghee, baldi powder and other consumer

items have tarnished the image of the producers all round, the people being little inclined to distinguish between the good and bad businessmen. Mr. Tata called upon the honest businessmen to dissociate themselves from anti-social elements. Said Mr. Tata: "We should even be prepared to form ourselves into fresh bodies whose membership should be limited to those with proven record of straight dealing, if it is impossible to eliminate such elements from the existing bodies." He rightly had some caustic things to say about how individuals with known bad records had continued to get licences and the pride of place at national conference tables and Government appointed councils. So long as such practices last and the Government shuts its eyes to them, there will be no way by which the social image of business can be improved and the public prejudices against it eliminated.

Helping the Private Sector

Even granting that a well thought out reform of business practices is pushed through, it will not ensure the fulfilment of expectations regarding production patterns so long as Government's fiscal policy continues to place big business in strait-jackets. As pointed out by Mr. Tata, the private sector is to bear 40 per cent of the burden involved in achieving the targeted growth rate of nine per cent (compound) every year over the next few years in order that industrial development could be paced up to make its contribution to raising the country's national income to Rs. 56,000 crores from the present Rs. 27,000 crores. As Mr. H. V. R. Iengar stressed in his valedictory address at the Management convention, the private sector will not be interested if the entrepreneur has got to obtain the approval of the Government every time for something or other. His enthusiasm will cool off far too soon. Without a shedding of inhibitive regulations, one cannot expect private industry to commit itself to the heavier investments targeted in the Plans.

Actions Against Professions

While outwardly the Government has been declaring that it does not intend to curb the legitimate role of the private sector, it has all along been doing things which suggest just the reverse of this. Especially the Monopolies and Restrictive Trade Practices Bill seeks to mount more controls and excite deeper suspicions against the private sector. And if some of the recommendations of the Dutt Committee on Licensing, particularly those prohibiting big industry from entry into the middle-sector of consumer industry are implemented, private initiative would deem it better

to do with the minimum of investment to keep it alive rather than enter into a daily bout with the Government to clear suspicions against it. In fact, this sector may not be interested in undertaking challenging tasks assigned to it by the Government in capital-intensive industries, if, while waiting for the delayed returns from such investments, it is not allowed to make some hay with all the rest in the secondary sector of consumer goods production. It will equally be unwise to shut big business from such industry insofar as the efficiency of operations will be the first casualty if its competition is absent.

It may be wrong to be pessimistic. But going through Mr. Fakhruddin Ali Ahmed's reply to the debate on the Monopolies Bill, one cannot help being so. The Congress Party may have been split; but the split has induced more vigorous talk of socialism in both camps as means to survival in the present ideological climate. One can only hope that ultimately wiser counsels will prevail and the Government will recognise the need to shed some of its regulations to help private sector assist in the hastening of the take-off of the economy.

—(FOC)

The Trade Pact with USSR

The agreement that has been concluded between India and the Soviet Union has provided for a further growth in exports by 11 per cent when difficulty is being experienced by us in pushing up exports at the targeted rate of 7 per cent and a crash programme is presently underway for making good the shortfall in the remaining months of 1969-70. The target of exports to U.S.S.R. of Rs. 169 crores for the current year is expected to be exceeded—at around Rs. 180 crores. Imports also may be higher at Rs. 120 crores so that the estimated surplus will remain the same.

Repayment of Loans Through Exports

In 1970 there will be a further rise in exports to the Soviet Union to Rs. 200 crores as it has been agreed that there should be larger exports of gunnies, tea, tobacco, cotton textiles and footwear. The larger shipments of these traditional exports are to be welcomed as we have the required surpluses in these commodities. As imports will amount to only Rs. 100 crores, the higher value of exports will be useful for servicing the debts owing to the Soviet Union. This surplus of Rs. 100 crores as well as the favourable balance of Rs. 80 crores in 1969 will be utilised for repaying

debts and meeting interest charges. As it has been explained that the amounts will be used for wiping out debts, there must have been payments through bad planning or no credit would have been available for part of current imports. Perhaps the repayment of loans in a period of seven or twelve years, from the date of delivery of the last item of machinery is imposing a heavy strain on the balance of payments position. While the quick repayment of loans with exports is healthy it should not happen that these loan arrangements do not help the country to secure the best results out of an increase in exports because of the hard terms of repayment though the interest rate on loans is low. In a period of transition there will have to be credits for longer periods as any attempt to enlarge trade between two countries without an increase in export surpluses can have an upsetting effect in trade relations with other countries and the full worth for our exports may not be realised.

Change the Basis of Trade

This is not to minimise the importance of the trade pact with the Soviet, as apart from the spectacular growth in exports bringing about a diversion of trade from other coun-

tries, there is the likelihood of fresh additions to exports fetching larger assistance, as the repayments will be packed in a shorter period. It will, therefore, have to be examined whether there can be a change in the basis of trade, as on present indications the growth in exports securing free foreign exchange earnings may not be 7 per cent and the trade with the Communist Bloc may grow at the rate of over 10 per cent. This is not exactly an undesirable feature so long as prices are competitive and the quality of goods satisfactory. What is, however, important is an awareness that trade is being conducted on a competitive basis and there is mutual advantage. This aspect cannot be overlooked as in 1971-74 it is proposed to negotiate a more detailed agreement and if the wagon deal materialises in some form there may have to be a redetermination of relations with other countries which may have far-reaching consequences. When there is a general expansion of trade and rising production within, things may not go wrong. But in the present state of political confusion proper values may not be assigned to economic issues and political overtones may have a clouding effect. It is necessary to guard against these contingencies and avoid undue dependence upon any power bloc for economic assistance.

—(FOC)



Mr. S. Boothalingam, Director-General, NCAER is seen delivering his keynote address. Others (seated L to R): Messrs L. K. Jha, H. V. R. Iengar, Dr. K. S. Basu and M. K. Raju

Glimpses . . .

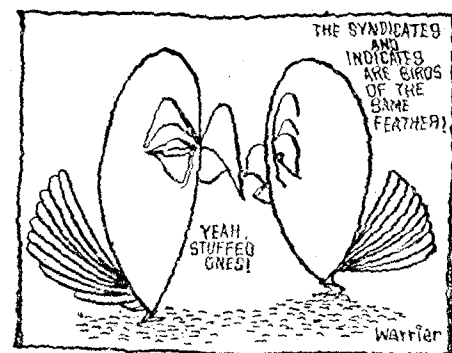
Unprepared to Revise Tax System

The Union Government's decision, which Mr. P. C. Sethi, the Minister of State for Finance announced in Parliament, to reject the recommendations of Mr. Bhoothalingam for unifying the sales tax and excise duties into a general value added tax is proof, though a superfluous one, of the unpreparedness of the Government to tackle the revision of our system of taxation and public finance. The reasons for this decision, ostensibly is that, since the sales tax and the agricultural income tax are within the schedule of States' tax sources, an amendment of the Constitution is necessary before any unification of taxes on the lines suggested by Mr. Bhoothalingam can be attempted. But it is obvious that the agreement on basic principles and the general consensus of opinion essential for a constitutional amendment are more difficult to attain than the understanding necessary for the piecemeal changes in the direction pointed to by Mr. Bhoothalingam. In fact, in the past it was not found to be very difficult for the Centre to get the States to agree to the levy of Central excises in lieu of the Sales tax. These measures, it is true, have a given room for much complaint. But the complaint is attributable, not to any injustice done to the States concerned, but because of the tendency of the States to claim more powers to levy taxes in addition to bigger shares in the divisible pools. The movement towards the elimination of the inequalities of sales taxes in different States by the adoption of Central excises in their place has been halted and is in danger of being reversed. This is only in keeping with the general shift of power from the Centre to the States which had a sudden accentuation because of the advent of non-Congress governments and has now been aggravated by the increasing dependence of

the Prime Minister on the support of State Governments regardless of their complexion. The Finance Commission which has limited its task to one of making provision for rising expenditure of the States by cutting more and more into Central resources has conveniently relegated the question of the substitution of the sales tax by Central excises to the sphere of discussion and agreement between the Centre and the State Government. Though the quinquennial appointment of the Finance Commission was meant by the fathers of the Constitution to be a tentative measure it has now come to be regarded as a substantive arrangement. The change is best seen in the plea which some State Governments have put forward for a permanent machinery for making annual changes in the division of revenues between the Centre and the States. Though the rejection of the recommendations of Mr. Bhoothalingam cannot be cavilled at by itself as an index of his neglect of the basic problem of our public finance, it is indeed most regrettable.

CSIR: An Arena for Personal Strifes

The Council of Scientific and Industrial Research has figured in a most unflattering light in the discussions in both houses of Parliament. While formerly there was a vague feeling of dissatisfaction with the contribution of the National Labora-



tories to industrial development and scientific advance in the country, it is now clear that the whole organisation is riven by differences of a personal kind, apart from the scope for the confusion in its structure and working. Whenever the country rose against the brain-drain, it used to be said by Indian scientists working abroad that it was not the low salaries that impelled them to seek their fortunes in foreign lands, but the cramping atmosphere in the research institutions in India, the lack of freedom for the scientist to follow the promptings of his genius and his liability to be bossed over by persons more intent on their own preferment than on the success of the research projects. It is this aspect of the working of the CSIR that has now come into the full glare of publicity. The Director-General has come in for blame at the hands of the M.P.s as much as the Directors who have now made it clear that they cannot continue in their present positions if certain conditions essential for their smooth functioning are not met. One member of the Rajya Sabha has likened Dr. Atma Ram, Director General, CSIR, to a bull in a China Shop while another in the Lok Sabha thinks that he is not able to get on with the Directors and has therefore, brought the working of the laboratories to a standstill. At the same time, the Education Minister has stated in the Lok Sabha that the Central Board of Investigation has found Dr. Parpia, the Director of the Food Technology Institute at the Mysore guilty of some of the charges against him which have been enquired into. Dr. V. K. R. V. Rao is presumably considering the widening of the terms of reference of the Sarkar Enquiry so as to include within them the issues that have emerged since its appointment. Nepotism and personal prejudice have been ruling strong in a sphere in which the flame of devotion to science should have burned pure. But nothing will or can be done till the conclusions of the Sarkar enquiry are to hand.

—P.R.S.

Exciting Economic Development in Store in the New Year

In strong contrast with the situation that prevailed two years back when there were reports about surpluses and idle capacity on account of the recession, there are now complaints about the emergence of shortages and hold-ups of production due to the paucity of steel, non-ferrous metals, castings and other items. The position was indeed so bad at the time when the draft Fourth Plan was being formulated, that it was considered advisable to lower the sights and fix targets which were not ambitious and which could be easily managed with the available resources. But hardly before the Fourth Plan got going and with its final size still not determined, it has been emphasised that there should be an increase in the allocation for schemes aimed at increasing the capacity for producing common steel and alloy steels, non-ferrous metals, power generation capacity, road transport facilities and so on.

Steel Cost Going Up

There is an acute shortage of steel and prices of all varieties have shot up in the open market inflating even the cost of production of actual users in many cases and causing hardship to those building residential houses. Except for the construction work on the Bokaro project and some irrigation and power projects the Government has not done anything to stimulate consumption of steel on its own account. But the large expenditure on rural electrification and energisation of pump-sets and the increase in the volume of agricultural production have led to a larger demand for transmission towers, transformers, tractors, commercial vehicles and other items which have contributed to a larger consumption of steel. The boom in exports of engineering goods has also resulted in heavier absorption of different kinds of steel. With a high level of steel exports there has also

naturally been a reduction in internal availability when consumption is on the uptrend. The immediate difficulties may be got over with a slashing of exports of steel and a better use of internal capacity. If there was a sustained revival in economic activity and a continued boom in exports of engineering goods, there will obviously have to be an expansion of steel capacity of the existing plants on an emergency basis.

Calculations Gone Wrong

A ticklish situation has also arisen on the non-ferrous metals front. It has been complained by industrial consumers of zinc, aluminium, copper and lead that the Government is not seized of the seriousness of the problems encountered by engineering firms. With a larger output of tubes, transmission towers and various other engineering products the consumption has gone up tremendously and it is estimated that a quantity of even 1.20 lakh tonnes will be required in 1970-71 if the requirements of all consumers have to be satisfied. But the Government has assumed only a consumption of 86,000 tonnes. Allowing for internal production of 38,000 tonnes, it was thought that the situation can be managed with imports of 58,000 tonnes. But the calculations have gone wrong as, apart from an unexpected increase in consumption, imports in April-September this year have been only of the order of 14,000 tonnes. As available stocks have been fully used and holders are very reserved, the open market price is double the import parity. It is, therefore, felt that there should be immediate imports of zinc liberally as, otherwise, there will be wasteful use of steel and the export of engineering goods also may be affected. The expenditure in foreign exchange will necessarily have to be incurred for some time. This, however, raises the question how internal pro-

duction can be augmented. There will, no doubt, be a doubling of the capacity of the Udaipur Zinc Smelter, but this will not suffice as even with a doubling of the output of the smelter at Ernakulam, it is not expected that there will be an increase in indigenous production to more than 76,000 tonnes by 1973-74 by which time there may be an increase in consumption to over 1.60 lakh tonnes. This would clearly suggest that more smelters based on imported concentrates would have to be erected in the public and the private sectors.

Step Up Aluminium Output

Even in regard to aluminium, an unexpected situation has arisen. Not long ago, there were reports about a glut of aluminium due to excessive imports and there was the awkward spectacle of foreign exchange being spent on imports and losses being suffered on exports of virgin metal at lower prices. With a larger offtake on account of the cable-makers and increasing industrial uses, it is estimated that internal production will be fully absorbed by Indian consumers and needless difficulties will be created by continuing to export virgin metal. The position is expected to become more acute in 1970 even though it is hoped that there would be a higher level of output with the start-up of the new smelter of Indian Aluminium Company at Belgaum under its West Coast project. This unit is expected to commence commercial production only by the middle of next year so that allowing for teething troubles and the time to step up output to rated capacity, the addition to total output from this source in 1970 may not be more than 15,000 to 20,000 tonnes. If Hindustan Aluminium succeeds in raising its output to some extent, a production of 1.7 lakh tonnes can be achieved. Against this there may be an increase in consumption by

even 30,000 tonnes if there was massive rural electrification and there was a larger demand for industrial purposes.

Production of Petroleum Products

Shortages are likely to be experienced in other directions as well. With an unexpected increase in consumption of petroleum products, a cut in output of the refineries in the private sector, and with the problems experienced by the Madras and Cochin Refineries in getting their requirements of crude oil, it may become necessary to increase imports of refined products. The situation, therefore needs to be watched carefully and the adjustments in the production programmes of different refineries should be effected in time. The only consolation is that there has been no shortage of cotton textiles, fabrics made out of manmade fibres, radios and transistors, bicycles, torches, sugar and other items which are in popular demand. This is a favourable factor and it can be hoped that with a high level of output of foodgrains and cash crops, an accentuation of inflationary pressures can be prevented.

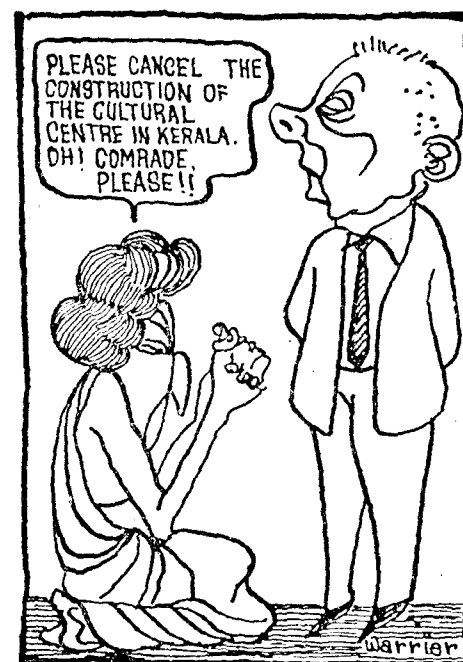
The Green Stimulation

But it is time a careful assessment was made of the new situation that has been created by the Green Revolution. The expectation last year was that even with the Green Revolution there will be need for increasing Plan outlays as otherwise it would not be possible to activate the capacity of many industries. But the developments have come about in a different way and except for the existence of idle capacity in the transformer, spun pipe, iron and steel castings' industries, the problem of others pertains to the maximisation of production and availability of raw materials. Those who are taking a gloomy view of the outlook of the economy may well be sur-

prised to find that the Green Revolution itself has stimulated the economy beyond expectations and the increase in purchasing power of the population as compared to 1966-67 by 50 per cent or Rs. 3,500 crores in terms of current prices has been responsible for a revival in demand in many directions to the levels that existed prior to 1965-66 and the creation of new demands in some directions due to the adoption of new philosophies. Since there has been no aggressive demand for consumer goods so far it is only to be expected that after the marketing of the current season's output of 100 million tonnes of food grains and the harvesting of bumper cash crops there will be an explosion in demand for these items as well. In that sense the year 1970 may witness interesting and even exciting developments and if the Government does not hamper production by ill-conceived policies, the growth in industrial production may take place at an unprecedented rate.

Obtaining the raw Materials

But the problem for industrial producers in the new year will relate



mainly to the elimination of bottlenecks in regard to raw materials and components. If the public sector steel plants did not increase their output to near rated capacity and there was no drastic cut in exports the engineering industries may find themselves in an awkward plight. The implementation of rural electrification and power generation schemes may also be held up if there was shortage of non-ferrous metals. Above all the modernisation programme of the textile industry, the expansion of the sugar industry and the development of many other industries will be held up if there was a shortage of industrial machinery. These, in turn, will result in reduced availability of consumer goods in relation to increasing demand in the later years in the Fourth Plan period. The Central Government and the Planning Commission have, therefore, special responsibility to ensure that output was maximised with the existing capacity and there was advanced planning in order to make possible increases in demand in some directions.

Promising Outlook for '70

What is most gratifying so far is the absence of any signs relating to difficulty in absorbing a large volume of food production. If reasonable prices for agricultural commodities can be maintained, as they are likely to be, and if the new activity leads to the generation of new forces which will sustain a continued rise in agricultural production, the economy will be set on a new course in the coming years. As a new kind of experience is being gained and unexpected opportunities are unfolding themselves, the Government should realise the advantage that will accrue to the population by hastening the pace of development through judicious investment and should not do anything which will retard progress by ill-conceived measures and creating political confusion. The outlook for 1970 is certainly promising.

—Meenam

INDUSTRIAL ECONOMIST

Hurdles in Achieving the Export Target

The Board of Trade at its last meeting held in New Delhi has understandably decided that there should be an increase in exports in the last four months of 1969-70 by Rs. 70 crores in order to secure an increase or growth in exports of 7 per cent. This increase may not appear difficult of achievement having regard to the fact that the rise in exports in 1968-69 was over 12 per cent. But the economic situation has vastly changed in the past one year and serious difficulty is being experienced in creating the required surpluses in non-traditional goods for boosting exports. The shortage of steel has a plaguing effect while the improvement in industrial production is not taking place at the desired rate.

Supply of Steel

The Board of Trade has suggested that the immediate difficulties relating to the supplies of steel can be overcome with an increase in the value of import licences by 5 per cent and a diversion of supplies available internally on a priority basis for use by exporters. But even if the target of Rs. 110 crores for 1969-70 is reached by nearly doubling exports in the latter half of the year, which is unlikely, other exports would have to be stepped up suitably in order to achieve a growth rate of 25 per cent increase in the value of exports in a four-month period.

Setback in Tea and Jute

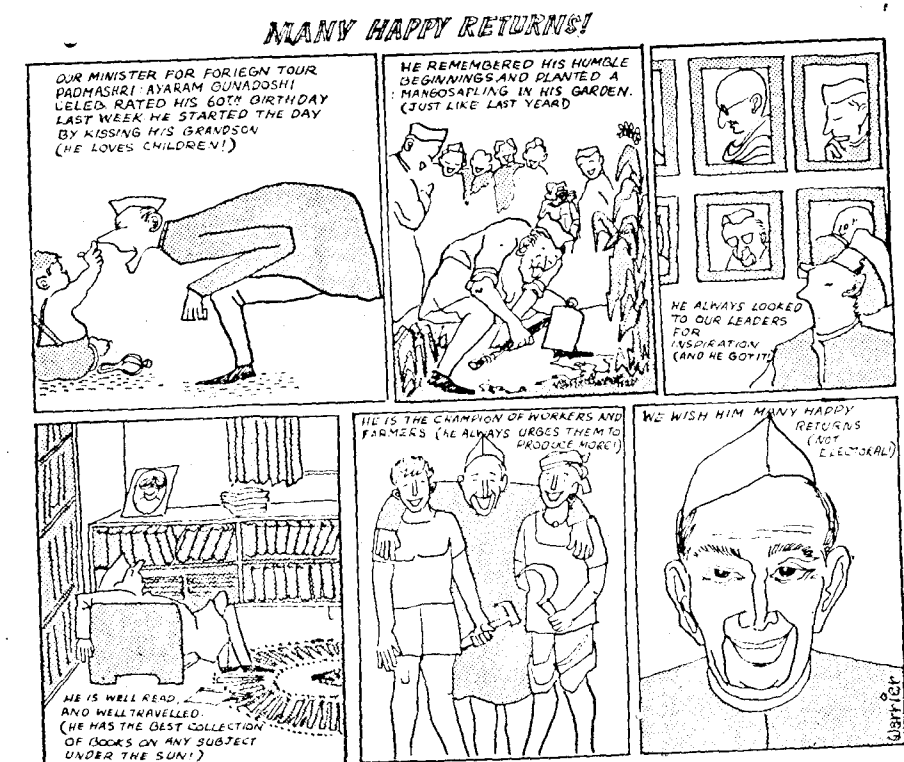
The impossibility of the task will be evident from the fact that there has been a setback in tea exports while there is keen competition for jute goods from Pakistan, and by substitutes, and even with the reduction in the export duty and selling price of carpet backing cloth it is expected that there will be a shortfall in the value of exports for 1969-70 as compared to 1968-69.

It is no use thinking of exporting at any cost as, any attempt to boost exports of non-traditional items regardless of the repercussions in the internal market and on the implementation of plan schemes will have more serious consequences from the long-term angle. The Board of Trade is aware of the importance of boosting indigenous production for sustaining a high level of exports and has taken note of the loss of production due to labour trouble and low productivity. But it does not seem to be quite aware of the changes that have taken place in the internal economic situation following the Green Revolution and an accentuation of inflationary pressures due to the intransigence of labour in West Bengal which accounts for a good portion of the steel-making capacity and of that of the engineering industries. In these circumstances one would have expected that the Board of Trade would have laid greater emphasis on stepping up exports of non-traditionals, a staggering and

even a pruning of steel exports besides stressing the importance of recasting the foreign exchange budget. It must be recognised that internal availability of steel can be increased only by making the best use of existing capacities and that exports of steel can be made only in respect of items which are surplus to the requirements and whose exports will be helpful in financing imports of those categories of steel which are in short supply.

Cutting Down Fertilizer Imports

There is also the question of saving foreign exchange by cutting down fertilizer imports. As there are ample stocks in the country and there will be a big increase in output in 1970-71 there will be no harm in cutting down these imports by Rs. 50 crores in the next few months. There can also be a reduction in the outlay on petroleum products, chemicals and other items of the oil refineries. It is important, therefore, to realise that an entirely new strategy is required to handle export problems and adequate measures are required for raising industrial production. The outlook for



the Fourth Plan has completely changed and the new opportunities must be fully utilised for ushering in a new era of self-reliant growth.

Importance & Exportance

In fact, in some quarters it is felt there will have to be some modifications in the foreign exchange budget as the growth rate in exports can be 6 per cent or even slightly less if it could be decided that imports could be pegged at this level or higher by Rs. 50 crores. The process of import

substitution has yielded such good results that it is easier to be confident about the pegging of imports than of boosting exports. This is not to say that Indian exporters or Indian industries are not capable of fulfilling the targets. This is because of the fact that the revival in economic activity has upset earlier calculations and it will take some time to create new capacities for production in the sophisticated industries and develop export-oriented units. In view of the general demand for engineering goods and the big opportunities ahead for

boosting iron ore exports, the rate of growth can be easily 10 to 15 per cent after two or three years. It is also possible to undertake bigger turn-key jobs as consultancy firms and engineering groups have successfully concluded contracts for construction of transmission lines, railway systems and the erection of factories in the Middle East countries. Joint ventures with other developed countries in third places may also open up new vistas. Since these efforts can be successful only over a period and in the meantime a high level of economic activity within the country may be reflected in a shrinkage of export surpluses, there should be no disappointment if the growth in exports did not take place at the anticipated rate.

Hold the Import Line

There will, however, have to be a firm grip on the import front as it is likely that an unexpected increase in maintenance imports due to a big improvement in the output of commercial vehicles, tractors and oil-refined products may upset calculations. These upsets can be prevented if the capacity of the steel industry was fully utilised and work on the expansion scheme of Indian Iron & Steel Company and the implementation of the Bokaro project was hastened. There will also have to be a larger output of crude oil while the production of aluminium can be easily raised. But more important are the projects for producing larger quantities of copper, lead, and zinc should be completed without delay as huge sums are now being spent on imports of non-ferrous metals. There are reports that the progress of the Khetri project is not as satisfactory as it should be. If the short-comings in this and other projects are overcome and labour troubles do not result in a costly loss of production, there can be an increase in the level of exports and imports after the end of the current Plan period and India enabled to play a vital role in the economic development of the Middle-east, African and South-east Asian countries. —(FOC)

Keeping up Tyre Exports

The tyre industry will be establishing a record in respect of production in 1969 with its output at 4 million tyres. In 1970 a fresh record may be established at 5 million tyres. With the installation of balancing equipment and with the progress made in some directions in regard to expansion schemes a steady increase in production is likely to be maintained. In 1971 the output could be still higher at 6 million tyres as the expansion schemes of all the six units would have been completed by the end of 1970 or early in 1971. There will naturally be a larger consumption of raw materials. With the scope for an increase in the output of synthetic rubber and natural rubber, an undue increase in imports may be avoided. But there will still be a gap which may not be overcome for some time. While these imports can be readily arranged and are imperative there is the danger of the efforts of tyre producers to raise output being foiled if immediate arrangements were not made to increase the availability of rayon and nylon fabrics.

Utilisation of Existing Capacity

There are at present five producers having a conversion capacity of 16,500 tonnes annually. In 1969 alone consumption was estimated at 16,800 tonnes and it is expected that this will increase to 22,800 tonnes in 1970-71 and to a much higher level in 1971-72. Until recently there was complaint about inadequate utilisation of capacity of the tyre cord units, there was a sense of complacency and it was not expected that a situation would arise in which shortages of nylon and rayon fabrics will emerge. It is only lately that the main producers have been allowed to expand their capacity by

50 per cent. But it is not expected that this capacity will come into being before the first quarter of 1971, even with the intensive working of the existing units. It is, therefore, expected that there will be a shortage in 1970-71 if imports of nylon fabrics were not allowed liberally. There will naturally be a disposition to produce rayon fabrics to a greater extent than nylon fabrics as rayon yarn is available from indigenous sources. But nylon fabrics are required for sustaining exports of tyres.

Advance Licensing Plan

As it takes time to complete the import arrangements there should be some manner of advance licensing which can be adjusted against import entitlements. Otherwise the industry will be unable to execute its export

orders. Many units are reported to have been successful in booking large orders for shipment to Middle East and other countries. As the foreign exchange earned is very much more than the value of imported raw material, the Government should not hesitate to give the necessary incentives and also permit import of nylon fabrics till such time indigenous capacity can take care of the industry's requirements. The present formula for claiming drawback on import and excise duties will have to be revised as heavy duties will have to be paid on nylon fabrics and if the drawback was not allowed on the basis of actual duties paid even after taking advantage of the incentives, considerable losses will have to be sustained.

As it is claimed that the industry is capable of earning as much as Rs. 30 crores in foreign exchange and only about 3,000 or 4,000 tonnes of fabrics will be required to get over difficulties that will be experienced in the next two years, prudence will dictate that the legitimate needs of the industry were met and unnecessary bottlenecks avoided. —(FOC)

Steel Production: JAPANESE EXAMPLE

A new growth rate in steel consumption will come into being with the new demands that have arisen as a result of the green revolution, a large export trade in engineering goods and the proposed bigger outlays on Plan schemes. It has happened in the history of every major industrialised nation that a spurt in steel consumption took place in an important phase of development. If the Japanese example is any guide it may be even necessary to proceed on the basis of creating new capacity of 3 million tonnes annually in the Fifth Plan

period. Japan is now adding to its capacity by 8 million tonnes annually! It has a population of 100 million against ours of 560 million! As the Heavy Engineering Corporation will be in a position to supply the bulk of steelmaking machinery and there are other large-sized heavy engineering and electrical equipment units which will be in a position to manufacture allied items, there should be an integrated approach to the whole question with a view to avoiding earlier lapses and mistakes.

I believe

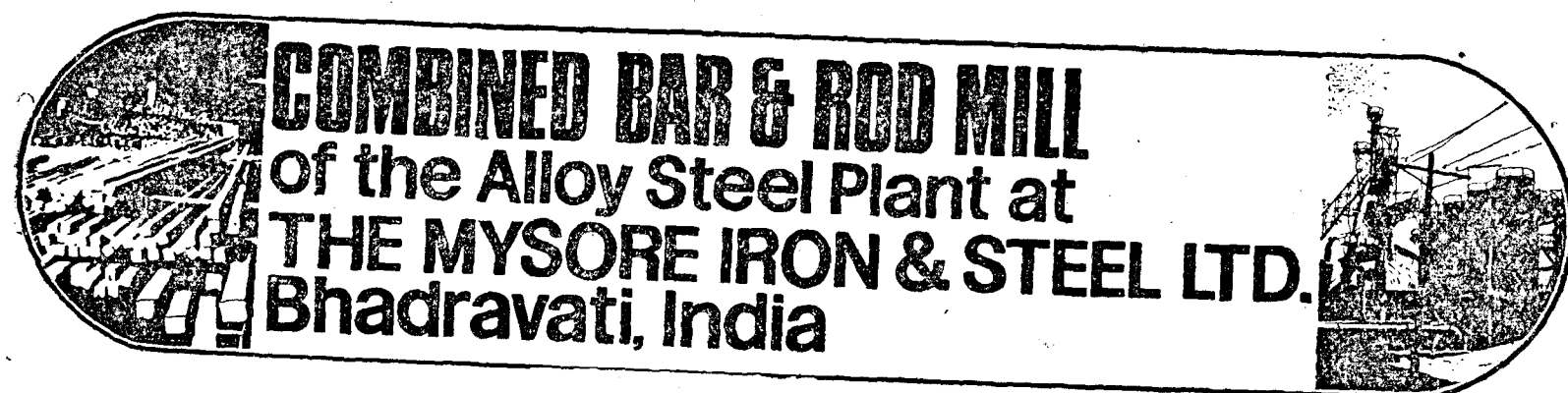
Academic Peace

I believe that there is more than mere method in student strikes. Of course, student unrest has flared up in the City, as usual, on the eve of examinations compelling closure of some educational institutions ahead of schedule. There is no point in blaming this either on the recalcitrance of youthful adolescence or on the socio-logical and psychological pressures arising from the gap between generations and the consequential shifts in value of judgments. Indeed some of the grievances voiced by the striking students are more earthy and elementary, as for instance, higher mess charges, poor quality of the food or milk supplied, etc. Given the will, these issues should be easy of settlement between the college authorities and the students or, more appropriately, between these authorities and parents who foot the bill and who should also be most concerned with the well-being of their offspring. When academic authorities are unable to be *loco parentis*, the parents will have to assume this role that really belongs to them in order that none but he who pays calls the tune.

It could be that the malaise has deeper roots than what the grudges reveal. It could well be that the frustrations over an antideluvian curri-

culum plus the language barrier are really the causes of the sore. Even if the present system of examinations cannot be altered for the better at short notice, the examination scare can be eliminated, as suggested at the recent conference in the City of private managements of aided colleges, by splitting the examination into manageable parts and saving the student the agony of having to prepare a vast portion at one stretch.

Of course the content of education at every level has at first to become manageable within the period prescribed for it. The present Pre-University course is a sinner in this respect. It covers a versatile syllabus in languages and optional subjects within a nine-month period when all the while the student is struggling to follow the lectures. The revival of the two-year course, as suggested at the conference, may ease this position. In any case, whatever be the final system that is adopted, the system of instruction and assessment should be such as will enable it to endure for a long enough period. It may not, if apart from its academic flaws, outsiders can play ducks and drakes with it. Will the Government ensure this will not happen? —Horace



INAUGURATED ON JANUARY 1, 1970

The Steel Complex at Bhadravathi

By H. G. V. REDDY

Managing Director & Vice-Chairman, Mysore Iron & Steel Ltd., Bhadravati

The Mysore Iron and Steel Limited is an integrated steel plant producing pig iron, mild steel, alloy and special steels, ferro-silicon, cast iron, steel castings, spun pipes, cement, etc.

Conceived by the illustrious Sir M. Visvesvaraya, Mysore Iron & Steel Co. was started in 1923 as a small departmental unit with a wood distillation plant and a charcoal blast furnace of 60 tons capacity with a total investment of Rs. 1½ crores. Whereas the plant was dormant for a period, a 30,000 tonnes capacity steel plant was established along with a cement plant of 18,000 tonnes capacity in 1936-33 and a ferro-silicon unit, first of its kind in Asia was started in 1942. The investment increased to Rs. 3.6 crores by 1950.

Big Expansion in the 'Fifties . . .

With the second world war coming in and the demands increasing, there was a spurt in the industry and the investment increased to nearly Rs. 8 crores during the period 1950-1960 with further capacity created for ferro-silicon, two electric pig iron furnaces for 60,000 tonnes, expansion of cement plant for an additional production of 66,000 tonnes per annum and the cast iron spun pipe plant for 15,000 tonnes per annum. This marked the third phase of the growth of the industry

into a plant worth noticing both in the country and abroad.

The fourth phase came in the conversion of the departmental undertaking into a private limited company in April 1962. The total investment cost was fixed at Rs. 10 crores initially, but this increased to Rs. 22 crores by 1965, with the completion of the mild steel expansion scheme for an additional production of 80,000 tonnes and the installation of a new refractories' plant.

Overall Investment at Rs. 65 Crores

The turning point in the history of Bhadravati was the year 1965. It was during that period that Mr. C. Subramaniam, the then Union Steel Minister, cleared the conversion of the entire mild steel unit into an alloy and special steel plant with an annual capacity of 77,000 tonnes, to become the biggest alloy and special steel plant in the country. Coupled with the alloy and special steels scheme, the expansion of the pig iron production was cleared for an additional capacity of 1,20,000 tonnes. The total investment for the conversion of these two schemes is Rs. 36.35 crores with a foreign exchange involvement of Rs. 15.27 crores which is met by loans obtained from M/s. K. F. W., bankers

of West Germany and also the rupee component having been met by long term loans. The overall total investment cost of the entire works would be in the order of about Rs. 65 crores when all the present expansion and conversion schemes are completed by the end of this year.

The field of alloy and special steels is as fascinating as it is inevitable for the progress of engineering industries all over the world. The sophisticated steels produced after sustained chemical and metallurgical experiments over the decades, are utilised in a variety of intricate engineering industries for specialised purposes. Special and alloy steels have replaced the traditional mild steel by imparting greater strength to any particular part in which it is used for the weight ratio, compared to mild steel.

A Viable Special Steel Project

The low electricity rates coupled with careful planning makes Bhadravati unit most viable special steels project in the whole of India and incidentally the largest. Quality control and marketing are as vital as making the steel and in this respect we have successfully introduced quality control men from consumer industries on our production lines. This has, to a

very great extent, helped us to standardise our products apart from satisfying the customers.

We have been experiencing shortage of housing accommodation in the New Town with only about 3,800 houses available for over 10,000 workers. Many of them come from distant villages every day and some of them find refuge in the Old Town where again the accommodation is very inadequate. The State Housing Board has come forward to build 200 houses during this year, but this is far short of our requirements and we need a minimum of 4,000 houses additionally.

In spite of the inhibiting forces of a public sector unit, it must be admitted that a great deal of freedom of action has been allowed in the State industries. This augurs very well for

the development of the industrial potential in the State.

The Middle Management Levels

When we speak of the difficulty in finding talented Managers for industries, most people seem to be thinking only of the top posts in the industry. The bane of maladministration and ineffectiveness in many a public sector is its middle management level. The middle management, as I have seen in the public sector, has been flooded with average and below average managerial material and it is this block of unenterprising, and to some extent retarding elements, that have made the position of the top men very difficult. Quite a few of them, of course, respond to reorientation in their thinking and could be expected to mould themselves in the modern methods of

mercurial thinking and decision making. In the case of new industries, however, the pattern is somewhat different in that the top men have been able to recruit the correct type of material for the middle management and have been able to knit them into a coherent and meaningful force.

Increasing Sales . . .

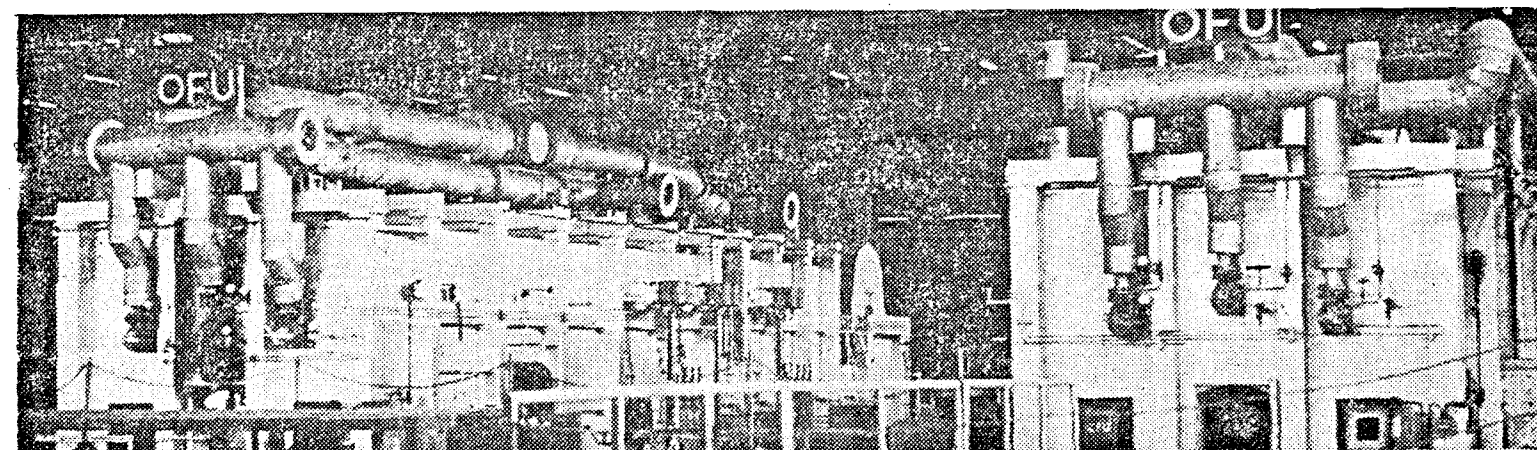
During 1968-69 we sold Rs. 13.21 crores worth of products which will be increased to Rs. 20 crores next year and to about Rs. 35 crores in the year 1971-72 and Rs. 50 crores in the following year. Perhaps even before this is achieved, we will have the good fortune of expanding this plant to such proportions as would make it not only the premier special steel industry in India but also a plant to reckon with in the entire steel world.

Self-sufficiency in Special Steels

The alloy steel industry has come of age and it may be necessary in the coming years to ensure parallel development of capacity for common steel and alloy steel. Till recently, attention was paid mainly to the creation of capacity for common steel as it was thought that the manufacture of special steels could not be undertaken

economically because of the numerous categories involved and the low volume. The position has, however, vastly changed in recent years and the demand for alloy steel has grown spectacularly. Stainless steel of different shades particularly is in large demand while tough and tensile alloys are required for building industrial machinery, cut-

ting tools and mother machines. With the increase in emphasis on import substitution and the manufacture of indigenous equipment in a big way there is bound to be a large increase in consumption in the coming years, especially in the Fifth and Sixth Plans. Indeed, it would even be worthwhile to examine whether the big steel



Heat Treatment and Annealing Shop at MISL, Bhadravati

plants can convert some part of their output into special steels economically for displacing imports of special steel and saving foreign exchange if need be by allowing larger imports of the less costly common steel.

Shortage of Alloy Steel

There is actually a shortage of alloy steel at the present moment as there has been a pick-up in demand for these steels in the past year from the many fertiliser units under construction, the manufacturers of chlorine-based chemicals, the petro-chemical units, from the producers of industrial machinery, machine tools, commercial vehicles and so on. Actually, it has been complained by many engineering firms that apart from the shortage of common steel, there is difficulty in securing matching steel and that their production is being held up on account of these bottlenecks. The manufacturers of forgings and drop stampings have large orders but are unable to execute them because of the shortage of special and alloy steels.

Need for Additional Capacity

If there is continuance of the 'Green Revolution' and sustained growth in industrial production along with larger outlays on plan schemes there will have to be a bigger output of special and alloy steels. Already there is a demand in industrial circles that there should be a larger allocation for expeditiously implementing new schemes which would boost steel production. The latest estimate indicates that there will have to be additional capacity of over 3 million tonnes even in the current Plan period while in the Fifth Plan one steel plant will have to be constructed every year. It is quite likely that by 1980 the steel making capacity will have to be over 20 million tonnes. Alloy steel consumption is usually assumed at 5 per cent of the consumption of common steel

in developed countries which would suggest that there would have to be a minimum capacity of one million tonnes for special and alloy steels. But a higher proportion of about 7½ per cent of total steel capacity will have to be attempted in the early stages of a developing economy as the emphasis will for some time be on the creation of industries which will require a larger proportion of special and alloy steels. This would mean that future planning will have to proceed on the basis of a capacity of 1½ million tonnes or roughly treble the targets originally fixed for 1973-74.

Expanding Demand

Only about this time last year, there was talk that licences had been issued freely for promoting units in the private sector and it had been urged that the expansion of capacity of the Durgapur Steel Plant in the public sector should be delayed in order to protect the interests of units in the private sector. It was then felt that an output of 3.8 lakh tonnes of alloy steels would suffice for meeting the demand that would arise by 1973-74 and that it might not be necessary to produce 5 lakhs tonnes as originally envisaged. Recent developments, however, indicate that even with a modest level of economic activity there would be a larger demand for alloy steel and with the new trends in consumption for common steel the capacity of the existing units for producing alloy steel will have to be considerably augmented. It therefore augurs well for the future that the Durgapur Alloy Steel Plant has been working at near rated capacity of 40,000 tonnes in the first stage and the quality of its product is considered good. The Japanese collaborators have expressed willingness to assist the Central Government in implementing expansion schemes. The Bhadravati Steel Plant will also be completing its expansion schemes shortly and once the initial teething troubles have been got over it would

be possible for this unit to expand to one lakh tonnes of special steel and for an ultimate target of 2½ lakh tonnes. This unit, which has switched over from the manufacture of conventional steel to alloy steel, will for some time be the biggest unit of its type in the country and it is gratifying to know that the quality of the products of Mysore Iron & Steel Works has been widely appreciated. Durgapur and Bhadravati may account for half-a-million tonne between themselves in the next few years. There are many units in the private sector which are medium-sized. Mahindra Eugene which has its unit in Bombay has a plan for doubling its capacity and diversifying its production. The Tatas and others contemplated promoting new units; but due to devaluation and other factors these schemes have been delayed. These plans should now be taken up.

There will also be need for continuously expanding capacity of the existing units in the private sector apart from promoting new captive units. Above all, it will be necessary to implement expeditiously the Salem Steel Plant which can even have an initial capacity of 2½ lakh tonnes with a lay-out admitting a doubling of output in a short period. The alloy steel industry has, therefore, a bright future and there is no conflict of interests between the public and private sectors. The accent as stated above will have to be on increasing production economically and co-ordinating the activities of the different units as the objective should be to increase the range of production and avoid proliferation. The cost of production can be kept reasonable only if attention was paid to the manufacture of steels in greater demand and even import some special varieties which cannot be advantageously produced in this country. The inauguration of the rod mill of the Bhadravati Steel Plant should, therefore, be considered a harbinger of good-luck for this basic vital and strategic industry. —(FOC)

INDUSTRIAL ECONOMIST

Workshop on Banks' Service

Since nationalisation there has been a growing awareness in the banking system that banking is a "service industry." Dealing with human beings and humanity's most valued possession, "money", the human aspects of customer service have assumed great significance.

A workshop organised between December 17 and 21 by the National Institute of Bank Management discussed ways of providing quick, efficient and courteous service at the counter to the increasing number of customers calling there. The Custodians and the other top men of the public sector banking system, and the high officials of the Reserve Bank, who included the Deputy Governor Mr. B. N. Adarkar, were unanimous that regardless of liberal and broad-based credit policies, the image of the banks in the public mind would be determined by their success in satisfying the individual customer at the most important contact point—*The Counter*.

The discussions were on working papers in various aspects of customer service presented by some of the eminent bankers.

Mr. Adarkar made it clear that from the Reserve Bank side there would be unqualified support for measures to reduce delays at the counter.

The concluding session of the workshop made a number of recommendations for adoption by the banking system. The one for almost immediate adoption is the introduction of what is called "The Teller System".

Teller System

The Teller System is an innovation to slash down waiting time for the customers in the process of payment of cheques and receipt of cash, etc. The standard procedure for making payment of a cheque requires the services of the ledger keeper, passing officer, and the paying cashier. The

Teller System combines the operations of these three persons in one person. Similarly, in the matter of receipts, the functions of the cashier, cash book writer and the officer are performed by a single individual—the Teller. The promptness of the Teller System lies in the fact that the customer is taken care of immediately he makes his appearance at the counter and all the internal procedures of the bank like posting, balancing, checking are done subsequently at the Teller's convenience but not at the expense of customer's time. A few banks like the State Bank of India and the Punjab National Bank are already experimenting with the Teller System in a few branches.

The workshop took decisions generally relating to expediting collection of out-station cheques and inter-branch cheques. As a result of the streamlining of the internal procedures proposed at the discussions out-station collection, now presenting the most difficult problem and generally taking up to 18 days, is expected to become possible in a week. This is to be attempted in the first phase in the four metropolitan cities of India linked by night air mail service.

As at the end of 1968, local clearing arrangements existed at 92 banked places. As against this, in 235 banked centres with a population of over 50,000 and with 3 or 4 banks functioning, this facility is not available. Opening of clearing houses in these centres was another recommendation of the workshop. Additional clearing houses in metropolitan cities and other bigger towns were also suggested.

Motivation—The Missing Link

Mr. H. V. R. Iengar, former Reserve Bank Governor, who inaugurated the workshop set the tone for the discussion when he said that the non-human factors such as systems, procedures, office layout, and the extent of the use

of office equipment and machines by themselves would never be able to improve customer service unless accompanied by right motivation on the part of the "man behind the counter" to improve his attitude, approach and behaviour towards the public. Incidentally, he wondered whether anything at the Government level was being done consciously to provide this kind of motivation to bank personnel. He did not think nationalisation would do the trick. He was of the opinion, that in the L.I.C. as a nationalised institution, customer service suffered a serious set-back after nationalisation. In his opinion emoluments or ownership of the institution are not relevant in the matter of creating the correct staff motivation. He wanted the National Institute of Bank Management to find out "the missing link".

Marketing Concept

It was generally agreed by the workshop participants that the organised banking system was less progressive than the unorganised financial sector. Money-lenders give prompt, flexible and informal services. Collateral is often left in the possession of the borrowers so that its productive use is not impeded. The shortcoming of the Indian commercial banking could be remedied by giving it the marketing concept which it woefully, lacked now. The NIBM had already conducted three workshops elsewhere in the country on other aspects of banking. Two more are to be held.

In his introductory remarks on the opening day, Mr. Lakshminarayanan, Custodian, Indian Bank, said the banking system in India had yet to grow to the extent of providing all the infra-structural needs of the whole country. Now, one-third of the total deposits came from Bombay and Calcutta and 51 per cent of the advances again went to these cities. The per capita deposit for the country was Rs. 77. For a population of 550 million the banking system had only 20 million accounts. He gave some other

telling figures which showed the magnitude of the task before the banking system:

The participants in the workshop

included Dr. V. A. Pai Panandikar, Messrs. B. K. Vora (Punjab National Bank), B. G. Shah (NIBM), R. C. Mehta (Bank of India), L. G. Kale

(State Bank), J. O. Sims (Bank of America), B. V. Bhandary (Canara Bank) and Dr. V. Kardak and Prof. Das Gupta (both NIBM). —V.M.

Encouraging Invention for Quicker Industrial Growth

Since the setting up of the Inventions Promotions Board and the Board on Awards for Import Substitution, the recognition of outstanding inventions and innovations in the industrial field has become a hardy annual. This year 56 awards were presented by President Giri, 22 for inventions and 34 for import substitution. The process of import substitution is intended "to cover the entire gamut of industry by replacement of imported raw materials, components and spare parts with indigenously manufactured materials, and components of the same or comparable specification, reduction in the consumption of imported raw materials and components per unit of production, change-over from production of chemicals and chemical products to their production from basic raw materials, replacement of imported raw materials or components by suitable alternatives with consequential changes in the specification of end-products and acceleration of phased manufacturing programmes to achieve a greater indigenous content in the shortest time possible." Among inventions, the engineer's stethoscope for locating defects in internal combustion engine, high speed tracing camera, electronic instrument for detection of insect pests, improved motor step ladder for embarkation and disembarkation of passengers at airports have been among the recipients of awards, while the preparation and processing indigenous steel for displacing imports of the types needed for boilers was accounted for considerable foreign exchange saving.

Pacing Up Import Substitution

It has often been stressed by Government spokesmen that the process of im-

port substitution should be paced up to achieve self-sufficiency. Dependence on imports of equipment and know-how, it is said, should be minimised and finally eliminated altogether. The example of Japan is often quoted in this connection. It is pointed out that "in Japan only one unit of equipment, device or plant of any kind was imported and further requirements were met by copying or substituting the imported item or process." This may be a valuable guide-line but its usefulness will bear no exaggeration. To a very large extent, the prejudice against imports has been the result of two factors. First, the tight foreign exchange position of a developing economy, aggravated by a pause or decline in the volume of net external economic aid compels policy makers to evolve curbs on imports. Such imports become permissible on an arithmetical basis only in the dimension warranted by the improvement in export earnings and the inescapability of a minimum quantum of foreign goods without which industrial growth will grind to a halt. That explains why there has always been the insistence that imports should be justified only on grounds of absolute needs of industrial maintenance and expansion.

Inventions Catching Up

The second factor relates to the ticklish issues involved in foreign collaboration. The country can be regarded only now as not groping its way through. But still there are spheres in which its actual requirements of equipment have not been competently sized. In the past, the lacunae in this respect were many. In that situation, it was not uncommon that the technology transferred through foreign collaboration happened to be of the second level

which was in danger of getting outmoded or uneconomic far too soon. The collaboration also tended to obtain machinery which was not the latest model even in the country of origin or was, in any way, inferior to the models available in the competitive world market outside. Consequently this reduced the usefulness of collaboration and raised costs to avoidably higher levels. Because of these two factors, the craze of substitute for every import and elimination of collaboration altogether began to catch up. Inventions and innovations became in consequence the instruments of import substitution of every sort.

There are two things which should be borne in mind in this context. No foreign country can dump inferior equipment eternally. If it is pretended that it does so, it is an insult to the dignity of the supplier and to the technical ability of the recipient. Even otherwise when a foreign machine is imported, it is the duty of the Indian technical personnel associated with it to scrutinise its operations and suggest ways and means of producing similar or better machines through the requisite modifications in the make-up. There is every need for inventors and innovators associated with projects to be encouraged to achieve this wholesome result. Invention as the means to import substitution will become pointless if it did not help in the building of efficient substitutes for the imported equipment.

Doors Open for Foreign Know-how

At the same time, care should be taken to ensure that foreign know-how is not shut out altogether. As all technologists have constantly been averring, the last word on technology remains always unsaid because the

evolution of technology is a never-ending continuous process. Insular reservations against imports of know-how should not be allowed to shut out imports of such know-how as these are the only means available for any country for keeping up-to-date in the technological field. Even in the matter of import substitution, an overall view must be taken of the requirements of imports in order to build up a higher technological level of production which will be competitive enough not only in the present but also in the foreseeable future. Instead of going into raptures over a crore of foreign ex-

change saved here and there by substituting a minor item, the policy maker should brace himself up to a heavier import bill if it can guarantee the raising of domestic technology to internationally competitive level on an enduring basis.

Supporting the Inventor

Above all, the services of the innovator and the inventor who has received awards should be utilised by the community. Testing a new idea to establish its commercial feasibility is an expensive business. The private sector has its own research laboratory, but

the development of a national pool of innovators will require that the Government and the research institutions co-operate with the private sector to give new technological ideas a try. With as much of money which may well go waste in these trials, private entrepreneurs may not be willing to join, unless the Government extends special fiscal support for the purpose. If the Government fails to provide such support, the recipients of awards for inventions and innovations will languish like the saplings planted on *Vanamahotsava* day with none to take care of them or use their ideas.

Decontrol to Tone up Sugar

The sugar industry is in a bad way and it is rather odd that the Government is not persuading itself into a new kind of thinking when it has seen reason and thought it advisable to postpone decontrol of cement until the whole situation was carefully re-examined. By March next a crisis may develop in the sugar industry and it may not be surprising if many sugar mills refused to crush cane even when it was offered at the factory gates from registered cane growers. The policy of partial decontrol has outlived its usefulness. There will have to be complete decontrol if efficiency and productivity are to be the criteria or complete control if the inefficient producers in Uttar Pradesh and Bihar are to be protected. With the possibility of a mid-term poll, the Government is unlikely to decide on complete decontrol but the force of economic loss cannot be ignored forever, and the Government would be compelled to take a definite decision about the change in policy regarding the fixation of prices for cane or sugar in the next three months.

Minimum Cane Prices

As Mr. N. Mahalingam, Chairman of

Sakthi Sugars has pointed out at the annual meeting there will have to be a change in the basis of minimum cane prices as a recovery of 9.4 per cent and below for the payment of minimum price is proving too costly for the consumer and the country. The proper course would be to fix minimum prices for cane having a recovery of around 8 per cent and providing greater encouragement for higher sucrose content. In that case, Uttar Pradesh and Bihar can hope to overcome to a certain extent their deficiencies by raising the percentage of recovery but from present indications it would not be possible for the cane growers in these areas to secure a return from cane on a competitive basis like that available from the tropical areas. Even though the average recovery is only 8½ per cent in Tamil Nadu the yield of the crop is 40 tons per acre, contrasted with only 18 tons per acre in Uttar Pradesh. This would suggest that even allowing for a higher recovery of 10 per cent, the adjusted yield per acre is only 20 tons, half the yield of Tamil Nadu. It will be clear, therefore, that apart from improper use of scarce land resources the consumer is compelled to pay heavily for its sugar. Persistence in the policy of

partial de-control would have harmful effects as there will be abundance of cane and abundance of sugar and gur leading to a deterioration of all these three commodities. The Government will have to think in terms of progressive decontrol and gradually abandon sugar production unsuitable for U.P. This should be accomplished in the next five years.

Expanding Industry

However, it is encouraging to note that the industry is developing on healthy lines in the tropical areas. Apart from the promotion of new units, the existing units are expanding in a big way. The mill of Sakthi Sugars at Appakudal in Erode is raising its capacity to 2000 tonnes daily at a cost of Rs. 75 lakhs. This scheme is expected to be completed by the end of next year. The company has also received a letter of intent for starting a factory with an initial capacity of 1250 tonnes at K. M. Duddy in Mandya District (Mysore State). These schemes are expected to cost Rs. 2.75 crores and may be completed in the next two or three years. The sugar industry has a bright future as there is bound to be a big increase in consumption in the next few years with a higher purchasing power of the rural population though the immediate outlook is somewhat depressing.

A Seminar with a Difference

During a two-day seminar on Tourist Development in which the Tamil Nadu Chief Minister and other Ministers and a number of Members of Parliament from Upper India participated, speaker after speaker (upper country participants excepted) criticised the Government of India and its agencies for the "neglect of the South" in the matter of Tourist Development. The brochures and other materials produced by the Government projected only the tourist attractions of the north. Statistical proof was provided in support of this statement. Hardly 25 per cent of the foreign tourists who visited India crossed the Vindhyas, it was pointed out.

Sitting through the four days of Seminar one found that it was a seminar with a difference—no summing up, no recognition and analysis of problems, no conclusions, no resolution and no promise of follow-up that are usual with seminars. The proceedings were more in the nature of public meetings. Listed speakers did not arrive. Except for two or three parti-

cipants the speakers did not display knowledge of the subject.

Adopt the Villages: Tata's Call to Industry

Mr. J. R. D. Tata was the most distinguished visitor of the fortnight. He delivered the First Anantharamakrishnan Memorial Lecture under the auspices of the Madras Management Association. The burden of the address was that the technical resources and managerial talent in both the public and private sector industries had a function in society and had obligations to the community far wider than the mere discharge of their primary commercial functions. He dealt in detail with how private sector business could work to improve its image (currently poor) in the public mind. Companies could take up permanent responsibility towards the people of the area where they are located and "adopt villages" in their neighbourhood and devote the time of their managers, engineers, doctors and skilled specialists to advise about and supervise development.

On the occasion, India's senior-most industrialist was presented the First Business Leadership Award instituted by MMA. The citation read by Mr. A. Sivasailam and the introductory remarks of Mr. H. V. R. Iengar referred to the shining record of Mr. Tata and the House of Tatas and the valuable contributions made by him in practically every field—education, scientific research, steel production, commercial flying, etc.

The presentation of the Award came at the end of a three day Management Convention organised by the MMA. One of the leading participants Mr. H. V. R. Iengar pleaded for loosening of the Government hold on industry. While in the agricultural sector there was a fair degree of freedom for the cultivator resulting in astonishing achievements, in the industrial side

a whole series of Government regulations and flats rigidly bound the industrial community and killed its initiative and dynamism, he said.

The key-note addresses were delivered by Mr. S. Bhoothalingam of National Council of Applied Economic Research, Delhi, Mr. K. Sreenivasan, Director of the South Indian Textile Research Association, and Dr. K. S. Basu, Director of the Jamnalal Bajaj Institute of Management Studies on the role of management in India's development.

Socialised Medicine & Absenteeism

Among the spate of seminars, conventions and conferences held in the fortnight—usual for this part of the year in Madras—was one which analysed the effect of socialised medicine (E.S.I.C.) on absenteeism in industries. The rise in sickness rate, The ESIC doctors succumbing to the influence of the workers to issue sickness certificate, the general usefulness of the E.S.I.C. hospital and dispensary facilities to the workers and their families, the attitude of the workers toward the scheme and their complaints of red tape and complicated procedures followed at the administration level in processing workers' claims were among the matters discussed in the seminar in which the parties concerned participated.

Tamil Nadu Ministers Messrs. Madhavan and Vezhavendan had also their contribution to make.

There was consensus among the participants on the need to give financial incentives to workers who did not avail of any sickness benefit for a whole year under the E.S.I.C. scheme so that production losses arising from frequent absence of workers could be cut down considerably. There was a suggestion that the cash benefits, wherever due, be paid to the workers in their own factories.

The seminar which was organised by the Rotary Club of Madras West discussed other ways of making the E.S.I.C. more business like and of putting the E.S.I.C. medical facilities to the maximum possible use.

A Brighter Era for the Boiler Plant

It is heartening to note that the Tiruchi High Pressure Boiler Plant is likely to establish a new record in respect of output and sales in the current year. It is gathered that the cost of industrial boilers and those for thermal stations is likely to be lower than the import parity, despite the heavy excise duties levied by the Central Government on steel and the burden of other taxes on industrial production. The Boiler Plant will be in a position to reduce unit cost when it is able to use the plant more effectively and also manufactured more sophisticated items.

Production of Bigger Boilers

After supplying 60 MW. boilers to thermal stations the plant is now manufacturing boilers with higher capacity and it is confident that as generators with bigger capacities come into vogue boilers of matching capacities will also be fabricated. Only recently two boilers having a capacity of 120 MW. each were supplied to the thermal station at Ukai in Gujarat. These will be capable of using coal, natural gas or oil as fuel so that the Gujarat State Electricity Board will be able to take advantage of additional finds of gas or oil. Three boilers for industrial purposes are also to be supplied to the Haldia Refinery and these will be capable of using asphalt as fuel for the first time in this country. It is learnt that more orders will be received shortly from other public undertakings and the boiler plant will be able to step up its output to the rated capacity of 25,000 tonnes in 1970-71 and if there were favourable developments the volume of production can even be higher in 1971-72.

More Orders in the Offing

There will necessarily be a larger flow of orders in the coming years

with greater emphasis on the development of the fertiliser and heavy chemical industries requiring processed steel. There will also have to be a faster implementation of power projects and creation of additional thermal capacity as there is bound to be shortages of power in Punjab, Uttar Pradesh, Orissa, Madhya Pradesh and Andhra Pradesh. Bihar and W. Bengal can also take advantages of vast coal resources by erecting more pithead thermal stations. In Tamil Nadu the feasibility of opening of a second mine cut at Neyveli has been established beyond doubts. With the State's deficiency in water power resources, future development will have to be mainly devoted to the creation of thermal capacity. These compelling developments will necessarily keep the manufacturers of industrial and power boilers busy and the Tiruchi Plant will have an important role to play in achieving these objectives.

In 1969-70 it is estimated that a new record will be established in respect

of turnover and production, with sales touching Rs. 19 crores and output 18,000 tonnes. As earnings before depreciation and after providing for interest charges are bound to be sizeable, this unit will emerge out of the red and if it had been constituted as a separate undertaking it would have been possible to pay even a maiden-dividend on the equity capital. With output rising to 25,000 tonnes, there may be an increase in the turnover to nearly Rs. 23 crores which is the capacity target originally envisaged. Now, however, it has been pointed out that the turnover can exceed even Rs. 25 crores with the same capacity and earn a much higher level of profits, if there is a continuous flow of orders and no bottlenecks in regard to supplies of raw materials. With the new accent on industrial and agricultural development and the importance of implementing power projects in an ambitious manner there will have to be upward revision of plan allocation for hydel and thermal projects. If this review was not taken up at an early date the Central Government might find itself in an awkward position similar to the one it is experiencing in regard to steel.

—(FOC)

SLUMP IN GOLD PRICES

Gold prices in the free markets have taken a sharp downturn since the beginning of November and the London and Zurich rates have slumped by about 4.70 an ounce and are quoting around \$35 the official dollar price. High interest rates in European countries, removal of currency uncertainties following the revision of external values of the French franc and the West German mark and the doubts about a sharp pick-up in industrial demand for the yellow metal have deterred speculators and hoarders from lending support at the higher levels. The current price level is the lowest for free market gold since the two-tier price system was introduced in March 1968 to ward off a world monetary crisis. While steady unloading by South Africa and communist

countries has been a bearish influence, the negligible disparity between official parity and the free market price has led to speculation about the future of the two-tier system. While it may be assumed that price may not go below the floor of \$35 (except temporarily as in Zurich for a day recently) it is not likely that prices will rebound to then previous high levels. In Paris, Hong Kong and other markets with curbs on free sales of gold, the rates have been still ruling high, around \$47 in Paris and around \$41 in Hong Kong. Indian prices have not been affected to any marked extent by the latest developments. In fact, they are fairly firm with sovereign at Rs. 155 per piece and pure gold at Rs. 175 per 10 grams.



Mr. P. C. MATHEW, the new General Manager of Southern Railway

Company Meeting:

SAKTHI SUGARS LIMITED

SPEECH OF THE CHAIRMAN Sri N. MAHALINGAM, B.Sc., M.I.E.

Following is the summary of the speech of Sri N. Mahalingam, Chairman, Sakthi Sugars Limited, delivered at the 8th Annual General Body Meeting held on Monday, the 29th December 1969 at Hotel Alankar Hall, Coimbatore-9

Ladies and Gentlemen,

I welcome you all to the Eighth Annual General Meeting of the Shareholders of your Company. The Accounts and the Directors' Report for the year ended June 30, 1969 have been with you for sometime and with your permission I shall take them as read.

Increased Crushing but lower

Recovery . . .

The performance of your sugar factory for 1968-69 should be considered quite satisfactory and it was a job to handle all the quantities of cane offered by growers at the factory gate. The actual quantity of cane crushed in 1968-69 was as much as 3.33 lakh tonnes against 1.96 lakh tonnes in 1967-68. An additional quantity of 1.49 lakh tonnes was crushed after the close of the financial year. The big increase in the quantity of cane handled has not, however, been reflected in a proportionate improvement in the output of sugar as with a deterioration in the quality of cane on account of drought conditions, the recovery of sugar dropped to 8.40 per cent from 8.99 per cent in the previous year. The crushing of cane in hot and unfavourable weather conditions has necessarily resulted in a drop in recovery which at one stage was even below 7 per cent. The output of sugar was thus higher at only 27,956 tonnes against 17,614 tonnes or an increase of 59 per cent, though the quantity of cane handled rose by as much as 70 per cent.

The levy of an onerous *ad valorem* duty of 23 per cent resulted in our paying of an additional amount of Rs. 5 lakhs in respect of the quantities involved in the quota for free sale by way of excise duty as compared to the previous levy on a specific basis. The incidence of the *ad valorem* duty was even more rigorous than it would have been if based on ruling market prices as the tariff value fixed periodically, in order to facilitate the work of the Excise Department, was fixed at a level higher than the prevailing market prices. Whenever the tariff value was reduced after repeated representations, it was long after the prices had come down abnormally. This naturally had a depressing effect on ex-factory prices.

Dividend Maintained at 12 per cent

With many unexpected developments it is not therefore surprising that the net profit, before depreciation and taxation for the 12 months ended June 30, 1969 has declined to Rs. 31.10 lakhs from the high level of Rs. 74.97 lakhs for the previous year. The dividend on equity capital payable to the shareholders has, however, been maintained at 12 per cent, taxable, after providing for depreciation Rs. 13.74 lakhs against Rs. 14.90 lakhs and development rebate Rs. 1.25 lakhs against Rs. 28.61 lakhs. The equity and preference dividends are to be paid as before out of the dividend reserve. There is again no liability for taxation.

Availability at 50 lakh Tonnes

The Government do not seem to be aware of the problems that will be experienced by



Mr. N. MAHALINGAM

the industry and trade as a result of a higher level of production for two seasons in succession. With a carry-over of 12 lakhs tonnes from the last season and the prospect of an output of at least 38 lakh tonnes in 1969-70, there will be a total availability of 50 lakh tonnes for internal consumption and exports. Even if with liberal releases of 2.5 lakh tonnes every month and additional releases of about three lakh tonnes during the festival season it cannot be expected that more than 33 lakh tonnes will be consumed within the country. This is an optimistic estimate as the previous record with easy availability the internal consumption was only 27 lakh tonnes. It may be argued that with an increase in the purchasing power

since 1965-66, apart from a growth in population, there can easily be an improvement in internal consumption by at least 20 per cent.

Retail Packets . . .

It occurs to me that, instead of selling in bags to retailers in the rural areas particularly, sugar mills should be encouraged to develop their own agencies and also distribute sugar in polythene packets of 1 kg. and 2 kgs. so that the retailer could stock his requirements without difficulty and the consumers too would be able to buy their immediate needs easily. The additional expenditure involved in packing should be allowed to be added to the selling price. But the additional cost will not be large and there will also be considerable saving of sugar due to prevention of deterioration in storage.

Changed Trading Conditions

The trading conditions have vastly changed in the past six months. Though the policy of partial decontrol has been successful in bringing about a big increase in the acreage under cane and consequent increase in the output of sugar, the big increase in the output of sugar has resulted in a slump in the open market prices. Those who have not been so unfavourably affected have reported very much lower profits, as in our case, many are worried about even earning profits in the current season which will enable them to cover depreciation charges and other overhead expenses. This raises the question what should be done to assure reasonable profitability for sugar mills and whether there should be any change in the method of fixing prices for cane and sugar for controlled distribution. The mere availability of a quota for free sale cannot be of any great advantage as it was in 1967-68 as with the issue of liberal quantities for controlled distribution there is not much difference between ex-factory prices for levy sugar and those for free sale. This clearly emphasises the need for fixing prices for levy sugar in a manner which does not involve any loss to the sugar mills on the basis of minimum prices for cane and the actual recovery of sugar.

Need to Revise Cane Prices

A revision of the cane pricing policy is necessary not only from the point of view of the consumer but also of the difficulties experienced by sugar mills in different parts of the country particularly those in Tamil Nadu. Under the present formula a minimum price of Rs. 73.70 per tonne is payable where the recovery is 9.4 per cent and below. This formula does not affect those who have a recovery of 9.4 per cent and above. But in 1968-69, with a record quantity of cane crushed and a prolongation of the crushing season, the recovery was very much below 9.4 per cent even in some parts of Uttar Pradesh, Bihar and Andhra Pradesh. Tamil Nadu was badly hit by severe drought conditions in the canegrowing areas and some units have reported an average recovery of only 7.4 per cent. Even under normal conditions, except for 1 or 2 units the recovery is between 8.5 per cent and 9 per cent, in Tamil Nadu, either because of the nature of the soil or the delay in introducing new varieties having a higher sucrose content. It is therefore necessary to refix sugar price based on a recovery of 8.00 per cent.

The State Govt. Can Also Help . . .

At the same time, it is necessary to fix levy prices for sugar on a State-wise basis as pronounced differences in the recovery rate and difference in Cane Cess and Purchase Tax between States in a zone have placed sugar mills in Tamil Nadu at a disadvantage. If levy prices could be increased suitably and there were also adjustments in these prices when there was a drop in the recovery unduly due to drought or crushing in summer, sugar need not be so costly as it is now. It will, of course, be necessary to effect a suitable reduction in the excise duty so that the end price for the consumer for his requirements of sugar on a controlled basis will be the same or even slightly lower. The State Governments too can adopt a helpful attitude as the burden of cess and purchase tax in some cases works out to nearly 15 per cent of the minimum price which has boosted production costs. In view of the increasing quantities of cane being crushed there can certainly be a reduction in the burden at the State level.

Scope for Exports on Barter Basis

While on the subject of costs, I would like to emphasise the importance of building up a viable export trade with the neighbouring countries. Besides fulfilling the quota

under the International Agreement, the scope for exporting sizeable quantities on a barter or a rupee payment basis should be examined. But heavy losses against all these exports will be involved if factories were not helped to overcome the handicap on account of the high cost of cane. The difficulties in this regard can be overcome if, as I pointed out on earlier occasions, the Government allotted 25,000 acres of irrigable land to develop cane farms on the definite understanding that the sugar produced was completely exported. If the mills were made responsible for cultivating cane, the cost of production can be considerably reduced with a big increase in the yield of cane and the sucrose content.

The State Governments too should spend a much larger amount than they are now doing out of the revenues that they get from various levies for reducing the cost of cane and for improving communication facilities in cane-growing areas. While I am grateful to the Tamil Nadu Government for improving road communication facilities in the cane-growing areas serving our factory, much more remains to be done. It is well to remember that all-weather road in the cane-growing tracts will facilitate quicker movement of this agricultural produce and minimise loss of sucrose content due to delays in transport. Another measure which will be helpful in improving the quality and yield per acre is the need to make available water supply in the canegrowing areas throughout the year. This will not involve any additional quantity of water as the cane crop consumes only two-thirds of the water required for double crop paddy cultivation. If there were regulated water releases and scientific wettings of the standing crop a much higher yield per acre can be secured.

Wireless System for Better Communication

We, for our part, have been doing our bit to help the cane-growers to cultivate better varieties by providing them the necessary assistance and agricultural inputs. The institution of the wireless system by your factory, which is incidentally the first experiment to be attempted by any sugar mill in this country, has been useful in regulating the cutting of the crop and giving suitable notice to the growers. This was inaugurated on 4-9-1969 by Thiru K. S. Ramaswamy, Union Deputy Minister for Home Affairs.

As I indicated to you last year, the scheme for raising capacity of the existing unit to 2,000 tonnes from 1,250 tons daily at a cost

of Rs. 75 lakhs is being implemented. It is expected that the new machinery will be installed in time before the commencement of 1970-71 season.

New Unit in Mysore

I am also glad to inform you that we have received a Letter of Intent from the Central Government for erecting a new factory in K. M. Doddy in Mandya District in Mysore State. This unit will have an initial crushing capacity of 1,250 tonnes daily and may cost about Rs. 275 lakhs.

Employees' Welfare . . .

Construction of quarters for the employees continued to make headway and constant efforts are being made to make a steady progress in this direction. This can be accomplished only step by step and within the next few years. Application has already been made to the concerned authorities for starting a High School and it is hoped that this will materialise from the next academic year.

Your Company has come forward to implement the Industrial Feeding Scheme sponsored by CARE in collaboration with the Government of Tamil Nadu. This is a project meant for feeding the pregnant and lactating wives of workers and also children in the age-group of 0-5. This project will be implemented soon. There is also a proposal to construct a Kalyanamandapam and a Hospital with modern facilities to benefit not only the employees of your factory, but also the villagers nearby.

Your Company's House Journals *SEITHI MADAL* in Tamil and *SUGAR NEWS* in English continued to be well-received in all quarters.

The relation between management and labour continued to be satisfactory during the year under report. There is an increasing awareness on the part of the labour as far as your unit is concerned that all problems can be solved by mutual negotiations. This is most welcome. It is after all only when the industry prospers that the condition of labour also improves and I hope this fundamental will not be forgotten.

I wish to place on record my appreciation of the co-operation received from all employees in achieving a high level of efficiency and production.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

Control on Synthetic Rubber

While the Tariff Commission is yet to announce its recommendations in regard to the fair selling prices for various grades of natural rubber, the Central Government has decided to control the sale prices of synthetic rubber produced indigenously under the Essential Commodities Act with effect from December 16. It has been stated that the measure has been taken to ensure sale of this product at reasonable prices to the consumers and the prices have been fixed after a cost study. The ex-works prices including selling commission of different grades of rubber are: Grade S-1500 and S-1502 Rs. 4.40 per kg. grade S-1712 Rs. 3.90 per kg. and grade S-1958 Rs. 6.80 per kg. Mr. A. Satyanarayana, Deputy Secretary in the Union Ministry of Petroleum and Chemicals has been appointed Controller of Synthetic Rubber. Synthetic rubber is at present produced by only Synthetics and Chemicals at its Bareilly unit in collaboration with Firestone of U.S. Even with an increased output of natural rubber and more effective use of Synthetics' capacity, there is a sizable gap between supply and demand for rubber, owing to the growing requirements of tyre and other rubber goods industries and prices for both natural and synthetic rubber have been ruling at high levels since price control on natural rubber was lifted last year. With the availability of cheap indigenous alcohol in adequate quantities, production costs of synthetic rubber have been brought down significantly and it was expected even before the latest announcement on price control that the Bareilly unit would be passing on the benefit of lower cost to the consumers to some extent in the form of reduced prices. However, as the proportion of synthetic in total rubber consumption is less than 30 per cent, the tyre industry and other manufacturers are more anxious about the level at which natural rubber prices would be fixed. It was unofficially reported sometime back that the new price may be around Rs. 5 per kg.

Probe on Sugar Industry

Following persistent demand from certain quarters for nationalisation of the sugar industry, the Union Food Minister has announced the appointment of a committee to study the conditions prevailing in the industry. The terms of reference of the panel would include relations between cane growers and millers, price payable to cane growers and the financial conditions of the

mills, particularly the sick mills. The demand for take-over has come mainly from U.P. and Bihar where the industry is passing through a critical period owing to the un-economic working of many units. Mr. Jagjivan Ram also suggested a new formula for the fixation of cane prices which merits consideration of all the interests concerned. He said the growers should be persuaded into an agreement with the mills to accept provisionally some specified price. The actual price would be fixed only after the crushing season was over and it would be in accordance with the profits of the millowners and the price of sugar. The balance would be paid to the grower subsequently. The Minister said such an agreement would have statutory force unlike last year's directive to mills to pay a minimum of Rs. 10 per quintal. With another bumper cane crop, the industry would be crushing a record quantity and in the absence of a more realistic price for cane vis-a-vis the low open market prices for sugar the mills may have to face a squeeze on profit margins, particularly if there is no rise in levy prices. The basic problem of cane prices, as Mr. Jagjivan Ram pointed out, is due to the fact that only one-third of the total cane crop is taken by the mills and the remaining quantity goes to the unorganised sector for the manufacture of gur, khandsari and jaggery. Any statutory price for cane can be applicable only to one-third of the crop and the growers have to fend for themselves in respect of supplies to the other sectors. It may be recalled that in the last season, there were large offerings to factories by growers from unregistered areas and the Union Government had to allow mills to pay prices below the minimum fixed levels to enable the growers dispose of their surplus stocks.

Plan for Cash Crops

With the fair amount of success attending on the efforts to stabilise food output at a higher level, the Government is turning its attention to measures for stepping up the production of commercial crops for reducing dependence on imports as well as for increasing export earnings. Attempts are to be made to increase the yield rates substantially and offset any fall in income to farmers from lower prices. The targets for Fourth Plan have been fixed at 80 lakhs bales for cotton, 74 lakh bales for jute, 105 lakh tonnes for oilseeds and 150 lakh tonnes for sugar cane. Except in the case of cotton, where there may be some diffi-

culty in hitting the targets by 1973-74, the targets for oilseeds and sugar cane may be achieved with the help of a crash programme for introduction of high-yielding varieties and assured irrigation facilities. Besides the schemes included in the State plans, Centrally sponsored schemes have been sanctioned for all potential areas in major producing States. The Central scheme for cotton aims at maximising production of long-and medium staple cotton in selected areas of maximum potential under conditions of assured water supply. Also, an extra long staple cotton named "Sea Island cotton" is being produced under a Centrally sponsored scheme in Andhra Pradesh and Mysore. In the case of oilseeds, besides a Centrally sponsored scheme to provide seeds and fertilizer as also arrangement of plant protection sprays in potential areas, a new scheme in being launched to maximise castor output for export promotion. Special package programmes for jute and mesta and development of sugar beet are under way for the other two crops in the Central sector.

Low Fertilizer Use

There is genuine concern in both official and non-official circles at the low consumption of fertilizers. When the entire agricultural strategy in the Fourth Plan is based mainly on large-scale use of chemical plant nutrients and fresh capacity is being created on an emergency basis both in the private and public sectors, any set-back in the growth of fertilizer consumption should be looked upon with anxiety. The Union Food and Agriculture Minister revealed at the recent annual meeting of the Fertilizer Association of India that he had written to the Chief Ministers to find out the causes for the shortfall in fertilizer use. He also wanted the industry to study factors responsible for low off-take particularly in areas with a large number of small farmers. The Chairman of the Association, Mr. A. S. Mango pointed to the stagnation in farm production and the marginal rise in fertilizer consumption. While widespread drought conditions in many States prevented larger application of plant nutrients, large-scale imports created a problem of accumulated stocks for many units, especially those producing phosphatic fertilizers. Mr. Mango warned that a similar situation might develop in respect of nitrogenous fertilizers also if unrestricted imports continued. The Government appears to have realised the gravity of the situation and has asked the foreign suppliers to defer their deliveries until stocks within the country are brought down to more manageable levels. Mr. Mango also called for a reconsideration of the decision to levy excise duty on fertilizers as it was sure to retard consumption growth.

It was stated that where weather conditions

were favourable and promotion active, consumption of fertilizers had gone up. In the past 12 months, there was a drop of 5 per cent in sales to farmers in the southern region as a whole. While Andhra and Kerala had recorded a 25 per cent rise in sales there was a sharp fall in the case of Tamil Nadu and to a lesser extent in Mysore. In the western region, Gujarat reported an increase of 60 per cent while the rise was only marginal in the case of Maharashtra. The experience of eastern States was much worse with Assam accounting for negligible offtake (barring tea estates) and West Bengal taking 50 per cent less. Orissa and Bihar recorded a modest rise. The northern region, however put up a better performance. While phosphoric acid consumption was at a standstill offtake of nitrogen went up by 30 per cent in U.P. 60 per cent in Himachal Pradesh and 10 per cent in Punjab and Rajasthan. Haryana reported a decline.

In view of the temporary imbalances in production and supplies, Mr. Mango repeated an earlier suggestion for a joint promotion body and for a permanent consultative machinery which can watch any developing situation and recommend prompt steps to prevent an avoidable imbalance. While agreeing to the various suggestions, Mr. Jagjivan Ram wanted the industry to concentrate its promotional efforts on small farmers by training them in the proper use of fertilizers. The small farmer was unable to take advantage of the new technology due to paucity of resources and it would be necessary to think of unorthodox steps to enable him buy his inputs.

Steel Stockyards Raise Prices

While a decision is yet to be taken by Government on the revision of retention prices for steel items which are still under informal control of the Joint Plant Committee Hindustan Steel and the main producers in the private sector have decided to raise the prices of different products sold at their stockyards. The price increases vary from Rs. 40 to Rs. 290 per tonne and are stated to have been effected with the approval of the Union Steel Ministry. The rise in prices is in the form of higher profit margin of the stockyards on the sales routed through them. The initiative for the upward revision was taken by Hindustan Steel which abolished the cash discounts only sometime back. It is understood that about 10 per cent of the output of the main producers is being sold through the stockyards situated in key centres. Hindustan Steel and the private sector units (combined) will benefit by Rs. 5 to 6 crores each by the latest move which may help to reduce the losses of the former to some extent but this will increase the cost of those consumers, mainly small-scale units, who

buy their requirements from the stockyards. As the producers are unable to derive the benefit of the huge premiums available on open market sales by the trade on many scarce categories, it is feared that in the absence of an early revision of retention prices for all items the main producers may be inclined to divert a larger portion of their output to their stockyards to take advantage of the increased profit margin. However, it is learnt that the stockyards have been directed to give first preference to actual consumers. Hindustan Steel has, in fact, instructed its stockyards to hold the goods for one month after their arrival for the benefit of actual users before meeting the demand of stockists. The actual users will have to file applications on prescribed forms for getting their supplies from the stockyards. But the two private sector units are reported not to be willing to hold stocks for a month for actual users as this would increase their interest burden. They will continue to make their sales to stockists and actual consumers as they get their supplies. Till now HSL's stockyards had been supplying 50 per cent of their allotments to stockists and actual users did not have to apply for their requirements.

Cut in Tea Export Quota

Tea exporting countries have announced their decision to agree to a reduction of 90 million lb. in the total export supplies of

black tea for 1970 with a view to stabilising the falling prices in international markets. The decision was conveyed to the FAO's newly formed consultative committee on tea which met recently in Rome. The meeting was attended by delegates and advisers from producing and 14 importing countries, besides representatives of seven international organisations. The exporters' move is designed to hold world market prices for tea around the 1968 level (the lowest for 15 years) and has been welcomed by the importing countries. Without the scheme, which was evolved at Mauritius four months ago, there would have been a further fall in average tea prices in 1970 by four to six pence per lb. on the London auction. Of the reduced quota, Ceylon and India will have a share of 928 million lb. (to be distributed by mutual arrangement) while Indonesia will export 77 million lb., Kenya 73 million lb., Tanzania 17.1 million lb., Uganda 54.1 million lb., Taiwan 8.1 million lbs., Malawi 36.2 million lb., Ruanda 3.3 million lb., Mozambique 36.2 million lbs., Cameron 2 million lb., Argentina 32.5 million lb., Congo 22 million lb., Vietnam (South) 1.5 million lb., and Burundi 0.5 million lb., India and Ceylon will decide on their shares in the export quota by April 1970. The recent meeting of the working groups of the two countries at Colombo could not arrive at a final decision though they agreed on the terms of forming a joint consortium for marketing blended and packaged tea.

Out of the Inkwell

By 'Randor Guy'

Look Down with Approval!

Low-necked dresses are the rage these days. If a woman keeps it down she is considered 'in', though what the dress is supposed to keep in, is almost out! You have a bewildering vista of low-necks, V-necks, U-necks, square necks, plunging necks, the list is endless and gets lower and lower. Some are so low you can see the navel and neighbourhood! About the only redeeming feature about these low-necks—you can look down at them with approval! The hems are getting higher and the necks dipping lower and I wonder where the twain will meet! As my friend Oscar put it, women's fashions may change but their designs—getting the men—remain the same.

Kinsey Report Italian, Style!

Italian men enjoy a reputation for being very passionate lovers. Their very presence, glances, deep sighs and warm embraces are said to send women into raptures making

them cringe for the favours of the Italian Romeo. Italian films are frank and revealing in their romantic scenes—a source of inward glee and outward worry to Indian censors! A haloo of romance, virility and 'man-power' hangs round the Latin Lover.... Alas, the myth has been recently exploded by a Roman anthropologist, Gabriella Farca who has made a deep study of the ways and means of Italian lovers. Her results are startling and earth-shaking. She found that Latins were lousy lovers and their erotic image a mirage! According to Gaby, the Italian Romeo is as good—or as bad—as any other Romeo. Mean, cowardly, selfish and what-have-you! The interviews Gaby had with men all over Italy has convinced her that the whole thing is phoney as most myths are! She has given a graphic account of her work—with all the down-to-bed-details in her book. *The Sultans* which is sure to set The Tiber and many rivers elsewhere—even the Cooum—on flames, deflating the great Italian's myth that was

Business Briefs:

Manali Complex: A Boon to Tamil Nadu

The commissioning of the Madras Refineries at Manali is bound to bring about a transformation of the economy of Tamil Nadu in coming years. The State Government is aware of the opportunities opened up by the refinery and has already taken steps to assess the possibilities of starting a number of industries both in the private and public sectors based on petroleum by-products and salt-based industries. Reserves of mineral resources are being located; already an aluminium unit is operating, using the large bauxite resources in the Salem area and an iron ore pelletisation plant is to be set up based on the Kanjamalai ores. While besides the traditional textile and sugar industries, the engineering industries have been diversifying their production, it is felt that a potential field for rapid growth lies in the development of chemicals and particularly petrochemicals. Barring the two units engaged in the manufacture of caustic soda and chlorine and a few units producing PVC, BHC and other chlorine-based chemicals, the growth of the chemical industry in the State has been rather slow. But the Manali refinery promises to act as a catalyst in promoting a number of petrochemical industries around it. Already, a huge fertilizer project based on naphtha as feedstock is taking shape and will be going into regular production by early 1971 while the private sector has been quick to take advantage of the new development. Indian Organic Chemicals has a scheme for setting up a synthetic fibre plant in the complex while Nagpal Petro-Chem. Refining is implementing a project for manufacturing transformer oil and other speciality products based on lube stocks from the refinery by 1971. Alkali and Chemical of the ICI group has plans for a pharmaceutical plant in the area. DCM has a nylon cord project under consideration and the State Industries Minister revealed sometime back that a Bombay firm would be setting up a carbon black plant. Many more units can be expected to come into being during the Fourth Plan which will seek to utilise the various by-products of the refinery. It may even be necessary at an early date to set up a large-sized naphtha cracker unit to cater to the raw material requirements of future industries which may be unable to have their own crackers.

Nagpal Petro-chem.

Nagpal Petro-chem. Refining Company Limited is likely to come on the market shortly to raise equity capital for Rs. 1.60 crores and preference capital for Rs. 50 lakhs to meet part of the expenditure on its project to manufacture transformer oil and other products in collaboration with Whitco Chemical Inc. of U.S.A. The cost of the project is estimated at Rs. 5.20 crores, including a working capital of Rs. 1 crore. The American company is the world's leading producer of transformer oil and speciality products and will be providing the required technical assistance to the Indian company. The factory is to be located at Manali, near Madras Refineries and will get its lube base-stocks from the refinery. An industrial licence has been obtained for producing 13,000 tonnes of transformer oil and 8,000 tonnes of speciality products. Construction work on the factory has already commenced and it is expected that the plant will be commissioned by the end of 1970 and commercial production will begin in the first quarter of 1971. There will be no problem of marketing the various products, most of which are now imported as it is stated that demand for all the products will go up to 70,000 tonnes by the end of the Fourth Plan. There is already a paid-up capital of Rs. 40 lakhs subscribed by the promoters. The issue of equity and preference shares will be fully underwritten.

Indian Organic

Indian Organic Chemicals Limited is to make a public issue of capital in the next few weeks to find part of the resources needed for setting up a polyester fibre plant at Manali at a cost of Rs. 9.5 crores. Arrangements are being finalised for the issue of equity and preference shares. The Chairman of the company Mr. B. M. Ghia has indicated that loans are being arranged from the financial institutions for Rs. 5.39 crores. The capital goods licence for importing plant and machinery for Rs. 2 crores is expected to be received shortly. The company has entered into a collaboration agreement with Chemtex of U.S.A. The plant will have a capacity of 6,100 tonnes annually and will use by-products from the Manali refinery as raw material. The U.S. interests may be investing Rs. 60 lakhs in the project. Mr. Ghia said construction work would begin by April 1970 and the project would

go on stream in two years after that. Only recently it was indicated that the company may be raising Rs. 3.80 crores additionally, Rs. 2.80 crores in equity and Rs. 1 crore in preference shares. Of the equity issue, the existing shareholders will be offered shares for Rs. 70 lakhs on a rights basis. It has also been stated that the new shares will not rank for dividend till March 1972.

Madura Mills

The Chairman of Madura Mills Company Limited, Dr. Raja Sir M. A. Muthiah Chettiar, has indicated that Government permission is being sought to install additional loom capacity. Already an expenditure of Rs. 11 crores has been incurred on new schemes of modernisation and expansion since 1959, which was financed mostly by internal resources including accumulated reserves. The Chairman has explained that the decision to make the one-for-one bonus issue was to broaden the equity base of the company to correspond with the capital employed in the business. In the current year, the export performance has been satisfactory and working results were encouraging in the earlier months. But there has been serious disruption to production in some units due to go-slow tactics by a small section of workers and it is felt that the improvement in earnings for the whole year may not be to the extent anticipated earlier. The Chairman has, therefore, told the shareholders that he would not like to raise hopes of a larger distribution of profits by way of dividend immediately after the bonus issue. He has, however, assured them that the Board will make every endeavour to maintain the quantum of profits to be distributed as dividend at the level of the previous year.

Straw Products

Straw Products Limited has reported an increase in the output of paper in the first nine months ended September 30, 1969 to 14,427 tonnes from 13,649 tonnes in the corresponding period of last year. Production of boards rose in the same period to 10,227 tonnes from 9,680 tonnes. Sales of paper thus improved significantly to Rs. 3.71 crores from Rs. 2.97 crores (as the average selling price was higher) and of boards to Rs. 1.57 crores from Rs. 1.36 crores. The company is implementing its expansion scheme to raise paper capacity by 9,500 tonnes by installing two additional paper machines. If the present trend continues the year 1969 may end with a substantial rise in earnings which can enable payment of a higher dividend.

Cowcoody Estates

Cowcoody Estates Limited has decided to

maintain the ordinary dividend for the year ended June 30, 1969 at 15 per cent, taxable, with the declaration of a final payment of 5 per cent, taxable despite a sharp fall in the net profit, before depreciation and taxation, to Rs. 1.86 lakhs from Rs. 2.49 lakhs in 1967-68. There was a decline in the output of coffee to 89 tonnes from 124 tonnes. The provision for depreciation is Rs. 27,497 (Rs. 28,229) and taxation Rs. 61,000 (Rs. 99,000). The 1969-70 crop is estimated at 108 tonnes besides a cardamom crop of 100 kg.

Ashok Leyland

The directors of Ashok Leyland Limited have stated that in view of the good demand for heavy-duty trucks following the pick-up in economic activity it has been considered advisable to expedite the expansion scheme by utilising the loan in foreign currency provided by the Industrial Credit and Investment Corporation and the rupee proceeds of the recent debenture issue. The turnover for 1968-69 would have been higher but for the less brisk sales in the first half of the accounting year. The company would be executing a substantial Ceylonese order for trucks obtained by Leyland Motors of U.K. while there is also a scheme for participating in a joint venture there for manufacturing trucks and Ashok Leyland will be sending the components initially to be assembled in Ceylon. The Chairman of the U.K. firm who was in Madras recently told newsmen that the capacity of the Madras unit would be increased by 25 per cent in the near future.

Nepa Mills

National Newsprint and Paper Mills Limited has been utilising its existing capacity effectively and the output has been above the rated capacity for some years. There was, however, a slight drop in production during the year ended March 31, 1969 to 30,562 tonnes from 31,308 tonnes in 1967-68 while sales were lower at 30,330 tonnes against 31,267 tonnes. But owing to higher selling price from May 1968 the turnover was better at Rs. 332.41 lakhs against Rs. 327.99 lakhs. At the same time, there was a sharp rise in working expenses as a result of which the net profit, before depreciation and taxation, declined abruptly to Rs. 49.57 lakhs from Rs. 74.69 lakhs in 1967-68. After providing Rs. 28.60 lakhs (Rs. 30.46 lakhs) for depreciation, the transfer to development rebate reserve is as much as Rs. 23 lakhs (Rs. 52,000) owing to the large expenditure on the expansion scheme. There is no charge in respect of taxation against Rs. 24.75 lakhs in the previous year. A sum of Rs. 1.73 lakhs has been utilised from general reserve for completing the ap-

propriations. The dividend has been skipped. There was a payment of 4 per cent in 1967-68.

The expansion scheme to raise capacity from 30,000 tonnes to 75,000 tonnes is under way. The newly installed paper machine has been in operation since March 1969 and there will be a higher output with the use of imported pulp. Plant and machinery for the pulp project are being received and the deliveries will be completed shortly. The expansion is estimated to cost Rs. 11.71 crores. The Central Government has already provided a loan of Rs. 3.33 crores for the project while a further sum of Rs. 3.85 crores is to be made available. Capital expenditure incurred during 1968-69 was Rs. 4.78 crores. The balance amount of the cost of expansion is to be found from internal sources. The Chairman of the company has pointed out that with the raising of capacity, reserves of Salai trees, the main raw material, will last for another ten years only. As initial attempts to replant this species have not been successful it was found advisable to raise an alternative plantation of Eucalyptus hybrid. Work on this plantation by the M. P. Forest Department near Neapanagar has been pursued vigorously and over 7,000 acres have been planted with Eucalyptus so far.

Cauvery Sugars

The directors of Cauvery Sugars and Chemicals Limited have explained the setback in working results for 1968-69 as due to stoppage of work for 100 days owing to two labour strikes. Even then the quantity of cane handled was higher at 2.02 lakh tonnes against 1.71 lakh tonnes in 1967-68 but there was a drop in recovery because of overmaturing of the standing crop due to late cutting. The recovery thus declined to 7.73 per cent from 8.55 per cent. It was also necessary to divert the excess cane supplies to other factories. The output of sugar increased only slightly to 15,609 tonnes from 14,577 tonnes and with high cane prices and lower open market prices for sugar, there was necessarily a sharp fall in earnings as indicated earlier. Sugar prices have fallen further and though crushing operations may be kept at a high level, it remains to be seen if there will be an appreciable rise in profits.

India Carbon

The expansion of capacity of the Noonmati plant from 50,000 tonnes to 65,000 tonnes was helpful to India Carbon Limited in raising its output and sales during the year ended June 30, 1969. Production of calcined petroleum coke increased to 68,000 tonnes from 57,000 tonnes in 1967-68 while sales improved to Rs. 285.11 lakhs from Rs. 246.05 lakhs. However, due to increased cost of

raw materials, the net profit, before depreciation and taxation even declined slightly to Rs. 52.58 lakhs from Rs. 53.27 lakhs. The sum set aside for depreciation is Rs. 13.59 lakhs (Rs. 11.84 lakhs) and development rebate Rs. 41,274 (Rs. 95,890). The provision for taxation is Rs. 26 lakhs (Rs. 27 lakhs) and the transfer to general reserve Rs. 13 lakhs (same). The equity dividend has been maintained at 16 per cent, taxable, on a capital increased by a one-for-two right issue and will be paid out of general reserve absorbing Rs. 9.60 lakhs (Rs. 6.40 lakhs). As against a paid-up capital of Rs. 60 lakhs, general reserve alone amounts to over Rs. 30 lakhs (excluding the latest dividend amount).

The company's diversification schemes at Bombay and Budge Budge (West Bengal) are progressing satisfactorily. The Bombay project for making mono-di-tri ethanolanilines with French technical collaboration is expected to be completed by December 1970. The Budge Budge project relates to manufacture of calcined anthracite (used for lining of aluminium reduction cells) with the technical know-how supplied by the American collaborators and the plant is scheduled to go into production by mid-1970. Besides the recent right issue for Rs. 20 lakhs, it is proposed to issue preference capital for Rs. 10 lakhs shortly for financing part of the expansion schemes. The foreign exchange cost of the Bombay chemical project is to be met out of a loan from ICICI while the balance of rupee expenditure is to be met from internal resources for Rs. 70 lakhs and bank borrowings. The outlay on the two projects till June 1969 has been Rs. 49 lakhs.

Spencer and Co.

In spite of a reduced income from the tea estate due to a smaller crop and lower prices and uneconomic working of the cigar unit Spencer and Company Limited has reported a larger income from sales and receipts from hotels, bakeries, laundry, catering, etc. of Rs. 11.68 crores during the year ended June 30, 1969 against Rs. 9.84 crores in 1967-68 as hotel rates were enhanced during the year and sales of canned products were higher. The prospects of supplies of these canned products to the Defence Services appear to be bright. The net profit, before depreciation and taxation, however, rose only modestly to Rs. 34.48 lakhs from Rs. 31.90 lakhs in the previous year. After providing Rs. 5.97 lakhs (Rs. 5.20 lakhs) for depreciation, Rs. 1.85 lakhs (Rs. 45,000) for development rebate and Rs. 11 lakhs (Rs. 12.85 lakhs) for taxation, the equity dividend has been maintained at 20 per cent taxable. The amount required for this purpose will be Rs. 8 lakhs (same). The transfer to capital reserve is Rs. 10,577 (Rs. 72,537) and

investments reserve Rs. 3.50 lakhs (Rs. 1.50 lakhs). The balance, after taking into account the sum brought in from the previous accounts of Rs. 4.50 lakhs (4.16 lakhs) has been carried forward. At the end of the year, against a paid-up equity capital of Rs. 40 lakhs, reserves and surplus amounted to Rs. 125.81 lakhs. The company is thus in a comfortable position to make a one-for-one bonus issue. Spencer shares are quoting around Rs. 26.75 affording a gross yield of about 8 per cent.

Alkali & Chemical

It has been stated that the improved results of Alkali and Chemical Corporation of India Limited in 1968-69 was mainly due to higher production and sales of polythene, rubber chemicals and paints following improved trading conditions and economies achieved in costs. The net profit, before depreciation and taxation, was much higher at Rs. 189.23 lakhs (Rs. 77.27 lakhs). The claim in respect of depreciation is Rs. 100.57 lakhs (Rs. 104.19 lakhs). Out of the profit, after taxation of Rs. 44.60 lakhs (against a loss of Rs. 26.93 lakhs in 1967-68) the transfer to development rebate reserve is Rs. 3 lakhs (nil), while the dividends will claim Rs. 45.41 lakhs (Rs. 23.72 lakhs) of which equity dividend will be Rs. 43.40 lakhs (Rs. 21.70 lakhs). General reserve gets Rs. 27.76 lakhs (nil). The appropriations have been helped by transfer from development rebate reserve of Rs. 30 lakhs (Rs. 25 lakhs) and of Rs. 1.50 lakhs (same) from deferred tax reserve. In 1967-68, there was an additional drawal of Rs. 23.27 lakhs from dividend equalisation reserve.

Production and sales of polythene were adversely affected by the continued availability of low-cost imported products in the first half of the year but production was maintained at full capacity in the last few months following restriction of imports and availability of domestic alcohol. Output of rubber chemicals was raised to meet the increased demand in spite of the shortage of diphenylamine. The company's own production of this raw material was inadequate and had to be supplemented by imports. There was a trading loss in the chlorine group due to higher costs despite increased output while there was better demand for paints. The company has secured a letter of intent for setting up a pharmaceutical unit at Ennore near Madras. The proposed paints unit near Hyderabad has also been taken up and work on the site is expected to commence shortly. Exports of Alkali's products, handled by Imkemex India Limited rose sharply during the year to Rs. 38 lakhs from Rs. 21 lakhs in 1967-68 and vigorous efforts are being made to ensure sustained growth in this field. An regards the merger scheme, an application has been made to the Govern-

ment of India for its approval of the proposed amalgamation of the company with Chemicals and Fibres of India Limited and a final decision is waited.

K.C.P. Ltd.

K. C. P. Limited could report better working results in 1968-69 though trading conditions in sugar, confectionery and cement were not satisfactory. The Vuyyuru sugar factory raised its output to 46,578 tonnes at a recovery of 8.97 per cent from 36,167 tonnes at a recovery of 9.3 per cent in 1967-68 but there was a lower margin on sales. The expansion of the unit is almost complete. There was a fall in turnover of confectionery products due to keen competition and the incidence of high excise duty for most part of the year. There was no significant improvement in the working of the distilling for want of allotment of alcohol by Government but during the current year, a contract has been finalised for the supply of arrack. There was a small rise in the output of cement to 1.74 lakh tonnes from 1.63 lakh tonnes. The Tiruvottiyur workshop is having no difficulty in maintaining production at a high level. Three cement plants were completed recently and are to go into production in a few months while the manufacture and delivery of equipment for Assam Cements has commenced. A turn-key contract worth Rs. 3.24 crores has been obtained from Bokaro Steel for building the lime and dolomite shop besides an order for supply of a crushing and grinding plant for alumina to Bharat Aluminium at Korba. The supply of sugar machinery to two co-operative factories will be completed during the current year while orders for four more plants have been secured from co-operative societies in Maharashtra.

New Schemes

K. C. P. Limited proposes to invest Rs. 24.75 lakhs in the equity capital of Lakshmi Auto Cycles Limited which has been given a licence to manufacture 50,000 units per annum. The company proposes to issue equity capital for Rs. 50 lakhs. K.C.P. has sought the approval of the Government and the Industrial Finance Corporation for the investment. It is also intended to promote a new company for providing technical and consultancy services, undertaking printing jobs and manufacturing electronic equipment. The new unit will also produce rubber and printing machinery and photographic equipment. There is also a proposal to set up a distillery at Vuyyuru through a wholly-owned subsidiary company.

Carborundum's Bonus Issue

The directors of Carborundum Universal Limited have decided to capitalise a portion

of the large accumulated reserves for issuing bonus shares in the proportion of 9 shares for every ten shares held. A sum of Rs. 90.40 lakhs from general reserve and Rs. 5 lakhs from share premium account will be utilised for this purpose. The bonus shares will rank equally with the existing equity shares in all respects but will not be eligible for any dividend for 1968-69. The company paid a dividend of 14 per cent taxable, for 1968-69 and as disposable profits were more than twice the amount needed for paying even the enhanced dividend it is felt that there may not be any proportionate cut in dividend for the current year.

Loyal Textiles

Loyal Textile Mills Limited has raised the ordinary dividend to 7½ per cent, taxable, for the year ended June 30, 1969 from 6 per cent taxable for 1967-68 though there has been a slight decline in the net profit, before depreciation and taxation to Rs. 19.58 lakhs from Rs. 21.62 lakhs as there was no improvement in trading conditions till the close of the year. The claim in respect of depreciation is Rs. 12.05 lakhs (Rs. 12.72 lakhs) and development rebate Rs. 1.69 lakhs (Rs. 2.18 lakhs). The provision for taxation is Rs. 2.70 lakhs (Rs. 3.35 lakhs).

Indian Oxygen

Indian Oxygen Limited is another major company to decide on issuing bonus shares, in the proportion of one share for every three held. The directors propose to capitalise Rs. 1.54 crores out of reserves for this purpose, Rs. 39.20 lakhs from share premium account and Rs. 114.80 lakhs out of general reserve. The new shares will rank equally with the existing shares in all respects but will not be eligible for any dividend paid for the period ending on or before September 30, 1969. The issue will be made subject to the approval of the Controller of Capital Issues and the shareholders. At the same time, the equity dividend for 1968-69 has been maintained at 12 per cent, taxable.

Inchek Tyres

Inchek Tyres Limited is making satisfactory progress with regard to its expansion programme to raise its capacity to 6 lakh sets of tyres and tubes per annum. The arrangements for financing the additional expenditure have been completed. The Industrial Development Bank has agreed to provide a rupee loan for Rs. 70 lakhs and a deferred payment guarantee upto Rs. 256 lakhs while the Industrial Credit and Investment Corporation will give a loan in Marks for Rs. 34.50 lakhs. The required licences for importing plant and machinery are under issue. The paid-up capital of the com-

pany at the end of June 30, 1969 was Rs. 2.74 crores, of which equity capital was Rs. 2.34 crores (There was a right issue in the ratio of one-for-five earlier in the year). As the existing capacity is being fully utilised, there will be a further rise in sales and disposable earnings and it is likely that the dividend on equity capital will be higher than the 6 per cent, taxable, paid for 1968-69.

Andhra Paper

Andhra Pradesh Paper Mills Limited has a plan for installing balancing equipment and expanding capacity to 50,000 tonnes per year at a cost of Rs. 14.24 crores. The State Government will be providing loans for Rs. 3.40 crores while financial institutions will be making available term loans for Rs. 3.77 crores and deferred payment arrangements will be made for Rs. 1.99 crores. Internal resources and unsecured loans are expected to provide Rs. 85 lakhs and insurance claims for Rs. 20.50 lakhs. At the same time, additional equity capital is being raised for Rs. 75 lakhs. There is already a paid-up capital of Rs. 4 crores, equity capital accounting for Rs. 3 crores and preference shares for Rs. 1 crore. (West coast Paper has a sizable share in the equity capital).

Kirloskar Electric

Kirloskar Electric Company Limited has been obliged to reduce the equity dividend for the year ended June 30, 1969 to 10 per cent taxable, from 12½ per cent, taxable, for 1967-68 following lower earnings. Sales improved slightly to Rs. 8.81 crores from Rs. 8.65 crores but owing to keen competition for available business and higher costs, the net profit, before depreciation and taxation, declined sharply to Rs. 86.26 lakhs from Rs. 107.72 lakhs. The sum set aside for depreciation is Rs. 40.92 lakhs (Rs. 41.71 lakhs) and development rebate Rs. 5.23 lakhs (Rs. 10.36 lakhs). Taxation claims Rs. 25 lakhs (Rs. 39.60 lakhs) while the appropriation to general reserve is only Rs. 2.85 lakhs (Rs. 10.07 lakhs) and dividend equalisation reserve Rs. 75,000 (Rs. 1 lakh). The dividend will require Rs. 12 lakhs. (Rs. 15 lakhs). The outlook for the current year is uncertain due to shortage of raw materials and even though the company has large orders on hand and the turnover can be considerably increased with adequate supplies of steel items, profit margins may be affected by interrupted production and higher costs. The Rs. 10 shares of Kirloskar Electric are quoting around Rs. 29 on a cum-dividend basis, offering a gross yield of less than 4 per cent.

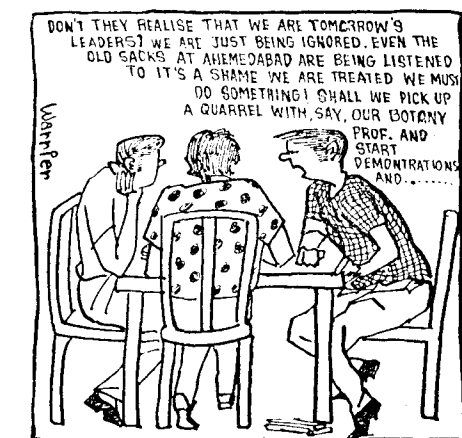
Birla Jute's Bonus Issue

Birla Jute Manufacturing Company Limit-

ed has decided to capitalise Rs. 199.29 lakhs out of accumulated reserves and issue bonus shares in the proportion of one share for every share held. Also, it is proposed to offer right shares at par to the existing shareholders in the ratio of one share for every two shares held. The products of the right issue are to be utilised for financing the expansion schemes of the various divisions of the company. For the bonus issue, a sum of Rs. 27.29 lakhs from the share premium account, Rs. 25 lakhs from capital redemption reserve and Rs. 147.16 lakhs from general reserve will be capitalised. The company made a one-for-four bonus issue in 1966. For making the bonus and right issues, the authorised capital is being increased to Rs. 15 crores from Rs. 5 crores by creating 60 lakhs equity shares of Rs. 10 each and three lakh second preference shares of Rs. 100 each.

Telefunken India

Telefunken India Limited has started benefiting from the diversification of its activities and output and sales will be showing a gradual rise in the coming years. Sales during the year ended June 30, 1969 more than doubled to Rs. 131.15 lakhs from Rs. 62.24 lakhs. There was, however, a loss, though lower, than in 1967-68. The loss, before depreciation, amounted to Rs. 6.33 lakhs (Rs. 11.33 lakhs). After providing Rs. 6.93 lakhs (Rs. 10.39 lakhs) for depreciation and making some adjustments, the total debit balance carried forward is Rs. 30.61 lakhs. A letter of intent has been received for raising the capacity of radios and transistors to 3 lakh units. There is also a scheme for producing electronic components and cable accessories. When these schemes are completed there may be a sizable rise in sales and earnings. The company hopes to get Government's permission in future to manufacture tape recorders, record players and TV sets at its Ballabgarh factory.



Imperial Tobacco

The directors of Imperial Tobacco Company of India Limited have declared an interim ordinary dividend of 6½ per cent taxable, for the year ending March 31, 1970 same as in 1968-69. They have indicated that the final dividend may not be less than 6½ per cent taxable making a total of 13 per cent, taxable, same as in the previous year. In 1967-68 the distribution was 11 per cent, taxable. The company recently announced its decision to issue fresh equity capital on a rights basis at a premium of Rs. 3 per share in the ratio of one share for every two shares held. It is expected that a portion of this issue may be offered for public subscription.

Mukand's Bonus Issue

Mukand Iron and Steel Works Limited has declared its intention to capitalise Rs. 40 lakhs out of its reserves. Rs. 10 lakhs from capital redemption reserve Rs. 9 lakhs out of share premium account and Rs. 21 lakhs out of general reserve of issuing bonus shares in the proportion of one share for every six shares held. The paid-up equity capital consequently will go up to Rs. 2.80 crores. The company is reported to be forming better in the current year and the increased capacity is being utilised more effectively.

Jeypore Sugar Pays More

Jeypore Sugar Company Limited which closed its accounts on June 30, 1969 did not feel the impact of the slump in open market prices for sugar in the second half of 1969 and with a larger crushing, was able to report a sizable increase in earnings. The Chagallu factory handled 3.91 lakh tonnes of cane against 2.52 lakh tonnes in 1967-68, while the slight fall in recovery to 8.7 per cent from 9 per cent did not affect the output of sugar. Sales were thus much higher at Rs. 6.77 crores against Rs. 5.92 crores and the net profit, before depreciation and taxation rose to Rs. 97.54 lakhs from Rs. 83.49 lakhs in the previous year. The equity dividend has also been raised to 12 per cent taxable from 10 per cent taxable. After providing Rs. 37.20 lakhs (Rs. 29.82 lakhs) for depreciation and Rs. 19.92 lakhs (Rs. 21.62 lakhs) for taxation besides an additional Rs. 3 lakhs (nil) under the latter head in respect of earlier years, the transfer to development reserve is Rs. 8 lakhs (Rs. 10.50 lakhs) and dividend reserve Rs. 8.84 lakhs (Rs. 7.57 lakhs). General reserve gets Rs. 20.50 lakhs against Rs. 14 lakhs to rehabilitation reserve. There is some disappointment over the absence of any bonus issue announcement. Against a paid-up capital of Rs. 63.57 lakhs the company's reserves amount to over Rs. 96 lakhs.

Stock Market

Marketmen Look to 1970 with Apprehension

After opening on a hopeful note and witnessing buoyant conditions till the middle of the year, stock markets in the country gradually turned subdued and have closed for 1969 on an extremely weak note. The outlook for the new year is clouded with many uncertainties and it is quite likely that stock market activity may not pick up to their former levels for some months unless Government policies in regard to the private sector are drawn up on a realistic basis. Marketmen are unable to take a definite view of the immediate outlook and have been inclined to lighten their commitments. Trading in cash scrips in Dalal Street and Lyons Range resumed on December 19 after members of the Badge Holders Association called off their 15 day old strike in protest against the Centre's refusal to permit forward trading in shares. But there was an all-round decline in prices from the already low levels on December 5.

No doubt there has been a net improvement in share prices over the year. The index number of variable dividend securities (base 1961-62=100) which stood at 80.7 at the end of 1968 has risen to 90.2 during the week ended December 6, 1969 but it must be pointed out that equity values had touched their peak levels by the end of June when the index was very near the base level at 99.3. Forward trading in shares was banned towards the end of June and the Bank Nationalisation Ordinance was promulgated on July 19. These two were the major factors which accounted for the cautious turn in stock markets since then and added to these were the political uncertainties following the Bangalore session of the AICC. The split in the ruling party and the pronouncements by the Prime Minister and her followers on the need to expedite the implementation of socialist policies led to

concern among marketmen about the stability of the Central Government and future economic policy of Mrs. Gandhi's Government if it managed to last its full term. At the same time, serious misgivings arose over the recommendations of the Industrial Licensing Policy Enquiry Committee (Dutt Committee) which called for a radical review of the Government's industrial policy. The suggestion to keep big business houses away from the middle sector in future and confine fresh capacity in consumer goods to small and co-operative sectors besides the recommendation asking the statutory financial institutions to convert their loans to private sector industries into equity capital were viewed with apprehension. In the circumstances, it was not unexpected that the economic policy panel of the Ruling Congress which was asked to draft the resolution for the Bombay session of the Prime Minister's group would call for radical measures. Though it was felt that there may be no undue haste in carrying out extreme measures due to an anxiety not to slow down industrial production, some of the suggestions of the panel have given rise to fears about the future. The call for a ceiling on urban income and wealth and for conversion of loans to private sector into equity capital had been foreseen, but the suggestions for nationalisation of foreign trade, and select industries like shipping, automobiles and the plantations, and fiscal measures like capital levy and stiffer wealth tax and heavier indirect taxes on articles of conspicuous consumption only indicate the likely pressure that may be brought on the Government to show its earnestness in implementing socialist policies and the budget for 1970-71 may reflect the anxiety of the Prime Minister to placate the vociferous section in her party and the other Leftist parties on whom she may have to depend for survival.

It must, however, be stated that but for the political developments and the extreme postures taken by the Prime Minister's group, stock markets would have remained quite active even without forward trading facilities. Another year of satisfactory agricultural production, fairly stable prices, encouraging working of many industries with the gradual lifting of the recession and brisk demand for many consumer goods, a vastly improved balance of payments position, an extremely helpful credit policy in the wake of surging deposits and a spate of bonus issues by companies—all these would have lead to a veritable boom in a normal situation. But as it happened, the stock markets ignored all these factors and dragged on till the end of the year depressed, weary and uncertain about the future outlook. From now, budget speculations will take over as the main influencing factor and, only after the various uncertainties are removed, a clearer picture will emerge for operators and investors. They will be only hoping that with the need to sustain the recent recovery in economic activity and the immense task ahead to implement a huge Fourth Plan in which the private sector has been allocated a sizable share, official policies will be dictated by caution and sobriety rather than by political expediencies which may prove costly to the economy. Already shortages are emerging in many directions and fresh investment is not coming forth on the desired scale to fill the gaps in the industrial structure. Any rash measure at this stage will be self-defeating.

The following are the quotations for select scrips in the principal stock markets at the end of 1968 and 1969 (A strict comparison is not warranted by the price levels as allowance has to be made for bonus issues by many companies):

PRICE VARIATIONS 1968-69

Madras			Bombay			Calcutta		
Dec. 25, 68		Dec. 23, 69	Dec. 25, 68		Dec. 23, 69	Dec. 25, 68		Dec. 23, 69
Deccan Sugar	7.93	7.65	Tata Ordy.	98.40	102.50	Indian Iron	15.78	15.70
India Cements	5.65	4.80	Indian Iron	15.62	15.52	Hind. Motors	16.88	15.30
Alind	6.86	6.00	Hind Motors	16.92	15.20	Kesoram	17.30	14.85
Ashok Leyland	5.08	6.40	TELCO	207.00	218.00	Birla Jute	27.25	35.55
S.I. Viscose	99.50	125.00	Century	621.00	701.00	Orient Paper	26.85	29.00
Tr. Rayons	13.55	19.75	National Rayon	471.00	426.00	Dunlop India	26.85	28.70
Madura Mills	18.75	27.75	I. Dyestuff	237.00	293.00	Alkali & Chem.	18.50	23.75
Mettur Chem.	8.10	9.50	Tata Chem.	27.45	30.00	CAFI	43.50	41.50
E.I.D.-Parry	21.50	23.25	Scindia	17.00	17.32	Goodyear	36.25	39.81
Madras Rubber	15.15	21.45	Cochin Refinery	153.00	250.00	Hind. Alum.	24.56	30.06
Madras Alum.	87.00	127.00	United Carbon	149.00	271.25	Union Carbide	22.62	25.00
Madras Cement	89.50	92.00	Synthetics	104.00	121.00	India Carbon	29.25	27.62

Statistical Supplement....

MONEY SUPPLY WITH PUBLIC

(Rs. Crores)

Last Friday	Currency with Public		Deposit Money with Public		Total Money Supply
	Notes in Circulation	Total Currency with Public	Net Demand Deposits of Banks	Total Deposits	
1960-61	1,941.57	2,098.05	757.10	770.56	2,868.61
1961-62	2,027.13	2,201.16	827.43	844.66	3,045.82
1962-63	2,198.79	2,379.47	907.98	930.51	3,309.97
1963-64	2,410.83	2,605.56	1,114.66	1,146.56	3,752.12
1964-65	2,563.69	2,769.05	1,289.52	1,311.23	4,080.28
1965-66	2,823.19	3,034.28	1,478.38	1,495.10	4,529.39
1966-67	2,976.60	3,196.80	1,711.75	1,753.16	4,949.96
1967-68	3,150.79	3,376.08	1,917.66	1,973.39	5,350.07
1968-69	3,453.50	3,681.97	2,016.41	2,097.28	5,779.25
April 69	3,544.31	3,768.85	2,059.89	2,154.96	5,923.81
May "	3,560.59	3,784.93	2,075.96	2,136.90	5,921.82
June "	3,643.26	3,786.57	2,205.19	2,253.69	6,040.26
July "	3,509.99	3,728.29	2,180.02	2,223.11	5,951.40
Aug. "	3,424.64	3,642.28	2,159.19	2,210.78	5,853.07
Sept. "	3,371.67	3,585.89	2,144.83	2,188.06	5,773.95

AGRICULTURAL PRODUCTION

(Thousand Tonnes)

	1961-62	1965-66	1966-77	1967-68 Final	1968-69 Final
Rice	35,663	30,655	30,441	37,612	39,761
Wheat	12,072	10,424	11,528	16,540	18,652
Jowar	8,029	7,527	8,000	10,048	9,804
Bajra	3,554	3,655	4,000	5,185	3,802
Maize	4,269	4,760	4,991	6,269	5,701
Ragi	2,030	1,176	1,600	1,884	1,648
Barley	3,150	2,377	2,449	3,504	2,424
Small Millets	2,050	1,656	1,671	1,907	1,804
All Cereals	70,951	62,230	66,127	82,949	83,596
Gram	5,785	4,206	3,612	5,972	4,310
All Pulses	11,755	9,800	8,922	12,103	10,419
All Foodgrains	82,706	72,030	75,049	95,052	94,015
Groundnut	4,994	4,230	4,485	5,731	4,476
All Oilseeds (excluding cottonseed)	7,284	6,346	6,489	8,166	6,900
Cotton (Lint) (000 bales)	4,581	4,762	4,931	5,562	5,300
Jute (excluding Mesta)	6,358	4,471	5,348	6,369	3,100
Sugarcane (Gur)	10,563	12,100	9,494	10,000	12,000
Tobacco	339	298	350	369	344
Potato	2,447	4,080	3,462	4,232	4,773

JUTE MANUFACTURES

(Thousand Tonnes)

	Total	Hessian	Sacking	Other Manufactures
1960	1,104	432	552	120
61	996	360	480	156
62	1,236	480	552	204
63	1,320	528	504	288
64	1,272	540	516	216
65	1,332	528	588	216
66	1,116	432	504	180
67	1,104	468	480	216
68	995	398	424	173
January 1969	77.4	28.6	23.8	25.0
February	66.5	22.6	20.7	23.2
March	66.5	20.8	21.3	24.4
April	70.7	20.9	24.4	25.4
May	70.9	20.4	25.4	25.1
June	77.2	21.3	28.1	27.8
July	84.0	23.9	29.7	30.4
August	50.6	14.4	17.4	18.8
September	78.8	25.9	25.6	27.3
October	76.9	26.5	26.4	24.0
November	83.7	29.2	29.5	25.0

DIRECTION OF FOREIGN TRADE

(Rs. Crores)

	1960-61		1966-67		1967-68		1968-69		1969-70 (April-June)	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
U. S.	327.56	102.53	712.35	205.19	776.64	207.43	575.06	234.27	103.74	63.95
Canada	19.86	17.62	89.10	28.79	98.28	29.77	98.72	29.71	16.44	7.22
U. K.	217.15	172.48	154.18	191.97	162.65	229.05	127.87	201.51	23.84	47.09
All EFTA	247.50	178.47	196.28	204.33	208.70	243.05	170.46	217.00	31.05	50.97
W. Germany	122.52	19.87	153.25	24.39	143.93	22.28	119.74	26.50	17.27	5.18
Italy	25.97	9.27	38.22	14.62	34.27	17.81	49.50	18.06	12.29	3.43
All E.C.M.	195.89	51.75	280.75	84.15	256.13	89.31	233.65	111.48	42.30	23.40
U S S R	15.87	28.81	105.61	116.35	111.22	121.79	185.51	148.31	43.80	47.32
East Europe	44.31	49.56	213.09	211.13	222.20	225.94	301.04	266.51	66.10	80.29
Africa	70.68	48.99	86.29	71.92	94.32	70.18	148.22	72.80	32.34	15.40
Japan	60.78	35.27	99.34	101.29	108.43	135.92	115.30	158.33	14.89	40.11
Australia	17.79	22.39	55.22	24.62	64.96	27.98	25.72	25.50	9.19	5.44
All ECAFE.	179.35	142.72	314.95	228.17	288.88	270.84	278.27	344.41	55.13	87.69
Latin America	1.75	16.78	15.55	9.69	13.86	5.45	16.83	3.65	2.72	1.17
All Countries	1,121.62	642.32	1,931.48	1,094.00	2,007.61	1,198.69	1,858.87	1,360.02	352.54	348.87

Central Bank Launches Massive Training Programme

Central Bank of India has taken the lead in providing staff training on a large scale. In its programme of establishing training centres for the clerical staff and junior officers at each of its 28 Group Centres, the Bank started a new centre at Madras on December 22, apart from the training centres which were already functioning at Coimbatore and Madurai in Tamil Nadu.

Inaugurating the Madras Training Centre, Mr. N. D. Sundaravadevelu, Vice-Chancellor of Madras University, commended the working of the Central Bank.

Mr. V. C. Patel, Custodian of the Bank, reviewed the working and development of the Bank and the training facilities being provided to the staff.

staff training in the new situation that had been created, Mr. Patel said that the Central Bank had decided to establish training centres for the clerical staff and junior officers at each of their 28 Group Headquarters to provide training in the new skills and techniques which the present situation demanded. The Staff Training Centre just inaugurated was one such in the programme.

A 40 Per cent Increase in Branches

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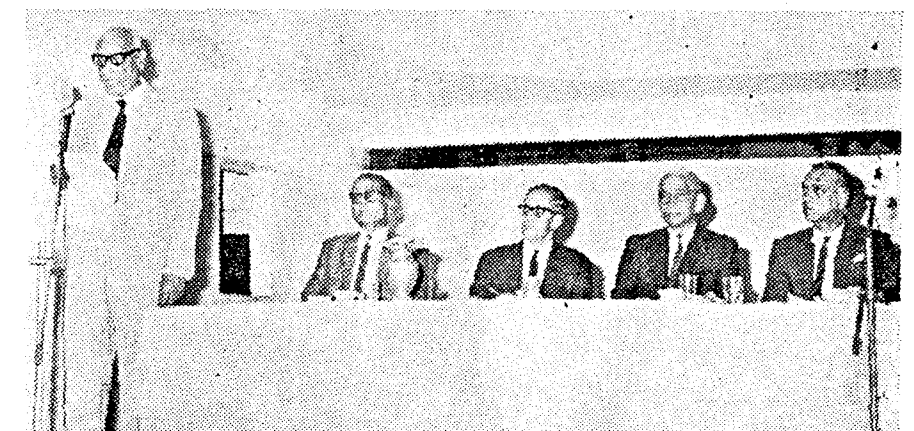
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JUTE MANUFACTURES

(Thousand Tonnes)

	Total	Hessian	Sacking	Other Manufactures
1960	1,104	432	552	120
61	996	360	480	156
62	1,236	480	552	204
63	1,320	528	504	288
64	1,272	540	516	216
65	1,332	528	588	216
66	1,116	432	504	180
67	1,104	468	480	216
68	995	398	424	173
January 1969	77.4	28.6	23.8	25.0
February	66.5	22.6	20.7	23.2
March	66.5	20.8	21.3	24.4
April	70.7	20.9	24.4	25.4
May	70.9	20.4	25.4	25.1
June	77.2	21.3	28.1	27.8
July	84.0	23.9	29.7	30.4
August	50.6	14.4	17.4	18.8
September	78.8	25.9	25.6	27.3
October	76.9	26.5	26.4	24.0
November	83.7	29.2	29.5	25.0

DIRECTION OF FOREIGN TRADE

(Rs. Crores)

	1960-61		1966-67		1967-68		1968-69		1969-70 (April-June)	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
U. S.	327.56	102.53	712.35	205.19	776.64	207.43	575.06	234.27	103.74	63.95
Canada	19.86	17.62	89.10	28.79	98.28	29.77	98.72	29.71	16.44	7.22
U. K.	217.15	172.48	154.18	191.97	162.65	229.05	127.87	201.51	23.84	47.09
All EFTA	247.50	178.47	196.28	204.33	208.70	243.05	170.46	217.00	31.05	50.97
W. Germany	122.52	19.87	153.25	24.39	143.93	22.28	119.74	26.50	17.27	5.18
Italy	25.97	9.27	38.22	14.62	34.27	17.81	49.50	18.06	12.29	3.43
All E.C.M.	195.89	51.75	280.75	84.15	256.13	89.31	233.65	111.48	42.30	23.40
U S S R	15.87	28.81	105.61	116.35	111.22	121.79	185.51	148.31	43.80	47.32
East Europe	44.31	49.56	213.09	211.13	222.20	225.94	301.04	266.51	66.10	80.29
Africa	70.68	48.99	86.29	71.92	94.32	70.18	148.22	72.80	32.34	15.40
Japan	60.78	35.27	99.34	101.29	108.43	135.92	115.30	158.33	14.89	40.11
Australia	17.79	22.39	55.22	24.62	64.96	27.98	25.72	25.50	9.19	5.44
All ECAFE.	179.35	142.72	314.95	228.17	288.88	270.84	278.27	344.41	55.13	87.69
Latin America	1.75	16.78	15.55	9.69	13.86	5.45	16.83	3.65	2.72	1.17
All Countries	1,121.62	642.32	1,931.48	1,094.00	2,007.61	1,198.69	1,858.87	1,360.02	352.54	348.87

Central Bank Launches Massive Training Programme

Central Bank of India has taken the lead in providing staff training on a large scale. In its programme of establishing training centres for the clerical staff and junior officers at each of its 28 Group Centres, the Bank started a new centre at Madras on December 22, apart from the training centres which were already functioning at Coimbatore and Madurai in Tamil Nadu.

Inaugurating the Madras Training Centre, Mr. N. D. Sundaravadevelu, Vice-Chancellor of Madras University, commended the working of the Central Bank.

Mr. V. C. Patel, Custodian of the Bank, reviewed the working and development of the Bank and the training facilities being provided to the staff.

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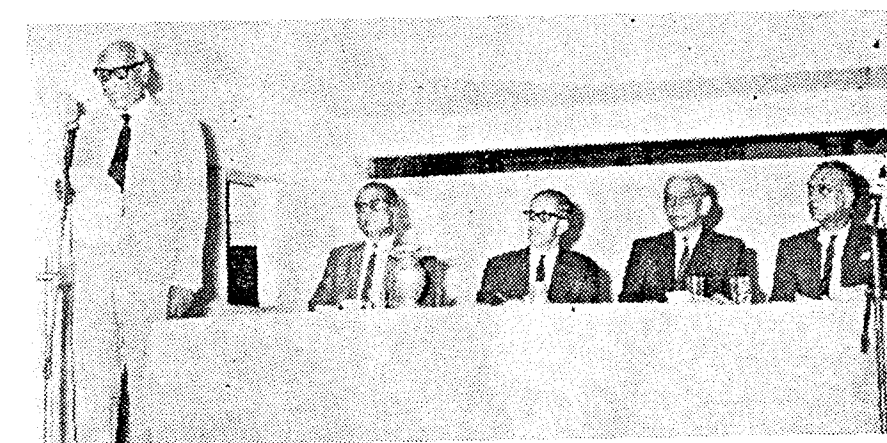
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INDUSTRIAL ECONOMIST

A FORTNIGHTLY ON INDUSTRY & FINANCE, MADRAS

JANUARY 15, 1970

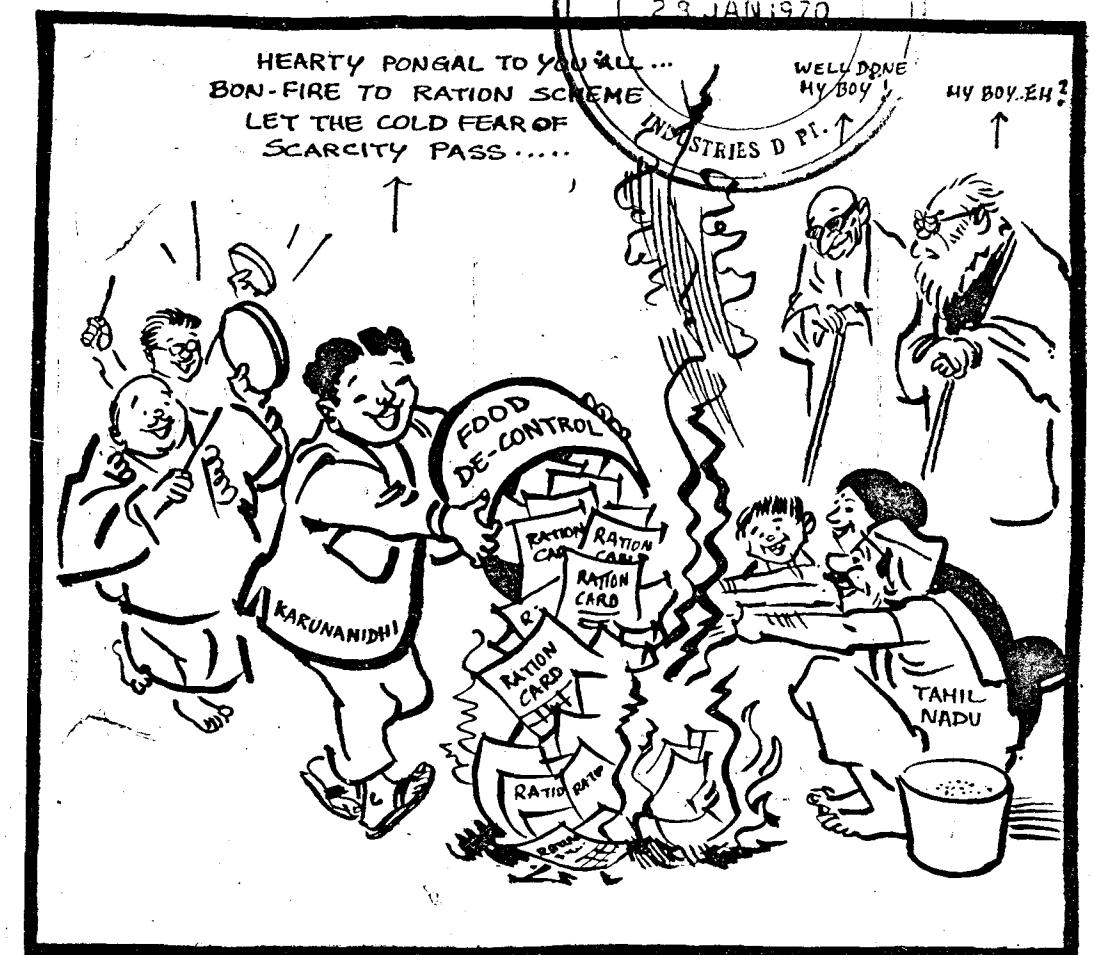
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Boeing for IAC...

After much heated controversy, the Indian Airlines Corporation has decided to purchase seven Boeing 737-200 aircraft having a seating capacity of 115 and capable of a cruising speed of 575 miles. The cost will be Rs. 33.35 crores and a special delegation will shortly leave for U.S.A. to negotiate the deal directly with the manufacturers and also arrange for the required credit. These planes are to be used in the "golden quadrangle" and will also serve some other important centres.

For a time, the tie was between DC-9s and Boeings though the Russian TU-154 also was very much in the picture. The Committee has obviously thought it advisable to have a big enough aircraft but not too big for the internal services. The Russian aircraft can carry 154 passengers while the Boeing 727-200 can accommodate even 164 passengers. The smaller version of the aircraft of the smaller version was secured in 1972-76. These should pay off the loans in a period as they may be intensively used in the various routes and it is expected that there will be an increase in the tourist traffic with the action of Jumbo services on the national routes. A higher level of traffic will incidentally make it for IAC to earn the foreign exchange needed for repaying and servicing loans. The DC-9s were not considered because of the CBI enquiry.



H.E.C. CONCLUDES AGREEMENT

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In recently concluded agreements, heavy machine tools made by giant public sector undertaking, Heavy Engineering Corporation, Ranchi, are scheduled for distribution through the widespread 21-office sales and service network of India's 78 year old engineering and machinery experts, Batliboi & Co. Pvt. Ltd.

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A major advance in machine tool technology, production of these machines to exacting international standards, in collaboration with Czechoslovakia's famed Skodaexport, will fill a critical need of India's growing heavy industrial sector," claimed a spokesman of the large Government of India Undertaking, multi-crore H.E.C. soon after signing of the agreement.

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As a result, he today has a well-experienced staff of expert sales and service Czech-trained engineers, strategically located at Batliboi's 21 widespread offices in India. For which he is grateful.

"With our experience in handling sophisticated Czechoslovak machines, supported by extensive stocks of most spares at various

offices, we are certainly geared today to meet the demands made on us by customers for the new Indian machines."

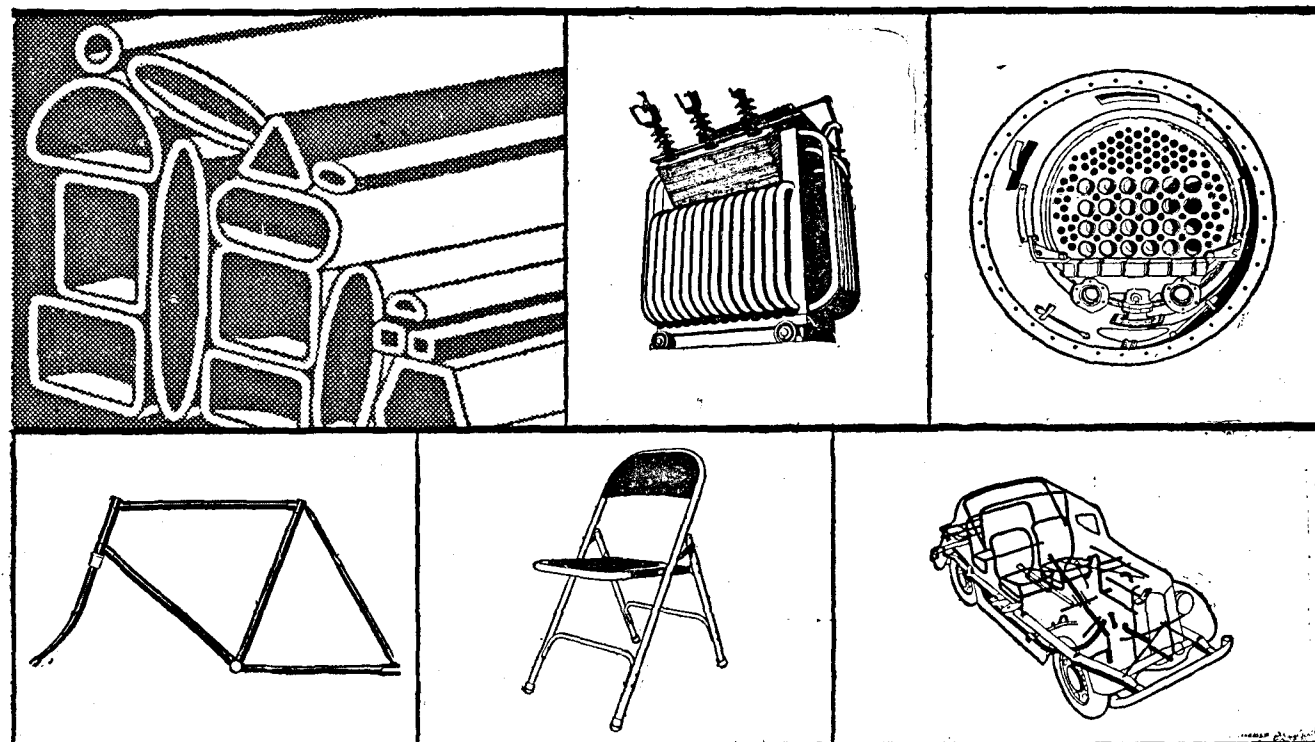
Swaminathan's sense of participation is shared by his department. "It is a matter of pride that, as a result of the tremendous achievement by Heavy Engineering Corporation, we are helping the Indian Machine Tool Industry to attain a newer International standard" concludes Batliboi's enthusiastic machine tool Sales Manager urging strongly.

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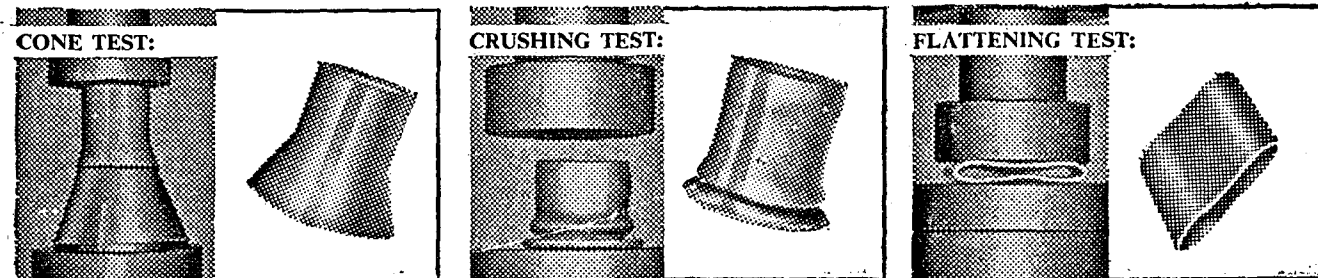
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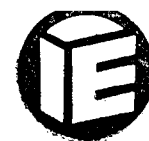
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Tamil Nadu Does It Again

The decision of the Tamil Nadu Government to lift control over food distribution, abolish statutory rationing in Madras City and Coimbatore and adopt a different method for procurement is a bold step, coming as it does after a severe drought which affected many districts in the State even during last year. Eventhough there will be no large carry-over of rice from previous year it is now expected that there will be a bumper harvest in the State as the north-east monsoon has been satisfactory. The rupee-a-measure scheme will, however, continue in a modified form—the sale of subsidised rice will be made available to individuals having an income of less than Rs. 200 per month.

The Tamil Nadu Government has taken care to procure large quantities vigorously and build up buffer stocks before making the announcement. Large quantities were also to be procured under the new levy system to meet any eventuality. But what is puzzling is the great disparity in prices in the open market in several deficit States until recently even when rice supplies to these were fairly large. In some areas these prices touched levels undreamt of and it was wondered whether the Government was wise in abolishing food control. On the other side there was a curious, and some what unusual, spectacle of a demand from growers that the Government announced its readiness to buy all quantities offered by them at support prices. This

assurance has been given by the Government though it may not be necessary for sometime to undertake support operations as any surplus rice can always be sent to Kerala or Maharashtra or even Mysore.

The Government will, however, have to modify its levy system which is considered somewhat rigorous and not wholly necessary in the context of a vastly improved agricultural season. The Tamil Nadu Government has not disclosed the size of the buffer stock. But it is felt that it has acquired such large quantities that without a relaxation of the levy system the process of the downward adjustment of prices in the open market will not be completed after the harvests and that the true situation will reveal itself only after another crop had been marketed. This process might, however, be shortened and prove successful if simultaneous with procurement there was also release of stocks in pockets of scarcity where due to temporary shortages prices were out of line with the general structure.

A rough calculation shows that for meeting the commitments in the statutorily rationed areas about 2 lakh tonnes would have been needed annually and some additional quantities would be required for informal rationing purposes. Even assuming that the rupee-a-measure scheme will require about one lakh tonnes annually for Madras and Coimbatore there is no reason why a levy system

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which would help the Government to procure as much as 3.5 lakh tonnes or even 4 lakh tonnes is necessary. Under the new scheme there will be no restriction regarding movement of rice in all districts in the State except Thanjavur though technically there will be no ban on movement in any part of the State. Since Thanjavur is a granary and maximum quantities are procured out of its marketable surplus, check-posts will be maintained all along the frontiers of this district and grain can be moved out only if the wholesalers surrender 50 per cent of the quantity purchased by them. For other parts of the State the levy would be 15 per cent though it has not been clarified how the new system will operate and who is exactly a wholesaler and how double or treble levies can be avoided. Any anomalies that may exist will probably be ironed out and a clear picture may be available after the newly harvested quantities of rice are marketed.

While it is too early to say that there will be a sharp drop in open market prices it can be certainly expected that there will be no pocket of high prices and exploitation of any particular area by traders as the required quantities can be easily moved. If the output of rice

A Giant's Team from Germany

A twelve-member delegation of leading West German industrialists and bankers has arrived in India at the invitation of the Government of India. The visit of the team, led by the Chairman of the Deutsche Bank, Dr. Hermann J. Abs, it is hoped, will contribute to increasing German investments in this country and experts to Germany.

With the basic infra-structure facilities well-developed, it should be possible to make use of the more sophisticated German know-how in a variety of modern industries including the petrochemicals, fertilizers and multi-purpose machine tools. With the heavy machine-building, electrical and engineering industries well developed and with comparatively cheaper labour costs, it should also be possible to set up in third countries, Indo-German joint ventures.

The team includes the captains of some of the giant German units like Rheinstahl, Volkswagen, Bosch, Fried, Krupp....

With some of our automobile ancillary industries well-developed, the opportunity could be utilised for preparing some of the Indian units to produce on a massive scale for international markets and for giant international manufacturers. The scope is vast indeed in the light of the heavy demand for these, from Europe especially.

The Germans have successfully developed a consortium approach in winning international contracts.

increased to 4.5 million tonnes in the current season and the programme for extending the acreage under high-yielding varieties proved successful there is the prospect of rice being available at or slightly above the controlled prices that were in force till recently. If the decontrol experiment proves successful, as it should be, lower prices for rice might have a salutary effect in other directions and reasonable prices for pulses and other commodities can be expected to prevail in the open market and the consumers benefited to a greater extent than now through the improved agricultural situation. The farmers, for their part, need not have any fear for some time over any slump in prices for their produce though in the coming years there will have to be a definite change in the pattern of production of foodgrains and the proportion of fine cereals to total availability will have to be increased from the all-India average of a little over 60 per cent to the Tamil Nadu average of over 75 per cent. By the time the Chief Ministers meet in New Delhi to review the food situation after two or three months, the experience gained by the Tamil Nadu Government and the lead given by it should be helpful in formulating new, far-reaching decisions and relaxing cumbersome controls.

Rourkela is among the best examples of this approach. The visit of the Abs Team could be utilised to study the prospects of such collaboration for our own guidance (The Government of India formed two such consortia last year, one on the heavy electrical sector and another on the heavy engineering sector).

Germany has been maintaining its name for making a variety of special steels. This, of course, forms the basis for its fame in a variety of sophisticated engineering industries. The inclusion of the Presidents of Rheinstahl and Fried Krupp in the Abs Team should be of special interest to us in the threshold of massive increase in steel requirements.

The team, including representatives from some of the most famous German corporations, would also give a new direction of the future flow of German investments in India. At present, though there are numerous German collaborated ventures—they number over 400—quite a few among Germans feel, that they are too widely dispersed. It has been suggested the trend may be altered as a consequence of the Abs Team's visit, to concentrate on a few giant ventures. Hope for giant ventures appear rather restricted excepting in the fields of nuclear power generation, steel plants, fertilizer units and petro-chemical complexes. Of course, the potential indeed is infinite for setting up numerous heavy industries in third countries.

Delay in Oil Jetty Construction Affects MRL's Operation

The Madras Refineries has been functioning for over 6 months now. In spite of the fact no major teething troubles were encountered and the refinery is in a position to operate at rated capacity it cannot do so on account of the bottlenecks in importing crude oil. The construction of the oil jetty at a cost of Rs. 10 crores by the Madras Port Trust has somehow got into serious difficulties and it will not be ready for another year. There has obviously been serious miscalculations of the technical aspects of the construction work and this has led to unexpected delays in proceeding with the work. With a change in supervisory staff and a better understanding of the problems involved, the jetty is now expected to be ready by the end of this year though it is not known whether it would be able to receive fully loaded giant-tankers. The roughness of the sea and the need to have constant dredging operations on a scale bigger than anticipated may increase the cost of maintenance of the jetty and reduce also the draft that may be available. But there is confidence that these problems will get sorted out, though in the process, wharfage charges cannot be fixed on a competitive basis.

Huge Loss in Earnings

It is rather unfortunate that on account of the miscalculations of the Port Trust, which has delayed the commissioning of the jetty, the economics of operation of Madras Refineries has been seriously affected. Apart from the fact that overhead charges are to be spread on a smaller output the country is losing valuable sums in foreign exchange through the loss of output of refined products and it can be estimated that the loss of output in one and half or two years will be about Rs. 10 crores. The loss in

earnings as a result of lower production can be easily Rs. 34 crores. A part of this loss in foreign exchange would have sufficed to secure the necessary technical personnel for completing the oil jetty or importing special equipment for expediting work. This is a clear case of bad planning and lack of synchronisation of the completion of integrated projects. The Madras Port Trust has to its credit the successful completion of its earlier expansion schemes well within budget estimates and even ahead of schedule. It is somewhat surprising that the oil jetty scheme should have given them so much head-ache. It would be worthwhile to have an inquiry into how this has happened.

Thirty Per cent Loss in Output

Pending the construction of the jetty, arrangements are being made to receive medium-sized tankers in a special temporary berth which can be used for 9 months in a year but even with the most careful co-ordination and speedy discharging of oil it is not expected that the refinery can operate at more than 75 or 80 per cent of its capacity. Usually the plants are so designed that they can even function at 110 per cent of rated capacity—especially the Madras Refineries could achieve this as it has the most modern and sophisticated equipment. This would mean that the loss of output is really 30 per cent which is very costly from every point of view. The Refinery authorities are naturally worried as they had been compelled to show losses for no fault of their own. The heavy expenses involved in importing through smaller oil tankers have wiped out profit-margins while the wharfage levied by the Madras Port was unduly heavy and only recently there was a reduction as a consequence of representations from the Refinery.

Case for Reducing Wharfage Charges

Since unnecessary losses have been reflected on the Refineries because of Port Trust's delay in commissioning the oil-jetty the wharfage charges should be no higher than the charges that would be levied if the jetty has been in full operation. If the jetty has been commissioned on time the Madras Refineries could have thought of expanding its capacity to 4 million tonnes. Any expansion scheme can be thought of only when crude oil of the order required can be imported without difficulty. This may not be possible before 1971-72. The Refineries can, however, keep its blue-print ready so that it can be taken up for implementation once it becomes clear that the oil-jetty problem has been sorted out and imports can be stepped up at will. It may be possible to have a clear picture later in the year. The objective should be to overcome the losses that are now being suffered with expeditious construction of the jetty and later by quick implementation of the expansion scheme of the refinery.

Two Million Tonnes Output in First Year

It is gathered that upto the end of 1969 the Refineries achieved a throughput of 0.9 million tonnes. The Refineries' operation commenced towards the end of June. Thus, approximately in six months the production was 0.9 million tonnes which works out to a 77 per cent utilisation of rated capacity. With the clearance of the foul weather season the Refineries is hopeful of getting its full requirements of crude oil. In the next six months it is expected to achieve a throughput of a million tonnes so that, in the first year of full operation, that is, July '69 to June '70 the crude throughput will be very nearly 2 million tonnes.

—(FOC)

Quest for Zinc and Copper

In view of the continuing shortages in non-ferrous metals, some comfort can be derived from the recent announcement of Mr. Y. B. Chavan, Union Home Minister, at the Southern Zonal Council Meeting at Bangalore that two zinc smelters, one each in Tamil Nadu and Andhra Pradesh are proposed to be set up and that detailed project studies have been called for in this regard. Among the non-ferrous metals, the shortages are very acute in copper and zinc. The production of copper is at present confined to the output from the Indian Copper Corporation. Existing capacity is around 9,600 tonnes and it is expected to be stepped up to 16,500 tonnes. The Khetri project which is intended to produce 31,000 tonnes of copper by exploiting Khetri-Kolihan deposits is, however, still very much of the morrow, as it had been in the past. Unless expeditious steps are taken to activate it—it is particularly disturbing to learn that many besetting technical problems have cropped of late like the shafts sinking, the deposits being of uneven and uncertain quality etc., the country will be where it had always been in respect of its copper, that is, footing a heavy bill on imports.

A See-saw Trend

Between copper and zinc, there has been a see-saw trend of late. For quite some time, the non-ferrous metals industry was oppressed by an acute scarcity of supplies of copper. It made repeated representations to the Union Government to ease the situation through imports and at last the Minerals and Metals Trading Corporation planned bulk imports the steady release of which over the later months,

helped the industry emerge out of its highly critical position. It is now the shortage of zinc that is causing equally acute problems.

Widely Differing Demand Estimates

There are only two domestic producers of zinc, the Alwaye Unit in the private sector with a capacity of 20,000 tonnes and the Udaipur Unit in the public sector with a capacity of 18,000 tonnes. The Udaipur smelter is based on indigenous ore from Zawar mines (Rajasthan) while the Alwaye plant relies on imported concentrates. Time was when Hindustan Zinc operating in Udaipur started making propaganda that its stocks were not lifted, which

induced the Government to impose restrictions on imports. The rub lies in the failure of the Government in making no effort to assess the real demand and supply position of this metal. Even for the current year (1969-70), domestic demand is being variously estimated between 96,000 tonnes and 1,20,000 tonnes. The indigenous output is, according to the Government's own calculation, will be only 38,000 tonnes (18,000 from Udaipur and 20,000 from Alwaye), even granting that this figure is not an exaggeration. On this basis, the country will require imports between 58,000 tonnes and 82,000 tonnes; and if the estimate of the industry about domestic production being only 30,000 tonnes—and not 38,000 tonnes as indicated by the Government—is correct, the imports will have to be around 90,000 tonnes. Actual imports in the six months between April and September 1969, were 14,000 tonnes only. That is proof of the Government's lack of awareness of the intensity of the shortage.

ESTIMATES OF PRODUCTION & IMPORTS IN FOURTH PLAN

Year	ZINC			COPPER		
	Prodn. (tonnes)	Imports (tonnes)	Cost (Rs. Lakhs)	Prodn. (tonnes)	Imports (tonnes)	Cost (Rs. Lakhs)
1969-70	38,000	58,000	1,764	9,600	66,800	6,346
1970-71	38,000	68,000	2,055	9,600	74,900	7,116
1971-72	38,000	79,100	2,373	12,000	81,000	7,695
1972-73	38,000	90,900	2,727	16,500	85,500	8,123
1973-74	76,000	66,000	1,980	50,000	62,000	5,890

Expand Domestic Production

The shortage has got to be overcome through the expansion of domestic production because price of zinc has been soaring. The trade has reported that the present open market price is twice the landed cost, Rs. 6,000 per tonne against Rs. 3,000. In fact, the problem was highlighted in a question put to the Union Minister for Mines and Metals by a Member of Parliament in the Lok Sabha on Dec. 1, last. The reply to it by Mr. Jagannath Rao, Minister of State of that Ministry, was quite revealing. According to him, the estimated production, imports and cost thereof, for copper and zinc during the Fourth Plan period as shown on p. 4.

The country will have to spend Rs. 78.70 crores in importing the two metals in 1973-74. This presumes that in respect of copper, production rises to 50,000 tonnes from the present 9,600 tonnes and in respect of zinc to 76,000 tonnes from 38,000 tonnes. Khetri's

activation cannot afford to slip behind schedule for zinc achieving a major portion of the copper target. With regard to zinc, the Fourth Plan draft estimates that the output of the Alwaye plant will be doubled to 40,000 tonnes and of Udaipur also doubled to 36,000 tonnes by 1973-74. If any catch is allowed to develop in these expansion plans, imports will have to be enlarged and the foreign exchange drain will be heavy especially because of the general trend upward in the world price of this metal.

Far too Unwise Not to Plan

It is against this backdrop that one has reason to complain that the Government has been far too unwise in not planning for fresh capacity. Particularly in respect of zinc, the Government is guilty of bad planning in having kept the proposal for establishing a smelter at Visakhapatnam based on imported concentrates in cold storage all these years. It is

now reported that, with Polish Collaboration, two smelters will be established one in Visakhapatnam and the other in Madras. Perhaps the time has arrived to order feasibility studies in respect of the Mamandur copper deposits of Tamil Nadu also. Three years ago, there was a lot of discussion about the urgency to utilise these deposits, but for reasons not quite clear, no follow-up measures were taken. The same omission cannot afford to be repeated. It should be mentioned in this connection that copper had so far largely been substituted by aluminium in certain uses, chiefly in the electrical industry, but experience has shown that though substitution is inevitable, aluminium was not good enough. At present, a shortage in supplies of aluminium is also emerging, which means the supply of the substitute metal for peripheral uses in the copper field cannot be taken for granted. It is hoped that fresh capacity in copper will be activated early enough, atleast for this reason. —R.S.

The Hullabaloo Over Private Rights to Property

The right to property has suddenly been imagined to be a serious hurdle in achieving some of the socialist goals of economic policy. At the Bombay conference of the ruling Congress party, Prime Minister Indira Gandhi declared that "laws including Chapters of the Constitution relating to fundamental rights would have to be changed in the interests of building an egalitarian society." And at the same conference, Union Home Minister, Y. B. Chavan issued the warning that "if the right to property guaranteed by the Constitution came in the way of progress towards socialism, we will have to think of doing away with the right." Further in his speech he made the curious observation that "no other country in the world had constitutionally accepted fundamental rights to

private property, but unfortunately or fortunately, the right was accepted in India." He made the further point that as things stood, this hurdle will always be there in view of the fact that the trend of Supreme Court decisions seemed to uphold these fundamental rights when there was a conflict between these rights and public interest, construing that public interest should coincide with fundamental rights.

Fallacious Statements

Each one of these outpourings of top Government spokesmen reveal a bias in favour of socialism which has no patience for constitutional provisions which are apparently opposed to that ideology but yet, on final analysis,

are intended to ensure for the citizen the means to achieve much the same material benefits. And this is apart from the fallacies in the official statements under reference. First, guarantee of private rights to property under fundamental rights is unique, in the Indian case, only in respect of the actual letter of the constitution supporting it. That does not mean that other constitutions have not made any similar provision. The 14th Amendment to the United States Constitution has been interpreted by courts in a manner that the right to property is deemed as an essential condition of liberty, a fundamental right. The British, whose constitution is mostly unwritten and therefore based on convention have continually recognised property rights as one of

the three absolute rights of a citizen. Even the socialistic—or to be more accurate—the Communistic constitution of the Soviet Union says in Article 10 that “the personal right of citizens in their incomes and savings from work in their dwelling houses and subsidiary home enterprises in articles of domestic economy and the use and articles of personal use and convenience, as well as the right of citizens to inherit personal property is protected by law.” And Russia believes in the letter and spirit of socialistic ownership of the means of production and distribution, while Communist writers have been describing all property as theft! It is difficult to see whence Mr. Chavan got the idea that the Indian Constitution has made a unique provision unseen in other, similar documents of other countries.

Pragmatic Provisions of the Constitution

It is open to question whether the provisions of the fundamental rights chapter can be understood as cramping progress towards socialism even from the day they became operative. As the Judge of the Supreme Court, Mr. K. S. Hegde, observed at the lawyers' meet in Bangalore last month, legislatures and governments are likely to ignore basic human rights under stress. The individual has got to be protected against the State encroaching in these circumstances into his fundamental rights. That explains vesting property rights on the individual as a fundamental right, and declaring that these rights cannot be abridged except in the manner outlined

in the relevant clauses of the chapter on fundamental rights. These clauses envisage abridgement only in public interest. According to Article 31 A(1) (a) “no law providing for the acquisition by the State of any estate or of any rights therein or the extinguishment or modification of any such rights; or (b) the taking over of the management of any property by the State for a limited period either in the public interest or in order to secure the proper management of the property; or (c) the amalgamation of two or more corporations either in the public interest or in order to secure the proper management of any corporations; or (d) the extinguishment or modification of any rights of managing agents, secretaries and treasurers, managing directors, directors or managers of corporations, or of any voting rights of shareholders thereof; or (e) the extinguishment or modification of any rights accruing by virtue of any agreement lease or licence for the purpose of searching for, or winning any mineral or mineral oil or the premature cancellation of any such agreement lease or license shall be deemed to be void on the ground that it is inconsistent with or takes away or abridges any of the rights conferred by article 14, article 19 or article 31.” This long quotation is intended to highlight the pragmatism that influenced the authors of this constitution and call the bluff in the assertion that the State has been fettered against socialism in the letter and spirit of the constitution. Those who have just attained adulthood may not be aware that the Constituent Assembly had a liberal sprinkling of socia-

lists who will not have allowed any such defeatist conservatism to go unchallenged, or worse still to be sanctified by the statute book.

Arithmetical Socialism?

There is only one more small point that remains. It is, as Mr. Chavan himself confessed, that the annulment of property rights will adversely affect not only the rich but also the vast majority of the population consisting of small farmers and income earners of the middle income group. If they lose this right, they will have lost the only means to earn their bread and will have to turn to public charity or public sector employment, both of which may not be available in the dimensions required. If all the 320 million acres of cultivable land are to be parcelled out among our 530 million in a process of socialist extinguishment of private possessions and their redistribution, none will have an economic holding, agriculture may languish and the country will be back where it started when the Royal Commission on Agriculture published its first report. Whom can such arithmetical and ideological socialism please? When will politicians learn that their prime business is not to play to the gallery exacerbating emerging antipathies between classes but to create an environment in which the individual farmer and the self-employed entrepreneur as well as the diverse industrial units big and small can all cooperate unreservedly to enlarge the national product sufficiently to improve present poor levels of living?

—R.S.

the other extreme by displaying an attitude of helplessness and even took for granted that there was no scope for streamlining the working of the Life Insurance Corporation. The Morarka Committee suggested only a reduction in the premium on without-profit policies and indicated that an attempt might be made to increase the bonuses on with-profit policies whenever possible. The actuaries of the Corporation considered the recommendations of both these Committees and came to the conclusion that notwithstanding the favourable mortality experience and the fairly satisfactory return on investment it was not advisable to reduce premium rates until it was possible to get a clear-picture of the trend of working expenses and proceed on the basis of definite expense ratio. Accordingly, the Corporation indicated to the government that it was not possible to effect any reduction in the premium rates and any decision in this regard can be taken only at a later date. The government, however, is anxious to make some gesture and white-wash the whole thing by announcing perhaps a reduction of 5 per cent in the premium rates on without-profit policies which do not constitute more than 5 per cent of the total business in force.

Rising Expense Ratios

The actuaries' anxiety to play safe is understandable as they can proceed only on the basis of an existing set of circumstances and probability as they have no control over the several factors that determine valuation surpluses. In the case of the Corporation, unfortunately the surpluses released by a favourable mortality experience and a satisfactory investment in incomes have been neutralised to a great extent by rising expense ratios. In 1968-69 the overall expense ratio and the renewal expense ratio increased in spite of a larger amount of new business and a higher level of invest-

ment income. It is well-known that the efficiency of the administration has deteriorated considerably and with a rationalisation of the methods of working and computerisation, the overall expense ratio can be brought down gradually and the renewal expense ratio not allowed to exceed the statutory limit of 15 per cent. With an annual income of over Rs. 250 crores, a saving of 3 to 4 per cent in the overall expense ratio can add to the assets of the Corporation by another Rs. 10 crores which would mean that by effecting a saving in working expenses alone there can be a reduction in the premium rates on all policies by 5 per cent. The scope for reducing expenses will be greater with an increase in the volume of business and with a rising national income new business can be on a much larger-scale than what it is now. Indeed, it can be easily Rs. 2,000 crores annually by 1973-74 if only the field staff went about their work vigorously and the Corporation serviced the policies carefully and promptly.

More Return from Investments

Besides the scope for reducing the working expenses the return on investment can certainly be very much more than what it is as the larger amounts can be granted to the public bodies at 6 or 7 per cent, instead of invested in bonds at lower rates. If the government is bent on deriving maximum benefit by exploiting the particular section of the society, which constitutes the policy-holders of the Corporation, it should not claim any share of the profits or its surpluses through taxation. In the latest valuation report, out of a surplus of Rs. 97.56 crores, the provision for taxation alone is Rs. 2.51 crores. When the Government is deriving benefit from the Life Insurance Corporation in so many ways it should be agreeable to a complete exemption from taxation of the income of the Corpo-

ration from its investments. With a check on the expense ratio, vigorous work in the field for underwriting more business and a better use of available funds the cost of insurance need not be prohibitive as it is now.

A Larger Bonus

Again, it has been wrongly argued that the improvement in the general mortality rate need not necessarily be reflected in a corresponding improvement in the mortality rate of those insured by the Corporation. While there may not have been a similar improvement, on the Corporation's own reckoning the assured mortality experience is only 42 per cent of the assumed rates which should give it a big saving. Also against the assumed rate of 3.25 per cent on investment, the actual return is 5.24 per cent. There may be a slight decline in the average for the subsequent valuation period because of the reduction in the bank rate but this may be only marginal because of the larger lending to State Electricity Boards and Public Bodies at 6 per cent and above. If the above factors are reckoned at least a larger bonus could be declared. The policyholders would then not have so much grievance and there would be justification for maintaining premiums at the present level. As matters stand the bonuses declared by the Corporation are not even equal to the loading in premium rates.

The employees of Life Insurance Corporation are entitled to a fair deal and should remain contented but in the case of service officers particularly there is no room for low productivity. It should be possible for the Corporation to handle even additionally 50 per cent of new business with a streamlining of working especially as the average value of a policy is bound to increase in the coming years.

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Reducing Premium Rates on Life Insurance ...

No realistic approach has so far been adopted to the question of revision of premium rates on Life Insurance Policies and the interest of policy-holders

is not being properly safeguarded. While it cannot be said that Administrative Reforms Commission recognised fully the difficulties of the Life In-

surance Corporation and the cut of 25 per cent in premium rates charged by the Corporation was wholly impracticable, the Morarka Committee went to

I believe

Anarchy as a Weapon of Bargain

I believe that a weakness for anarchy as a weapon of bargain seems to have crept into our own body politic. The latest instance is the unprovoked strike in Jamshedpur in Tata Engineering and Locomotive Co. and six other companies in that area for 48 days involving 39,000 workers. The chief peculiarity about this strike is that the call came not from labour unions but from a committee of political parties. The parties, as identified by the Press, are the C.P.I., C.P.M., P.S.P., S.S.P., and a faction of I.N.T.U.C. led by Dr. M. K. Akhauri, A.I.C.C. member of the ruling Congress.

It may be recalled that, at the time when the strike call was given, tripartite discussions were going on among the Government and the representatives of labour unions and managements. It is reported that the Adviser to the Governor of Bihar, Mr. T. P. Singh who was also participating in the negotiations on wage revision "was given to understand by Dr. Akhauri that the workers would launch a token strike for one day only," but it turned out to be an indefinite strike.

Strike when Settlement in Sight

The strike came about when, to all intents and purposes, a settlement seemed to be in sight. That it had nothing to do with wage revisions has been obvious from the fact that TELCO had negotiated an agreement with the recognised INTUC Union's president, offering a minimum wage of Rs. 200 p.m. to the workers and a total of Rs. 1.5 crores as wage revision commitment. Obviously, the labour

union had nothing to do with the strike, because it arose out of the rejection by the co-ordination committee of the political parties of the settlement.

It was a clear proof that the struggle was politically motivated. Observers were not wrong in concluding that the political parties concerned were seeking the inducement of a strike as the means to establish their control over the labour movement in Jamshedpur, which is an important industrial centre of the country. The fact that it lasted for 48 days for no valid reason whatsoever proved to the hilt that the issues at stake had nothing to do with industrial relations.

The immediate consequence of this is there for all to see: A loss of Rs. 25 crores in production, Rs. 2.5 crores in exports, Rs. 2.5 crores as wages and other monetary benefits to workers and Rs. 5 crores of revenue to the Government. All the while we had been crying hoarse that we should produce more, export more and ensure conditions in which the worker can be confident that he will not lose even a minute's wage.

Misuse of a Dangerous Weapon

This is clearly a misuse of the weapon which civilised societies have guaranteed to their workers to improve their bargaining strength in the last resort against deeply entrenched managements which were more and more inward looking. No one can say that the right to strike should not be there. But every well-meaning citizen and well-wisher of labour will desire that the right exercised sparingly and in circumstances that are

eminently compulsive for its use. Unlike richer economies which may even welcome stoppages in production as an escape from glut or which are sufficiently equipped with in-built reserves to weather such industrial storms quite easily, a developing economy like ours can never afford such gaps in production and consequent losses all round.

Leadership Outside the Ranks

There is yet another sinister thing about the whole episode. True indeed labour leadership in India lies outside its ranks. Diverse may be the causes for it: Leftists are closer in ideology to labourers and leftist politicians become a natural choice; a politically over-conscious society like ours may have been misled into thinking that the political influence of labour leaders counts much more than whether such leaders ever had any idea of labour problems or industrial relations work at all; and perhaps listening to demagogues has been bred into a pastime consequent on the long struggle that we had to wage against British rulers. Be that as it may, there is no reason why the choice of the party cannot be made in a balanced manner.

Do our workers and tenants in the fields besides rural farm hands want such a state of things to transpire in fields besides rural farm hands want to cut each other's throats as the ultimate destiny of all prolonged insurrection sparked by class war? Cannot responsible political leadership campaign for a return to sanity and the rule of law, before the urge to grab swallows all decency in public and private lives? With the take-off so near, one can only pray that the years ahead are not described as yet another bunch of lost opportunities with this gruesome difference that the record had all the while got to be written not in ink but in blood.

—Horace

INDUSTRIAL ECONOMIST

Glimpses

Preparing People for the Budget— Process Begins . . .

This year, too, as more than once in recent years, the Railways have started the process of darkening the budget outlook for the coming year. At a Press Conference in New Delhi, both Mr. G. D. Khandelwal, the outgoing Chairman of the Railway Board, and Mr. B. D. Ganguli, his successor, have referred to the disappointments of the Railways in regard to the additional freight traffic they expected to carry and the increase in working costs. Against an anticipated 9 million tonnes of additional freight traffic, the Railways moved only 5 million tonnes in the last six months and there has been lately a slowing down, especially in costs and the drop in freight traffic would together falsify very considerably the expectations of a year ago.

The increase in passenger traffic has been a feature of the working of the Railways for a long time and its continuance is no matter for surprise. What is a surprise, and that of a pleasant kind, is the drop in ticketless travel, of which the fall in the number of detections would by itself be no proof. The increase in the sale of tickets is not only welcome from the point of view of Railway revenues, but is an assurance that the dire penalties which attach to ticketless travel under the relevant ordinance has had its deterrent effect and induced the habitual offenders to pay for their journeys. More trains are promised to meet the growing traffic between the great commercial capitals. But there is, as yet, little to brighten the general outlook, though it is too soon to give too definite a shape to one's fears. The fact that the increase in steel prices will alone account for a rise in costs of as much as Rs. 6 crores in a full year shows how near we are

to a repetition of the old tale—increasing costs and prices.

Quack Remedies for Unemployment

It is indeed strange to notice the revival of faith in quack remedies for unemployment. The old Congress, which is understandably keen to capture the imagination and annex the support of all classes, has come out with a crash programme for providing employment both for educated youth in the urban areas and the rural masses where agricultural operations do not by any means account for full employment. The economics of unemployment has never been easy to understand or expound. But it should not be difficult to grasp the difference between the unemployment experienced in advanced countries as a result of the fluctuations of business activity and the unemployment which is only an index of the undeveloped state of the country and the national economy. The successful exploitation of the mental and material resources on lines which ensure economic production, a reasonable up-to-dateness of productive techniques and creation of employment on a fair scale is a complex task. In a regime of planned development, the Planning Commission and the Government have all the time to grapple with such incompatible aims as modern techniques and adequate volume of employment. But adequacy of output and low costs cannot be subordinated far long to the objective of increase in employment. The conditions in which employment can be directly aimed at as an end by itself are indeed extremely limited, as when a public works programme is adopted to cure or mitigate unemployment of a manifestly temporary kind. In a developing economy, the rising crescendo of production at low costs, higher productivity per worker and

more and more capital equipment per capita should not be spoiled by the jarring notes which the pursuit of employment as such must provoke. Employment, however valuable from a broader social and human point of view, must be regarded as a by-product of sound planning rather than a paramount aim on its own right.

Nevertheless, if no attempt is made to stunt organised industry in the supposed interests of employment, one may recognise a vast field in which labour that is now idle can be put to productive work by the provision of credit and other facilities. The scope for self-employment by engineers, doctors and small technicians and craftsmen can be widened vastly by a new orientation of banking policy. Liberal, but judicious extension of credit to rural works for producing vegetables, milk and miscellaneous services will increase employment and national income more surely than any scheme sponsored or boosted by the Centre can. Such indeed is the true function of social credit, which centralised planning has distorted and misappropriated for its own ends, of which the facilities of deficit financing are the most notable and the most dangerous.

A Myth Blown Up

The myth of heavier burdens of taxation on the rural population than on the urban has at last had an authoritative blow up from the Union Ministry of Finance. The study conducted by the Ministry was limited to the incidence of indirect taxation and the period chosen for the purpose was the one between 1958-59 and 1963-64 when the Central and the State Governments were most active in their efforts to raise new revenues. It was closely related to consumer expenditure and the significant fact revealed by the study is that, while the proportion of indirect taxation to total consumer expenditure rose from 5.7 per cent in 1958-59 to 10.1 per cent in

1963-64, the incidence continued to be progressive and the tax element worked out to 16.6 per cent in the case of urban households as against 8 per cent in the case of rural households. Equally notable is the fact that, not only did the tax element increase with consumer expenditure, but the difference between the proportion paid in taxes by the top and bottom expenditure groups tended to narrow down.

This shows that indirect taxation has its impact on a very large number of items of the domestic budget of the urban population in the middle and lower income groups and the cry of the rural interests being sacrificed to the urban is misconceived and unfair. Out of the Rs. 1515 crores of indirect taxation in 1963-64, it was found that 40 per cent was borne by the urban sector accounting for 18.5 per cent of the population and 60 per cent by the rural sector which contains 81.5 per cent of the total population. A similar study for direct taxation is also needed if a corrective is to be given to the ideas derived from the days of the Mathai Commission.

Sympathetic to Small Scale Sector

The small scale industrial sector has witnessed a rapid growth during the past few years thanks mainly to the opportunities afforded by large industrial projects that came up in the public and private sectors. The small industries sector which used to be a relatively backward sector, using traditional methods of production with the aid of simple tools about ten years ago has since developed to be an integral part of the modern industries sector using power and modern machines. There has been a significant increase in the technical competence of this sector and they are now manufacturing simple producer goods as well as large number of precision instruments and electronic components.

The Government has been sympa-

thetic to the small scale sector and the Central Department of Directorate General of Supplies and Disposals has been pursuing a purchase policy to encourage the small scale industry. Purchases made by this Department from Small Scale Units between 1966-67 to 1968-69 totalled Rs. 79.79 crores. Assistance from the D.G.S. & D. has enabled small scale units to sustain increasing production, diversify it according to demands and even enter the fields of sophisticated items. While encouraging the growth of the small scale sector, the Government should not, for the sake of maintaining pseudo-political ideologies, clip the wings of the large scale sector. It should not be forgotten that the small scale sector will flourish only if the big industries maintained their tempo of progress.

Poor Investment on Science

Despite glib talk by Ministers about the need to improve indigenous scientific and technical know-how, the national investment on development of science is ridiculously small. Even that allocation is wasted many times away in non-scientific pursuits of the national research bodies. Many a leading scientist has often stressed the need to apportion more resources for development of scientific technology in this country but it has not been heeded to. The Administrative Reforms Commission's Study Team has now recommended that the proportion of investment on science to the gross national product should rise to the modest target of one per cent GNP during the next few years from the present investment of 0.4 per cent. The ARC Study Team feels that the scientific departments and laboratories devoted disproportionate attention to the problems of basic research. The Team therefore suggests that effective steps should be taken for off-loading as much basic research as possible from these laboratories to the universities.

Out of the Doldrums?

The present tonnage of our merchant fleet is 2.12 million tonnes and the Fourth Plan envisages a target of 3.5 million tonnes so that it will be possible for the country to carry about 40 per cent of India's overseas trade in Indian ships. This will involve the addition of about 80 vessels of various types and sizes. In this background, there is need for encouraging the growth of a strong and virile shipbuilding industry in the country. Shipbuilding costs abroad are rapidly rising owing to constant increase in labour and material costs. The facility of building ships in foreign yards with liberal and easy payment terms, which was available till recently is not likely to continue hereafter. All this pinpoints the need to augment India's ship-building capacity. It is heartening to note that the Government has approved a proposal for integrated development of the Hindustan Shipyard at an estimated cost of Rs. 766 lakhs. It is to be hoped that the development plan will be implemented successfully and that India's shipbuilding industry will emerge from the doldrums.

Metals and Minerals

It has been estimated that the value of mineral production in India during 1969 would have been of the order of Rs. 400 crores. The production of iron ore is estimated to be 28 million tonnes; that of bauxite 1 million tons; limestone 22 million tonnes; coal 74 million tonnes, lignite 4.3 million tonnes and crude petroleum 6.7 million tonnes. About 80 per cent of the Principal metallic and non-metallic minerals are used in eight major industries—iron and steel, aluminium, copper, fertilizer, paint, cement, glass and paper.

Minerals and metals account for about 20 per cent of India's total exports, the share of minerals being 12 per cent and that of metals 8 per cent.

—(FOC)

Problems of Small Scale Sector

Strait-jacket Approach of ARC

The report of the Administrative Reforms Commission on small scale industries reflects a strait-jacket approach: It has not gone beyond purely administrative problems even in its periphery. It has highlighted the special role of the small scale sector in a developing economy oppressed demographically. Being essentially labour intensive, the small factories can absorb surplus rural labour far too easily. The A.R.C. regrets that the necessary impetus in the manner of encouraging the establishment of processing industries has not emerged except belatedly now under the pressure of the Green Revolution. It believes that "for the solution of rural poverty, for the absorption of the surplus rural population and for linking agriculture with agro-based industries nearer home, there is and can be no better solution than the large scale organisation of small scale industries dispersed all over the country, preferably in small townships well laid-out and provided with amenities of roads, water supply, drainage and electric power which can absorb the surplus population of neighbouring areas and at the same time contribute to the welfare of the rural population through the provision of consumer goods nearer home and through processing of agricultural commodities of the neighbouring areas in close proximity of the villages in which they are produced."

Holding on to Familiar Norms

This quotation should serve at once to summarise the rationale of small industry and indicate that the approach to this question has not steer-

ed clear of familiar norms. Seeing that the small scale sector has not developed as it should but has been a cluster round urban or semi-urban areas, it becomes necessary to enquire why this has been so. The A.R.C. provides some sort of an explanation in this regard. It says that, during the Third Plan period, the emergence of a new class of big entrepreneurs and the growth of giant business enterprises and organisations which enjoyed obvious advantages in matters like technical manpower, foreign resources and foreign collaboration enabled large industry to make inroads into fields reserved for the small factories. Some of the other disabilities are the increasing competition from medium type industry in the wake of the revision of the definition of small industry and the lack of harmonious development between the two sectors in view of the freedom given to entrepreneurs to start new units under industrial delicensing schemes. These are indicative of lags in policy. The lacunae can be corrected only, as the A.R.C. points out, through a clear identification in national policy both of the complementary role of big industry and the degree of exclusive protection that it deserves to be accorded for its consolidation and further development.

Reorganising State Departments

It can hardly be gainsaid that the future of this sector depends less on the lead of the Centre and more on that of the State Governments both in respect of the location of the sites and the decisions relating to the ideal type of factories that can thrive on each of

these locations. The A.R.C. has, therefore, called for a reorganisation and strengthening of the departments at the State level attending to this sector. It requires that the officials of their Industries Departments working at the district and block level should lay more emphasis on and devote more attention to the developmental aspects of their duties rather than to regulatory aspects. At the national level, the A.R.C. recommends the creation of a Small Scale Industries Commission in place of the present Small Scale Industries Board and the all-India Boards like the Handicrafts Boards, Coir Board, etc. This commission is to take charge of the "modernised small-scale sector" while the Khadi and Village Industries Commission will look after the typical cottage industries.

Past Time Technical Assistance

As for technical assistance and consultancy services, the A.R.C. calls for a firming up of the talents of the Small Industries Service Institutes through enlisting the services of private consultants and experts on a part-time basis. The provision of high level technical and/or consultancy service on a regional basis is to be arranged by establishing technical panels of part time consultants for various key industries. This recommendation sins by being empirical: Because there are underemployed or unemployed technical personnel, it cannot be presumed that their services will be available in the dimension required. There can, however, be no disputing the need to make a beginning in this direction to the extent feasible.

Need for Apex Financial Institution

The A.R.C. feels strongly the need for an apex financial investment institution for the small scale sector. It recommends the creation of a Small Scale Industries Finance Corporation

under an Act of Parliament with a paid-up capital of Rs. 25 crores. It is to be the top investment and credit body for this sector, with the responsibility of the provision of financial assistance and accommodation both for long term capital investment and for working capital requirements. The A.R.C. desires the establishment besides, of State level committees and a Standing Committee at the district level in order to ensure co-ordination of the flows of financial assistance from the diverse institutions.

As averred earlier, all these are good as far as they go. But the headache of the small factories is not merely the lack of institutional facilities. It is hardly realised that bulk increases in employment can originate only from large-scale factories and that, barring a few instances, the small scale units have little future except as feeders or ancillaries of the bigger firms. Besides, some of the requirements of the small scale units like steel, equipment, components, etc.

have to come from the organised sector which, as stated earlier is the buyer of many products of the small firms. Thus the prosperity of small industry is closely interwoven with the prosperity of the large scale sector. Present regulations—and newer ones in the making—limiting the growth of the latter through heavier taxes, exclusion from the production of consumer goods and the like, will make large factories much too fewer in numbers and far too anaemic to be of any benefit to themselves or the small scale sector. But, will the Government concede this in its present ideological bias?

Some Contradictions

It is apparently consoling to hear from the Lokanathan Committee on Small Industry that, "to maintain the true spirit of the Industrial Policy Resolution, manufacture of most of the consumer goods which are being competently and economically pro-

duced on a small scale (italics ours) should be reserved for the small scale sector." This is better than calling for wholesale exclusion of organised industry from this field. But this does not square with another part of the recommendation which says that, "the general policy should be to progressively restrict the production of specific consumer goods to the small scale sector as soon as the competency of the sector to produce the items substantially is established." Why? Is it not obvious that the efficiency of technology in most sections of secondary industry is kept abreast of developments in the outside world more by the organised sector than by small industry? Is it not necessary therefore that some part of the organised sector has to be permitted to operate in secondary industry also irrespective of the competence of smaller units, if not, for anything else, at least to keep the access of small factories to revolutions in sophisticated technology easier and within easy reach? —S.R.

S.D.Rs. and Quotas

The International Monetary Fund reports that, at the beginning of its second quarter century of existence, its prospect of an expanded financial capacity for service to the world monetary system has increased. Members' reserves are to go up by \$9.5 billion of Special Drawing Rights, \$3.5 billions from this January and \$3 billion each from the next two Januaries.

The more important development is that the dimension of these drawing rights will grow when the increase in members' quotas with the I.M.F. as proposed now goes through with the consent of 85 of them. The I.M.F. Directors have recommended that the total of all quotas may be raised to \$28,900 million from \$21,300 million,

a rise of 35 per cent. This will be through the enlargement of individual quotas, with the increases ranging between 20 and 65 per cent.

A Disturbing Disappointment

India's share goes up to \$940 millions (Rs. 705 crores) from \$750 million (Rs. 562.5 crores). But the percentage of India's quota to the total of I.M.F. quotas has gone down marginally. Consequently, India will have to yield its status as the fifth largest quota holder after the U.S., Britain, West Germany and France, to Japan. India thereby loses its privilege of having an "appointed" executive director in the Fund and

will have a selected one, India's former status was due to a historical accident, as having been a founder-member of the Fund as a part of British empire. But the more disturbing thing is that, when it has been agitating as a developing country for a larger quota to merit larger allocation of S.D.R.s it will get proportionately less.

Japan would have a quota of \$1,200 million against \$725 million (65 per cent increase), the U.S. quota will rise to \$6,700 million from \$5,160 million and Britain's will be \$2,800 against \$2,440 million. South Africa, Italy, Denmark and Norway receive 60 per cent increase, while France, Belgium, Finland, Feland, Austria and Spain get 50 per cent rise or more and Canada 49 per cent. Taiwan is the only country with its quota unchanged at \$550 million.

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Revolutionary Growth in Bank Deposits in the Offing

By A SPECIAL CORRESPONDENT

Quite a revolution is taking place in the banking world. In 1969 all-time records were established in respect of the opening of new branches, in 974 centres, out of which 519 were in unbanked areas. This compares with only 664 branches added in 1968 which was in itself a record. The growth in deposits also has been very impressive as it can be now stated that the additions were well in excess of Rs. 620 crores against Rs. 442 crores in 1968 which was also a creditworthy performance. Following the nationalisation of major banks and on the recommendations of a study group appointed by the National Credit Council, it has now been decided that there should be an even more vigorous programme of branch expansion and 453 towns which have no banks should be covered by the end of this year. There are 827 centres which have a good potential for banking business and the development of agriculture. It has, therefore, been announced by the Reserve Bank of India that in the first half of this year alone 600 branches should be opened, 400 of them in unbanked areas and the remaining 200 branches in urban centres. In the latter half of 1970 an equal number of branches, if not more, may be opened. It has been emphasised that the nationalised banks will be designated as lead banks for specified areas and that the branches will be opened in such a way that there is no overlapping and efforts would also be made to develop specified regions in a compact manner. Particular banks can then identify themselves with the promotion of economic activity in these areas.

Phenomenal Achievement

The opening of nearly 2,200 branches in two years, 1969 and 1970, should indeed be a phenomenal achievement as there will be an increase of over 25 per cent in the number of branches

which was not thought of before even though branch-banking by State Bank of India and other institutions was being carried out on a systematic basis. There is no reason why this kind of attempt could not have been made earlier as what was standing in the way was only the expense involved in the opening of new branches and as any scheme for subsidising the losses incurred by banks in running these branches would have returned to the Government in the form of higher tax collections on bank profits besides providing the opportunity for raising larger amounts by way of open market loans. The Government is obviously not worried about any reduction in the quantum of profits as it has the prospect of achieving its objective of nationalisation, subject to the verdict of the Supreme Court, on a basis which would be extremely worthwhile. With the speculation about the manner of liability towards taxation the amount paid by way of compensation and the controversies relating to the determination of compensation, it is unlikely that the Government would be paying very much more than Rs. 100 crores to the shareholders of the nationalised banks in cash and bonds on which interest charges will be only about Rs. 5 crores. As against this, the earnings, after taxation, will be Rs. 15 crores and it is needless to say that these will grow as the years pass by with fresh additions to deposits.

Encouraging Savings Habit

But even with social control, banks could have been asked to open branches and the integrated approach that is now proposed to be adopted could have been decided upon by a committee specially appointed for this purpose. There is no use talking what could have happened if there was no nationalisation, but it is certainly a commendable effort that is now being

made as between the scheduled commercial banks, non-scheduled banks and co-operative credit societies the saving and investment habit is bound to be encouraged and if the impression is given that the funds at the disposal of banks were being properly employed, a new trend in deposits may emerge in the coming years with an increase in the purchasing power of the agricultural income groups. The rural areas were, till recently, served only to a certain extent by the post offices and not ungrudgingly by the co-operative credit societies as these institutions were keen only on mobilising deposits and the lending centres were in the urban areas. Except those who were prepared take to the banking habit and placed their savings at the disposal of the banks most others were not anxious to be drawn into the organised money market.

Investment in Rural Areas

It is now, however, anticipated that instead of funds flowing from the rural to the urban areas, there will be fresh investment in the rural areas of an order which might be for some time in excess of the resources raised by the rural branches. In fact, it has been tentatively estimated that only about 50 per cent of the resources re-

Paddy Boilers of Kottar

With the Green Revolution ushering in an era of farm prosperity, some problems may arise regarding the setting up of processing units to handle the additional farm output. In the light of this, the Planning Forum of the Pioneer Kumaraswamy College made a survey of the rice processing units in Kottar, Kanyakumari Dt. According to the Survey, most of the units in Kottar have been working at half their capacity due to limited supply of paddy. Irrespective of the size the unit the Government used to allot only 500 bags a week to each processing unit. Now with controls off, it can be hoped that the rice processing units at Kottar may show better results.

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quired for lending purposes may be found by the new branches and the urban areas will have to take care of the balance amount. In the earlier stages, the sums involved may not be large. Besides it may so happen that, except for one or two years when there will be a larger outflow of funds for the purchase of agricultural inputs, installation of pump-sets or development of land, the generation of additional incomes in one or two seasons by themselves will lead to an increase in deposits at a rate which is not now thought feasible.

Deposits to Double by 1974

It has been tentatively estimated that by 1974 there will be a doubling of deposits from the present level to over Rs. 10,000 crores, giving an average yearly addition of Rs. 1,000 crores. This growth rate is not in any sense difficult of attainment as even in 1970 the increase may be about Rs. 900 crores, in 1971 Rs. 1,200 crores and thereafter improve by Rs. 300 crores annually, taking the net yearly addition in 1974 to 2,100 crores. This gives an average rate of Rs. 1,500 crores annually which might be con-

sidered extremely exaggerated. But this is within the bounds of possibility. At any rate the estimates of bankers of a doubling of deposits is somewhat conservative. What is needed is a firm grip on the agricultural situation and parallel development of industries. If the message of banking was carried far and wide and after the dispersed development had been completed and more branches were opened in towns and the bigger villages, a situation may arise in which deposits may be many times the notes in circulation as in developed countries like Britain, the U.S.A. and West Germany.

More Branches, More Deposits . . .

In a rapidly changing situation it is perhaps incorrect to draw conclusions from the developments in the banking world in the 'fifties and 'sixties and project estimates relating to growth in bank deposits. But it would not be wrong to assume that there is some direct relationship between the number of branches newly opened and the growth in deposits. Also, the results of the efforts of bank managements to mobilise additional resources will be more visibly felt over a period as the branches opened in the earlier years begin to lend good support to the banking system. This probably explains why in the early 'sixties there was a faster growth of deposits even with a slower growth of the national income. A large number of branches were opened every year and in the then prevailing conditions this rate of

BRANCH EXPANSION AND DEPOSIT GROWTH

Year	Total deposits (Rs. in crores)	Total scheduled bank offices (Nos.)
1951	855.8	2,647
1956	1,003.5	2,966
1961	1,915.0	4,390
1962	2,038.9	4,526
1963	2,252.8	4,918
1964	2,524.0	5,409
1965	2,887.0	5,810
1966	3,378.4	6,277
1967	3,763.1	6,679

branch banking was considered a commendable effort. It will be seen from the details given below that in the period between 1951 and 1956, the additions to deposits were of the order of Rs. 148 crores while the number of branches added were 319. But this was a period which did not indicate any trend. However, in the years between 1956 and 1961, deposits increased by Rs. 911.5 crores while there was an increase in the number of branches by 1,424 thereby indicating the beginning of a new trend. The period between 1961 and 1964, though covers just three years, disclosed a rise in deposits by Rs. 609 crores for an addition to bank offices by 1,019. This suggested that an accelerated rate of growth in deposits has commenced. In the final phase, which covers the years between 1964-67, deposits increased by Rs. 1,239.1 crores and branches rose by 1,270.

On the Eve of a New Era?

Having regard to the fact that a strident growth in deposits took place in the early 'sixties with a crash programme undertaken by the State Bank of India and some of the major banks for opening branches in new areas, it needs hardly be emphasised that with a near trebling of the rate of additions to branches in 1970 as compared to even 1965 and 1966, there should be a corresponding "acceleration in additions to deposits. It cannot be scientifically stated that there can be a trebling of the earlier growth rate in deposits, but with prosperity in the rural areas and increasing monetisation of economy it should not occasion surprise if unexpected trends emerge and the growth rates projected for the current Plan period were easily excelled. The year 1970 should give an idea of what can be expected of this changed situation. Whatever may be the actual outcome, it can be categorically stated that the banking system is on the eve of a new era of strident expansion and the problem of mobilisation of resources for the planners will be considerably simplified as the years roll by. —Meenam

INDUSTRIAL ECONOMIST

Wanted: A New Strategy of Credit

By N. MAHALINGAM

Prime Minister, Mrs. Indira Gandhi, rightly observed, not a few months ago: "Political situation in our country today demands that banking facilities should be extended in an increasing measure to backward areas, to agriculture, to small-scale industries and so on, and perhaps banking operations should be informed by a large social purpose." The Prime Minister was, obviously, concerned about the follow-up measures that will have to be taken for enabling the economy to realise the objectives of nationalisation. The follow-up measures, obviously, are more important than nationalisation itself.

An efficient policy in this direction implies three things. First, elimination of private lending and rapid expansion of branch-banking. Second, provision of credit to areas which have been hitherto dependent upon the indigenous sector of the money market; and third, provision of adequate credit for projects which provide welfare services.

Elimination of Usury

The first task of the nationalised sector will consist in the adoption of measures that would go a long way to eliminate the unorganised sector. Private usury of all kinds is an evil. It encourages use of bank-credit for unproductive purposes. In Russia, lending is a penal offence. The indigenous bankers, who encourage private usury, must be wiped out and their place must be taken up by the branch banks and institutions which function in the organised sector. In fact, even banking by non-banking companies is better than indigenous banking. The public may be encouraged to deposit their savings in the limited companies. Rural folks must be made to open savings-accounts with the banks, established in the rural areas.

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Branch-Banking in Rural Areas

The number of villages per bank centre is below 50 only in respect of 36 districts—11 districts from Maharashtra, nine from Kerala, six from Tamil Nadu, four each from Mysore and Gujarat and two from Andhra Pradesh.

On the other hand, there are 90 districts in which the number of villages per bank centre is more than 300. Among these as many as 31 are in Uttar Pradesh, 14 in Bihar, 13 in Orissa and 10 in Assam.

As regards the spread of banking, in terms of gross cropped area, only 30 districts have one bank centre for 20,000 or less hectares of gross cropped area. Of these, seven are from Kerala and five each from Himachal Pradesh and Maharashtra. There are 15 districts in which the gross cropped area per bank centre is 1.5 lakh hectares or more. Of these, six are from Bihar, three from Rajasthan and one each from Orissa and West Bengal.

Deposit Mobilisation-Kerala Tops

It has been reported by the Reserve Bank Bulletin that there are only 24 districts where the level of deposits mobilised is Rs. 5 lakhs or more per thousand hectares of gross cropped area. Within the top 50 districts for deposit mobilisation, nine are from Kerala, six from Gujarat and five each from Uttar Pradesh and Tamil Nadu. None of the districts of Orissa and Rajasthan and only one each from Andhra Pradesh, Assam, Haryana and Himachal Pradesh falls in this category. Among the bottom 50 districts, ten are from Uttar Pradesh, 14 from Madhya Pradesh, six from Rajasthan, eight from Orissa and three each from Andhra Pradesh, Bihar and Himachal Pradesh.

Strategy for Future

The strategy for future should consist in the adoption of measures of financing which will also have the effect of attracting deposits. Advances have to be given to the retail traders on the basis of repayment on easy instalments.

The film industry is one area which has been very much hit by the high rates of interest, charged by the private money-lenders. Bank credit has to be made available to this industry and as a safeguard such credits could be brought under a scheme of credit insurance. Book publication is another sector which needs finance. Bank credit may be made available to publishers of all categories against stocks of books, paper, printing machines, etc.

The hotel industry can be considerably developed through an organised scheme of facilities of credit by commercial banks. Apart from direct assistance, banks themselves can invest their resources in the creation of a net-work of cafeterias and the personnel for this could be chosen from people who are experienced in running a net-work of hotels.

Bank credit is a must for doctors. India needs more nursing homes, more doctors and more nurses. Each qualified doctor may be given a loan of Rs. 2 lakhs, to start with, for starting a nursing home and the loan so granted can be collected in easy annual instalments. Higher credit may be made available for a team of doctors towards the putting up of buildings and installation of equipment. As much as Rs. 20 lakhs may be granted to a team of doctors who are engaged in the starting of a well equipped nursing home.

What is required is thus a new strategy for credit. Ventures which are productive or which have productive potentiality, must be chosen as areas of credit. There are many spheres which are not thriving for want of credit facilities. It is to these areas that future banking has to cater.

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Boom in Farm Output Checks Inflation

In a year of record output of foodgrains and a fairly high level of production of cash crops some disturbing symptoms have emerged which have given rise to the impression that inflationary pressures are once again asserting themselves. It is somewhat difficult to comprehend how the record outputs of foodgrains have been absorbed in the past two years without any difficulty and even with the reports of an yield of 102-103 million tonnes there has been no suggestion of weakness in even the wholesale prices for foodgrains. It is generally agreed that in the kharif season an output of 67 million tonnes has been secured and even with the prevalence of unsatisfactory conditions in some parts of the country, the rabi crop too may be large and there will be a minimum production of 100 million tonnes in respect of all foodgrains.

Break-Through in Rice

The latest estimates relating to wheat suggest that the yield may not be more than 18 million tonnes, but a break through on the rice front is expected to be established notwithstanding the serious damage caused to the standing crops in Andhra Pradesh by two cyclones and continuance of drought in some districts of Tamil Nadu. But in Madhya Pradesh, Mysore, Orissa and Bihar the levels of last year have been considerably exceeded and with the more extensive use of high-yielding varieties there is a talk that a new record will be established with the output at 45 million tonnes. Thus between wheat and rice the availability will be 63 million tonnes which would leave a balance of 37 million tonnes in respect of coarse cereals. This level of production is not impossible as in the principal growing

areas favourable weather conditions have prevailed for most part of the season. But what is intriguing is the absence of a softening trend in prices and there does not seem to be any serious concern about marketing such a large crop. Actually the food index is higher on balance in the past year while there has been a sharp rise in market quotations for raw cotton and oilseeds. Even in regard to raw jute the drop in rates has not been of the dimensions anticipated though the current season's crop will be large and there will be no need for importing the golden fibre.

Why No Fall in Prices?

If there has been a switch over to the consumption of wheat and rice there should have been a drop in prices for coarse cereals. These are, no doubt, cheaper than they were some time ago. But there is no indication of a glut. One is, therefore, inclined to suggest that the output figures are not so encouraging as indicated or there is large scale smuggling of foodgrains across the land frontiers to East Pakistan and China. Otherwise there should have been a pronounced decline in prices. Theoretically it might be argued that between 1964-65 and 1969-70 there should be an increase in consumption by 10 per cent and as the absorption in 1964-65 was 91 million tonnes an output of 100 million tonnes can be easily marketed. But it has to be remembered that this is the maximum level of consumption that can be expected and the population should have the necessary purchasing power to absorb easily 9 million tonnes of foodgrains besides other commodities. Another possible reason may be found in the absence of a corresponding increase in marketable

surpluses because of a higher level of consumption of foodgrains by the growers themselves. But clearer trends may emerge in the next marketing season and if there was the prospect of a further rise in food production in 1970-71 there should be a big drop in prices by the middle or in the later months of the year. In any case 1970 promises to be an important year in many respects as there will be new records relating to food production and some cash crops and industries also may be expected to operate above rated capacity.

Attention to Cash Crops

Indeed, the question has been asked by some discerning observers whether the increase in the purchasing power of the agricultural sector by itself has led to a large demand for consumer goods and whether a failure to raise output of these goods to the desired extent will not be reflected in a sharp increase in prices for manufactured articles. Unfortunately the failure to raise the output of raw cotton and oilseeds has been responsible for a big rise in prices for raw cotton and edible oils. Some other cash crops like coffee have not also been grown in the required volume and there has been a big rise in prices for chillies, tamarind, coffee and even pulses. An increase in the purchasing power in the past three seasons by over Rs. 2,000 crores in the agricultural sector has led to a high level of consumption of oilseeds, gur, sugar and other items while there has been a pick up in demand for cotton fabrics and those made out of synthetic fibres, radios and transistors, bicycles, scooters and so on. The larger output of tractors, commercial vehicles and engineering goods have also led to an increase in consumption of steel which is now in acute shortage especially as exports are still being permitted in large quantities. Luckily cement is available in increasing volume while there is a glut in sugar and tea.

Situation Vastly Different

There is no danger, therefore, of an inflationary situation emerging of the dimensions witnessed in the early 'sixties when there was a galloping rise in prices. The situation is vastly different now as with the grip on the agricultural economy, food output can be raised regularly if only there were no serious monsoon failures. But it is becoming forcefully clear that the Government cannot afford to neglect the production of cash crops. The deficiency in raw cotton and oilseeds will have to be overcome in a short period as it is quite likely that there will be a larger demand for cotton fabrics in the current year while edible oil consumption can be expected to increase suddenly. It will be difficult to control prices without successful efforts to increase the yield of the crop. So far the output of raw cotton has been fluctuating only around 58 lakh bales and that of oilseeds around 8 million tonnes. There is clearly a need to step up the production of raw cotton to 65 lakh bales and that of oilseeds to over 9 million tonnes. If the deficiencies in cash crops could be overcome there can be an immediate saving in foreign exchange for over Rs. 150 crores which is now being spent on imports of these.

Increasing Steel Output

While the agricultural sector is being strengthened, the output of steel will also have to be raised substantially as an undesirable rise in prices for this basic raw material can have an inflationary effect in many directions. If there could be a continuous rise in the output of non-ferrous metals and labour trouble was not allowed to hold up production the growth in the gross national product can be on a much larger scale and the country will be enabled to implement a much bigger Fourth Plan.

—(FOC)

More Specialised Special Steels from Bhadravati

Mr. Veerendra Patil, Chief Minister of Mysore, urged the Centre to take an early decision on the fifth steel plant and stressed the claim of Mysore for this. He pointed out that all the four steel plants have been located in the North and underlined the need for the location of more steel plants in the South.

Mr. Patil was speaking at the inauguration of the Combined Bar and Rod Mill of the alloy steel complex of the Mysore Iron and Steel Ltd. at Bhadravati on January 1. The Rs. 10 crore mill is among the most important units of the factory's expansion programme. It will have an annual capacity of 36,000 tonnes.

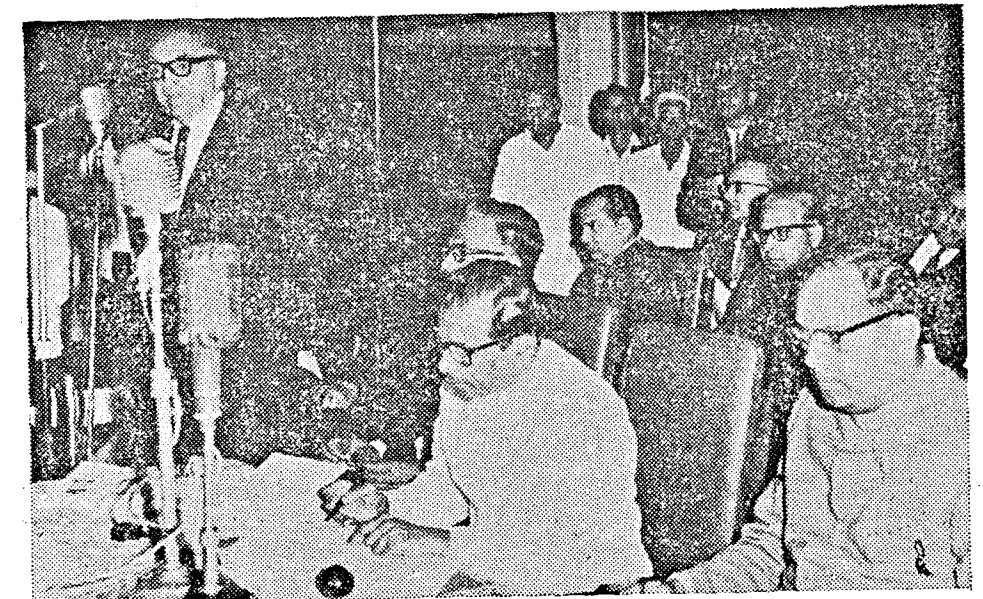
Bhadravati will ultimately have a capacity for 77,000 tonnes for special and alloy steels and would be the largest such project in this country. During last year MISL produced 15,020 tonnes of special steels, 45,000 tonnes of finished mild steel and 35,000 tonnes of steel billets.

Chief Minister Patil referred to the acute shortage of special steels in the country and stressed the need for more such plants.

The Mysore Industries Minister, Mr. M. Rajasekhara Murthy, who presided over the function said that the high quality of iron ore deposits at Hospet and Kudremukh would richly suit the steel plant. If the Central Government is particular about a port town for its location it could have it in Mangalore.

German credit has been utilised to meet the expansion requirements of MISL and major German firms like Demag, AEG have extended technical assistance for the Bhadravati complex. The West German Consul in Madras, Dr. Pfauter conveyed the greetings of his country for the success of the project.

Mr. H. G. V. Reddy, Managing Director, and Vice-Chairman of MISL, earlier welcomed the gathering.



At the commissioning of the Combined Bar & Rod Mill of MISL. Mr. K. Pfauter, Consul-General of the Federal Republic of Germany in Madras, is seen addressing. To his left are: Mr. H. G. V. Reddy, Managing Director MISL, Chief Minister Veerendra Patil and Industries Minister Rajasekhara Murthy.

Massive Pulp Plant of S. I. Viscose Inaugurated

The inauguration of the Rs. 12.4 crore rayon-grade pulp plant of South India Viscose Limited at Sirumugai, in Tamil Nadu, on December 21, 1969 should prove to be a major landmark in the industrial history of the region. After a period of stagnation there are signs of revival in economic activity. Apart from the encouragement provided by a higher demand for goods and services, the Tamil Nadu Government is anxious to foster the growth of many new industries. Mr. S. Madhavan, the State's Minister for Industries, is understandably chaffing the delays caused by the Central Government's procedu-

ral formalities and the lack of any ready disposition to understand the State's problems. Many projects are waiting for the Centre's clearance. But it can certainly be expected that the petro-chemical complex in the Manali area will come up in a big way while efforts are being made to develop another industrial complex around Tuticorin besides using more effectively the facilities offered by the Neyveli integrated project. Sardar Ujjal Singh, Governor of Tamil Nadu, who inaugurated the pulp plant, drew special attention to the progress made by industries in Tamil Nadu and the large contribution to State's income

by the industrial sector. Mr. G. K. Devarajulu, Managing Director of South India Viscose, welcoming the gathering emphasised the spectacular growth of the rayon and staple fibre industries and the opportunity available for a substantial saving in foreign exchange to the displacement of imports of pulp. South India Viscose's pulp plant is capable of doubling its capacity and if only, as Mr. R. Venkataswami Naidu, another Managing Director of the Company, observed, the Government could provide the necessary financial assistance without delay and scrupulously observed the contracts that had been already concluded, the pace of industrial progress cars be much faster than it has been so far. Indo-Italian collaboration with Coimbatore interests particularly has been very fruitful as the aluminium plant at Mettur is presently engaged in a big programme of doubling its capacity while the units of South India Viscose are proposed to be expanded over a period. There has been no difficulty in finding the required foreign exchange resources for implementing these projects as the Italian credit institutions have been very helpful. There has also not been much difficulty in mobilising rupee resources. Only at some stages, the discussions were unduly protracted and in the altered circumstances, Tamil Nadu can hope to forge ahead as the Government is keen on achieving quick results whether it be in the public or the private sector. What is needed is an integrated industrial development and a rising level of production through an effective use of the rich resources in skilled manpower, technical personnel and enlightened entrepreneurial ability.

The City Corner

Food Controls Lifted

Statutory rationing in Madras City and Coimbatore and all irksome food controls have been scrapped with immediate effect by the Tamil Nadu Government. Hailed as a "bold" step and welcomed practically by every section, the "scrap order" provides for the continuance of the cheap rice scheme (one rupee a measure scheme) but confined to those with incomes of Rs. 200 and less.

While there will be no inter-district movement restrictions, around Thanjavur district alone, there will be the obligation on the part of those transporting paddy/rice out of the district to surrender 50 per cent of the quantity for procurement. The wholesalers in foodgrains will be required to give 15 per cent of their purchases to the Government at procurement rates and will be free to sell the rest according to the law of supply and demand.

Mr. M. Karunanidhi, Chief Minister, who explained the Government's decision to newsmen expected the de-control and de-rationing to be a total success. He, however, warned the traders against unsocial acts like cornering and artificial price escalation. The Government had enough buffer stock to meet any emergency and it would come down heavily on anti-social traders. He said checkpoints on the State's borders would be tightened to prevent smuggling of foodgrains out of the State.

Science and Human Values

The President of India, Mr. V. V. Giri, told a science symposium the other day that scientists and technologists should be more concerned in a developing country with social pro-

blems and modernising the social system than discovering and inventing things for human comfort. By helping the growth of economic productivity and the acceleration of industrialisation, they were unwittingly parties to processes of disorganisation and dislocation and tension in society. So his fervent appeal would go to scientists and engineers not to overlook the basic values of human society and egalitarian considerations while implanting a new production system on the basis of science and technology. Nobel Laureate Prof. Hans A. Bethe of the Cornell University (U.S.A.), one of the many distinguished foreign scientists attending the eight-day symposium on "Landmarks in Modern Physics 1900-1970" inaugurated by Mr. Giri, joined the President in appealing to Indian scientists not to shut themselves up in an ivory tower but mingle with the common men and work for a system where there would be no exploitation of the weak by the strong.

The other points made by the President were: Scientific methods must be applied to agriculture and industry, application being more important than work in a basic science for a developing economy such as India's. A massive growth of agro-industries could come up with the scientists and engineers using their talents and ability towards the creation of a network of small scale industries.

Speaking on the occasion, Sardar Ujjal Singh, Tamil Nadu Governor, recalled the brilliant contribution of Ramanujan to mathematics raising India's stature in the mathematical world. He wanted traditional methods of teaching mathematics to be suitably modified to make the subject

interesting and purposeful even at the early stages of education. Mr. V. R. Nedunchezian, Tamil Nadu Education Minister and Chairman of the Board of MATSCIENCE, the organisers of the symposium, said on behalf of the institution that they wished to pursue research in pure mathematics but they were equally anxious to get into close touch with industry and contribute to the technical manpower so much needed today.

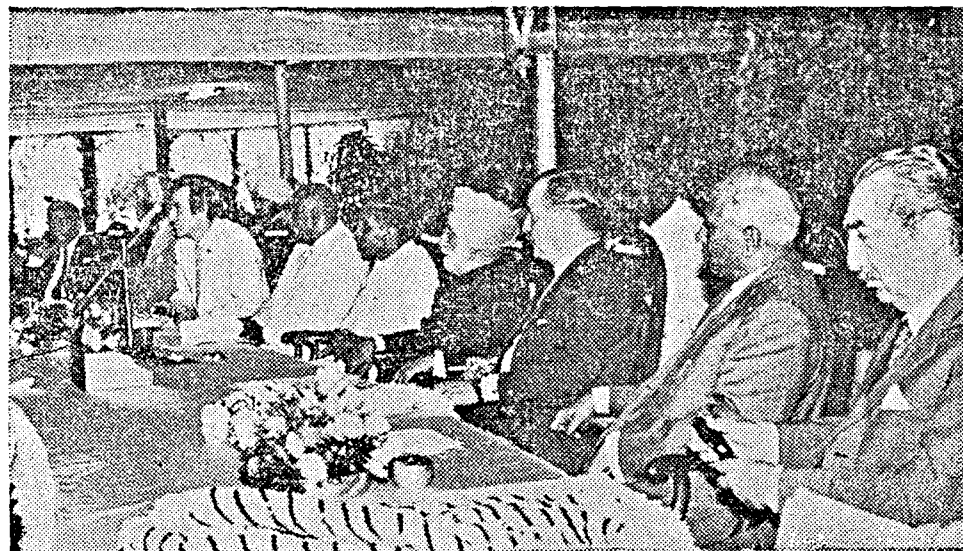
The Director of MATSCIENCE, Prof. Alladi Ramakrishnan, in his report said the eight years of the institution's life was the Gellmannic Era of modern Physics when the most gifted minds had been struggling to understand the proliferation of elementary particles and reach for the fundamental constituents of matter.

Exporting Engineering Products

A Government company known as Engineering Exports has been formed. It has started functioning from January 1, 1970 and will deal with export of engineering products. Different divisions of this raw company will deal with the different aspects of exports like finance for the manufacturer, procurement of raw materials and so on.

This company is the first of the series of subsidiaries proposed to be created for the State Trading Corporation which will be at the apex as a holding company. The next subsidiary to come into existence, Consumer Products Exports, will begin its operation in April. The third one, namely the Textiles and Jutes Exports, will also begin its work before the end of 1970. Another one to deal with the non-ferrous mineral group including fertilisers, is in an advanced stage of creation.

These announcements were made by the Chairman of the Corporation Mr. P. L. Tandon during his one-day visit to the city. Recalling the report prepared by him recommending the



A view of the impressive list of speakers at the function got up at Sirumugai to inaugurate the Pulp project. Picture shows Governor Ujjal Singh (4th from right). To his right are Minister Madhavan and G. K. Devarajulu and left are the Italian Ambassador Dr. M. De Stroebe and Mr. R. Venkataswamy Naidu

creation of these and other subsidiaries, the Chairman said the subsidiaries with their own directorates, were designed to be cohesive operation units with competence for dealing with the highly complex export job consisting of development of the home base, raw material supply, ensuring product quality, price negotiation with the foreign buyer, delivery satisfaction, follow-up work, etc.

He characterised the present as the period of consolidation and correction in export following the earlier period of rush when all kinds of producers—large and small, experienced and inexperienced, honest and dishonest—moved their good, bad and indifferent products to the overseas markets.

Mr. Tandon had every hope that in

the engineering field the coming years would see a good deal of exports. Particularly in the field of railway equipment, the S.T.C. was already carrying into the new year, orders worth Rs. 15 crores and was booking orders worth another Rs. 40 crores. S.T.C. was currently executing and booking orders. He was optimistic about the Russian wagon deal going through.

Building Materials Factory in South

The Union Minister for Housing Mr. K. K. Shah told newsmen on Jan. 8 that six factories to manufacture building materials, would be established at a cost of Rs. 2.5 crores. One of them would be located in the South. They would produce hollow bricks including the type "Saporex"

and other construction materials to facilitate the launching of a gigantic housing programme. For this programme a revolving fund of Rs. 200 crores was to be created shortly.

This money would be available to the State Governments for building three or four-roomed houses to be sold outright or on hire-purchase basis, for removal of slums by their replacement by multi-storeyed tenements, for development of urban land for sale to the public. Mr. Shah was confident that with proper execution of this scheme, there would be no housing shortage in the country in ten years. A conference of State Housing Ministers would discuss these schemes at Delhi on Jan. 23. He also announced the Government's decision to fix a ceiling on possession of urban land.

—V.M.

Potentialities for Industries in South Tamil Nadu

Tamil Nadu is among the top few States of the country which are industrially well developed. In a talk over AIR recently, Mr. S. Arjun Raja, Director of Southern Asbestos Cements Ltd. gave an outline of the tremendous industrial opportunities that exist in the Southern Districts of Tamil Nadu. As for the well-established industries like textiles and cement there is need for diversification of the output. For instance, in the textile industry, attention should be given to the production of special type of textiles, water-proof cloth, coated and anti-moth cloth, knitted-ware and ready-made garments. Mr. Arjun Raja also stressed the importance of government encouragement to the setting up power looms on a large scale so that yarn produced in large quantities in Tamil Nadu may be fully utilised internally instead of depending on markets in the North. Mr. Raja rightly suggested that since Tamil Nadu is a cement-surplus State, industries can be made to produce ce-

ment pipes, girders, pillars and other pre-stressed concrete wares. Prefabricated house construction has also a promising future.

The well-laid traditional match industry of Sivakasi is dependent on sulphur and potassium chlorate, both not available in the State. If potassium chlorate can be manufactured from sea water, it can do immense good to the match industry. If the scientists can find an easy way to get sulphur from gypsum it can save a lot of foreign exchange for the country.

Scope for Salt-based Industries

In the Southern Districts, there are possibilities of starting industries for the production of chlorine, bleaching powder, soda ash and caustic soda utilising the salt that can be obtained from sea water. Many other chemical units can be established effectively using sea weeds and water.

Scope for strengthening the coir industry and setting up fruit preser-

vation units is also promising. Many small ventures can also be thought of using paddy-straw, chaff rice and grain. Kanyakumari District with rich rubber wood, fruit and sea-food resources offers ample opportunities to start new industries. In Ramnad District more than 20,000 tonnes of gingelly and groundnut oil is produced. These can be processed in a modern way which will incidentally fetch a higher price for the goods. In Ramnad pumpsets are widely used. Besides, lorries and buses are also plying in large numbers. In view of this, there is need for having repair and maintenance shops in Karaikudi, Tirupattur, Paramakudi, Rajapalayam, Aruppukottai and Virudhunagar. Presently, repair work is largely done at Madurai.

Though, the potentialities for industrial growth are generally known to exist, Mr. Arjun Raja has done well to list them and give an indication of the many ways in which the economic base can be built on sound lines.

INDUSTRIAL ECONOMIST

Commodities

Divergent Trends in Commodity Prices

Contrary to earlier expectations, prices for most commodities have closed for the year 1969 on a quite firm note. The wholesale price index (with its new base of 1961-62 = 100) stood on December 13 last at 168.6 against 161.7 a year ago. This is a rise of over 4 per cent against a marginal decline in 1968 from the previous year. It must, however, be stated that while the improvement in the price situation at the end of 1968 was brought about by a sizable fall in food-grain prices from the earlier high levels, in 1969 cash crops have accounted for the higher price index as prices for food articles have on balance increased by only 4 per cent after the temporary spurts in July-August and have prevented a more pronounced rise in the price index for all commodities. The index for food articles was 191 on December 13, 1969 against 184.3 a year ago, while the index for industrial raw materials was higher at 171.3 against 160.8. Prices of manufactures naturally reflected the higher cost of raw materials and their index rose to 145.1 from 136.3.

The smaller rise in foodgrain prices has been due to the prospect of a bumper crop in 1969-70 after two satisfactory harvests in 1967-68 and 1968-69. Food production is now expected to comfortably exceed the 100-million-tonne mark from 94 million tonnes in the previous year. (The Union Minister of State for Food indicated recently that kharif output in 1969 was 6 million tonnes more than in 1968). Rice and wheat will contribute most to the increase. While prices for rice, wheat and coarse cereals may come down in the next four or five months with rabi arrivals gaining momentum, in the case of commercial crops, like oilseeds, jute and cotton a firmer trend has emerged since the past few months even in the face of steady arrivals. This is attributed to the fact that even though the output of oilseeds, cotton and jute is expected to be not less than the previous year's levels, the spurt in demand following the revival of economic activity and greater purchasing power of the people has increased the pressure on supplies. Only in the case of sugarcane, there is no problem of inadequate supplies though there is already a system of minimum prices working to the disadvantage of the mills.

Oil Prices Firm

Among commercial crops, the price increase is most pronounced in the case of

oilseeds due to a shortfall in production, particularly of groundnut, and smaller imports of soyabean oil which was accentuated by increasing demand from vanaspati interests and consumers. The 1968-69 oilseed crop was lower than the previous crop while imports of soyabean oil during 1969 were only 55,000 tonnes against 1,15,000 tonnes in 1968. With the result, there was larger pressure on indigenous supplies from vanaspati units leading to a firm trend in prices. Groundnut prices in Madras after opening at Rs. 125 per bag of 80 kg. touched a peak of Rs. 195 in August before closing around Rs. 150. Oil rates depicted even more violent fluctuations. After opening at Rs. 320 values soared to Rs. 490 per quintal to close around Rs. 400. In Bombay, kernel prices touched a peak of Rs. 257 per 100 kg. and oil Rs. 56 per 10 kg. to close at Rs. 202 and Rs. 41 respectively. It is now learnt that the 1969-70 groundnut crop will be only slightly better than the previous crop while imports of soyabean oil under PL 480 may total about one lakh tonnes. This may not be adequate to meet the surge in demand and prices are likely to go up in the coming months. The estimates for other oilseeds are also likely to be around previous levels and hence their prices also may show an upward trend in the current year till August when the size of the crop may be known.

Castor futures closed for the year at Rs. 116 per quintal against Rs. 109 for 1968 while linseed showed a net gain of Rs. 12 at Rs. 145.25. Coconut oil prices also turned firm towards the end of the year and spot oil closed at Rs. 650 against Rs. 455 per quintal at the end of 1968. Following the high prices for groundnut oil, vanaspati prices also have been successively enhanced and are being sold at the highest levels for years.

Shortfall in Cotton

The position in regard to cotton, another vital industrial raw material, is also not satisfactory. Latest estimates indicate that the 1969-70 crop may be only about 58 lakh bales, same as in 1968-69 while imports for the current year will be only marginally higher at 6 lakh bales. But with a gradual pick-up in demand for cloth and a spurt in yarn exports, it is likely that there may be a scramble for available quantities of quality cotton, especially as there may be delay in arranging imports under PL 480.

It is reported that already in the current season, prices have risen substantially by Rs. 90 to Rs. 350 per candy for various grades. Mills would also seem to be concerned over the proposal to canalise cotton imports from the next season through a Government agency. Consumption of indigenous cotton is likely to be around 61 lakh bales and of foreign cotton around 6 lakh bales in the current season and it may be necessary to run down stocks which were less than 15 lakh bales at the end of last August.

Anomaly in Jute

In the case of jute, however, an anomalous situation has developed. Though the earlier estimates of a bumper crop of 75 to 78 lakh bales (including mesta) for the current season have been scaled down, the crop is expected to be much higher than the 1968-69 crop of 53 lakh bales. Prices for raw jute even then, are ruling quite high for this part of the season around Rs. 52 per maund (Assam Bottoms basis) against the support level of Rs. 40. Values had soared to as high as Rs. 78 per maund earlier in 1969 before slumping to the support level but the sizable minimum purchase quotas imposed on the mills by the Jute Commissioner helped growers to dispose of the large supplies promptly and prevented a further fall in prices. However, the comfortable position in regard to fibre supplies has not been reflected in a substantial rise in output of goods of various constructions due to a long industry-wide strike and slow foreign enquiries and gunny prices have been ruling at record levels for some weeks now. Production for 1969 is estimated at 875,400 tonnes, lowest since 1950 and 209,500 tonnes less than in 1968. Barring carpet-backing whose production increased to 230,300 tonnes from 170,600 tonnes all other constructions showed a fall, hessian from 398,000 tonnes to 277,400 tonnes, sacking from 427,200 tonnes to 296,800 tonnes and other goods from 89,100 tonnes to 70,900 tonnes. Exports also followed the production trends. Despatches for export fell further to 546,400 tonnes from 643,400 tonnes in 1968. Sacking suffered the worst loss due to increasing Pakistani competition and its shipments totalled only 54,700 tonnes against 94,600 tonnes. Export despatches of hessian dropped to 248,400 tonnes from 338,000 tonnes and of other goods to 32,400 tonnes from 41,800 tonnes. Only carpet-backing improved its performance to 211,300 tonnes from 169,000 tonnes. Government has been adopting a helpful attitude towards the industry by slashing sizeably the export duties in the last budget and towards the year-end (on carpet-backing). But the basic problem of the industry relates to higher costs and lower exports demanded.

INDUSTRIAL ECONOMIST

Higher Steel Prices

The decision of the Central Government to allow an average increase of Rs. 77.50 per tonne in steel prices from the new year has been generally welcomed by steel producers both in the public and private sectors. Though Tata Iron and Steel had been asking for a rise of Rs. 116 per tonne and Hindustan Steel for Rs. 88.50 per tonne, the quantum of increase allowed has been considered as generous enough in the context of the Government's concern about a likely repercussion of a larger price rise on steel consuming industries, particularly export units. Also it may be recalled that only recently all the steel units put up their profit margins on sales through their stockyards which account for 10 per cent of the total output by the steel units. According to official estimates, Hindustan Steel may get an additional income of Rs. 25 crores while Tata Steel and Indian Iron will get Rs. 10 crores and Rs. 5 crores respectively. The latest increase works out to a 10 per cent price rise in respect of most items and in the case of small consumers who get their requirements from the stockyards, the increase may be substantial. The cost of construction activity is also likely to go up in a significant way unless the stockyards agree to bring down their margins to their original levels. As regards open market prices, however, the revision of prices will help to mop up the huge premia commanded by steel. It is claimed that despite the latest rise, Indian steel will be the cheapest in the world. According to official sources, the ex-works price for a representative produce-mix is about Rs. 655 per tonne against Rs. 835 in the U.K. Rs. 790 in Japan, Rs. 795 in West Germany, Rs. 785 in Austria and Rs. 1076 in the U.S.

The following are the price increases per tonne in various categories of steel, including the export cess: Saleable steel; Galvanised sheets Rs. 62; HR/CR sheets and coil (over 20 G) Rs. 207, 16 to 20 G Rs. 207 and 10 to 14 G Rs. 103; Tested plates Rs. 103; Skelp Rs. 103; wheels, tyres and axles Rs. 103; Rails Rs. 41; Structural-joists Rs. 88; others Rs. 47; Bars and rods Rs. 67; Billets, blooms, etc. Rs. 62; Sleepers Rs. 124. Saleable pig iron: Standard basis Rs. 40; Foundry grade IV Rs. 55; III Rs. 60; II Rs. 65 and I Rs. 75.

Shortage of Zinc

While vigorous efforts are being made to help the engineering units, particularly those with export commitments, through larger imports of scarce steel items and a more even distribution of indigenous output the shortage in non-ferrous metal has been

unrelieved and prices for most metals like copper, nickel zinc and aluminium are ruling at record levels. The country's requirements of non-ferrous metals are mostly met from imports except in the case of aluminium where a sizable export business is being established. With the pick-up in economic activity the demand for various metals has gone up suddenly and in the absence of regular and adequate imports, production schedules have been upset. The international supply situation is also not comfortable and prices in London are ruling at new high levels for many metals. While in the case of copper there has been some improvement in the position due to imports by the Minerals and Metals Trading Corporation, the shortage of zinc has become acute following restriction on imports (only last year the public sector unit in Rajasthan had a problem of disposing of large accumulated stocks in the wake of liberal imports). There is a widening gap between supply and demand as consumption in 1968-69 was 110,000 tonnes which was met, by indigenous production of 23,000 tonnes and imports of 87,000 tonnes. Demand for the current year is estimated around 120,000 tonnes while domestic output will be only 30,000 tonnes, (though rated capacity of the two units is 38,000 tonnes). Thus, there is need to import as much as 90,000 tonnes but imports in the first six months of 1969-70 have been only 14,000 tonnes. With the result, zinc prices in the open market have zoomed to around Rs. 6,000 per tonne against the landed cost of Rs. 3,000. There is need to expand the capacity of the two existing units in the next few years while new units should be set up based on imported concentrates. In the short-term, liberal imports must be arranged to meet the increasing demand for this strategic metal.

In the case of aluminium, the shortage has come about in another way. An anomalous situation has arisen in that while domestic availability this year at over 150,000 tonnes comfortably exceeds the consumption needs of about 135,000 tonnes, the large export commitments the producers entered into in 1968 when there was a glut, has led to the present shortage. World prices are also firming up making exports attractive while this had led to a steady rise in domestic prices to over Rs. 6,500 per tonne for ingot metal and Rs. 7,500 for wire rods. The execution of new rural electrification schemes and the boom in electrical goods have been strong factors on the demand front and till the Belgaum unit of Indian Aluminium adds another 30,000 tonnes by 1971, exports may have to be kept at a minimum to ease the pressure on prices. Other metals also have firmed up considerably in the past few

months. Prices per kg. of various non-ferrous metals as on January 5 were: Copper ingot Rs. 19, zinc Rs. 6, lead Rs. 5, tin Rs. 68 and nickel (Delhi) Rs. 100.

Sugar Output Trends

The sugar season for 1969-70 has begun well and the Indian Sugar Mills Association places the estimate for the whole year at over 42 lakh tonnes against the earlier estimate of 38 to 40 lakh tonnes and the actual output of 35.6 lakh tonnes in 1968-69. Production in the first two months of the current season was 2.83 lakh tonnes against 1.99 lakh tonnes in October-November, 1968. Output in November alone has been 2.40 lakhs tonnes against 1.55 lakh tonnes in the same month in 1968. The offtake for internal consumption in the first two months amounted to 4.97 lakh tonnes and for export 19,000 tonnes against 3.49 lakh tonnes and 5,000 tonnes respectively in 1968-69. Closing stocks at the end of November totalled 10.22 lakh tonnes against only 2.79 lakh tonnes a year ago. As some of the mills started crushing operations only in December, output of sugar will increase considerably till April and there may be accumulation of stocks to the extent of even 2.5 million tonnes in May unless the Government agrees to release larger quantities for internal offtake besides providing the necessary incentives to step up exports. Exports in 1968-69 amounted to only 95,000 tonnes, confined to the preferential markets while the quota of 2.5 lakh tonnes under the International Sugar Agreement was allowed to lapse. It is feared that if efforts are not made to export at least 3 lakh tonnes under the international agreement, it may be difficult to demand a larger quota at a later stage when the pressure of supplies increases and world prices improve. At current world prices the subsidy on Indian exports will have to be about Rs. 600 per tonne.

Internal releases in the current season have been kept at a high level and in fact it has been stated a significant portion of levy stocks is not being lifted by traders as no new consumption trend has emerged despite the low level of prices. There was a temporary spurt in prices in the open market by Rs. 10 per quintal due to the delayed announcement of the quota for December-January which will be 1.83 lakh tonnes of levy sugar and one lakh tonnes for free sale. There has been a fall in prices subsequently to around Rs. 180-190 per quintal according to quality. Earlier, the Finance Ministry had reduced the tariff value of open market sugar for purposes of levying excise duty to Rs. 140 from Rs. 145 per quintal.

Business Briefs:

Paper Industry's Uphill Task

The paper industry is slowly coming out of a long period of uneconomic working following decontrol of the commodity in 1968 and a gradual pick-up in demand. Most of the paper companies have reported a sizable improvement in their profitability of operations and investors in paper shares have reason to hope after a number of years for satisfactory returns. The industry has already revised its selling prices twice after decontrol but there has been no marked consumer resistance and it has been possible to market current production without difficulty. While this happy turn in the fortunes of a key industry is to be welcomed, there are growing fears of a critical shortage of paper in the next three or four years as creation of fresh capacity on a large and continuous basis is yet to be effected. The President of the Indian Paper Mills Association has ably highlighted the task before the industry and the Government's role in providing the proper atmosphere for new entrepreneurs. Mr. Uma Shankar Bajoria has stated that at an average growth rate of 7 per cent, domestic demand will increase to 9 lakh tonnes by 1973-74, while export demand may account for another 60,000 tonnes. To meet this the installed capacity will have to be raised to 13 lakh tonnes, allowing for a capacity of 1.6 lakh tonnes for the earlier years of the Fifth Plan.

The present capacity of the industry is only 7.30 lakh tonnes and the balancing programmes of the existing units may add 80,000 tonnes in the next two years. This leaves a gap of 4.80 lakh tonnes of capacity to be created in the next four years. If it is kept in mind that a new plant takes four to five years to start commercial production and the capital outlay on a new integrated plant with a capacity of 150 tonnes per day is estimated at Rs. 20 crores, it appears that a crash programme would have to be undertaken from now involving a sum of over Rs. 200 crores. Besides this, the newsprint programme for raising indigenous capacity by 3 lakh tonnes would need another Rs. 125 crores. As the industry will be unable to find even a small portion of the finance needed from internal sources, it would be necessary to resort to the statutory financial institutions in a big way besides enabling paper units to plough back larger sums from current earnings. At the same time, it will be necessary to allow the big units to undertake substantial expansion as the move to shut out entrepreneurs who can command large resources

from this field will hamper quick additions to capacity. In the short-term, the existing units can be allowed to install balancing equipment to increase capacity wherever possible. A huge expansion programme will also have to keep in mind the requirements of raw materials. The present position in this regard is not very happy. It may be necessary to locate new sources of supplies as in Madhya Pradesh and the Himalayan region. Central pulp projects will be necessary at convenient locations which can cater to a number of small paper units in the neighbourhood. There can be no further complacency about a situation which is fast changing from a position of glut to acute scarcity in particular directions and only an imaginative policy can ensure an adequate supply of paper and boards.

Straw Products

Straw Products has a scheme for expanding the capacity of the paper mills by about 9,500 tonnes per annum by installing two additional machines, one for producing MG tissue paper and the other for MF tissue paper and speciality paper. Major parts of the machinery for MG paper have been received at site. Construction will begin shortly and the machine will go into production by the end of 1970. The necessary import licence for the other machine has been received and various financial institutions have agreed to provide the required rupee and foreign currency loan for the project. There will also be issue of fresh issue of capital for Rs. 50 lakhs, in equity shares for Rs. 30 lakhs and in 9.2 per cent preference shares for Rs. 20 lakhs for which government consent has been obtained. Working results of the company in the current year have been encouraging. Production of paper in the first nine months of 1969 increased to 14,627 tonnes from 13,649 tonnes and of boards to 10,277 tonnes from 9,680 tonnes in the same period in 1968. More remunerative prices have helped to raise sales to Rs. 528.64 lakhs from Rs. 433.49 lakhs.

Andhra Pradesh Paper

Andhra Pradesh Paper Mills Limited is implementing a scheme for raising its capacity from 35,000 tonnes to 50,000 tonnes by installing some balancing equipment. This expanded capacity is expected to be in operation shortly and it is stated that with the production of new qualities of paper, many

varieties which are now imported can be displaced. The company came on the market with a public issue of equity capital for Rs. 75 lakhs in the third week of January. There is already a paid-up capital of Rs. 3 crores in equity shares and Rs. 1 crore in preference shares. As the company is now operating on a fairly profitable basis and the accumulated losses have been substantially reduced, shareholders can hope to receive a maiden dividend from the earnings of 1970-71.

West Coast Paper

West Coast Paper Mills Limited has also a balancing programme on hand for raising its capacity to 45,000 tonnes per annum while there is a proposal to double the capacity further to 90,000 tonnes. An application has already been made to the Central Government for allocation of foreign exchange for importing plant and machinery. The additional raw materials for meeting the needs of the expanded capacity can be easily obtained as the efforts for plantation of bamboo and eucalyptus in the leased areas have been successful and the Mysore Government has also assured the company to supply additional raw materials. The chairman of the company Mr. P. D. Bangur has stated that output and earnings in 1968-69 constituted a record and the company is continuing its efforts to increase production and efficiency. As the benefit of the second revision in selling prices will be available for the full year, there may be a jump in earnings for 1969-70.

A.C.C. Repeats

The profitability of working of the cement industry can be gauged by the results of Associated Cement Companies Limited which accounts for about 45 per cent of the total capacity. The company has reported a slight fall in earnings for the year ended July 31, 1969 though sales rose further to Rs. 64.65 crores from Rs. 57.45 crores in 1967-68. There was a fresh increase in working costs which could be only partly offset by the increase in retention prices. The net profit, before depreciation and taxation, thus dropped to Rs. 866.09 lakhs from Rs. 891.02 lakhs. Output of cement increased by 2.40 lakh tonnes to 49.54 lakh tonnes and sales by 2.57 lakh tonnes to 48.13 lakh tonnes. The provision for depreciation is Rs. 484.15 lakhs (Rs. 402.06 lakhs) and development rebate Rs. 311.81 lakhs (Rs. 187.22 lakhs). There is no charge in respect of taxation against Rs. 124 lakhs in the previous year. The allocation to expansion reserve is only Rs. 67.58 lakhs as the full provision of Rs. 133 lakhs could not be made due to inadequacy of profits. The balance of Rs. 2.55 lakhs (Rs. 2.51 lakhs) has been transferred to

amortisation reserve. The ordinary dividend has been maintained at 12 per cent, taxable, the new shares getting a proportionate dividend. The amount required for this purpose is Rs. 302.64 lakhs (Rs. 284.84 lakhs). The position in regard to tax holiday will become clear after the appeal of the Income tax Department against the tribunal's judgment in favour of the company is disposed of by the High Court.

Following the large expenditure on new schemes, the company's gross block has risen to Rs. 86.34 crores from Rs. 72.05 crores in 1967-68. There is also an unallocated capital expenditure of Rs. 10.22 crores against Rs. 16.47 crores. The heavy expenditure on new projects has been financed by fresh issue of equity and debenture capital besides loans from financial institutions but generation of internal resources has been upset by reduced profit margins. The full benefit of the expansion schemes will be felt from 1970-71 when the additional capacity becomes operative to the full. The capacity of ACC's various plants now exceeds 6 million tonnes and will cross the 7 million mark by the middle of 1970. The second unit of the new Wadi unit in Mysore was commissioned in May 1969 and a new kiln at Kymore in June. The slag granulation and drying plant at Jamshedpur is functioning now and arrangements are being made at Chaibara for handling and blending slag. Additional capacity has been created at Madukkarai in Tamil Nadu. Two units at the new Chanda Unit in Maharashtra will be ready in July 1970. Thus, there will be an additional capacity of 2.85 million tonnes in the first stage of the expansion programme.

ACC-Vickers-Babcock Limited has also done better with a reduction in the loss to Rs. 41.70 lakhs from Rs. 99.65 lakhs after depreciation and development rebate. The accumulated loss now is Rs. 3.47 crores. The current year's working has been more encouraging with an increase in turnover of the various departments while the order books will enable operations at a high level in the next two years.

Nonsuch Tea

A reduced tea crop and low selling prices was responsible for a decline in the net profit of Nonsuch Tea Estates Limited, before depreciation and taxation, to Rs. 16.23 lakhs for the year ended June 30, 1969 from Rs. 17.94 lakhs in 1968-69. The output of Nonsuch Estates dropped to 7.72 lakh kg. from 8.10 lakh kg. while that of Bonacerd was better at 3.92 lakh kg. against 3.78 lakh kg. Terrania Estates however reported a lower crop of 3.58 lakh kg. against 3.67 lakh kg. in 1967-68. The average selling price dropped to Rs. 5.91 from Rs. 5.95 per kg. while cost of production rose to Rs. 4.89 from Rs. 4.84 per kg. After setting aside

Rs. 3.33 lakhs (Rs. 2.73) lakhs) for depreciation and Rs. 5.50 lakhs (Rs. 7 lakhs) for taxation, the transfer to development rebate reserve is Rs. 18,237 (Rs. 28,722) and development allowance reserve Rs. 3,379 (Rs. 4,626). Debenture redemption reserve gets Rs. 2.50 lakhs (nil). The ordinary dividend has been maintained at 17½ per cent, taxable, with the announcement of a final distribution of 12½ per cent, taxable.

Carborundum Universal

The Chairman of Carborundum Universal Limited, Sir A. Ramaswami Mudaliar, has told the shareholders that in view of the increasing demand for bonded abrasives, the directors have decided to expedite the expansion programme. The company is already working to full capacity in this division and it is felt that any increase in output can be easily marketed. All the imported machinery and equipment have been received at site and the installation work which is now in progress will be completed by the end of this year. Expansion of capacity for grinding wheels, for which there is likely to be greater demand from the engineering industry, is also under consideration.

The working results for 1968-69 were very satisfactory despite the prolonged strike at the Tiruvottiyur unit, following an upward revision of prices for grains and bonded and coated products during the year and larger output of bonded abrasives. Sales of coated products however, had to meet keen competition. The offtake of grain from the Cochin plant was also considerably higher though there was a sharp decline in sales of super refractory products for sometime during the year. The calcining plant at Port Okha was restarted in November 1968 and worked till the end of May 1969. It was again started in October 1969. Exports of various products showed a substantial rise but fell short of Government's requirements to qualify the company for licence for imports from preferred sources. Hence, imports had to be made on a costlier basis.

Sales during the year ended August 31, 1969 were higher at Rs. 3.88 crores against Rs. 3.17 crores in 1967-68. The net profit, before depreciation and taxation, jumped to Rs. 92.31 lakhs from Rs. 42.94 lakhs. The claim in respect of depreciation is Rs. 20.23 lakhs (Rs. 20.35 lakhs) and development rebate Rs. 9 lakhs (Rs. 1.84 lakhs). The Exchequer is the largest beneficiary claiming as much as Rs. 33 lakhs (Rs. 13.80 lakhs). After taking credit for Rs. 5.78 lakhs (nil) from tax credit certificates and Rs. 1.62 lakhs (Rs. 5.41 lakhs) being excess provision for taxation in earlier years, general reserve is credited with Rs. 37.50 lakhs (Rs. 14.40 lakhs). The equity dividend has been raised to 14 per cent, taxable, from 12 per cent,

taxable. At the end of the year, against a paid-up equity capital of Rs. 1.06 crores, reserves and surplus amounted to Rs. 1.59 crores, General reserve alone stood at Rs. 1.19 crores while the amount to the credit of share premium account was Rs. 5 lakhs. There is a proposal to make a nine-for-ten bonus issue subject to government sanction.

Fit Tight's Bonus

Fit Tight Nuts and Bolts Limited has reported a substantial increase in sales and earnings for the year ended September 30, 1969. The directors have taken an optimistic view of the outlook for the coming years and have decided to capitalise Rs. 24 lakhs out of general reserve No. 1 and issue bonus shares in the proportion of one-for-three. The equity dividend has, however, been skipped while a distribution of 17 per cent, was made in 1967-68. The bonus shares will rank for dividend from the current year. It has been indicated that though there may be a further improvement in sales and earnings the maintenance of dividend at the previous level would depend on the coming Budget proposals.

Sales in 1968-69 recorded a sharp rise to Rs. 252.39 lakhs from Rs. 162.72 lakhs while the net profit, before depreciation and taxation, was proportionately higher at Rs. 59.69 lakhs against Rs. 40.99 lakhs. The sum set aside for depreciation is Rs. 20.28 lakhs (Rs. 20.41 lakhs) and development rebate Rs. 15.65 lakhs (Rs. 3.98 lakhs). Taxation claims Rs. 6.10 lakhs (Rs. 4.75 lakhs). The transfer to general reserve No. 1 is Rs. 16.45 lakhs (Rs. 11.57 lakhs) and general reserve No. 2 Rs. 1.14 lakhs (nil). All the machines have been installed at the Porbandar plant and production has started. There will be a sizable contribution from this unit to the current year's sales and earnings. The second phase of the project is now under consideration and may be taken up at the appropriate time.

Air-India Earns Less

Air-India has continued its record of steady growth over the years though profitability of operations has been affected by a steeper rise in operating expenses. In spite of difficult conditions in world air transport there was an improved load factor in 1968-69. Passengers carried increased by 16 per cent over the previous year at 3.31 lakhs. Aircraft utilisation improved further and averaged 10.4 hours a day per aircraft, which is among the highest in the world. Operating revenue rose by 8.2 per cent to Rs. 59.50 crores from Rs. 55.01 crores while operating expenses were up by 10.3 per cent at Rs. 54.68 crores against Rs. 49.58 crores. With the result, the operating profit declined from the record level of Rs. 5.43 cro-

res to Rs. 4.82 crores. The net surplus, before taxation, was lower at Rs. 2.94 crores against Rs. 3.49 crores in 1967-68. The equity distribution has been maintained at 6 per cent. The performance in the first nine months of the current year has been satisfactory though the profit squeeze has continued in the wake of a further decline in average revenue yields, of rising costs and of heavy capital investments for the new Jumbo jets. One more Boeing 707 was added to the fleet during the year, taking the total to 10. There will be no further additions to the fleet in 1969-70 and 1970-71 until the arrival of the first two Boeing 747's in the first quarter of 1971.

The Chairman of the Corporation, Mr. J. R. D. Tata, told newsmen in Bombay that the Government would be asked to subscribe Rs. 5 crores more to the equity capital to meet part of the cost of the Jumbo fleet. Of the foreign loans of \$ 70 millions (Rs. 52.50 crores) raised for buying the existing Boeing fleet, \$ 53 million has already been repaid from its earnings. Fresh loans for \$ 90 million have been arranged for buying the three Jumbo jets. Another loan for \$ 30 million is likely to be arranged for the fourth Jumbo in the near future. Mr. Tata observed that international traffic doubles every five years and expressed the hope that Air-India's turnover will cross Rs. 100 crores in the next five years. The corporation is entering the hotel industry. It is promoting a subsidiary which will initially establish and run two hotels in Bombay, one at Juhu Beach and the other at Santa Cruz airport at a cost of Rs. 4 to 5 crores.

Cochin Refineries

Cochin Refineries Limited has maintained the equity dividend at 21 per cent for the year ended August 31, 1969. Sales of products were slightly lower at Rs. 39.5 crores against Rs. 41.53 crores in 1967-68 in spite of a higher throughput of 59,205 barrels per stream day against 56,146 barrels owing to a downward trend in selling prices based on import parity and a fall in freight rates for product tankers. This price reduction accounted for a drop in the net profit, before depreciation, to Rs. 421.96 lakhs from Rs. 513.15 lakhs in 1967-68. The provision for depreciation is Rs. 174.36 lakhs (Rs. 177.03 lakhs) and development rebate Rs. 1.55 crores (Rs. 2.40 crores). After transferring Rs. 37.40 lakhs (nil) from general reserve and Rs. 17 lakhs (Rs. 80.71 lakhs) from development rebate reserve equity dividend claims Rs. 1.47 crores (same). In the previous year, general reserve got Rs. 29.84 lakhs. Exports of products during the year amounted to Rs. 2.79 crores.

The directors have stated that the efficiency of operations would have been better

but for the frequent power failures and fluctuations in supply. Representations have been made to the Kerala Government on the need for maintaining stable power supply. There may be some benefit from the cut in crude prices by 4 cents a barrel from August '69 while negotiations are under way for buying crude from the Rostam off-shore field in Persian Gulf in which both the ONGC and Phillips Petroleum have equal shares along with other partners. The proposal for enhancing the capacity from 50,000 barrels per stream day to 70,000 barrels is being vigorously pursued and tenders for construction may be issued shortly. The total loan liability has been reduced during the year to Rs. 14.86 crores from Rs. 16.90 crores at the end of 1967-68.

Indian Hume Pipe

The Chairman of Indian Hume Pipe Company Limited, Mr. Lalchand Hirachand, has taken an optimistic view of the outlook for the current year though availability of raw materials may pose problems in the remaining months. Some of the projects which were in erection stage will be going into production in the next few months. The value of output in the first five months of the current year amounted to Rs. 2.24 crores against Rs. 1.98 crores in the same period last year. Sales in the same period totalled Rs. 1.74 crores against Rs. 1.87 crores but the company has orders on hand worth Rs. 8.77 crores. Mr. Hirachand has stated that though there has been a distinct improvement in working results recently, the company is not in a position to issue bonus shares at present.

BASF India

BASF India Limited has got over its teething troubles at the new styropor plant at Belapur which has been working satisfactorily and it is expected that sales and earnings will be better in the current year. The old styropor unit at Thana was closed down last September and the manufacturing activities were shifted to Belapur. The Basyntan plant has been in full production and has frequently worked to the rated capacity of 3,000 tonnes a year. The chairman of the company Mr. Ramnivas R. Ruia has told the annual meeting recently that there are proposals for diversifying production by taking up the manufacture of leather auxiliaries at the Basyntan plant with a marginal investment.

Tribeni Tissues

Tribeni Tissues Limited has been prompt in deciding on the allotment of its new equity shares issued in the last week of

November. The company came on the market with a public issue of Rs. 1.02 crores at a premium of Rs. 4 per share. The response to the issue from the Indian investors, who were given an opportunity to participate in the capital of the company for the first time, was overwhelming and the directors had a difficult task in satisfying as many applicants as possible. It has been decided in consultation with the Calcutta Stock Exchange that out of over 50,000 applicants, 26,851 will be receiving allotments. Lots will be drawn in the case of applications upto 350 shares and the successful applicants will be getting 25 shares each. One in every three applicants upto 200 shares and one in every two applying for 250 to 350 shares will be chosen; while there will be firm allotments on a defined basis to applicants for larger number of shares. Those who had asked for 400 to 1,000 shares will get 50 shares each 1,000 to 2,000 shares will get 75 shares and 2,050 to 3,000 shares 100 shares and so on. Applicants for one lakh to 1.5 lakh shares will receive 600 shares each.

Inchek Tyres

Inchek Tyres Limited is proceeding with its expansion plan to double the capacity to 6 lakh sets of tyres and tubes per annum and arrangements have been completed for raising additional funds, besides guarantee for deferred payment for imported machinery. Capital goods licences have been obtained for Rs. 2.80 crores for importing plant and machinery while orders have been placed for some machinery with indigenous producers. The chairman of the company Sir A. Ramaswami Mudaliar observed at the recent annual meeting that as six out of the seven existing companies have been allowed to raise their capacity by 14.4 lakh sets and a new unit has been licensed with a capacity of 4 lakh sets, the total capacity will increase in the next few years to 55.78 lakh tyres and tubes from the present 37.38 lakhs. Actual production will be going upto 47 lakhs next year from 40.5 lakhs in the current year while demand will lag behind at 42 lakhs against 38 lakhs. The surplus will come in handy to meet the export obligation of 10 per cent of the output by the companies expanding their capacity but it is felt that in the face of severe competition export incentives should be made more attractive. The Chairman has also pointed out the emerging shortage of rayon and nylon tyre cord fabric due to lack of adequate conversion capacity.

Kirloskar Asea

Kirloskar, Asea Limited has decided to raise the ordinary dividend to 6 per cent

gross for the year ended September 30, 1969 from 5 per cent gross following improved working results. There was an increase in sales to Rs. 53.24 lakhs from Rs. 42.33 lakhs in 1967-68 while the net profit, before depreciation and taxation, improved to Rs. 9.24 lakhs from Rs. 7.39 lakhs. The sum set aside for depreciation is Rs. 2.50 lakhs (Rs. 2.65 lakhs) and development rebate Rs. 16,735 (Rs. 18,076). Taxation claims Rs. 1.43 lakhs (Rs. 80,000) while general reserve gets Rs. 2.75 lakhs (Rs. 2.25 lakhs). There will be no deduction of tax at source from the dividend as it is to be paid out of tax-exempt profits.

Premier Auto

The Chairman of Premier Automobiles, Mr. Lalchand Hirachand, has told the shareholders that the company will be able to make a reasonable profit when its turnover exceeds Rs. 40 crores a year. There is an unsatisfied demand for Fiat cars and against an annual output of about 12,000 cars, there is a backlog of 35,000 on the waiting list. Of the total production, 40 per cent is earmarked for supply to Government and other parties. The demand for commercial vehicles is slowly picking up and it is possible to raise output substantially as there is a large idle capacity. (Premier Auto has a capacity of 15,000 cars and an equal number of trucks per annum). But it is stated that there is a problem of inadequate supply of diesel engines from the company's suppliers and efforts are being made to get engines from other sources. (There is at present a shortage of diesel engines owing to the sharp increase in demand from auto and tractor units and it is learnt that supplies by the existing producers are being made to customers who are able to effect payments within a stipulated period). The company's proposal for expansion of its car capacity is pending with the Government which is now making a survey of car requirements in the country. The proposal related to the manufacture of big (Plymouth cars) at the rate of 2000 a year without any foreign machinery. All the car producers are incurring losses and they are eagerly awaiting the decision of the Supreme Court on the writ petitions against the Government order fixing car prices.

Indian Rayon

Indian Rayon Corporation Limited has a scheme for achieving its licensed capacity over a period and the first stage for increasing production from the present 6.2 tonnes a day to 8 tonnes a day has already been taken on hand and will be completed by June 1970. The second stage to implement the balance licensed capacity will be taken

up immediately thereafter. The working results for 1968-69 were much better than in 1967-68 and would be still more encouraging in the current year but for the interim recommendation of the Tariff Commission. The agreement between spinners and weavers and exporters has led to reduced prices on 55 per cent of yarn output and this has particularly affected small units like Indian Rayon with a high cost structure, adversely. As the disparity in cost of production is very large within the rayon industry, it has been represented that the Tariff Commission should take into account the plight of small spinning units in deciding fair prices. The smaller units also need relief in excise duties besides facilities to expand their capacity to economic levels. In spite of the price control, it is stated that working results in the current year so far have been satisfactory as the attempts to produce and market coloured yarns have been successful to a significant extent and there is a larger margin on these yarns.

Hind Lever

The Vice-Chairman of Hindustan Lever Limited, Mr. R. W. Archer, has told an extraordinary general meeting of the company convened to approve the bonus issue proposal that it is not possible to forecast at this stage the working results of the company for 1969 due to the prevailing uncertainties. The working in the four months July-October "was not seriously out of line" compared with the same period in 1968. Sales for the whole year are expected to exceed Rs. 100 crores. Mr. Archer said the Board would try to maintain the equity dividend even on the increased capital (after the one-for-four bonus issue). The bonus shares will rank for the final dividend.

Rallis India

Rallis India Limited has undertaken a programme of expansion and diversification which is to be completed in the next three years at a cost of Rs. 139 lakhs. It is hoped that after the new schemes are completed the profits of the company will be consistent with the growth in its activities. It is proposed to set up a pharmaceutical plant at Madras costing Rs. 25 lakhs. The output of fans at the Bombay unit is to be doubled to 2 lakh units by 1973-74 with the installation of additional plant and equipment. The cost of this project is estimated at Rs. 26 lakhs of which a sum of Rs. 9 lakhs has already been incurred. The company has plans to enlarge its distribution activities in the fertiliser field. It has been invited by the Mysore Government to invest Rs. 40 lakhs in equity shares of Malabar Chemicals

and Fertilizers Company Limited. Rallis India will also have the distribution rights for 50 per cent of the products of Malabar Chemicals which will come to 1.50 lakh tonnes. There is also a scheme to set up a fertilizer granulation plant near Kanpur with a daily capacity of 7½ tonnes. This project will cost Rs. 28 lakhs. To meet part of the cost of these schemes and also to repay a medium term loan of Rs. 20 lakhs to its bankers, the company may be coming on the market in March with a debenture issue for Rs. one crore. The debentures will carry an interest of 7.75 per cent and will be redeemed in 12 to 15 years.

CAFI's Bonus Issue

The directors of chemicals and Fibres of India Limited have proposed a bonus issue in the ratio of two for five by capitalising Rs. 1.40 crores out of reserves. There was a similar bonus issue in 1968 also. The Chairman of the company, Mr. A. W. Hamer at the recent annual meeting that the company may be issuing fresh equity capital to the Indian shareholders on a rights basis after Government approval is obtained for raising the installed capacity to 6,100 tonnes per annum. The Government has stipulated a condition for the issue of licence that the equity participation of the foreign collaborating company I.C.I. Limited, be reduced from 60 per cent to 55 per cent. This will have to be done by issue of fresh capital to Indian investors. It has, however, indicated that the rights issue would be made at a premium. The expanded capacity is expected to be commissioned by early 1971 and the foreign exchange component of the additional plant and machinery will be only 15 per cent against the 40 per cent in the existing plant. There is also a proposal to manufacture polyester film which is under Government consideration.

The company considers that in the meantime output of fibres can be diversified by taking up the production of new fibres suited to the Indian climate. Production of 'terene' increased in 1968-69 to 5,476 tonnes from 4,410 tonnes in 1967-68 and sales in the current year so far have been maintained at the corresponding level in 1968-69. The company's dependence on imported raw materials is being gradually reduced. While ethylene glycol is now available from indigenous sources, DMT will be obtained after the aromatic complex at Koyali goes on stream. Mr. Hamer has assured the shareholders that the proposed merger with Alkaly and Chemical Corporation is in their best interest. The delay in Government's approval of the scheme was due to the negotiations on the manner, extent and timing of

the foreign equity dilution. It is likely that the original terms of merger may be reviewed in the context of the bonus issue proposal to ensure that the interests of CAFI shareholders are fully safeguarded.

Aruna Sugars' Good Showing

Aruna Sugars Limited is perhaps one among the few companies in the Southern Region which has been able to acquit itself creditably during a period of rising costs and falling prices for sugar. The satisfactory results for the year ended September 30, 1969 were achieved because of an increase in the quantity of cane crushed to 2.69 lakh tonnes from one lakh tonnes in 1967-68, and a higher output of 22,887 tonnes of sugar against 10,137 tonnes previously. The output would have been much higher but for the fact that there was a drop in recovery of sugar to 8.41 per cent from 10.12 per cent. It is indeed significant that the earnings of Aruna Sugars are better than those of other units which have closed accounts for the year ended June 30, 1969. The net profit, before depreciation and taxation, was lower at Rs. 46.93 lakhs against the record sum of Rs. 64.60 lakhs for 1967-68. In spite of adequacy of profit, and no need to provide a large sum for arrears of preference dividends as on the last occasion, the directors have decided to conserve available resources for financing expansion schemes and hence recommended a lower dividend of 12 per cent, taxable, with the payment of a final dividend of 6 per cent. A similar interim dividend has already been paid. Another consideration for the conservative dividend policy is the fact that the new equity shares that were recently issued for financing the expansion scheme will also be eligible for dividend out of the current year's earnings. The distribution for 1967-68 was 15 per cent, taxable. The amount set aside for depreciation is Rs. 19.25 lakhs (Rs. 40.56 lakhs) and taxation Rs. 5 lakhs (nil). The transfer to general reserve is Rs. 5 lakhs (Rs. 4 lakhs) and dividend equalisation reserve Rs. 6 lakhs (nil) and development rebate reserve Rs. 1.50 lakhs (nil) while a sum of Rs. 4.31 lakhs was written off miscellaneous expenses formerly.

Progress of Expansion

The scheme for raising crushing capacity to 2,000 tonnes from 1,250 tonnes daily is being implemented and the newly installed plant and machinery are likely to be commissioned early in 1970-71 season. Orders for equipment have been placed with different suppliers. It is estimated that the project will cost Rs. one crore. A sum of Rs. 20 lakhs has already been raised through the

issue of equity shares for Rs. 15 lakhs and preference shares for Rs. 5 lakhs, while a medium-term loan for Rs. 40 lakhs is being obtained from banks. The balance of Rs. 40 lakhs will be available from internal sources. In spite of the depressed open market prices it is expected that the working in 1969-70 will be satisfactory as the quantity of cane crushed is expected to be higher at 3 lakh tonnes and it is likely that the recovery will be more satisfactory in the current year with less unfavourable weather conditions.

Rs. 4.4 Crore Issue for ITC

The Imperial Tobacco Company of India Limited will be issuing 37,90,000 ordinary shares of Rs. 10 each at a price of Rs. 13 per share on January 27. The price is payable in full on application. 5,00,000 shares are being issued as rights to existing shareholders resident in India in the ratio of one share for every two held and the remaining 32,90,000 shares are being offered for public subscription.

Announcing this at a Press Conference in Madras on January 12, Mr. R. J. Pritchard, Director of the Company said that with this issue the participation of the Indian public will rise to over 25 per cent of the equity. (It is presently around 6 per cent). It is gathered that by 1975 Indian participation will increase to around 40 per cent.

Imperial Tobacco of India Limited, incorporated in 1910 has pioneered the growth of the cigarette industry in India. It is

gathered that it has a 47 per cent market share for cigarettes. It has five cigarette and pipe tobacco manufacturing factories in Bihar, Mysore, Uttar Pradesh, West Bengal and Maharashtra, and two printing factories in Bihar and Tamil Nadu.

The new issue is expected to enable the Company to embark on an extensive plant and machinery modernisation programme at an estimated cost of Rs. 4 crores besides providing for additional working capital.

There has been more than a doubling in the turnover of the Company in the last five years. It increased from Rs. 59.36 crores to Rs. 125.86 crores. The profit before taxation increased to Rs. 7.04 crores from Rs. 4.31 crores, in this period. It is expected that the turnover for the current year ending March 31, 1970 could be in excess of Rs. 140 crores and that the profit before taxation would amount to approximately Rs. 7 crores.

The Company paid a total dividends of 13 per cent during last year. During the current year a 6½ per cent interim has been paid. It is expected that the Directors would recommend the payment of a final dividend at not less than 6½ per cent on the share capital, as increased by the present issue. It is confidently expected that during the next year, 1970-71, dividends at least equivalent to 13 per cent on the capital as increased by the present issue can be maintained, after setting aside adequate reserves. The total reserves of the Company stood at Rs. 16.92 crores as at the end of September 1969.

Out of the Inkwell

By 'Randor Guy'

Slap-struck Stuff !

A member of the State legislature recently complained that he was slapped by a class IV officer—more popularly known as a 'peon'—inside the Assembly premises. While it causes serious concern to us over the zooming indiscipline, the incident is not without its comic, slapstick undertones, except of course to the person slapped. In these hectic days of legislators' snatching the Speaker's mace, law-makers throwing shoes at each other with glee, and even indulging in partial strip-tease inside the Assembly halls, we are not surprised that a peon slapped a legislator. Reading about indiscipline and lack of decorum in high places, the poor Indian voter feels that the person who should be slapped hard is himself!

Monroe Doctrine !

A policeman found a youngster about to jump into a river and ran fast to save him.

"Young man, what do you mean by your cowardly act?" he asked him.

"Friend, I hate this life and want to finish it off."

"Boy, think of the bright sun, the green grass, colourful flowers, the following sea, the lovely women. The world is a lovely place. Think of the beautiful women and Marilyn Monroe," the cop drew a grand picture of the joys of life.

"Who's Marilyn Monroe?"

The cop stared for a moment and pushed the young man into the river.

Stock Market

Year Opens on Hopeful Note

The stock markets which had closed for the year 1969 on a pessimistic note-opened after the long holidays on January 2 on a hopeful note and there was a smart rally in the principal markets in subsequent sessions. The nervous feeling in evidence early, appeared to have given place to cautious optimism though there was an inclination to watch further developments in the next two or three months which will have great significance for investors.

The immediate cause for the change in sentiment has been the realistic attitude of the Central Government in taking decision on some vital economic issues which has given rise to the hope that though the ruling party at its recent Bombay session had called for implementation of some of the radical measures contained in the 10-point programme like nationalisation of general insurance, takeover of foreign trade and internal trade in agricultural commodities, there would be no undue haste in adopting measures that would have a crippling effect on industrial production and exports. The decision to allow a sizable rise in selling prices for steel and the clearance of the Goa fertilizer project of the Birlas, which had been before the Government for two years, were interpreted to mean that the administration was alive to the need for taking quick and helpful decisions in important cases. The willingness on the part of Government to review its earlier decision to de-control cement from this year has also created confidence.

However, there are still uncertainties in both the political and economic spheres which will continue to influence the thinking of marketmen. While the radical group

in the ruling Congress would be keen to bring pressure on the Government to give effect to various policy resolutions as early as possible and the Government may have to show its earnestness in maintaining its image of a party wedded to socialism, the fluid political situation would not be conducive for taking a definite view of future economic policies. It remains to be seen how the Prime Minister would formulate her budget proposals in the context of the changing political alignments and to what extent the Budget will incorporate the party directives. The economy has come out of the recession to a large extent and is now poised for accelerated growth. With due attention and interest paid to the strengthening of the agricultural sector and with increasing demand for many industrial goods, economic activity can be stimulated along defined lines if only Plan outlay in the public sector can be intelligently conceived and the private sector was given a fair measure of stability in regard to industrial and taxation policies. Already, critical shortages are emerging as in the case of steel, non-ferrous metals, cement and chemicals and there is need for increasing capacity in many other sectors where keen demand is likely to result in serious imbalances. These are but natural symptoms of growth of an economy which is on the threshold of an enormous breakthrough. Investors cannot fail to reckon this innate strength and growth potential and will be only too willing to lend their support to new ventures which promise quick returns. An encouraging aspect of the recent downturn in share markets has been the absence of any panic and investors have generally not been anxi-

ous to lighten their holdings. And with paucity of floating stocks, any buying is likely to be reflected in a disproportionate rise in prices just as even stray selling resulted in an exaggerated fall in the closing weeks of last year.

There is also a growing feeling that the Central Government which is seriously considering the issue of forward trading in shares may decide to revive it soon on a regulated basis in response to the various representations made by the market fraternity.

Steel shares have naturally led the rally movement and Tata Steel has recovered sharply from the recent low level of Rs. 103 to Rs. 107.50 while Indian Iron registered a less pronounced rise from Rs. 15.70 to Rs. 16.08 due to deterioration in the labour situation in its plant. TELCO recovered to Rs. 225 on settlement of the prolonged labour strike in a number of factories including TELCO in Jamshedpur. Century and National Rayon were also better at Rs. 725 and Rs. 435 respectively. Cash scrips were more lively with many new shares recording impressive gains. Synthetics and Chemicals, Camphor and Allied, United Carbon and Glaxo were some of the favourites. In Lyons Range, following continued professional support and better Bombay advices, prices improved on a broad front. Shortage of scrip was keenly felt and restricted expansion of turnover. The engineering shares were more active on hopes that the Government's steps to overcome the acute steel shortage by way of imports and better functioning of the steel units would enable them to operate on a reasonably profitable basis. Jute shares were only moderately active as the industry is yet to increase its production in a significant way. In Madras, select rubber and tea shares were in good demand while sugars were neglected. Textiles had stray support. Among other industries, India Cements, Madras Aluminium and S.I. Viscose improved on better support.

PRICE MOVEMENTS

The following are the closing quotations on Dec. 25, 1969 and Jan. 5, 1970

Madras			Bombay			Calcutta		
	Dec. 25	Jan. 5		Dec. 25	Jan. 5		Dec. 25	Jan. 5
Deccan Sugar	7.65	7.65	Tata Steel	103.00	107.50	Indian Iron	15.50	16.00
Mettur Chem.	9.50	9.50	Indian Iron	15.80	16.04	Hind. Motors	15.10	15.58
India Cements	4.80	4.90	TELCO	218.00	225.00	Birla Jute	35.10	36.15
Alind	6.00	5.95	Hind. Motors	15.12	15.32	Indian Alum.	28.90	30.15
Madura Mills	27.75	28.00	Century	702.00	725.00	Indian Coffee	3.84	3.97
S. I. Viscose	125.00	126.00	National Rayon	427.00	435.00	Kesoram Ind.	14.60	15.25
Tr. Rayons	19.75	19.75	Tata Chem.	30.00	30.25	Orient Paper	28.90	30.75
Ashok Leyland	6.43	6.45	Indian Dyestuff	292.00	305.00	Dunlop India	28.70	30.00
E.I.D. Parry	23.25	23.25	Great Eastern	19.76	24.24	Alkali	23.75	24.00
Madras Alum.	127.00	127.00	Synthetics	123.00	132.00	CAFI	41.50	41.37
Mettur Beardsell	159.00	160.00	United Carbon	267.50	295.00	Indian Explosives 'A'	23.75	21.31
Madras Rubber	21.45	21.45	NOCIL	168.00	178.00	Imperial Tobacco	15.00	14.37

Statistical Supplement....

RESERVE BANK OF INDIA

	3-1-70	26-12-69	19-12-69	2-1-69
BANKING DEPT.				
<i>Deposits</i>				
Central Government	54.76	230.04	199.51	54.34
State Governments	14.73	5.12	6.06	9.98
Scheduled Commercial Banks	150.90	176.03	173.00	169.16
Other Liabilities	71.32	66.19	65.34	83.17
Treasury Bills	220.33	147.00	154.64	77.04
Balances Held Abroad	73.49	205.97	201.56	175.88
Investments	206.90	112.51	105.83	92.96
Loans & Advances to				
(i) State Govts.	20.74	170.20	157.65	137.85
(ii) Sch. Com. Banks	57.00	91.90	99.64	92.72
Other Assets	40.08	37.90	35.85	38.16
ISSUE DEPT.				
Notes Held in the Banking Dept.	34.52	35.38	18.82	32.87
Notes in Circulation	3,262.23	3,600.76	3,616.22	3,632.36
Gold Coin & Bullion held in India	115.89	182.53	182.53	182.53
Foreign Securities	206.42	221.42	221.42	251.42
Rupee Coins	81.34	69.93	68.85	69.02
Rupee Securities	2,893.10	3,162.26	3,162.25	3,162.26

SCHEDULED COMMERCIAL BANKS

	26-12-69	19-12-69	27-12-68
Aggregate Deposits	4,841.55	4,845.16	4,220.95
Cash	302.94	301.02	269.66
Borrowings	75.19	64.15	45.04
Investments	1,217.33	1,254.21	1,117.15
Advances	3,585.28	3,532.92	3,068.99

INDEX NUMBERS OF WHOLESALE PRICES—(New Series)

	13-12-69	6-12-69	14-12-68
All Commodities	168.6	168.4	161.7
Food Articles	191.0	191.2	184.3
Liquor & Tobacco	185.4	184.9	210.4
Fuel, Power, Light & Lubricants	155.6	155.6	148.8
Industrial Raw Materials	171.3	170.2	160.8
Chemicals	190.1	190.1	172.5
Machine & Transport Equipment	137.9	137.8	132.6
Manufacturers	145.1	144.7	136.3

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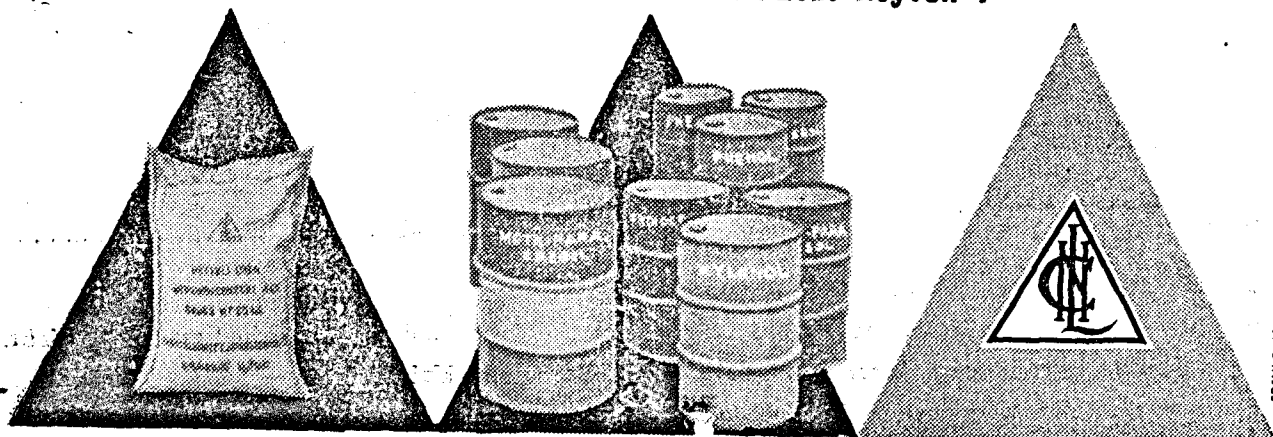
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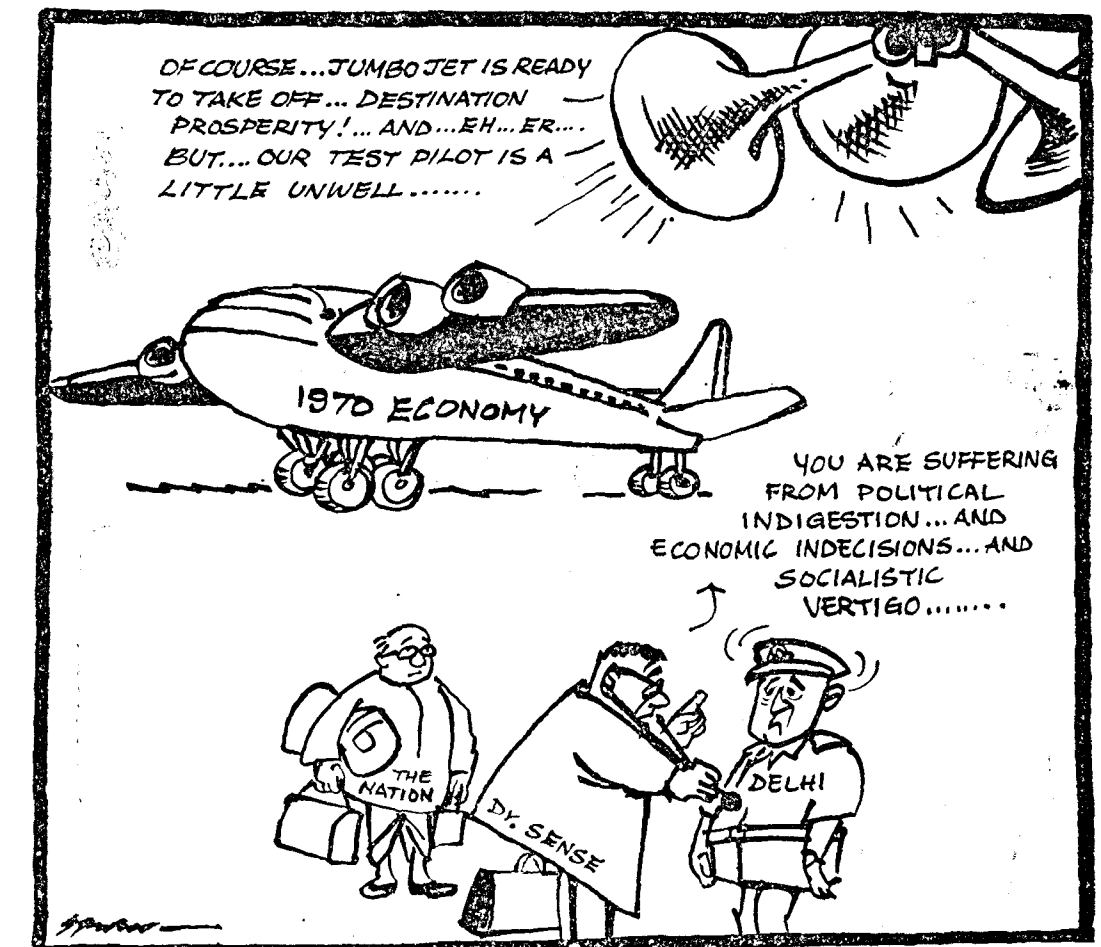
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A MODERN TEMPLE
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MAHABALIPURAM . . . 18

At last, a Decision on Chandigarh!

After the vacillation which was proving to be too costly, the Central Government has announced its decision on Chandigarh. The city as a whole would go to Punjab; the areas which were added on to the Union Territory of Chandigarh, from the Punjabi and Hindi regions, before the bifurcation would respectively be transferred to Punjab and Haryana. A quid pro quo gesture in the form of transferring the Hindi-speaking part of the Fazilka Tehsil of the Ferozepur District of Punjab is to be transferred to Haryana along with a corridor ensuring access to this tehsil. It is also proposed to appoint a commission for further adjustment of the boundaries of the States. To help Haryana construct a new capital a sum of Rs. 20 crores would be given to it—Rs. 10 crores as grant and another Rs. 10 crores as loan. For a period not exceeding 5 years, the Haryana Government will continue to use office and residential accommodation in Chandigarh.

It is expected that this decision will not be very unpalatable to the two States though in all such cases there could not be a sense of full satisfaction to both. The two States are among the most progressive and dynamic in India with enviable records in their industrial and agricultural progress. We hope, this decision on Chandigarh would release much of their energies from agitations and political activity to more useful economic activities.



REASON FOR OUTSTANDING SUCCESS OF indef PRODUCTS—MAN RESPONSIBLE

'Indian industry needs wider range of better quality-controlled material handling equipment,' says top company executive

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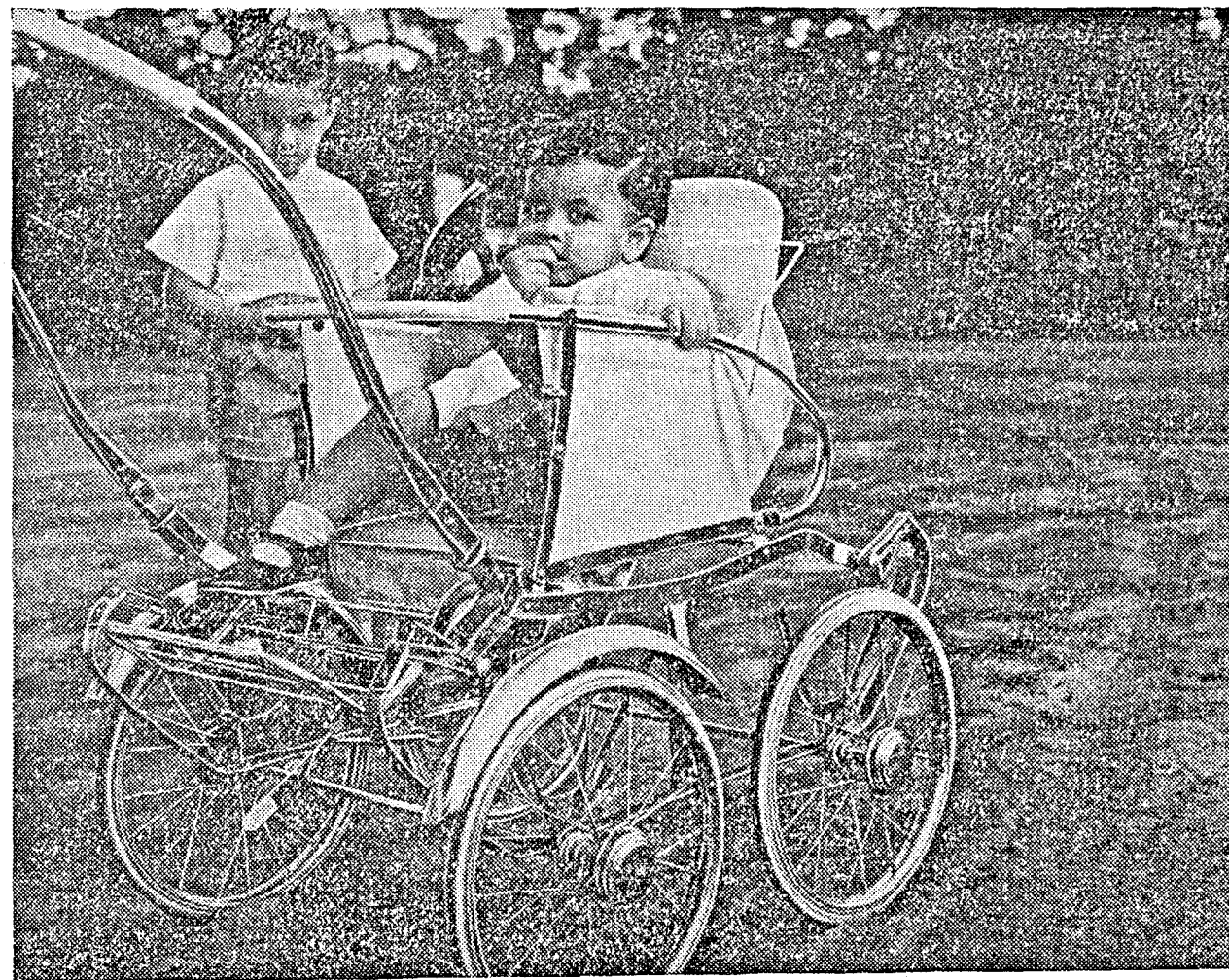
India their compact design, signed in 1963 the collaboration terms with Hadeb producer Heinrich de Fries of Germany. 'A fruitful association,' declares Nevatia proudly, which today produces from unique roller-chained 1/2 tonne Liftboy electric hoists and unusual ratchet hoists to mighty 20 tonne chain pulley blocks.

Batliboi: An Industrial Newsletter

which now include manually or electrically operated monorail trolleys. The same foresight prompted him to arrange for his marketing through Batliboi & Co. Pvt. Ltd. Since many of the indef chain pulley blocks and hoists supplied had found more beneficial use with complementary structures, selection of an appropriately economic jib, wall or overhead crane with circular or straight girders was a problem. However with an over 78 years record of prompt service to all kinds of machinery needs, Nevatia reasoned the men at Batliboi are adequately equipped to help solve such issues. And of course with 21 offices, representatives and associates all over India, he is sure they will always be at hand to do so.

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Fresh Taxes Unnecessary to Implement Bigger Fourth Plan

After long cogitation and hesitation, the Planning Commission has decided to enlarge the scope of the public sector in the Fourth Plan, but at the same time has taken care to prevent a big increase in the total outlay. This exercise may satisfy the purists as it might be argued that the aggregate outlay is only Rs. 457 crores higher over the draft Fourth Plan outlay of Rs. 24,398 crores. However, what is really important for the planners and the tax paying public is the decision of the Commission to increase the share of the public sector to Rs. 15,871 crores from Rs. 14,398 crores. This has necessarily resulted in a reduction in the notional allocation for the private sector by Rs. 1,014 crores to Rs. 8,986 crores. In the original estimate the share of the private sector was fixed at Rs. 10,000 crores. It has, however, been assured that there will be no reduction in investment in the private industrial corporate sector and the adjustments have been mathematically effected only in agriculture and miscellaneous heads in the private sector.

No details have been given about how the allocations for the various sectors of the economy have been determined and how the resources are proposed to be raised. But it has been broadly indicated that the size of the State Plans will increase by Rs. 517 crores and of the Central schemes by Rs. 493 crores. The Union Territories will get Rs. 27 crores additionally and Centrally-sponsored schemes Rs. 54 crores. The buffer stock operations will require Rs. 390 crores. These groups broadly account for the additional allocation which would suggest that the actual investment outlay will increase by only Rs. 1,100 crores, the financing of buffer stock operations resulting only in an expansion of credit and perhaps an increase in purchasing power of the agricultural income groups. No clear picture is available about how exactly the State and Central schemes are proposed to be expanded. But it has been suggested that the capacity for steel production will be significantly raised as the expansion of the Bokaro plant to 4 million tonnes from 1.7 million tonnes will be taken up

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simultaneously with the first stage while the capacity of Bhilai Steel plant will also be raised to 4.2 million tonnes. It will thus have the distinction of being the largest unit in the country for the time being though Bokaro can raise its output to 5.5 million tonnes if a decision in this regard was taken ultimately. Rural electrification has been allocated an extra amount of Rs. 105 crores and agricultural refinance Rs. 60 crores.

Greater attention will also be paid to the development of mining facilities for increasing the output of aluminium, copper, zinc and other non-ferrous metals. It is not known whether there will be an increase in the target for power. Presumably the Union Ministry's demand has not been conceded. A difficult situation in power, as is now experienced in respect of supplies of steel will, however, arise in the not distant future, particularly in 1972-73, with the implementation of a crash programme for rural electrification and energisation of pumpsets and a revival in economic activity. The difficulties may be overcome to a certain extent with the inter-linking of State grids and an intensive use of existing capacity. Even so, it may become necessary to create new capacity in North-west India and even in some parts of the Southern region. The planners will, therefore have to maintain a continuous watch on the economic situation and make suitable adjustments so that the bottlenecks in particular directions do not impede the efforts to achieve a higher rate of economic growth.

The States must be happy over the prospect of being in a position to spend additionally Rs. 517 crores though they may still feel that their full demands have not been conceded. But there is bound to be disappointment over the absence of any increase in Central assistance which will be unchanged at Rs. 3,500 crores for the Plan period. The Union Finance Ministry may probably agree to a rescheduling of debt repayments on a limited basis. It is, however, difficult to understand how a discriminating approach to this problem can be adopted. It may be pointed out that only those who are in extreme difficulty due to

imprudence or other factors may be benefited by a selective rescheduling of debt repayments.

The National Development Council at its meeting in March may raise new issues and there may probably be a demand for a liberal rescheduling of debt repayments and even bigger plan allocations for the States. But it is easy to raise the outlay on paper. How exactly efforts can be successfully made to increase the tempo of expenditure remains to be seen. With the first year of the Plan nearly over the Central and State Governments will have to spend on an average more than Rs. 3,250 crores annually in the next four years which will call for energetic execution of many projects. There will also have to be mobilisation of resources in adequate volume.

On the resources budget side, the Planning Commission is yet to decide how the additional funds would be mobilised from various sources. It is, however, expected that the larger Plan will be raised through borrowing to a significant extent, bank credit and the use of PL 480 funds. While the extent of additional borrowing from the open market has not been disclosed, credit seems to have been taken for about Rs. 500 crores as being available additionally through investment in new loans by the nationalised banks. These can amount to Rs. 750 crores as in the draft Fourth Plan the estimates had been placed only on the expectation of fresh support for about Rs. 150 crores from the banking system annually. With the prospect of a doubling of bank deposits in a 5-year period fresh investments can easily be Rs. 1,500 crores which would clearly indicate that support for new loans can be Rs. 750 crores in excess of the earlier estimates, as stated above.

With the availability of counterpart funds for implementing the rural electrification programme and refinance facilities for other agricultural schemes, the Central Government need not think in terms of levying additional taxes for more than the amount earlier assumed for implementing a large sized Fourth Plan. If in the light of experience gained in 1970-71 and with a continuance of the 'Green Revolution' for the fourth season in succession new situations arise, the Central Government can hope to gather much larger revenues through indirect and direct taxes, the former particularly even with the existing rates. If in the name of radical socialism no attempt was made to discourage initiative and enterprise and the private sector was allowed reasonable freedom, it may even by eventually found that the aggregate outlay will be well over Rs. 25,500 crores and there may 'not be any net decline in the share of the private sector. As the economy is in a position to march forward vigorously and new constructive forces are at work, it should be the objective of the Government and the Planners to adopt pragmatic policies and step up the tempo of expenditure with an increase in the capacity of the economy to absorb a larger volume of goods and services.

Will Lower Crude Prices Benefit the Consumer?

The ultimatum to the foreign oil companies by Dr. Triguna Sen, Union Minister for Petroleum & Chemicals to reduce the price of imported crude oil to \$1.28 per barrel before February 16, has produced an effect which many were not quite sure could be achieved. Dr. Sen's handling of the problems relating to his Ministry has been highly skilful and thoughtful and it must be said to his credit that major decisions relating to the development of the oil refining and fertiliser industry are being taken expeditiously and pragmatically. But the latest battle with the foreign-owned oil firms has been won with such swift success that one wonders whether the firms held out so long and did not accept the earlier suggestions for a substantial reduction in the crude price for fear of loss of face.

The gradual fall in crude prices started in the middle of last year when a monthly cut of 7½ per cent in the foreign exchange allocation for crude imports was effected. In the middle of January it was announced by the Government that if the oil companies did not agree to its demand for lower prices for crude, a bigger cut of 20 per cent in the foreign exchange allocations would be imposed and that the Government would act unilaterally if the oil companies persisted in their ways after February 16.

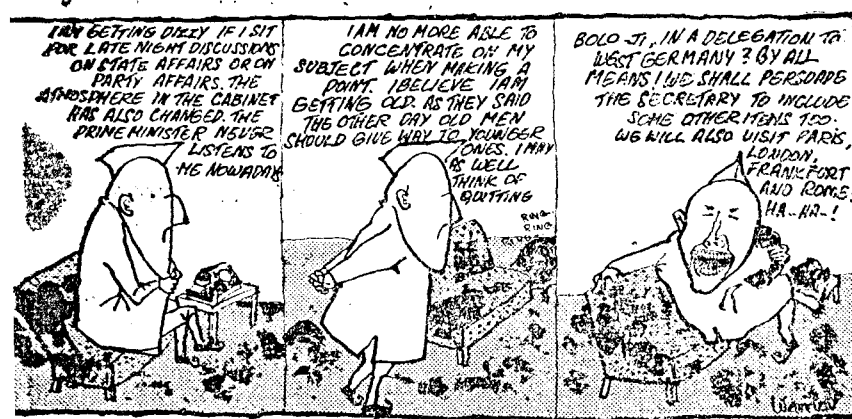
Burmah-Shell's representative in India has conveyed to the Government the acceptance of its suggestion to lower the price, a cut of 6 cents from the previous lowered price. The representative of ESSO also has signified to the Government the acceptance of their American principals of the claim for a reduction of the crude price and Esso will now be importing its requirements at \$1.29 per barrel. The difference is due to the fact that the Arabian blended crude used by ESSO will be lighter in weight and the effective landed cost will even be marginally lower. This arrangement will also facilitate the operations of Lube India which will be inaugurated shortly. This Lube Plant which has been directed by ESSO in collaboration with the Government will receive its feedstocks from the ESSO Refinery as it was explained by the U.S. collaborators that it would be possible for ESSO to meet its commitments to Lube India only if Arabian crude of particular grade can be imported. Only Caltex has not fallen in line so far but it is expected that it will also act similarly.

With the big concession in prices that has now been secured it is estimated that there will be a saving of over Rs. 5 crores annually. It is hoped that the three refineries will be allowed to use their capacity fully and maximise the output of petroleum products. It was recently indicated by the Manager of Burmah-Shell Refineries that a throughput of even 5.25 million tonnes could be processed by it. It is too early to expect that the Government will agree to

increase the capacity of the three refineries in the private sector. Such a decision may be taken only if new petrochemical ventures are started on a mutually advantageous basis and it was satisfied that sizable profits made on oil refining were utilised for other purposes.

While the happy end to an ugly controversy is to be welcomed, the feeling has become more intensified that oil politics is getting more and more mysterious and one has got to be wary all the time. With the experience now being gained by the Government and Indian experts it can be expected that foreign collaborations will be really helpful without any element of exploitation in it and that there will be a large flow of foreign investment into the country in the coming years since the major oil companies have agreed to tow the line of the Government. It is only reasonable to presume that the crude requirements of the Madras and Cochin Refineries will be imported on a competitive basis and that the Madras Refineries particularly will process Darius crude at \$1.25 per barrel because of the high sulphur content in it. The foreign suppliers agreed to a discount of 3 cents per barrel over \$1.38 per barrel when the long term agreement was signed in 1965. This arrangement will be helpful in expediting the expansion programme of the Madras Refineries, now that the bottlenecks in regard to the import of crude through Madras Port is being eliminated. The Cochin Refinery is already expanding its capacity by nearly 50 per cent.

Apart from the immediate saving that will be available as a result of cheaper imports, the gain accruing over a period will be substantial. The consumption of petroleum products is expanding at a phenomenal rate—it is estimated that by 1975 there will have to be an output of 32 million tonnes against 18 million tonnes at the present moment. As it is not expected that indigenous crude production will not increase to more than 10 million tonnes by 1975, there will be an increase in the deficit to 22 million tonnes from 12 million tonnes. There will thus be a near doubling of the saving in foreign exchange expenditure even assuming that there will be no further price reduction in the intervening period. It can, therefore, be expected that major decisions regarding the expansion of the capacity of the cost-based refineries will be taken up in the current year though the consumers may legitimately ask whether the exchequer will be prepared to pass on to them fully the benefit of lower crude prices and therefore of cheaper petroleum products. The practice hitherto had been to absorb the gains thus secured through levy of additional excise duties. It is only to be hoped that the Government will effect marginal adjustments in selling prices of particular products which are consumed in large volume by the transport services and industrial units.



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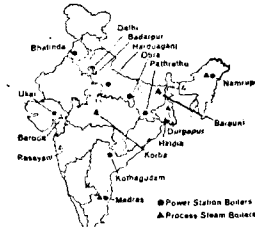
After the 70's... 80's... 90's... the irreversible march of the decades. More new plants will come up—inevitably.

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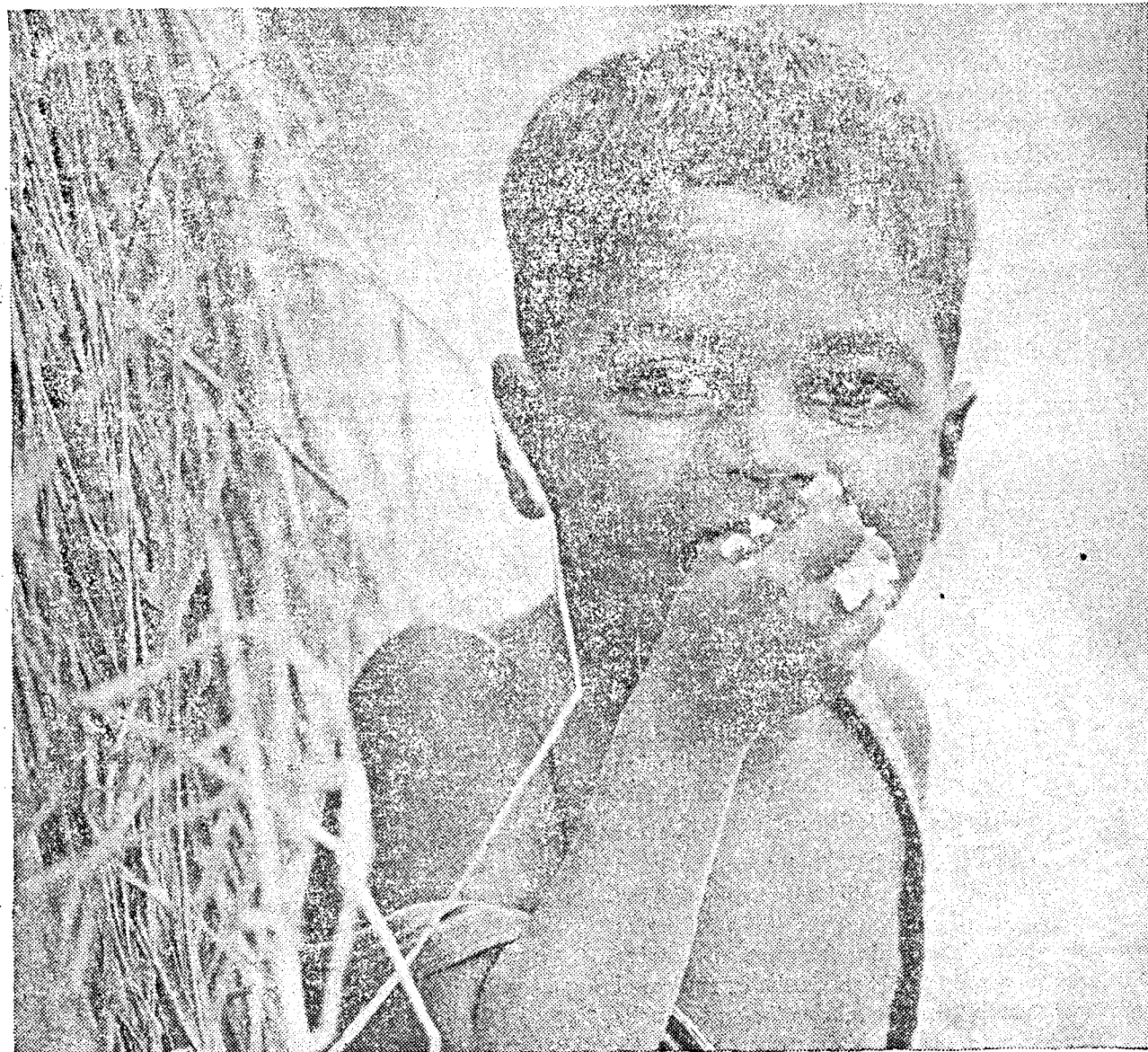
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INDUSTRIAL ECONOMIST

Is Foreign Aid an Instrument of Development?

Foreign aid can accelerate development in poor countries but as an instrument of development it is of limited value because it does not affect the basic factors which retard the material progress of the people. The above is the contention of Professor P. T. Bawer who delivered recently the Sir William Meyer Endowment lectures in Economics at the University of Madras.

Professor Bawer pointed out that 15 years after the inception of western aid and the five year plans, India in 1966-67 experienced the most acute food and foreign exchange crises. India had depended on large scale gifts of foreign aid and food for so long that this external dependence has been taken for granted. In Algeria, Burma, Ceylon, Indonesia and U.A.R. general living standards had shown no significant rise despite prolonged foreign aid. According to Mr. Bawer, though foreign aid might improve current economic conditions temporarily in recipient countries, it might not serve generally to promote their development. Said Mr. Bawer: "If a country or rather its people cannot develop without foreign aid, it is unlikely to develop with it"—A telling remark indeed.

Industrial Activity Picking up in Tamil Nadu

Production of foodgrains in Tamil Nadu during 1969-70 is expected to reach a level of 63 lakh tonnes as against 53.5 lakh tonnes in 1968-69.

During 1969-70 as against 3,000 villages originally programmed to be electrified, nearly 6,000 villages will be given connections. The total number of pumpsets electrified up to the end of 1969 is nearly 4.6 lakhs.

Industrial activity during 1969-70 has registered an upward trend. Thanks to substantial concessions in sales tax and power tariff offered to

Glimpse

the textile mills, the number of working mills has gone up from 163 to 175.

A letter of intent has been issued to establish a fertiliser plant at Tuticorin. A new company called the Southern Petro-Chemicals Industrial Corporation has been registered and arrangements are under way to obtain the necessary foreign exchange and rupee resource for this project. A Rs. 6 crore project to manufacture plastics, resins and chemicals at Tuticorin has completed its financing arrangements and installation is commencing shortly. Imperial Chemical Industries is setting up a pharmaceutical project at Ennore. Negpal Petro-Chemical Refining Limited is also coming up to produce transformer oils and petroleum specialities, utilising the products of Madras Refineries. Plans are under way for the establishment of a Rs. 200 crore petro-chemical complex around MRL.

These are among the important points contained in the Governor's address to the Tamil Nadu Legislature. The ten-day pre-budget session of the State Legislature which began with the Governor's Address concluded on Jan. 28. Discussion on

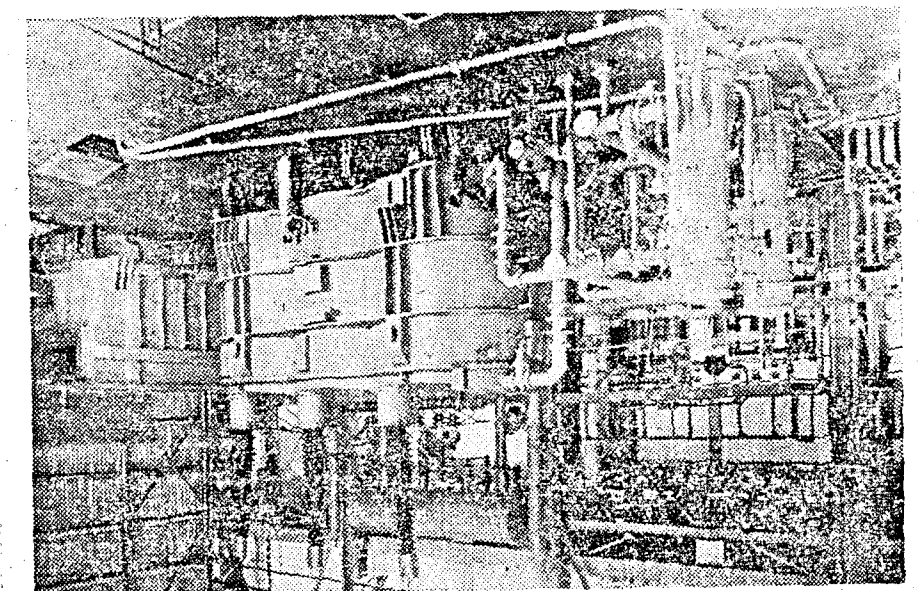
the Address, the adoption of a couple of minor bills and approval of supplementary expenditure were the items transacted during the brief session.

Another First from HEIL

The Heavy Electricals Factory at Bhopal has completed the manufacture of a 2,50,000 KVA, 230 KV class generator transformer—the largest ever built in India. The transformer is to be supplied to Rajasthan Atomic Power Project at Kota. This transformer is large enough to meet the present power requirements of a city like Delhi. Weighing 219 tonnes when fully assembled, the transformer will be transported to Kota after draining out the oil in 180 tonne special rail wagon. The Bhopal factory has already designed and manufactured over 450 transformers with ratings from 1000 KVA to 1,25,000 KVA which are in service throughout the country. The factory has facilities to design, manufacture and test Giant power transformers.

Tobacco for Export

The Government of India has taken up a Centrally sponsored scheme for the development of Virginia flue-cured tobacco in the chief tobacco



Another first from Heavy Electricals! A view of the 2,50,000 KVA, 21/230 KV Generator Transformer, designed, manufactured and tested at HEIL factory at Bhopal. The equipment is for the Rajasthan Atomic Power Project, Kota

growing States of Andhra Pradesh, Mysore, Gujarat and Tamil Nadu. The scheme has also been extended to the States of Maharashtra, Bihar and Orissa where exploratory trials for finding out the possibilities of developing the cultivation of this variety on a commercial scale are being explored. The Government of India has sanctioned an amount of Rs. 24.62 lakhs to these States for the implementation of the scheme during the current year. In spite of unfavourable weather conditions, particularly in Andhra Pradesh, the Scheme has made good progress. Against a target of 19,350 acres for this year, an area of more than 22,000 acres has been brought under cultivation. In all the States, except in Gujarat, the achievement has exceeded the target. There has been a slight shortfall in Gujarat mainly due to insufficient rainfall during the season.

Ten Fold Rise in Power Generation

Since Independence, India had spent about Rs. 3,000 crores on irrigation and the works on hand will involve a further expenditure of Rs. 1,500 crores. Water supply has been extended from 50 million acres in 1947 to nearly 95 million acres by March 1969, doubling the foodgrains production from 50 million tonnes to about 100 million tonnes this year (1969-70). Installed capacity of power generation has also risen from about 1.4 million kW only in 1947 to 15 million kW this year. In the past electricity was used mainly in the cities and for industry. Now it is fast spreading to the countryside, thanks to the rural bias in our power development programme. Seventy thousand villages have been electrified out of a total of 570,000 and more than a million wells have been fitted with power-driven pumpsets. By the end of 1969 electricity would have been extended to 30,000 more villages thus reaching the target of providing electricity to 100,000 villages.

—DR. K. L. RAO, Union Minister for Irrigation and Power

No, Professor Bawer...

Professor P. T. Bawer of the London School of Economics, in the course of his series of lectures delivered under the auspices of Sir William Meyer Endowment Lectures in the University of Madras and in a subsequent talk at Srinivasa Sastri Hall was critical of central planning and the role of foreign aid in the economic progress of developing countries. Central planning, which also includes in it the desire for bigger projects in the public sector was not conducive to rapid development, said Prof. Bawer.

The experience of India, however, as pointed out by the writer in the form of a question at the Professor's second lecture, is different. Foreign aid did contribute to a significant extent towards improving and quickening the economic progress of this country. In regard to central planning and the contribution of the public sector, our experience is more widely different from the ends depicted by the esteemed Professor.

Sweeping Generalisations

There has been too sweeping a generalisation in regard to the performance of public sector projects thanks to tirade maintained by Rajaji. Some of the spectacular achievements of this sector are totally missed. The heavy electrical sector for example—despite the huge losses depicted in the balance sheets of Heavy Electricals India, Bhopal and the Bharat Heavy Electricals Ltd.—has made phenomenal progress. In terms of developing new capabilities and a reservoir of technical skills, the contribution of these units is spectacular. Till about 1967 we were dependent on import of equipment for our power plants; but the position has completely changed since, and to-day, these units are in a position to meet in full the requirements of power generating equipment not merely of hydel and thermal stations, but of atomic power plants as well.

A huge 235 MW turboset is being designed and developed for the atomic power project at Kalpakkam by Heavy Electricals (India) Ltd., Bhopal. The High Pressure Boiler Plant at Tiruchi—a project in the public sector—has actually proved to be profit earning. Incidentally this unit is among one of our rare projects—rare even among private sector undertakings—in being agreeable to add a penalty clause in respect of delivery schedules. The Ramachandrapuram plant of BHEL is also expanding at a fast rate its capacity and output.

Not Interested in Long Gestation Projects...

Mr. S. Swayambu, Chairman of Heavy Electricals, once said that the electrical sector units in the private sector were not willing to invest huge amounts on projects with long gestation and hence the need for the public sector to enter this field. It is true. A number of world renowned electrical firms who have been in India for decades did not take to production of huge transformers, turbines or other generating and distribution equipment. These and others were understandably seized of the need to concentrate on those projects which assured them quick, reasonable profits.

No, Professor Bawer. You should not generalise what is good or bad for any set of developing or poor economies. Your diagnosis of the malaise of poor countries—I would rather use "developing countries"—might, however, be narrowed down to include countries of same size and economic problems. India possessing rich resources, assures almost infinite possibilities for internal development and of course potentialities for competitive exports and is certainly different from Pakistan, Malaysia, South Korea, Hongkong and Ceylon with which you grouped this country.

—S.V.

Credit Inflation

Shaping Monetary Policy to Aid Growth...

The situation in money market at the present moment is in strong contrast with that noticed in the last busy season. Contrary to earlier expectations of difficulties being experienced in regard to the utilisation of resources, the banking system is now experiencing considerable pressure from its constituents for additional credit. It has been generally expected that there would be brisker activity in the money market in the current season as a result of the sustained revival in economic activity, a big rise in sugar production and with the marketing of larger quantities of cash crops. But it was not expected that so early in 1969 busy season the scheduled commercial banks would be finding themselves in an awkward position and even with a fast growth of deposit in 1969, it would be necessary to borrow heavily from the central banking institution.

Big Increase in Credit Expansion

In the current busy season the scheduled commercial banks have so far expanded credit by Rs. 247.17 crores to Rs. 3,732.94 crores. During the corresponding period in 1968-69 advances rose only by Rs. 64.50 crores to Rs. 3,101.57 crores. This big increase in demand for funds has not been witnessed at any time in recent years and it would be interesting to know how the different banks extended credit for various purposes. Larger tax payments, accumulating stocks of sugar, higher cotton prices, a larger jute crop and an improving output of steel, cement and other items might have been responsible for big spurt in advances. But with no accumulation of stocks of finished goods and brisk marketing of current production, the sudden increase in advances is somewhat intriguing. Except for rising stocks of sugar, other season-

al factors could not have been responsible for such an impressive expansion of bank credit as the bulk of the jute crop had already been marketed and oil seeds are being consumed even as they arrived in different marketing centres. The larger cotton arrival and heavier tax payments should have been mainly responsible for the developing squeeze in the money market and it is hoped that there will be an easing of pressure only after the end of March when there would be a return flow of funds from the Central Government with heavy year end adjustments and payments against outstanding bills.

Larger Borrowings from Reserve Bank

The unexpected increase in advances has resulted in larger borrowing of member banks from the central banking institution. During the period under reference the borrowings on this account rose by as much as Rs. 140.99 crores to Rs. 167.24 crores. In 1968-69, in the first two and a half months the increase in borrowings was only of the order of Rs. 27.13 crores. Besides the growth of advances was slower and deposits also rose by as much as Rs. 117.87 crores. The banking system, however, is now finding itself surprisingly in the position of having used up its resources as the deposits rose by only Rs. 87.98 crores to Rs. 4,876.80 crores. It is not clear why there has been a set-back in the rate of growth of deposits as this has not happened for quite some time past. Even though in the latter half of 1969 fresh additions to deposits were not of the same magnitude as in the first half of that year, as compared to the growth in the corresponding period in previous year, the increase was quite pronounced. With a smaller rise in

deposits, it became necessary to reduce investments substantially. These were lower on January 16, at Rs. 1,214.03 crores against Rs. 1,267.69 crores on October 31, 1969. Cash Balances were also marginally higher at Rs. 306.61 crores against Rs. 302.72 crores earlier as these could not be reduced below this level with the expanding activities of the nationalised banks and a higher level of deposits. In spite of the complete utilisation of new deposits for extending fresh credit and the liquidation of investment borrowings from the central banking institution have jumped to a record level for this time of the year as stated above.

New Curbs on Credit

The Reserve Bank authorities have got rattled over the latest developments and recently announced new curbs on the grant of credit against oil seeds and oil, raw cotton and foodgrains. They have also stipulated a minimum rate of interest on these advances besides stiffer margins. The ceiling on interest rates which was hitherto 9½ per cent has also been removed logically because a minimum rate of 10 per cent has been prescribed for advances against commodities which are in shortage. The Governor of the Reserve Bank has also issued a directive to the nationalised banks that fresh assistance to borrowers who have already taken advances in excess of Rs. 25 lakhs should be formally approved by the central banking institution and underwriting or other arrangements and investments in land or buildings should not be undertaken without the prior approval of the central banking institution. These credit restrictions are intended to curb speculative activity though it is emphasised by traders and representatives of

the cotton textile industry that a decline in prices for raw cotton and oil seeds can take place, only if speedy arrangements were made to import raw cotton and soyabean oil. There will, of course, be liberal credit for holding sugar stocks though mills have been complaining that the limits have not been raised. Whatever might be the further steps taken by the monetary authorities in the remaining months of the busy season, it is clear that there will be a big increase in the borrowings of member banks to unprecedented levels, even taking into account the growth in deposits on the same scale as in 1968-69.

Factors Behind Credit Inflation

What is really necessary is to find out whether there has been an inflation in credit requirements due to higher prices and hoarding of scarce commodities or due to the failure of the Central and State Governments to adjust the advances against foodgrains procured by the Food Corporation of India and State agencies. Since the Central Government is in a comfortable position with its deposits, and since deficit financing has not been incurred on a large-scale so far in the current financial year, it should take over some part of the liability of the Food Corporation of India involved in maintaining buffer-stocks. As it has been indicated that there has been a considerable saving in purchases of foodgrains which were imported till recently and there has also been a staggering of imports of PL 480 foodgrains a good part of the buffer-stocks is accounted for by indigenous foodgrains, not necessarily in terms of wheat. With adjustments on this account and a brisker payment of government bills the increase in advances need not be of the magnitude anticipated now. It would be advisable to complete the adjustments in different directions vigorously and maintain a careful watch on the use of raw materials as

the latest developments have necessitated a quicker and better use of available fiscal and financial resources for maintaining the improvement in industrial production and the growth in exports.

Shortage in Steel Cotton ...

There is no need for taking an unduly alarmist view of the present situation as except for steel, raw cotton and oil seeds there are no serious shortages. In regard to steel, the difficulties can be got over with a pruning of exports in the raw state though there can be a distinct improvement in the supply situation only if the two steel units in West Bengal could raise their output substantially. The imports of categories of steel which are not freely available from indigenous sources could be increased by slashing imports of fertilisers. With a slowing down of the growth rate in consumption of fertilizers and a higher indigenous production there can be a halving of imports of fertilizers which it is estimated would cost Rs. 170 crores in the current year. Stocks of fertilizers imported and indigenously produced amount to over 8 lakh tonnes of nitrogen resulting in the immobilisation of funds to the extent of Rs. 120 crores. These stocks can be easily reduced to 4 lakh tonnes of nitrogen, implying thereby that there can be a saving of imports of the value of Rs. 60 crores which can be used for purchase of steel.

Attention to Cotton and Oilseeds

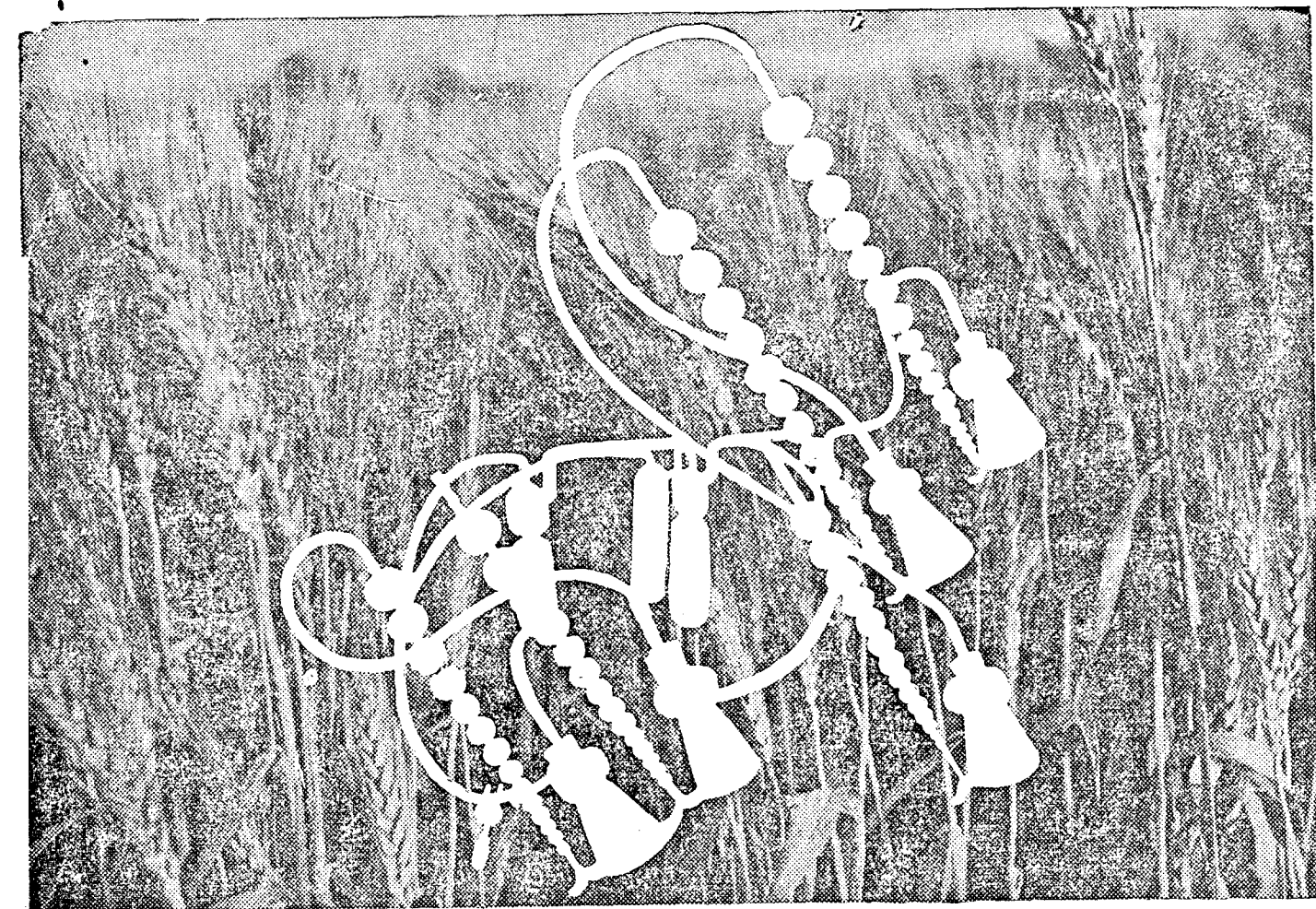
The position in regard to raw cotton is not anything exceptional. The disappointment is due to the fact that the crop for 1969-70 will not be larger than that of the previous season. Similarly in oil seeds there has been no net increase in production while consumption of these two commodities has increased. As in the case of steel,

there will have to be larger imports of these two commodities for a short period while efforts are being made to step up output in 1970-71. But the big rabi food crops that will be harvested in April-May should have a salutary effect on the general price structure as it is now estimated that the output of food crops will be over 100-102 million tonnes, the highest on record. If for the fourth season in succession the output of foodgrains could be maintained at high levels, greater attention could be paid to the cultivation of cash crops. There will of course be no problem of raising adequate jute and cane with stable prices of foodgrains. Only in regard to raw cotton and oil seed some attention will have to be paid to the intensification of cultivation of selected areas. There may also be a diversion of acreage from coarse cereal if there was an undue drop in prices in the next marketing season with the improved availability.

Exciting Developments Ahead

As the 1970-71 agricultural season may witness new exciting developments, the Reserve Bank's objective should be to stimulate industrial production through every conceivable means. This can take place only if there was an imaginative policy for credit utilisation. The Central and State Governments will of course have to make special efforts to ensure that labour trouble did not result in any serious loss of output or did not prevent an increase in production to rated capacity or even above it in the desired directions. The squeeze in the money market is an indication of the emergence of new demand in a situation created by expanding activity in agriculture and industry, in the former particularly, and monetary and fiscal policies should be suitably shaped to aid the new constructive forces that have been released by the green revolution. —Meenam

INDUSTRIAL ECONOMIST



The harvest of endless endeavour

Research and Development is our life blood. A fertilizer plant to us has a very personal appeal. Reminds us of years of relentless endeavour of our research scientists and technologists in developing and evolving processes in fertilizer technology. In attuning our research to wean the nation from dependence on imported raw material and know-how. In evolving processes for utilisation of wastes and effluents to recover commercially valuable material. In developing from our own products import substitutes. Also setting up plants for the manufacture of some of these products. We're particularly proud at having developed a whole range of fertilizer catalysts—without foreign assistance—

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INDUSTRIAL ECONOMIST
3

A Tradition-bound Report for Tradition-bound Economics

Extracts of the report of the United Nations Planning Group on Global Economic Development made available to the Press indicate that the Group has not gone far beyond the usual empirical dos and don'ts. Seeing that the transfer of capital resources from the rich to the poor nations has not been above 0.7 per cent of the former's G.N.P., the Group has reiterated the urgency to raise it to the targeted one per cent so that the Second Development Decade may not prove to be a decade of disappointment like the First.

Aid Utilisation Not Efficient

It is difficult to underplay, however, the obligations of the borrowers in this regard. For various reasons, the utilisation of foreign aid in the growing regions has not been paced up as expected. It is no doubt to true that aid policies of the lenders have made for a decline in the emphasis on grants and untied assistance and that formalities relating to the release of loans have continued to be cumbersome even at the lending end. Yet, donors have developed a growing suspicion that much of the funds that they had advanced in the past had been wasted. This is, no doubt, a disputable point. But that does not absolve the borrowers of the responsibility to ensure that aid utilisation is not only efficient but is made to appear so. All this effort becomes particularly necessary because, at the bottom, aid has a political inducement, which has weakened of late because of the thaw in cold war.

Productivity and Equity

There are two important guidelines

which the Group has suggested for adoption by the developing countries in order that their annual growth rate in the Second Development Decade, which has just commenced, is raised to around 6 to 7 per cent as targeted. One is that they should eliminate feudal and other inhibiting institutions and practices which have been perpetuating social and economic inequality and preventing the masses from involving themselves in the development programmes with the enthusiasm and vigour on their part that is demanded of them. None can deny the fundamental validity of this recommendation. But the point is that economic development cannot wait for the social change especially because such a change inheres in changes in individual beliefs and prejudices in a tradition-bound economy—changes which cannot take place or be ordered out quickly enough on any foreseeable time schedule. Also, to the extent there is a pick-up in economic development, some of the past traditions and practices will get automatically eliminated. All this is only to show that the emphasis of planning has to be more on productivity and less on equity.

Progressive Land Tax Not Feasible

And it is precisely for this reason that it is difficult to agree with the U.N. Planning Group on its recommendation regarding the land tax. On the score that most developing economies have an agrarian basis, the Group has suggested that, for involving the masses more intensely in the economic programmes, a progressive land tax has to be devised. The proposal is infeasible for two reasons: First, it is well known that the idea of a progressive land tax has been and is likely to be an intellectual toy of academic eco-

nomists, because there is no agreement on the ingredients that such a tax should have to make it progressive enough. Secondly in a country like India land reforms of all sorts weighing heavily on the propertied classes have been implemented. In the circumstances it will be wise to remain satisfied with a basic tax on agricultural income especially when the general mood allround is for doing away with the land tax as such which has been deemed to be an anachronism.

Chasing Out Imaginary Ills

And all talk of equity has besides made for considerable impairment of the veins of wealth in a country like India. The political and other compulsions of its ruling group have caused the introduction of measures to control enterprise and initiative in the process of chasing out imaginary ills like monopolies and concentration of economic power in the body politic. Any western observer of the Indian scene tends always to miss this; instead he seems to sink back into his traditional prejudice about erstwhile colonial peoples, taking it always for granted that their social institutions of hoary past are enduring in the same form and vigour even now. In any case, it is a major surprise that the U.N. Planning Group has failed to notice the fundamental changes that have taken place in the developing regions some of which have been highlighted in the report of the Pearson Commission on International Development (sponsored by the World Bank). Obviously there is every need to ensure that there is sufficient co-ordination of activities among international study groups, if the listeners for whom their reports are intended are to lay any credence by them. —S.R.

INDUSTRIAL ECONOMIST

Economic Recovery from 1968-69 ...

RBI's Report on Currency and Finance

A high level of foodgrains output, considerable recovery in industrial output and a striking improvement in foreign exchange reserves, were the main developments in the Indian economy during 1968-69. While national income at constant prices had been estimated to have increased by 3 per cent, the rate of expansion in monetary resources at 11 per cent was about the same as in 1967-68. The price situation except for seasonal variations, was generally stable through most of the year, but showed signs of deterioration towards the end of the year. The emphasis of economic and fiscal policies continued to be on providing a stimulus to industrial recovery and acceleration of the process of economic growth. The above is the gist of the Report on Currency and Finance for 1968-69 published by the Reserve Bank of India.

Discussing in detail the production performance the Report states that, owing to drought conditions in some parts of the country and unseasonal rains and floods, foodgrains production was marginally lower at 94 million tonnes in 1968-69 compared with the record production of 95.1 million tonnes in 1967-68. Among commercial crops, except sugarcane the output of other major crops — cotton, jute and groundnut — recorded declines. Increased supplies of industrial raw materials and rising consumer demand, both stemming from the improved performance of agriculture in the previous year imparted a stimulus to industrial production. For the calendar year 1968, industrial output recorded an increase of 6.3 per cent in contrast to the declines of 0.7 per cent and 0.8 per cent in 1967 and 1966. As regards prices, the declining trend which was in evidence in the latter half of 1967-68, after the uninterrupted rise in the previous four years, was arrest-

ed with the General Index of Wholesale Prices showing an increase of 5.2 per cent. The major contribution to the overall index was made by "Industrial Raw Materials" group. A feature of the price situation was the decline in the index of "Food Articles" group noticed for the first time in twelve years, which imparted a restraining influence on the general price level.

Decline in Expansion of Money Supply

The rate of expansion in money supply declined for the fourth year in succession and was 8 per cent in 1968-69. In absolute terms, money supply with the public expanded by Rs. 429 crores in 1968-69 compared with Rs. 400 crores in 1967-68 and Rs. 421 crores in 1966-67. Unlike in the past few years the expansion was more marked in the currency component than in demand deposits. The major expansionary factor in money supply during 1968-69 was the large increase in Government's net indebtedness to the banking system. The expansion in total monetary resources to Rs. 846 crores was substantially larger than in the previous year (Rs. 644 crores) reflecting a considerably larger increase of Rs. 416 crores in time deposits with banks as compared with the increase in Rs. 244 crores in the previous year. As regards banking trends the resources position of scheduled commercial banks was relatively more comfortable than in the previous year. This was due to larger increase in aggregate deposits (Rs. 482 crores) than in 1967-68 (Rs. 431 crores). Time deposits accounted for 81 per cent of the increase in deposits compared with 55 per cent of the total increase last year. The increase in bank credit was higher (Rs. 363 crores) than that in 1967-68 (Rs. 339 crores) but substan-

tially lower than the increase in 1966-67. (Rs. 406 crores). In view of the easy money conditions, the Reserve Bank advised the banks to increase their lendings to the priority sectors and to develop credit to areas of activity so far neglected by banks.

Securities' Markets

Reflecting the impact of easier monetary policy and comfortable resources position of banks, Government securities market ruled firm during 1968-69. Equity prices staged a sustained recovery and ruled firm during the greater part of the year. The improvement reflected the optimism generated by certain tax concessions granted to the corporate sector in the 1968-69 and 1969-70 budgets and better performance of the corporate sector. Over the year 1968-69 the Reserve Banks' all India—Index of Variable Dividend Industrial Securities (base: 1961-62=100) recorded a rise of 13.4 per cent in contrast to a decline of 4.4 per cent in 1967-68. New issue activity was sluggish during 1968-69 in contrast to the modest improvement recorded in 1967-68. Total issues through both prospectus and rights declined from Rs. 82.3 crores in 1967-68 to Rs. 54.2 crores in 1968-69, mainly due to lower level of equity issues, both in number and amount. An important event in the sphere of capital issues was announcement on February 1969 of major relaxations in the control on capital issue activity.

Balance of Payments

Over the year 1968-69 the foreign exchange reserves increased by Rs. 107.9 crores as against a much smaller rise of Rs. 11.8 crores in 1967-68. The marked improvement in reserves was the result of both a sizeable reduction in the free foreign

exchange outlay on imports, particularly the outlay on foodgrains imports and an increase in exports.

Regarding external assistance the Report notes that authorisations of external assistance which declined sharply by 55 per cent in 1967-68 increased markedly by \$316 million or 33 per cent to \$1,271 million during 1968-69. Loan authorisations by members of the Aid-India Consortium nearly doubled from \$594 million in 1967-68 to \$1,087 million in 1968-69. The utilisation of external assistance

which had shown an improvement in 1967-68, went down considerably during 1968-69 following the sharp drop in authorisations in 1967-68 and the consequent tapering of aid in the pipelines. An encouraging feature of external assistance was the continued recognition on the part of donor countries of the debt service burden of this country and their continued response to I.B.R.D.'s initiative in securing debt relief. Almost all members of the Aid-India Consortium provided assistance either in the form of fresh

refinancing credits, postponement of payments due, rescheduling of debt or cancellation of interest, such relief together amounting to \$93 million.

Reviewing the trends in world trade the Report says "the development decade of the sixties witnessed a fairly high rate of growth in world trade. Between 1958 and 1968 the annual rate of growth worked out to 8.3 per cent. This was made up of a rate of 6.3 per cent for less developed countries and 9.1 per cent for developed countries." —Venkatesh

I BELIEVE:

What a Democracy and What a Government!

I believe that the resolutions adopted at the recent meeting of the United Front in West Bengal on the diverse political issues confronting that State are not going to comfort any one despite their lofty intentions. Here we have a State in whose legislature, the Governor is making an address talking of the "reorientation of the police" for making them serve the cause of the people and for not suppressing the legitimate aspirations of the people and democratic movements, and yet minutes later, the Chief Minister himself is assaulted by students within the Assembly premises with the police looking on passively! Are we to infer that such an assault with the police looking on meekly is in fulfilment of the legitimate aspirations of the people as referred to in the Governor's speech?

Take again the sorry spectacle of the Chief Minister being involved in an argument with his colleague, the Home Minister, merely because, as the executive head of the Government, the former had, legitimately too, countermanded orders of the latter in respect of the irregular transfer of certain police officers and the equally obnoxious withdrawal of a batch of criminal cases against that habitual offenders

Or again the finding by the highest court in that State of law officers who failed to carry out its orders. Do these mean as also the daily bout of arsons, murders and riots in the State, that the "democratic" elements are having their say? And if so, what a democracy and what a Government!

Ajoy Should Have Resigned

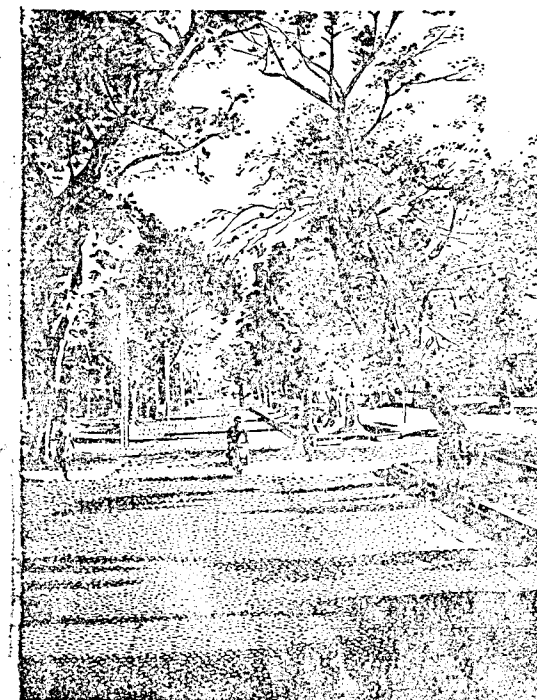
Even the latest resolution of the United Front meeting has sought only to ensure that the Front endures without giving any chance for a change of Government. The Front has come to power a second time but seems to be committing the self same sins of omis-

sion and commission in matters both of high and routine policy. If Mr. Ajoy Mukherjee thought fit to describe his own government as barbarous, he should have resigned from it forthwith, instead of sticking on to it merely to save West Bengal from yet another term of President's rule. The Marxists had been his allies in his earlier Cabinet. They are his allies even now. Their tactics have remained the same, rather they have become more violent now than in the earlier spree of office. It is difficult to see what kind of trust Mr. Mukherjee seeks to lay by such colleagues who are bent not only in tarnishing his own good name but that of West Bengal besides. And so long as these comrades of his wield power, he need have no illusions that they will not play their party's exercise in anarchy as the only means to social change in any lower key. By keeping on with them, instead of falling off from them, he will only be guilty of prolonging misrule and insecurity, which will result ultimately in the flight of business from that State. He should realise that, in the circumstances, the fall of the U.F. Government even through his defection, will be greeted by those who love that State as the best that could ever have happened since independence. —Horace



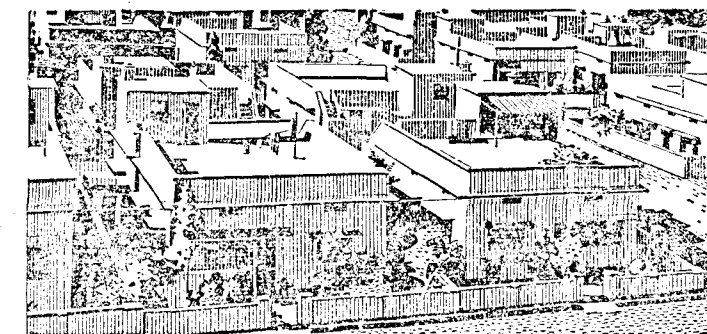
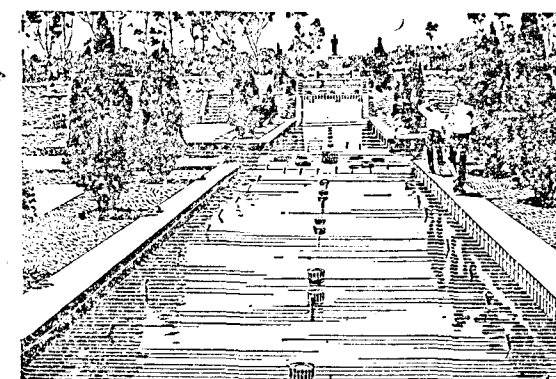
The Garden city 60 years ahead of its time

Jamshedpur, the steel city, is full of trees and flowers! In fact, it is one of India's most beautiful cities. And the amazing thing is that Jamshedpur was conceived and planned exactly as it is today, more than 60 years ago, long before planned cities became common even in the West.

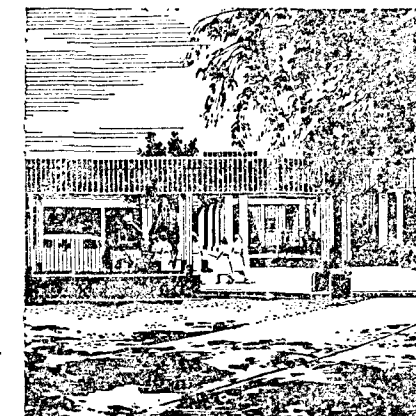


Jubilee Park. "Flowers, parks, and trees supply something which is, I imagine, of more basic importance to human beings and the human spirit than even iron and steel and it was a very happy thought to... provide this beautiful park."

Jawaharlal Nehru



Sonari—an underdeveloped area transformed. Under a phased programme, Tata Steel has helped the people to convert 20 underdeveloped areas into beautiful localities, with well-lighted roads and adequate water supply.



The Tata Main Hospital. In addition to this well-equipped 600-bed hospital, Tata Steel has contributed to the setting up of an 82-bed TB hospital with a special children's ward.

Our strength is in our people
as much as in our steel.

TATA STEEL

TN 4438

Rising Overdues of Co-operative Credit Societies

It is difficult to highlight every aspect of the voluminous report of the Venkatappiah Committee on rural credit. The choice here has, therefore, fallen on its analysis of the main malaise of co-operative credit societies, the problem of overdues. That this is the major headache of these credit institutions is obvious from the details presented in the table at the end of this article. In view of the fact the proportion of overdues to loans outstanding has gone up almost in all States and that such defaults have been acquiring alarming dimensions, a probe into the causes and the cures therefore becomes necessary.

Defective Loan Policy

A predominant factor accounting for overdues is the defective loan policy of societies. The chief deficiencies in this regard have arisen from co-operative credit in certain areas being provided in excess of need and repaying capacity or at the wrong time or without reference to the purpose. Where credit is related to assets and is not production-oriented, the cultivator gets to be over-financed. When credit takes the forms of cash beyond the safe limit warranted by the need, it is usually misapplied or wasted in unproductive or consumption channels. Where the loan from the society is too small the borrower takes resort to loans from the money lender, who is paid first and the society only next. The predominance of the private loan induces default and overdues in credit societies.

Inefficient and Insufficient Supervision

Bad lending policy is rendered worse by insufficient supervision. Field investigations conducted in the districts of Basti in Uttar Pradesh, Burdwan in West Bengal, Durg in Madhya Pradesh, Guntur in Andhra Pradesh, Kota in Rajasthan, Nowgong in Assam

and Purnea in Bihar vindicate this charge. The supervisory staff were either not trained properly for the discharge of their functions or their functions themselves were not adequately demarcated. According to random sample studies, 40 per cent of borrowers in a given selection had diverted the loans to unproductive purposes—17 per cent wholly and 23 per cent partly. In terms of money, the share of the two categories was 23 and 35 per cent respectively of the total loans under each category. The diversion of short term credit is reported to have been particularly high in the States of Kerala, Orissa, Rajasthan, Uttar Pradesh and West Bengal and that of medium term credit in Andhra Pradesh, Kerala, Orissa, Punjab, Rajasthan and Uttar Pradesh. It is some consolation that the chief canon of supervision that it should be made the responsibility of the central financing agency of primaries has at last been recognised by most State Governments and action in time with that

recognition has begun to be implemented. And as for the content of supervision, the financial side covers functions such as those of ensuring that the loans drawn by societies are within their maximum credit limits and that the loans disbursed are within the limits sanctioned and the rest in assisting the society's staff in the preparation of loan applications, examining books of account preparing inspection reports, revising property statements and the like. These have to be segregated from the purely administrative functions such as ensuring that the society works in conformity with the bye-laws and that departmental suggestions are implemented. To the extent that these two sets of functions are made to rest with the same persons, efficiency had suffered and defaults had increased.

Factions Lead to Bad Management

Apart from this, there has been bad management as well. In many

cases, the members, of the managing committee were themselves the defaulters and therefore fought shy of demanding repayments from others. In one district in Uttar Pradesh it is reported that the non-official leaders were taking no interest in recoveries and they were in a majority of cases reluctant to pursue coercive action as they were themselves defaulters. It is stated that, in a district in Bihar, secretaries and other officials did not show interest in collecting the dues when it concerned them or members in whom they were interested. Factions, in some cases, were responsible for overdues as for instance in the package district of Mandya in Mysore State, while in respect of a particular central bank in Andhra Pradesh open propaganda was conducted not to repay loans owed to it.

The committee makes the further disturbing observation: "Political, factional and other considerations have sometimes led to facile financing as also the failure to make a determined drive for recoveries and to proceed with coercive measures against defaulters. Laxity in the matter of in-

sistence on prompt and full repayment has been in evidence in many areas, particularly on the eve of elections. We have also come across instances in which, at the time of elections or other contexts, political leaders are reported to have advised cultivators not to repay co-operative dues, assuring them in some cases that the extension of the period for repayment would be secured for them."

Tamil Nadu — Quantitative Targetting Still

In respect of co-operative credit banks of Tamil Nadu the Committee says that the emphasis had been on the quantitative target far too long. This has no doubt assured one society for every village, albeit only nominally, the actual coverage being 55 per cent. The pacing up has left those set up less and less viable. The primaries were found by the committee to be in need of considerable reorganisation as only less than 15 per cent of them seemed viable. Though crop loans were getting into vogue, "short term loans were given against sureties in-

stead of mortgage," the emphasis continuing to be on assets and not on production activity as such inasmuch as the sureties were required to have certain property qualifications. This has kept enterprising farmers outside the co-operatives, and their place has been taken by traders and moneylenders. And with the less viable borrowers getting into the cooperative fold, overdues began to rise. Besides, to the extent societies with a high percentage of defaulters get their credit channels automatically reduced or cut in toto, even those who can repay, do not come to the cooperative because they are not sure that they will be able to obtain fresh finance.

Reorganising Credit Structure

In effect, all these features point to the need to reorganise the credit structure of co-operatives in two directions: First, management at every level has to be trained aright to meet the requirements of sound banking attuned to the peculiarities of the farm sector. Secondly loan policies should insist less on assets and more on production capacity. If such a change can be brought about, most of the risks of overdues can be eliminated, barring those arising out of crop failures. A well-planned and decentralised crop insurance scheme can help minimise even such risks. But above all, the efficient functioning of rural credit institutions presupposes a normal rural climate, devoid of pettifogging 'factional struggles and interference by politicians. Past experience has not been quite encouraging in this respect; but unless the future marks a change for the better, the co-operative executives at the village level cannot help succumbing to political pressures.

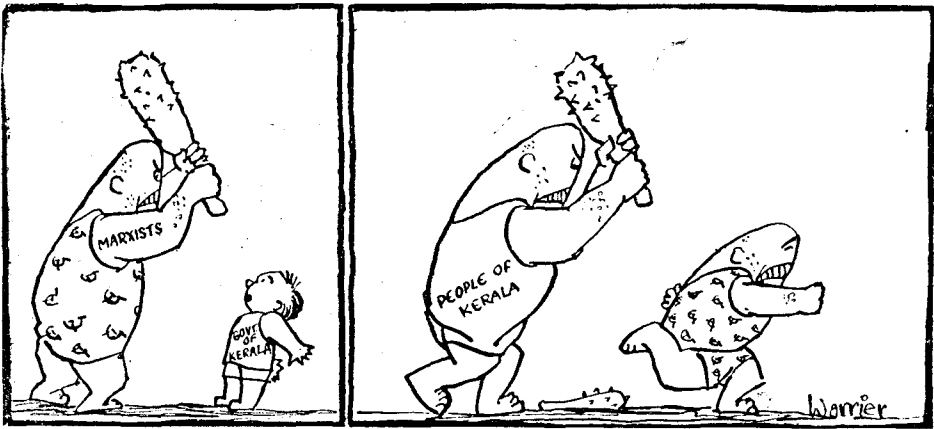
—S.R.

TABLE
PROPORTION OF OVERDUES TO LOANS OUTSTANDING AT THE PRIMARY AND CENTRAL BANK LEVELS—(Percentages)

States	1967		1968	
	A	B	A Provisional	B
Andhra Pradesh	42	33	33	25
Assam	63	56	51	63
Bihar	35	38	37	45
Gujarat	26	17	20	16
Haryana	21	17	29	24
Jammu-Kashmir	40	52	24	29
Kerala	24	14	33	14
Madhya Pradesh	37	27	23	36
Maharashtra	37	27	37	30
Mysore	43	24	41	23
Orissa	40	25	35	23
Punjab	17	11	19	12
Rajasthan	45	47	44	43
Tamil Nadu	35	16	28	11
Uttar Pradesh	31	27	23	21
West Bengal	34	31	42	36
All-India	34	25	32	25

A — Primary Society Level

B — Central Bank Level



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Atoms for Peace

With the formal commissioning of the Tarapur Atomic Power Plant by Prime Minister, Mrs. Indira Gandhi on January 19, India has joined the band of nations which are using atomic power for peaceful purposes. This Indian plant located 65 miles north of Bombay on the Arabian Sea coast is the fruit of Indo-United States collaboration in a highly strategic field. The loan and technical assistance agreements between the two countries were signed in 1963, the construction work commenced in 1964 and the plant went into operation last year. The U.S. has provided \$ 75 million to cover the foreign exchange cost of the project. It is poignant to stress that it was not given to Dr. Homi Bhabha, the author of the project, to see it

completed because the icy hand of death in the air overtook him so unexpectedly and at a critical stage in the nuclear programming induced through his unexcelled initiative.

Capacity of 400 MW

The Tarapur plant can generate 400,000 kilowatts of electric power a day consuming only 170 pounds of enriched uranium. To produce the same amount of energy, it is gathered, a thermal plant would require 12 million pounds of coal. About 6,500 people were employed over a period of five years to build the Tarapur plant, but only 300 to 400 people, it is pointed out, will be required to run it. As Mr. James T. Ramsey, Commissioner,

U.S. Atomic Energy Commission, put it on the occasion of the dedication of this complex by the Indian P.M., in adopting nuclear power, India has trained new cadres not only in the scientific and engineering disciplines required in this field, but also at the level of skilled craftsmen, and plant operators. This has indeed helped upgrade industrial capabilities in the country.

Sophisticated Devices

To get an idea of the sophisticated techniques involved, take for instance the safety devices installed. Unlike as in the case of atom bomb, safety in atomic power generation depends not on restraining the force of atomic energy but on containing the radio active material generated, the "ashes" of fission. Some of these are gasses and some solids. Though the quantity of fission material or products formed is small in terms of mass, it is large in terms of radio-activity. These radio-active left-overs are treated for disposal in a separate building and very careful and detailed precautions are taken to protect the workers and neighbouring areas from radio-active contamination. For example, even steam and air from the plant area are first processed before being released into the atmosphere through a 366 foot ventilation stack. The two reactors at Tarapur are placed in a flash-shaped stainless steel vessel, 66 feet in diameter and 100 feet high. The steel wall is five inches thick. Thick walls of concrete surround the vessel on all sides. High pressure steam flowing out of the reactors rotates the shafts of two turbines at a speed of 1,500 r.p.m. Generators connected to the turbine deliver electric power.

Cheapest Source of Power

The current output of the plant is only a fraction of the future capabilities of the country in this field. Such stations will be the cheapest source of power *vis-a-vis* the situation in deve-

loping economies where they have run out of fossil fuel sources and have exhausted available hydro sources as well. By building large nuclear power facilities and electrical consuming industries at the same time and in close proximity, it would be possible for growing nations like ours to clear power or energy bottlenecks at the cheapest cost feasible. This is not to overlook the fact that economies in this direction depend wholly on the multiplication of such nuclear power stations. That is why the Bhabha plan called for a new station of 500 MW each year after 1972.

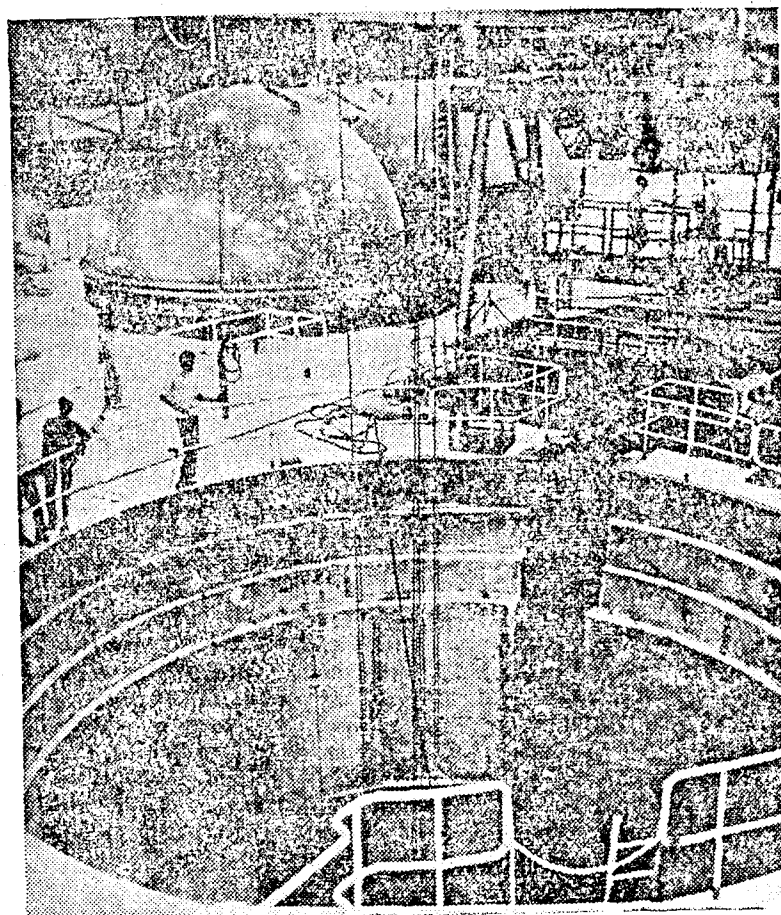
New Horizons of Growth

In fact Dr. Bhabha never tired of stressing how atomic energy can be utilised to supply the necessary pumping power for exploiting the rich ground water supplies in the Gangetic

plain. Indeed by combining this with the application of techniques which nuclear energy can make available in the sphere of hybridisation and allied tools of the new farm strategy, new horizons can be opened in India's struggle for more food in the years ahead. Another important use awaiting nuclear energy is desalination. It is of course true that international techniques in this area are yet to become commercial propositions. Particularly, the conversion of sea water into potable water for augmenting water-hungry metropolitan areas will not be economical unless industrial complexes develop in that zone in the dimension needed to absorb vast blocs of power surplusing from such an operation. It is therefore necessary to prepare long range programmes which can take advantage of such exciting possibilities to the extent feasible.

Using Indigenous Materials

The other nuclear power plants in the country are of a different character. The Rana Pratap Sagar unit involves heavier capital cost but its advantage is that it is based on locally mined uranium and the heavy water which an adjoining plant is to supply. Half of the fuel for the first reactor is to be produced at the Hyderabad Nuclear Fuel Complex and the other half supplied by Canada, the collaborating country. The Rajasthan plant will incorporate a high degree of indigenous content as for instance in the form of the main reactor vessel, the steam generator, the transformers, circuit-breakers and cranes, stainless steel, etc. It is hoped that when the Kalpakkam plant (Madras) is built in 1974, the use of local materials will reach 80 per cent on the whole. —R.S.



A view of the operating floor of the Tarapur Atomic Power dedicated to the Nation on January 19

Tiruchi BHEL Unit Wins Rs. 2.25 Crore Malaysian Contract

Talking of the growth of heavy electrical sector, one is elated at the giant strides taken by the Boiler Plant at Tiruchi. It has earned recently a Rs. 2.25 crore contract from Malaysia for the supply and erection of two units of 60 MW boilers each for their Tuanku Ja'afar Power Plant at Port Dickson. The order is for complete supply, erection and commissioning of these boilers, the first of which is to be commissioned by November 1971 and the entire work is to be completed within 26 months.

The officers and staff of the High Pressure Boiler Plant have been working hard for some months to get this contract. A team of engineers went to London in November last to convince the British firm of consulting engineers for the project on the

technical suitability of the boiler equipment offered by them. Top officials of the National Electricity Board of Malaysia and the British firms of consulting engineers also visited Tiruchi and satisfied themselves about the facilities and expertise available at the boiler plant. In due course the Tiruchi plant will depute a team of experts to erect and commission these boilers at Port Dickson.

Won in a Global Tender ...

The pleasure is all the greater when we gather that the contract has been won among competition from leading boiler manufacturers the world over—this includes those from United

States, Japan, West Germany, United Kingdom and Austria. Congratulations, Mr. Krishnamurthy and your team of enterprising staff.

This order for the export of Indian manufactured power station boiler will mark the beginning in the export of power plant equipment. The consortium on electrical sector set up last year should chalk out programmes for export of complete power plant equipment to any part of the world where they are required on a turn-key basis. Our country should fully exploit the advantage of lower labour costs and comparatively lower steel prices for the export of these, especially to Far East countries for many of which we have the additional advantage of lower freight charges due to proximity. —S.V.

A Modern Temple by the Side of Mahabalipuram

By S. VISWANATHAN

Work on the Madras Atomic Power Project in Kalpakkam is gaining momentum. It is expected the first reactor, ensuring a capacity of 200 MW of power generation, would be commissioned by 1974. Of course this projection is qualified in the familiar pattern of economics, "with other conditions being equal." As explained by Mr. H. N. Sethna, Director, Baba Atomic Research Centre and Member for Research and Development, Indian Atomic Energy Commission to a party of pressmen taken to Kalpakkam on the 27th January, what is attempted at Kalpakkam is something more than the construction of a nuclear power station in its attempt to create national capabilities over a wide range of technology.

Mr. N. S. Siva, Joint Secretary, Department of Atomic Energy, Government of India, Dr. M. R. Srinivasan, Chief Construction Engineer

and a devoted band of departmental heads of the project were also present at the press conference.

Kalpakkam is different from the earlier two nuclear power stations. The recently commissioned Tarapur has been set up with U.S. technical and financial assistance. The Rana Pratap Sagar Plant in Rajasthan is built with Canadian assistance. While in Kalpakkam it is entirely an Indian endeavour based of course on the Canadian designs.

The cautious statement relating to the schedule is understandable. The completion of the project is dependent upon the satisfactory performance of a number of Indian industries, organisations and agencies over which the Department of Atomic Energy Commission obviously cannot have much control. When we gather that the foreign exchange requirements will not exceed 20 per cent of the cost

of the first unit one understands the magnitude of the problem involved. The huge turbine of 235 MW capacity—estimated to cost around Rs. 7.8 crores—is to be built for the first time in the country by Heavy Electricals (India) Ltd., Bhopal. Heavy Electricals who has been manufacturing in the initial stages only turbosets of 30 MW and 60 MW capacity, expanded its facilities for manufacturing 120 MW sets subsequently and now for Kalpakkam, it would be producing a 235 MW turboset. It is gathered it may take anything between 42 to 48 months to supply the first set.

Work Gaining Momentum

True, there has been some delay in the initial stages of construction. The work has gathered momentum. So far they have spent a sum of Rs. 6 crores of which roughly some Rs. 1.5 crores is accounted for by housing and other basic facilities—a residential colony of some 876 quarters has been designed and built with a shopping centre, a 20-bed hospital and a school; the rest has been spent on the plant. Another Rs. 3 crores is expected to be spent before the end of March 1970. Yet another Rs. 10 crores would have been spent during 1970-71.

What is the progress of work so far? The foundation work for the first and second reactor building is being laid which will incidentally be the first fully prestressed concrete containment structure in India. In the construction of this, a novel method known as the diaphragm wall technique is employed. As a pilot test construction, this method has been employed in the construction of a 5 lakh gallon capacity underground process water supply tank and for the shielding wall of the first reactor building. The reactor building will be a massive structure

150 feet in diameter and 160 feet high. This is an improved method over the one employed at Rana Pratap Sagar where they have used reinforced concrete for the container structure, 12 ft. thick. In Kalpakkam by using the prestressed concrete with ribbed tor-steel, the thickness of this wall has been reduced to 2 ft. Of course there will be a supporting wall of similar thickness.

Unique Under-Sea Water Tunnel

The power station for generating 400 MW will require about 700 million gallons of water per day for cooling purposes. In Kalpakkam they plan to construct an under sea water tunnel extending to a length of 1600 ft. from the shore to draw sea water by gravity. A circular structure of 44 ft. diameter is proposed to be constructed at the sea end opening into the tunnel shaft. This would necessitate an artificial island at this point 1600 ft. from the shore. An approach jetty connecting this point from the shore will also be built at a cost of Rs. 41 lakhs. Presently work on this structure has begun.

Parallel Development of the Conventional and the Sophisticated ...

The interesting and encouraging aspect of this power station is the attempt to develop simultaneously our capabilities in highly sophisticated fields even as we are gaining sufficient experience in conventional technology. Said Mr. Sethna: "In advanced countries nuclear technology entered the arena with a strong base of conventional technology and it needed for its growth mostly the extension of the already advanced conventional technology. . . . In India the era of nuclear power is concurrent with the era of large scale steel making, the installation of fertilizer plants and other conventional chemical industry with imported know-how." Even as we are developing our resources for power

through conventional hydel and thermal stations a good reservoir of knowledge and capability is being built in the more sophisticated and advanced nuclear field. A fascinating development indeed!

Mr. Sethna said that the Planning Commission has "accepted in principle" to the setting up of the second reactor of 200 MW capacity. According to him, it will take another two years to complete this from the date of commissioning of the first reactor. He felt that the cost of building this would be almost equal to that of the first reactor, because of the cost escalations that would set in in the meantime. As has been pointed out in our columns, Tamil Nadu does not have any major power project on hand excepting the ones under execution. In the absence of advance planning it is likely to experience the power shortages it suffered in a greater part of the sixties—very likely from 1975. In view of this and also of the cost advantages that would accrue by proceeding with the second reactor also simultaneously—it should be substantial—the clearance for the second reactor should be obtained at a very early

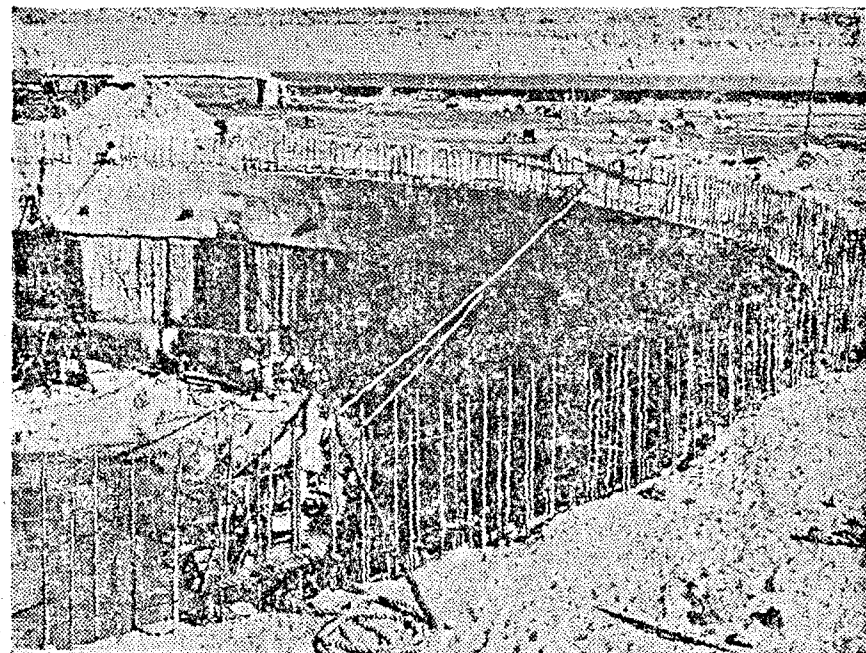
date, so that the work on this could proceed simultaneously.

How does the cost of power generation in Kalpakkam would compare with a conventional thermal plant? The cautious Mr. Sethna was not willing to hazard any guess (during a visit to Madras a month ago Dr. Vikram Sarabhai, Chairman of the Atomic Energy Commission also displayed a similar disposition). A simple arithmetic: Rs. 62 crores is to be the cost for creating 200 MW capacity. So roughly Rs. 3,000 for creating one kwh of generating capacity. The keen power-economist Mr. P. A. Seshan (of the *Hindu*) present at the meeting reeled comparative statistics. For Ennore it will be around Rs. 2,100 and for other conventional thermal stations around Rs. 1,800 and less. Of course the redeeming feature here is the much lower fuelling cost, Mr. Sethna said. It has been estimated that the fuelling cost will work out approximately to 1.6P per unit compared to around 3.5P for a thermal plant. So the end-cost would be in the region of some 6P per unit and it would be much cheaper than the cost of generation at the thermal stations far removed from the coal mines.

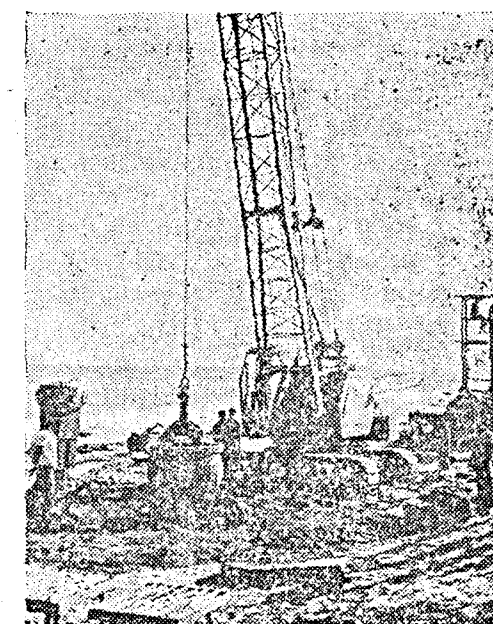
For the Kalpakkam plant the fuel supplies, except for certain odd consumables are to be entirely indigenous. Natural uranium mined at Jaduguda at Bihar is to be processed at the Nuclear Fuel Complex at Hyderabad and then supplied to Kalpakkam.

Rs. 25 Crore Reactor Research Centre

By the side of the power plant is to be established a Reactor Research Centre at a cost of Rs. 25 crores where it is proposed to recover plutonium from the burnt natural uranium fuel of the power plant. In the second stage it will be aimed at developing breeder reactor fuel from this plutonium to produce more plutonium or uranium 233. The final stage will be to design and develop reactors which



Picture shows construction of the Diaphragm Wall for the foundation of the reactor building at M.A.P.P., Kalpakkam



Picture shows work in progress in the construction of the 1600-ft. long approach jetty.

will run on thorium—uranium 233 cycles. The proposed prototype Fast Breeder Reactor at Kalpakkam will be an experimental unit of 10 MW output.

A number of critical materials required for the project like heavy water, zirconium alloy required for the structural members of the reactor and the finished uranium dioxide fuel will all be produced in the country. For heavy water there is already a plant in Nangal. Two more heavy water plants are being set up at Baroda and Kota. Obviously it would be more advantageous to set up the next unit, when required, near Kalpakkam.

The Madras Government has provided the basic facilities needed for the project. Apart from making available the vast expense of 2,500 acres of land free of cost to the project, it has also helped to provide a good network of approach roads and continuous water supply, power, etc. As one of the top officials of the projects said, from this point there is nothing to hold up the rapid construction of the plant, of course with the hope that indigenous suppliers would keep to their schedules.

The amount of hectic activity is nothing new for Kalpakkam: 14 centuries ago it did witness similar activity under the Pallavas when

the monumental Mahabalipuram was created. Today by the side of the archaeological monument is being created a modern temple of science and progress.

Of course one could understand the difficulties in projecting either the cost or the time schedule. Power is a basic infrastructure. For this reason alone cost should not matter but, more important, in the setting up of Kalpakkam the beginning of a revolution in our technological capability is being attempted. The dream of Homi J. Bhabha and Jawaharlal Nehru would have taken a more concrete shape with the setting up of this modern temple.

Solving the Sugar Crisis

Need to Increase Quota for Free Sale

The Central Government does not appear to be taking any note of the serious crisis facing the sugar industry. While in other directions there is a cry of shortage and emphasis is being laid on raising production, the sugar mills are bothered about accumulating stocks and the failure of the State Governments to lift regularly quotas of levy sugar. What is the purpose of the Central Government allotting quotas of levy sugar to the State Governments, without giving freedom to the producers to dispose off unlimited stocks after a specified period? The availability of gur and khandsari at low prices and the absence of any big difference between prices for levy sugar and those in the open market have resulted in a sluggish off-take of levy sugar for the ration shops in the urban centres and from co-operative societies. The State Governments, particularly in the Southern Region, have not been lifting their monthly quotas of levy sugar fully because of an accumulation of stocks in their godowns.

Easy Availability

So long as there was a sellers' market and open market prices were selling at a considerable premium over the controlled price there was no problem of selling levy sugar. With larger releases and easier availability the supply situation has changed vastly and it is now necessary to make arrangements for selling through retailers, particularly in the mofussil areas, as there is no anxiety on the part of consumers to go to the taluk offices to secure permits. The retailers too are not finding it easy to stock sugar in the absence of credit facilities. The Central Government has to modify its policy of partial decontrol by either increasing the quota of free sale to 50 per cent from 30 per cent as suggested by the Indian Sugar Mills Association or allow the mills to dispose off unlimited stocks of levy sugar after the quotas had lapsed, in the open market. The quotas for free sale have been exhausted but those for levy sugar have not been fully utilis-

ed. The Government cannot have any serious difficulty in re-allocating quotas of levy sugar in a manner which will satisfy fully the needs of card-holders in Maharashtra, Gujarat, Punjab and other States which consume larger quantities than others. This re-allocation is not being done in a scientific manner and cannot probably be effected so because under the existing policy 70 per cent of current production has to be allotted as levy sugar which would mean that if the quantities for controlled distribution cannot be consumed within a region they have got to be despatched to areas which are far removed from the producing centres. Thus, mills in Tamil Nadu are facing the prospect of lapsing another quota of levy sugar because the State Governments of Orissa, West Bengal and Madhya Pradesh are not finding it worthwhile to lift the quotas because of the higher freight charges involved.

Crushing May Be Suspended

The position is becoming extremely difficult and unless a quick decision was taken regarding the abolition of control or the raising of the quota for free sale, mills may be compelled to

suspend crushing operations. All the units are working at full capacity and in the first three months of the current season alone the output was 9.46 lakh tonnes. In December the output was 6.63 lakh tonnes more than the output for the first quarter of the last season. Usually January, February and March are the peak months in every season and it is quite likely that in the first quarter of 1970 the output could be 20-21 lakh tonnes and in the second quarter 12 lakh tonnes. This would mean that a minimum output of 42 lakh tonnes cannot be avoided. But this level of production may not be reached if an undue increase in stocks could not be prevented.

Arranging Exports...

The Central Government is dealing the issue theoretically by releasing larger quantities of levy sugar and sugar for free sale. The delay in announcing the quota for the month beginning from December 23, 1969 has been overcome by announcing a larger quota of 3.2 lakh tonnes, 2.2 lakhs tonnes of levy sugar and one lakh tonnes for free sale for the month beginning from January 23

but the last month's quotas of levy sugar has not been lifted. In many cases those for free sale have been exhausted. The sugar mills would seem to be confident that they can easily dispose off a quota for free sale of even 50 per cent of current production as the consumption of sugar can be increased with an easier availability of sugar, particularly in the rural areas through normal trade channels. If this policy was adopted the internal consumption can increase to even 33-35 lakh tonnes helping the industry to maintain output at high level and raising the standard of living of the masses. But even with the absorption of 33 lakh tonnes of sugar, closing stocks at the end of this season will increase to over 2 million tonnes; if no arrangement is made to export 3 to 5 lakh tonnes. It has been proposed that the government should bear the loss on exports in excess of one lakh tonnes and this loss can be easily borne by it, as the amount collected by way of excise duties in two seasons 1968-70, according to the Indian Sugar Mills Association, will be Rs. 75 crores in excess of the Budget Estimates. When the per capita consumption of sugar is low and an opportunity has

also been afforded for raising exports under the crash programme now being implemented, it is difficult to see why the government is not seized of the realities of the situation and has not shown any sense of urgency.

Cane Grower Not Benefited

Its unwillingness to lift all controls is understandable as there may be serious repercussions in Uttar Pradesh and Bihar if the minimum price for cane was not abolished. But it is time to realise that the benefit of the minimum price is not being fully derived by the cane grower because there are reports about malpractices relating to the payment of cane prices with the pressure to dispose of available supplies. Also, the existing price is too attractive for the producers in the cane areas and not quite remunerative for those in the un-organised sector as gur prices are low. There may be a corrective in the next season which might result in a contraction of acreage in the gur areas. But it would be advisable to have an effective price as then only violent fluctuations in the yield of cane can be avoided.

The Proliferating Potential of the Laser Beam

The Smithsonian Institution, premier showcase of U.S. history, opened a new exhibit that looks to the fantastic future of the laser light beam. The trend that shines through from the show is not toward a world of "death ray" guns that vaporize people a la James Bond movies, but one of hope and service to mankind. The laser, for ten years a laboratory curiosity and scientific tool of measurement, is moving out into countless civilian applications that range over the areas of data processing, communications, three-dimensional imaging, information display, materials processing, industrial quality control, alignment of

huge underground engineering works, surgery and medicine, and scientific research. Lasers and laser components already constitute a 250 million dollar yearly business that is expected to reach 1,000 million dollars annually early in this decade. While the here-and-now uses of lasers are proliferating, the potential uses are staggering. One would enable the blind to see. This tiny laser camera would present electrical impulses representing true-to-life three dimensional images to the blind person's brain, bypassing the eye and normal optical nerve route. The impulses impinging on a tiny plate implanted on the brain

would be reconstructed by normal brain processing into images, enabling the blind person to truly see. The laser is already in wide medical use for re-attaching detached retinas of the eye and performing other bloodless, painless surgery such as removing skin cancers. Just recently a dental researcher found that a fraction of a second exposure to a laser beam makes teeth resistant to decay. The beam seems to cause a physical alteration of the enamel of the teeth, perhaps rearranging the molecular pattern of enamel atoms into a tighter penetration-proof structure. —(U.S.I.S.)

Fertilizer and Farm Prosperity

By SATISH CHANDRA

Many countries have taken to chemical fertilisers in a big way and are reaping rich harvests of food, feed and fibre. The USA today is spending annually more than one billion dollars on plant nutrients. India is still among the lowest consumers of fertiliser per capita. In 1966-67, she consumed 1.66 kg. nitrogen, 0.55 kg. P_2O_5 and 0.27 kg. K_2O , i.e. 2.48 kg. Thus the per capita of fertiliser consumption in India was 2.48 kg. against a total of 4.81 kg. consumed by the Philippines, 14.55 kg. by Korea, 14.80 kg. by Israel and 21.44 kg. by Japan. Comparatively, the USA consumed 64.51 kg. per capita, France, 68.37 kg.; Australia, 99.18 kg. and Denmark, 107.24 kg. New Zealand's consumption at 153.71 kg. per capita was the highest of all countries.

In achieving the green revolution in the country, and laying down a sound foundation for food self-sufficiency within a few years, we shall have to produce more and more fertilisers and popularise their use. The Fourth Plan has laid down the targets of 3.7 million tonnes of nitrogen and 1.8 million tonnes of P_2O_5 .

As on date, 1,344 million tonnes of nitrogen capacity is in production, 0.820 million tonnes is under construction and 2,146 million tonnes is approved in principle.

Capacity to be Doubled

The Fertilizer Corporation of India (FCI), whose present production capacity is nearly 4,00,000 tonnes of nitrogen and 36,000 tonnes of P_2O_5 , is the premier organisation in the country for manufacturing and marketing chemical fertilizers. This capacity will be doubled in the next two years, and will increase five-fold by the mid seventies.

The Corporation at present has five units functioning in different parts of the country. These are Sindri in Bihar, Nangal in Punjab, Gorakhpur in Uttar Pradesh, Trombay in Maharashtra, and Namrup in Assam. Two Units, namely, Durgapur in West Bengal and Barauni in Bihar are under construction. In addition, the Namrup unit is being expanded and the plant at Sindri is being improved and rationalised. When Durgapur and Barauni plants go on stream and the

units at Namrup and Sindri are expanded by 1972, the installed capacity of FCI will rise to 8,54,000 tonnes of nitrogen. Blueprints for the expansion of Trombay and Nangal Units are ready. The former will be based on ammonia as feedstock, and the latter will utilise low sulphur heavy stock which is the residue left after refinery operations.

Coal-Based Plants

Since naphtha is likely to become scarce and costlier over the years, the Government has decided to add to the FCI family three more fertilizer plants based on coal as feedstock. These plants will be set up at Ramagundam in Andhra Pradesh, Talcher in Orissa and Korba in Madhya Pradesh, each with a capacity of 2,28,000 tonnes in terms of nitrogen.

Since these fertiliser projects will be located almost at pit heads, cost of transport of coal will be negligible. These plants, each producing 900 tonnes of ammonia and 1,500 tonnes of urea per day will have all the advantages of large scale production. In fact, they will be the largest coal-based fertilizer plants put up anywhere in the world. A fertilizer plant at Haldia with a capacity to produce 1,52,000 tonnes each of nitrogen and P_2O_5 has also been approved and will be put up by the FCI.

These plants are likely to go into production by 1975-76 and will increase the production capacity of FCI to nearly 20,00,000 tonnes in terms of nitrogen and 4,70,000 tonnes in terms of P_2O_5 .

All the new fertilizer plants will be designed, engineered, erected and commissioned by the Planning and Development Division of FCI. The Division has also developed a complete range of catalysts essential for the manufacture of fertilizers. Some of the fertilizer plants run by the FCI and private parties are using the P & D catalysts. Recently the FCI also secured an export order for P & D catalysts from a European country.

INDUSTRIAL ECONOMIST

SUPPLEMENT ON

LEATHER & LEATHER GOODS

ISSUED IN CONNECTION WITH LEATHER FAIR, 1970

LEATHER WEEK: TANNERS' DRIVE TO EXPORT FINER VARIETIES

Driven by a recession at home and the need for foreign exchange, India is mounting a hard selling campaign to export more products and to newer markets. India's leather exports which have been fetching annually around Rs. 80 crores in foreign exchange are supposed to have acquired a firm foothold in world markets.

How firm or how slippery is the foothold!

This was among the questions discussed at a Tanners' get-together here towards January end. The present tax burden, the draconian tax structure the unimaginative administration of export incentives, the lack of appreciation by Government officials of the intricate and peculiar problems of the industry—a long list of unheeded representations was heard at the meeting—were held as definitely coming in the way of stepping up the exports to the value of Rs. 140 crores envisaged in the Fourth Plan.

India's exports in this category have included East India tanned hides and skins, pickled skins, wet blue chrome leathers, raw and tanned reptile skins, finished leathers, fur skins, leather manufactures, including footwear, by-products of the tanning industry like tannery wool, goat hair, etc., tanning materials and raw goat skins and sheep

skins. Indian leathers enjoy a great reputation for their texture strength, mellowness, etc.

Crust Leathers Export

The 'Tanners' Get-together' which discussed the subject "Crust leathers and leather products for export" was just one event in the Annual Leather Week. The other activities of the week included the International Leather Fair (the seventh since it was first organised way back in 1964) technical sessions, and events in which tanners and factory workers, tanning machine operators, shoe makers and leather goods manufacturers, merchants and exporters, technologists and scientists—in fact every one having something to do with leather and allied trades—actively participated.

A unique feature of this year's Leather Week is the participation of the Food and Agriculture Organisation (FAO)—hides and skins are supposed to be agricultural products. It organised a Training Centre for hides, skins and leather at the Central Leather Research Institute, one of the bodies sponsoring the week. The centre provided an open forum for discussions of new ideas both in technology and marketing and helped

to stimulate closer cooperation between national institutes and associations in the Asian region for hides and skins improvement. Delegates nominated by a number of Governments in Africa and Asia took part in the FAO programme.

Work at CLRI

Dr. Y. Nayudamma, Director of the CLRI pointed out to pressmen on the eve of the week's inauguration that the Institute was now a recognised global research centre for scientific and technological development of leather and had made the industry, whether located in the cottage sector or in the large mechanised sector, science-conscious. It was working to solve the problems of the tanners. He disclosed he had recently submitted a report to the Union Government on measures to step up leather exports. CLRI's participation in the week was principally aimed at focussing attention on some of the significant items of research and development during 1969, he said.

Dr. A. Lakshmanaswamy Mudaliar, who inaugurated the week on Jan. 31, called for the creation of a permanent museum of science and technology. Tamil Nadu Minister, Mr. Sadiq

ABS TEAM IN DELHI



The German Business Delegation, headed by Dr. Hermann J. Abs, held talks with the Minister for Foreign Trade, Mr. B. R. Bhagat and the officials of the Ministry of Foreign Trade in New Delhi on January 19, 1970. Photo shows Mr. Bhagat, Dr. Abs (2nd from right) and others at the meeting

Pasha, who stressed the need to diversify the export in favour of more finished goods, and the leading exporter Mr. Nagappa Chettiar, who spoke about the lack of dynamism in Governments' export policies, were among the participants in the inaugural function.

Contribution of CLRI

The leather industry is one of India's export oriented industries earning about Rs. 86 crores of valuable foreign exchange. For its sustenance and continuous development it has to import valuable items like tanning materials, tanning and finishing auxiliaries and machines and equipments worth about 9 per cent of its exports. From an exporter of raw hides and skins and vegetable tanned crusts in 1952-53 and importing various types of finished leathers and leather manufactures the country is today exporting diverse types of semi-finished and finished leathers, footwear, leather manufactures and other allied items.

The Central Leather Research Institute since its establishment in 1953 has been working with the primary aim of bringing scientific and technological progress to the doors of this age old traditional, conservative leather and allied industries.

Exporting for Over 100 Years

This Institute works in close association with the industry as one of its partners towards scientific and technological developments and advancements. It may be pointed out that India is the largest single livestock holder in the world. The cattle population is estimated at 240 million, that of goat 63 million and sheep 41 million. Owing to climatic conditions Indian goat and sheep skins happen to be of unique character. India offers for export almost all varieties of leathers. India has been exporting significant quantities of leather for over 100 years now.

The Institute's participation in the present International Leather Fair 1970 is principally aimed at focussing the attention towards some of the significant items of research and development during the last one year 1969.

The products and processes developed are mainly to help the export promotion, substitution of imports and imported know-hows by indigenous raw materials and resources.

Tanners' Get-together

To give a practical orientation to the programme of the Tanners' Get-together a series of demonstrations on the techniques of producing "Crust and finished leathers" was arranged this year. M/s BASF (India & Germany), M/s Chika Private Ltd., M/s Armind International (M/s Stahl Chemical Industries, N.V., Netherlands) M/s Wattle Export Development (England), M/s Rallis India Ltd., (Madras), 'Nene Finishes (England) demonstrated the use of their auxiliaries in the production and finishing of various types of leathers. Besides this, the Central Leather Research Institute also demonstrated the newer developments. Rapid tanning of kips, wettable chrome, finishing of crust leathers with wet look and florentique effect, impregnation of upper leather, finishing of garment leather, water-proofing of sole, increasing the water resistance of upper leather, fur tanning and dyeing of rabbit skins, utilisation of interior rejection suedes by 'tie & dye' process formed the main items of interest in the process demonstrations.

Leather & F.A.O.

The F.A.O. according to its constitution is responsible for raising levels of nutrition and standards of living, securing improvement in production and distribution of all food and agricultural products and for this purpose, it shall promote national and inter-

national action with respect to and inter alia, the improvement of the processing, marketing and distribution of agricultural products.

Hides, and skins constitute one such agricultural product. As raw hide is an animal product, the quality of the raw hide and skin depends upon the age, sex, breed, feed, climatic conditions and care of the live animal against pests, diseases, etc. It also depends upon proper flaying and later curing, storing and transport of the raw hide to the tanners' godown. Developing nations are mostly agriculture oriented. Therefore, F.A.O. is rightly concerned and fully seized with the problem of animal husbandry, herd management, development of meat and meat products and better utilisation of by products like raw hides and skins. The F.A.O. has been playing a useful role in surveying the resources and market conditions, setting up plants for utilization of slaughter house by products, setting up of training/training cum production units for tanning, footwear and leather goods, offering expert service for herd management, grading and marketing of hides and skins. . . F.A.O. has over the past many years gained considerable experience and competence and valuable information about a number of countries, particularly in Africa, and Middle East. They have set up training cum production institutes in Rwanda, Somalia, Sudan, Turkey and Iran. In addition, surveys were made for Botswana, Ethiopia, Aden, Malawi, Libya, India, Nepal, Kuwait, Egypt, Chad, Zambia, Philippines. . . Recently the F.A.O. published a very valuable document, a preliminary economic survey on hides, skins and leather (1968). With this background, the F.A.O. is striving to fulfill its objectives and programmes by convening a 'Training Centre' for hides, skins and leather, at the Central Leather Research Institute, Madras during 31st January-13th February 1970.

—(F.O.C.)

New Plans for Expanding Steel Industry

It is a relief to note that the steel ministry has at last taken note of the continuing shortage of steel and has been busy formulating new plans which should be implemented on an emergent basis. Mr. K. C. Pant, Union Minister of State for Steel has indicated that his ministry has submitted to the Planning Commission a blueprint asking for an allocation of Rs. 560 crores against the present allotment of Rs. 326 crores so that advance action can be taken on the first stage of the expansion of the Bokaro plant to 4 million tonnes from 1.7 million tonnes and for increasing the capacity of the Bhilai plant to 4.2 million tonnes from 2.5 million tonnes. There will also be provision for investment for creating new facilities for diversifying the pattern of production and installing balancing equipment.

Durgapur Beyond Redemption?

It has not been spelt out, however, how the shortage to the extent of 3 million tonnes that is expected to arise by the end of Fourth Plan will be overcome and how the proposed 10 per cent increase in output annually is expected to be achieved. The shortages can be eliminated to a great extent if all the three steel plants in the public sector could operate at rated capacities. It is, however, felt that Durgapur is beyond redemption unless the West Bengal Government thought it fit to compel the labour force in the steel plant to realise the harm that has been done to itself and to the nation by not working to its rated capacity. It is not surprising, therefore, that there is no talk of expanding the capacity of the Durgapur unit while the pattern of output of the Rourkela plant is to be diversified. The Durgapur Alloy Steel plant will, of course, be playing an important role as its capacity is proposed to be doubled. The Bhadravati steel plant too will be raising its output though the rate of expansion has not been indicated.

It is difficult to understand, however, why the Bhilai plant has been chosen for substantial expansion. The provocation is probably due to the advantages that might be offered by this unit for achieving a big increase in output in a short period. It may also be that Russian aid will be more readily available for implementing this scheme and the equipment fabricated by the Heavy Engineering Corporation can be readily used in this centre.

Whatever may be the factors that have prompted the scheme for raising spectacularly the capacity of the Bhilai plant it must not be overlooked that the time required for expanding capacity to this level will not be much shorter than the time taken for constructing an entirely new unit at Visakhapatnam or Hospet as the railway facilities exist in adequate measure at these two centres and the required quantities of ore, limestone and other materials can be easily secured. It might be argued that even with the implementation of the Bhilai and Bokaro expansion schemes, an additional capacity of only 3.3 million tonnes would be created which could take care of a shortfall that is expected to arise in the closing years of the current Plan and the early years of the next Plan and that another 5 million tonnes capacity would have to be created in 1974-79.

The Union Minister of State has expressed a preference for starting a steel plant with an initial capacity of 2 million tonnes as the operational costs would then be more economical. But this kind of reasoning should not be put forward at a later stage as a plea for not establishing units in the southern region because the processing facilities did not exist on the desired scale. In view of the sad experience of the past year and the harmful effects of concentration of engineering facilities in West Bengal, the development of the processing industries in other parts of the country will be

possible only if there was disbursed development of the steel industry. It would, therefore, be worthwhile to find out the possibilities of setting up 1½ million tonne steel plants at Hospet and Visakhapatnam and of initiating early action on the Salem steel plant. Whatever might be the ultimate pattern of development, the Central Government will find it hard to resist the claims of Mysore, Andhra Pradesh and Tamil Nadu and three steel units, two conventional ones and an alloy steel, will have to be brought into being without delay. Since on the Government's own admission nearly seven years will be taken for constructing a steel plant it would be desirable to allot funds for carrying out feasibility studies and complete the preliminary works so that the construction of the new units can be taken up, at least in 1972. Kerala will probably put forward its claim for using the vast iron-ore deposits near Calicut. If it is found that this ore can be used for producing alloy steel, a unit of medium-sized capacity can be erected at the appropriate stage. But it is significant that even with a capacity of 3 million tonnes between the Hospet and Visakhapatnam units there will be need for expanding the capacity of the unit of Tata Iron & Steel and that of Indian Iron and Steel. Then only the target of doubling capacity to 20 million tonnes by 1979 can be achieved.

Securing Steel Making Machinery

The problem of securing steel-making machinery should not cause any great anxiety as thanks to the Bokaro plant good experience had been gained in the manufacture of steel equipment. If the Heavy Engineering Corporation could help to plan the manufacture of vital items and equipment and other engineering units in the private and public sectors could also function on a consortium basis, except for some items which cannot be produced in the country, it would be possible to proceed on a self-reliant basis. The rate of growth of 10 per

cent is now being reckoned with the base at about 10 million tonnes. But it may become a compounded rate that addition to capacity may have to be of the order of 1.5 million tonnes annually from 1973-74.

Experience of Japan

If the experience of Japan is any guide, an accelerated rate of growth may become necessary after a particular stage especially if there was an unexpected rise in consumption of steel with continuing prosperity in agriculture and larger Plan expenditure. If Heavy Engineering Corporation could standardise the manufac-

THE CITY CORNER:

Coping with Growing Urban Needs

The Collector of Madras, Mr. Badrinath presented a few days ago to the Tamil-Nadu Chief Minister the report of a study made by him and two others of urban conditions in the Madras area.

The main recommendation contained in the report is the constitution of a Madras Development Authority for developing the city area where 23 lakhs of people reside of whom 43 per cent dwell in slums and 2½ lakhs have no employment.

The Development Authority would be in charge of planning and executing programmes for housing, public roads, sewerage, water supply, transportation, hospitals, metropolitan police, etc. The City Municipal Corporation whose powers should be delimited might be given among other things, slum improvement, health, sanitation, education, weights and measures, shops and establishments. The 100 page report suggests the provision of a revolving fund of Rs. 5 crores to be placed at the disposal of Development Authority.

Price War and MRL

There are indications that the Government of India are soon to ask for a re-negotiation of the price of the Darius crude processed in the Madras

ture of steel-making equipment and is not tied only to Soviet techniques, the implementation of ambitious schemes for the development of this industry may not prove to be so difficult as they appear now. There is, of course, a bottleneck in regard to the availability of resources. But with Japan and other countries willing to help us with technical assistance and even financial aid there is no reason why the steel equipment manufactured indigenously could not incorporate the latest techniques and help India to produce the cheapest steel in the world. Since the Prime Minister has expressed her great concern over the

Refineries. The present price of \$1.35 per barrel has been provided for under an agreement operative for 15 years. But following the compulsion exercised on the private oil refineries in the country to reduce to \$1.28 the price of light Middle East crude for which there is a far greater demand in the international markets than the Darius crude, it is felt there cannot be any justification to allow as much as \$1.35 for the crude consumed by the Madras Refineries.

There is also another aspect to the problem. The Madras Refineries, with a little more balancing equipment, is said to be capable of refining upto 4 million tonnes of crude a year. The Government in the wake of the "price war" with the private oil companies, is looking to the five public sector refineries and more particularly Madras and Cochin, to step-up their capacities without delay. The expansion will mean the purchase of double the present quantity of crude from Iran and in view of this large buying, not much opposition to the price reduction is expected to be encountered.

Moon Rock Display

A sample of rock brought from the surface of the moon by the Apollo 11 astronauts was on public display bet-

growing steel shortage and has taken special interest in the implementation of new schemes it is only to be hoped that new Plans will have a pragmatic approach and other parts of the country will be allowed to grow in stature and make good use of their rich iron ore resources.

The Planning Commission has since revised the target for steel in the Fourth Plan. It has accepted to Steel Ministry's recommendations four expanding steel output and provided for the expenditure of additional amount to expand the capacity of Bhilai Steel Plant to 4.2 million tonnes and that of Bokaro to 4 million tonnes. —(FOC)

ween Jan. 20 and 24 at the American Cultural Centre, Madras. It attracted all kinds of visitors from scientists to laymen.

Technically labelled as microbreecia the moon rock on display was one of several being shown throughout the world. It was encased in a plastic casket filled with nitrogen to protect the specimen from the earth's atmosphere. The brownish-black sample (with white streaks in the centre) weighed 28.5 gms. and was originally part of a rock weighing 350 grms. Astronauts Neil A. Armstrong and Edwin E. Aldrin it may be recalled, collected a total of 22 kilograms of rocks, soil and dust while they walked on the Moon on July 21.

Dr. K. Gopalan, a Madras Scientist and one of the select group chosen by NASA to analyse the lunar material picked up from the Sea of Tranquillity by the Astronauts, explained the significance of the sample and its analysis. It had helped to lift the curtain on a hidden chapter in the history of the solar system and give man new knowledge of his own planet and an insight into where he came from and what he was. In three months about 1,500 moon samples were analysed by some of mankind's most gifted minds.

The display was inaugurated by the Director of Indian Institute of Technology Prof. A. Ramachandran. —V.M.

COMMODITIES:

Comfortable Rubber Supplies

Tyre manufacturers and producers of other rubber goods would seem to be in a comfortable position in regard to rubber supplies due to a higher level of domestic production and liberal imports. Prices for natural rubber also have come down from their high levels around Rs. 540 per quintal till August to around Rs. 490-500 lately, in Kerala. World rubber prices too have eased considerably, with Singapore prices at the end of last year ruling at the equivalent of Rs. 348 per quintal. The lower trend in prices for both domestic and imported rubber must have a healthy effect on the consumer industries which had a rather critical time in 1968-69 when prices had soared in the face of a smaller indigenous output due to a strike in the plantations and restricted imports. According to the latest statistics of the Rubber Board, consumption of all kinds of rubber in the first eight months of 1969-70 increased to 86,436 tonnes from 83,187 tonnes in the same period in 1968-69. Total indigenous production in April-November, 1969, was 79,247 tonnes (72,789 tonnes in the previous year) consisting of 54,694 tonnes (46,113 tonnes) of natural rubber, 15,542 tonnes (17,747 tonnes) of synthetic rubber and 9,011 tonnes (8,929 tonnes) of reclaimed rubber. As imports were much higher at 18,464 tonnes (4,390 tonnes) of which natural rubber was 16,122 tonnes (2,446 tonnes) there was a sizable increase in stocks at the end of November 1969 to 41,500 tonnes (3½ months' consumption) from 30,339 tonnes a year ago. It is expected that the output of natural rubber for the whole of 1969-70 will exceed 80,000 tonnes against 71,000 tonnes in 1968-69 while output of all kinds of rubber will be about 130,000 tonnes against 110,655 tonnes in the previous year. Consumption of rubber will, however, rise only modestly for the whole of 1969-70 as the expansion schemes of the tyre units will be completed only after the middle of 1970 and may be around 135,000 tonnes against 128,000 tonnes in 1968-69. If imports continue to arrive on the present scale, the year may end with a stock of 45,000 to 50,000 tonnes which will have a stabilising effect on prices in the lean months.

Cotton Prices Firm

It is rather unfortunate that the cotton textile industry is unable to take advantage of the revival in cloth demand in the country due to the emerging scarcity of cotton supplies. The crop estimate for the current year is put at only 60 lakh bales and with no sign of early arrival of American cotton,

prices have already risen by an average 20 per cent since the beginning of the season last October. The mill industry has made a vigorous plea for timely imports of cotton and staple fibre on an adequate scale to ward off a squeeze in the market and a further jump in prices. It is pointed out by the Chairman of the Indian Cotton Mills Federation and the Ahmedabad Mill-owners, Association that the contra-seasonal rise in prices has been accentuated by the discriminatory policy adopted by Government in the matter of holding of stocks by mills. While mills in Bombay and Ahmedabad are allowed to have only 2½ months stocks and units in other regions 3½ months stocks government-controlled and co-operative mills can accumulate five months' stocks. It is feared that unless urgent steps are taken to relieve the shortage, output of yarn and cloth may be seriously affected, impairing in the process the export effort which has been showing commendable results, particularly in yarn and apparels. The cotton Advisory Committee has also made a similar suggestion for liberal imports of cotton and staple fibre to prevent a crisis.

The following were the prices per candy in January 1970 and January 1969: Indian Cotton I.S.C. 67 Rs. 2400-2425 (Rs. 2025-2200) CO₂ Manavadar Rs. 1860-1865 (Rs. 1660-1725), Digvijay Broach Rs. 1,851-1900 (Rs. 1,360-1,725), L-147 Rs. 1,750-1850 (Rs. 1,550-1,650) and Kalyan Rs. 1,530 (Rs. 1,200-1,245).

Exports at New High

Cotton textile exports set up a new record in 1969, earning \$138 million (Rs. 103.50 crores). The commendable performance was mainly due to the jump in yarn shipments which increased the earnings from Rs. 10.69 crores in 1968 to Rs. 24.39 crores in 1969. There was a sharp rise in overseas demand which led to bulk deals with many countries like Burma, Ceylon, the U.A.R. and Indonesia. The improved offtake of yarn was particularly helpful to many spinning mills in South India which would otherwise have had a problem of maintaining production at a high level. Cotton apparels and cotton hosiery also put up a good performance during the year, value of their exports being Rs. 4.17 crores and Rs. 25.3 lakhs against Rs. 3.03 crores and Rs. 22.1 lakhs in 1968 respectively. There was, however a setback in cotton piecegoods due to stiffer competition and even with a better unit value realisation, cloth exports totalled 412.7 million sq. metres valued at Rs. 62.24 crores against 475 million sq. metres valued

at Rs. 66.76 crores. Shipments of other cotton manufactures also declined to Rs. 15.40 crores from Rs. 14.61 crores.

Vanaspati Scarce

An immediate offshoot of the firm trend in groundnut oil prices has been the non-availability of vanaspati at the Government fixed prices and this vital cooking medium is being clandestinely sold at a premium of 25 to 30 per cent above the fair selling prices. The sharp rise in groundnut oil prices by over 20 per cent since the beginning of December last is stated to have affected the price parity between vanaspati and its raw material considerably and the refusal of the Government to allow a sizable rise in prices has only benefited the trade which has taken advantage of the tight supply position. Vanaspati manufacturers now have to depend completely on groundnut oil in the absence of supplies of cheap imported soyabean oil while the pressure on groundnut oil has also been increasing due to a downward revision of the earlier estimate and growing direct consumption. The soap industry also would seem to be meeting part of its requirements of fatty acids from groundnut oil as it is unable to get tallow or other inedible oils from abroad on an adequate scale. The groundnut crop is placed only slightly higher than the previous year's crop due to adverse weather conditions in the Southern States while the reimposition of levy on production and exports by the Gujarat Government has restricted supplies from that State which has reported a normal crop. (It is reported that the Gujarat Government has considerably relaxed the levy system following pressure from Saurashtra mills).

Soyabean Oil Imports

The Central Government would seem to have realised the seriousness of the situation as it is stated to have made arrangements already for import of 60,000 tonnes of soyabean oil and 24,000 tonnes of tallow within the next few weeks. While this timely measure will arrest the soaring prices there are also plans to get an additional 1.25 lakh tonnes of soyabean oil and 1.20 lakh tonnes of tallow in 1970-71. Any foreign exchange spent on these imports can be easily recovered as oil cake exports can be stepped up further as there is keen demand for it in Europe and U.S. The latest report on the imports has not had any marked effect on oil prices which have continued to rule high. Groundnut oil was quoting in Madras on January 20 around Rs. 425 per quintal against Rs. 380 a few weeks earlier and Rs. 320 a year ago. In Bombay, the rate was Rs. 437 per quintal. Other oilseeds were also firm, with castor April around Rs. 121.25 and linseed April around Rs. 149.50 per quintal.

BUSINESS BRIEFS:

Improved Outlook for Cement Industry

There has been a distinct improvement in the offtake of cement with the revival of economic activity and building construction and it is quite likely that the present comfortable supply position may turn into one of critical shortage in the next few years if the expansion of existing units and starting of new units do not receive a high priority. There may, however, be no problem of meeting any increase in demand in the immediate future as capacity utilisation in 1969 has been only to the extent of 86 per cent, and an annual demand of 14 to 15 million tonnes can be easily met if only a helpful policy is adopted by the Government in the matter of distribution of this building material. According to the figures provided by the Cement Manufacturers Association of India, despatches of cement by the 27 member companies rose to 9.59 million tonnes in the first nine months of 1969 from 8.35 million tonnes in the same period in 1968 but this was not reflected in a more effective utilisation of total capacity. This showed only a marginal rise to 86.4 per cent from 85.7 per cent as there was also an increase in capacity to 11 million tonnes (for nine months) from 9.76 million tonnes in 1968. (It must however, be remembered that the additional capacity in many cases was operative only for part of the period under review and the idle capacity hence tends to be exaggerated. A.C.C., India Cements (Talaiyuthu), Mysore Cements, Panyam Cements, and Jaipur Udyog are some cases in point). Most others have reported better use of their capacity. However, the profitability of working has not been encouraging as may be seen from the results of companies for 1968-69. In almost all cases there was a decline in earnings even with higher sales, due to increased working expenses. This would adversely affect the generation of internal resources for financing an ambitious expansion programme as in the absence of an attractive return on fresh investment, it may not be possible to depend on the capital market for large sums. However, it is encouraging to find many companies persisting with their expansion plans. A.C.C., India Cements, and others are continuously adding to their capacity in spite of financial difficulties and their efforts would certainly prove helpful in the coming years when the country is faced with a spurt in economic activity. Meanwhile the industry is also rightly taking steps to promote the use of cement in new fields in the surplus regions which should help stabilise cement consumption at a higher level.

Century's Cement Project

Century Spinning and Manufacturing Company Limited intends to diversify its lines of activity by undertaking the manufacture of cement. The company proposes to set up a plant in Madhya Pradesh with an annual capacity of 6 lakh tonnes. This will be achieved in two stages and in the first place a capacity of 3 lakh tonnes will be created. The project will entail a capital outlay of Rs. 10 crores but there will be no need to issue any fresh capital as internal resources will be adequate to finance the scheme. An extraordinary general meeting is to be held on February 4 to consider modification of the Memorandum of Association of the company.

Engine Valves

The majority shareholders of Engine Valves Limited have made a public sale offer of 1.4 lakh equity shares of Rs. 10 each at a premium of Rs. 4 per share and 1,000 seven per cent redeemable preference shares of Rs. 100 each at par. The object of the offer is to give an opportunity to the investing public to participate in the capital of the company and get these shares listed on the Madras Stock Exchange. The company manufactures engine valves in collaboration with British and West German interests and is a major supplier of this product, to auto mobile units. The company is in the last phase of its expansion scheme to raise capacity to 3 million valves per year. The present paid-up capital consists of Rs. 56 lakhs in equity shares and Rs. 2.77 lakhs in preference shares. Engine Valves has been operating on a highly profitable basis, with the net profit, before depreciation and taxation, for the year ended March 31, 1969 amounting to as much as Rs. 54.85 lakhs on a turnover of Rs. 1.09 crores. The provision for depreciation was only Rs. 6.39 lakhs and for development rebate Rs. 95,680 while taxation claimed Rs. 26 lakhs. A dividend of 15 per cent taxable was paid absorbing Rs. 8.40 lakhs. An interim dividend of 7.5 per cent has been paid for 1969-70. The new shares will be eligible for the final dividend. Already the company has made two bonus issues recently and as both turnover and earnings can be expected to rise further in coming years, the directors may decide to capitalise the premium account and accumulated reserves at an early date for making a fresh bonus issue. Reserves and surplus now stand at Rs. 28.28 lakhs. Even

at the issue price of Rs. 14 the gross yield will be over 10 per cent. The response to the public offer is expected to be very encouraging as there is already an unofficial premium of Rs. 8 per share.

Cauvery Sugars

The Chairman of Cauvery Sugars and Chemicals Limited has indicated that the outlook for the current year is not encouraging as the quality of cane has suffered on account of unplanned operations in the growing areas following the uncertainties created by the strike situation. The factory is however, expected to crush a larger quantity of 2.3 lakh tonnes against 2.02 lakh tonnes in 1968-69. Mr. H. V. R. Iyengar has also asked for a rise in ex-factory prices for levy sugar as open market sales may not be highly remunerative and costs are increasing continuously. It has been explained that during the strike period last year, there was a loss of Rs. 16 lakhs in earnings as the company was not allowed to use the quota for free sales subsequently in the form of additional releases. A letter of Intend has been obtained for expanding the capacity from 1,000 tonnes to 1,500 tonnes a day at an estimated cost of Rs. 185 lakhs. It is not known how this sum will be raised.

Kirloskar Bros. Pays More

Kirloskar Brothers Limited has raised the ordinary dividend to 12 per cent, taxable, for the year ended July 31, 1969 from 9 per cent taxable in 1967-68 following encouraging working results. There was a 28 per cent rise in turnover to Rs. 12.76 crores while the net profit, before depreciation and taxation, improved only by 8.4 per cent from Rs. 89.80 lakhs to Rs. 97.31 lakhs due to go-slow labour tactics and higher costs. The charge in respect of depreciation is Rs. 23.62 lakhs (Rs. 25.33 lakhs) and development rebate Rs. 1.35 lakhs (Rs. 4.28 lakhs). The tax provision is slightly higher at Rs. 41 lakhs (Rs. 38 lakhs) while the transfer to general reserve is as much as Rs. 16.50 lakhs (Rs. 7.50 lakhs), capital redemption fund Rs. 1 lakh (same) and bad and doubtful debts reserve Rs. 50,000 (nil). The equity earning per share works out to about Rs. 6.44 per share of Rs. 25 which provides a good cover to the proposed dividend of Rs. 3 per share. A sizable portion of the dividend will be exempt form tax in the hands of the shareholders. A sealed compressor unit is to be set up at Karad in Maharashtra and the plant may be commissioned before the end of this year. The existing plant at Kirloskarvadi will also be shifted to Karad. The tractor project at Nasik of Kirloskar Tractors, promoted by Kirloskar Brothers and Kirloskar Oil Engines, is

making good progress. Kirloskar Bros. will invest initially Rs. 41 lakhs in the equity capital of the new company which will manufacture tractors in collaboration with West German interests.

D.C.M. Bonus Issue

There has been a sharp rise in the quotation of DCM shares in Delhi from Rs. 43.25 to Rs. 47 on news of fresh bonus issue. The directors of Delhi Cloth and General Mills Company Limited have proposed to capitalise Rs. 2.42 crores out of reserves and issue bonus shares in the proportion of one share for every four shares held. Only in 1969, there was a bonus issue in the ratio of one for ten. With the latest issue, the paid-up equity capital will go upto Rs. 11.09 crores. The fertiliser plant at Kota is stated to be working satisfactorily and there will be a substantial rise in the company's earnings for the current year.

Herdillia Chemicals

There has been a shortfall in the turnover of Herdillia Chemicals Limited during 1969. Sales amounted to Rs. 5.5 crores against the target of Rs. 6 crores though they were much better than the 1968 turnover of Rs. 3 crores. Regular production at the plant commenced in the first quarter of 1968. The chairman of the company Mr. H. V. R. Iyengar, has stated that the shortfall is due to frequent power failures. There was a breakdown recently in the phthalic anhydride plant which is expected to resume operations after repairs by the end of February this year.

International Tractors' Plans

It has been indicated by the chairman of International Tractor Company of India Limited at an extraordinary general meeting recently that the company hopes to achieve a turnover of Rs. 9.25 crores for the year ending March 31, 1970, against Rs. 7.20 crores for 1968-69. The pre-tax profit is estimated to rise to Rs. 65 lakhs from Rs. 56 lakhs in 1968-69. Actual sales in the first nine months improved to Rs. 6.25 crores from Rs. 5 crores in the same period of the previous year while the pre-tax profit was better at Rs. 44 lakhs against Rs. 26 lakhs. The company is implementing a scheme to double its capacity to 7,000 tractors per annum at a cost of Rs. 4.10 crores and the expansion scheme will be completed in about two and half years. To finance the project, the company will be raising fresh capital in equity for Rs. 82 lakhs on a rights basis, in preference shares for Rs. 75 lakhs and debentures for Rs. 150 lakhs while internal sources will provide Rs. 103 lakhs. The

company has on hand orders for about 10,000 tractors.

Lakshmi Mills

Lakshmi Mills Company Limited proposes to raise debenture capital for Rs. 35 lakhs for meeting part of the cost of its modernisation programme, which will be completed in three years. The weaving capacity of the Coimbatore unit is to be increased by installing 30 automatic looms. The whole scheme is estimated to cost Rs. 1.95 crores. Besides the debenture issue, deferred credit will be used to the extent of Rs. 101 lakhs and Rs. 59 lakhs will be found from internal resources. The debentures, which will be issued at par, will carry interest at 7.75 per cent and will be repayable in a short period.

India Forge

India Forge and Drop Stampings Limited is in the happy position of being able to utilise quite effectively its expanded facilities in the coming months and as there is an unsatisfied demand at present for different forgings from producers of commercial vehicles, tractors, cars and scooters, there will be a big rise in sales for the current year. The only bottleneck in executing the large orders on hand will be the shortage of raw materials. The chairman of the company Mr. S. Narayanaswamy, has indicated that arrangements are being made to secure imported supplies. The expansion scheme for raising capacity to 6,000 tonnes per annum has been substantially completed. Even in the first five months of the current year sales have risen to Rs. 62.75 lakhs from Rs. 49.43 lakhs in the corresponding period of 1968-69, with the output higher at 1221 tonnes against 935 tonnes. The company's Rs. 10 shares are now quoting at Rs. 10.60 and offer a gross yield of over 8.5 per cent (for 1968-69 a dividend of 9 per cent, taxable was paid).

Parrys Confectionery

The Chairman of Parrys Confectionery Limited, Mr. H. V. R. Iyengar, has explained the difficult conditions under which the company had to operate during the year ended September 30, 1969 when there was a sharp setback in sales and pre-tax earnings were the lowest since inception. (It was necessary to draw on reserves even to pay a reduced equity dividend of 15 per cent taxable against 18 per cent taxable in 1967-68). The average cost of sugar was only slightly less at Rs. 283 per quintal against Rs. 308 in the previous year and only Rs. 145 before partial decontrol of the commodity. The increase in selling prices by

40 per cent effected after the imposition of excise duty in March 1968 induced considerable sales resistance as a result of which production and sales fell sharply. And even the relief in excise duty which was cut from 80 paise to 30 paise per kg. was lost in the higher prices for sugar. The turnover thus dropped to Rs. 3.17 crores from Rs. 4.62 crores in 1967-68. Mr. Iyengar has indicated that barring unforeseen circumstances the results for the current year will be considerably better as open market prices have declined sharply and the sizable cut in selling prices from October last year has helped the company to overcome consumer resistance. The joint venture in Malaysia for setting up a confectionery factory is progressing well. The Malaysian Government's approval has been obtained and it is hoped that the new factory will commence production early next year.

Trichy Steel Rolling

Trichy Steel Rolling Mills Limited has reported better working results for the year ended September 30, 1969, and the directors have decided to resume the payment of equity dividend with a distribution of 7 per cent gross. The entire dividend will be exempt from tax at the hands of the shareholders being paid out of tax-exempt profits. The company paid a dividend of 6 per cent for 1966-67. The net profit for 1968-69 before depreciation and taxation, was much higher at Rs. 5.63 lakhs against Rs. 3.45 lakhs in 1967-68. The claim in respect of depreciation is 2.60 lakhs (Rs. 3.09 lakhs) and development rebate Rs. 11,000 (Rs. 27,500). The provision for taxation is only Rs. 400 (Rs. 22,700) while a sum of Rs. 1.04 lakhs (nil) has been written off share issue expenses.

Ashok Leyland

The Chairman of Ashok Leyland Limited, Sir A. Ramaswami Mudaliar, has expressed the hope at the recent annual meeting that the bumper harvests and recovery in economic activity will lead to a larger demand for road transport facilities. There has already been a pick-up in demand for commercial vehicles since last March and the provision of credit by banks and the assistance of the IDBI to buyers of trucks and commercial vehicles has resulted in greater offtake, particularly of medium and heavy duty vehicles. Ashok Leyland has also been steadily increasing its export business and its export sales in 1968-69 amounted to Rs. 57.33 lakhs against Rs. 17.31 lakhs in 1967-68, while in the current year an order has been already secured for Rs. 150 lakhs. With a view to meeting the increasing ex-

port demand, it has been decided to increase the output of Comet chasses to over 7,000 besides proceeding with the heavy duty expansion programme on hand. It has been indicated that the additional capital expenditure for raising Comet production would be found largely from internal resources and there may be no need for issuing fresh capital. Ennore Foundries Limited in which the company has 25 per cent capital share, has made good progress latterly and will be paying a dividend of 7 per cent, taxable. Sir Ramaswamy Mudaliar has, however, warned against too much optimism about the future earnings on account of the acute shortage of steel and the difficulties of ancillary units.

Coimbatore Cotton's Bonus

The spinning mills in Coimbatore and other parts of Tamil Nadu are doing well and with a distinct pick-up in yarn offtake internally as well as in export markets many units are expected to report quite satisfactory results for 1969. Some of the major units may even decide to capitalise a part of their reserves to issue bonus shares as it is felt that in the improved context there will be no difficulty in paying reasonable dividends on even the increased capital. Coimbatore Cotton and Spinning Mills Limited has already proposed a bonus issue in the proportion of one share for every two shares held subject to the approval of the Controller of Capital Issues. The company paid an ordinary dividend of 5 per cent taxable for 1968 and 9 per cent in 1967.

Smith Stanistreet

In line with the general experience of the pharmaceutical industry, Smith Stanistreet, and Company Limited has been able to increase its sales during the year ended June 30, 1969 sharply to Rs. 4.48 crores from Rs. 3.72 crores in 1967-68. But the net profit before depreciation and taxation, improved only slightly to Rs. 17.45 lakhs from Rs. 16.35 lakhs in 1967-68. Higher production costs and promotional expenditure on new products reduced the profit margins. The dividend on equity capital has been maintained at 15 per cent, taxable after providing Rs. 1.80 lakhs (Rs. 2.03 lakhs) for depreciation, Rs. 7,300 (Rs. 14,500) for development rebate and Rs. 8.58 lakhs (Rs. 7.38 lakhs) for taxation. General reserve is credited with Rs. 1.12 lakhs (Rs. 1.43 lakhs) and reserve for bad and doubtful debts Rs. 72,906 (Rs. 18,237). The caffeine plant is expected to be ready shortly. There may also be a marked improvement in working results in the current year with a larger turnover.

Shree Madhusudan Mills

Shree Madhusudan Mills Limited was able to reduce the loss in its textile unit substantially during the year ended June 30, 1969 as a result of which there was a profit of Rs. 17.32 lakhs before depreciation, against a loss of Rs. 14.70 lakhs for 1967-68. The textile unit cut its loss to Rs. 5.35 lakhs from Rs. 36.45 lakhs in the previous year though output was affected by a power cut in Maharashtra. Hall and Anderson division, also increased its earnings to Rs. 22.67 lakhs from Rs. 21.75 lakhs. However, due to inadequacy of profits, no provision could be made for depreciation on the fixed assets of the textile unit and the arrears on this account amount to Rs. 45.90 lakhs. The depreciation on the assets of Hall and Anderson claimed Rs. 67,160 (Rs. 70,827) while the balance has been used to wipe out the loss of Rs. 15.35 lakhs brought in from the previous accounts leaving a credit balance of Rs. 1.30 lakhs to be carried forward. Arrears of preference dividends for two years amounting to Rs. 3.51 lakhs also remain to be paid.

Varadalakshmi Mills

Varadalakshmi Mills Limited is another spinning mill which has been able to fare better in the year ended June 30, 1969 though the company has maintained only the equity dividend at 12 per cent taxable. Earnings before depreciation, showed a sizable rise to Rs. 13.92 lakhs from Rs. 10.80 lakhs in 1967-68. The charge in respect of depreciation is Rs. 9.16 lakhs (Rs. 8.07 lakhs) and development rebate Rs. 3.33 lakhs (Rs. 1.75 lakhs). Fresh capital expenditure during the year amounted to Rs. 11.28 lakhs when the installed capacity rose to 25,056 spindles.

Jenson and Nicholson

Jenson and Nicholson (India) Limited has turned the corner after a number of unprofitable years of working and is reported to be working at a small profit in the current year. According to the chairman of the company, Mr. M. A. Chidambaram, sales in the first half of the 1969-70 (July-December 1969), have recorded a marked increase over the turnover in the same period in 1968. During 1968-69 it was possible to reduce the loss to Rs. 10.66 lakhs from Rs. 14.05 lakhs in 1967-68 with a rise in sales to Rs. 3.12 crores from Rs. 2.84 crores. The loss has been arrived at after providing Rs. 4.14 lakhs (Rs. 3.90 lakhs) for depreciation. A debit balance of Rs. 45.98 lakhs has been carried forward including the loss of Rs. 35.33 lakhs brought-in. The company has plans to expand its activities in more profitable fields.

International Computers

Production and sales of International Computers Indian Manufacture Limited have been adversely affected in the current year owing to acute shortage of imported raw materials and components. The Vice-Chairman of the company, Mr. S. P. Godrej, told the annual meeting recently that sales in the current year so far have been lower at Rs. 19.79 lakhs against Rs. 34.06 lakhs in the same period in 1968-69. Imports of the company are related to its export performance but in the absence of adequate supplies of raw materials, the company is unable to execute its export orders in time. The current year's licence is yet to be received and the company which has given an undertaking to the Government to export machines and cards worth Rs. 150 lakhs this year, and has adequate orders will need the imported raw materials in time to meet its obligations. Even the programme to manufacture 56 computers valued at Rs. 7 crores in the next four years will depend on the receipt of import licences for components. The capital goods licence has been obtained and the required plant and machinery have started arriving.

Andhra Sugars Bonus Issue

Andhra Sugars Limited has maintained the equity dividend at 12 per cent taxable, for the year ended September 30, 1969 with satisfactory working results. The directors have at the same time decided to capitalise Rs. 72 lakhs out of reserves for issuing bonus shares in the proportion of four equity shares for every five shares held. The authorised capital of the company is being increased from Rs. 2 crores to Rs. 3 crores by creating 10 lakh equity shares of Rs. 10 each. Even with lower sugar prices the net profit, after depreciation and taxation for 1968-69 was only marginally lower at Rs. 64.16 lakhs against Rs. 68.23 lakhs in 1967-68, perhaps due to better working of the other divisions. General reserve has been credited with Rs. 29 lakhs (Rs. 6 lakhs) but development rebate reserve gets only Rs. 16 lakhs (Rs. 30 lakhs). The transfer to gratuity reserve is Rs. 60,000 (Rs. 40,000). The dividend will require Rs. 10.8 lakhs. In 1967-68 the payment was made out of dividend reserve which was credited with Rs. 13.50 lakhs.

Setback in A.P.I. Results

Shareholders of Automobile Products of India Limited would be disappointed with the setback in the earnings of the company during the year ended July 31, 1969 in spite of a sizable rise in output and sales. Output of scooters rose to 22,202 from 17,303

in 1967-68 while sales increased to Rs. 10.25 crores from Rs. 7.78 crores. The rise in turnover is to a small extent due to the inclusion of the sales of Hind Auto Industries Limited which was merged with A.P.I. in April 1968. But the improved sales have not been reflected in the earnings and in fact, there was a loss of Rs. 4.20 lakhs, after depreciation, against a profit of Rs. 26.98 lakhs in 1967-68 due to a sharp rise in working expenses. The directors have decided to change over to the straight-line method for providing for depreciation besides changing the method of valuation of inventories. The revaluation of stocks has provided a surplus of Rs. 8.03 lakhs while a sum of Rs. 37.40 lakhs (nil) has been taken to the profit and loss account being excess provision for depreciation under the new method. After taking credit for excess provision for taxation in earlier years of Rs. 11.58 lakhs, the sum available for appropriation is Rs. 52.82 lakhs (Rs. 29.91 lakhs). Development rebate reserve gets Rs. 6.85 lakhs (Rs. 3.70 lakhs). After adjusting the accumulated losses the transfer to general reserve is Rs. 28 lakhs (nil). The equity dividend has been maintained at 10 per cent taxable and will be paid out of general reserve. The company has been allowed to produce 30,000 vehicles a year against its licensed capacity of 24,000 vehicles to meet the keen demand for scooters while a proposal for raising the capacity to 60,000 vehicles a year is awaiting Government sanction. A.P.I. has been diversifying its ancillary products with the production of clutches, tie-rod ends and friction materials at its Bombay and Kanpur units and there is a proposal to increase the licensed capacity for making clutches and brakes for which an application has been made to Government. The company recently announced its decision to raise fresh equity capital through a one-for-four right issue.

Indian Oxygen Repeats

The revival of industrial activity from the middle of 1968 has been helpful to producers of industrial gases in utilising their capacity effectively. Indian Oxygen Limited, the leading producer in the industry, has been able to increase its sales of industrial gases, electrodes and welding equipment to Rs. 15.85 crores in the year ended September 30, 1969 from Rs. 14.51 crores in 1967-68. The net profit, before depreciation and taxation, improved to Rs. 249.54 lakhs from Rs. 222.33 lakhs. But the equity dividend has been only maintained at 12 per cent, taxable. The sum set aside for depreciation is Rs. 97.71 lakhs (Rs. 97.17 lakhs) and taxation Rs. 92 lakhs (Rs. 67 lakhs) while development rebate

claims Rs. 7 lakhs (Rs. 13 lakhs). After taking credit for Rs. 12 lakhs (Rs. 23 lakhs) from development rebate reserve, the transfer to general reserve is Rs. 64.82 lakhs (Rs. 68.16 lakhs). The equity dividend will require Rs. 53.04 lakhs (same). The directors have obviously been influenced in their decision regarding dividend by the need to provide for a larger equity capital in view of the proposal to issue a one-for-three bonus issue (already reported in these columns) subject to government approval.

It is expected that there will be a further increase in sales and earnings in 1969-70 despite the labour trouble in West Bengal units as the units in other parts are doing well. In fact, it will be necessary to expand capacity in the various fields to meet the increasing demand. A number of schemes have been proposed to Government out of which only the nitrogen project in Jamshedpur has been cleared.

Unit Sales Slacken

Contrary to earlier expectations, there has been a slackening in the sales of units of the Unit Trust of India in the second quarter of the current accounting year. The turnover in October-December, 1969 was even slightly lower at Rs. 2.30 crores against Rs. 2.72 crores in the corresponding period of 1968-69. Repurchases during the three months were also higher at Rs. 48.50 lakhs against Rs. 46.70 lakhs in 1968-69. Sales in the first half of 1969-70 were however, better at Rs. 18.71 crores against Rs. 13.77 crores while repurchases were lower at Rs. 1.09 crores against Rs. 1.17 crores in the first half of 1968-69. Thus net sales were higher at Rs. 17.62 crores against Rs. 12.60 crores. As net sales in the second half of 1968-69 were only Rs. 2.88 crores, the net sales during 1969-70 may be around Rs. 20 crores against Rs. 15.48 crores in 1968-69. The setback in unit sales must be mainly attributed to the slump in stock markets towards the closing months of 1969. It now remains to be seen if the Trust will reduce the sale price from the current level of Rs. 10.80 per unit. At the end of 1969, the unit capital stood at Rs. 74.27 crores against Rs. 53.76 crores at the end of 1968 while the number of unit holders rose to 3.18 lakhs from Rs. 2.55 lakhs.

Madras Rubber Pays Same

The annual turnover of the Madras Rubber Factory touched a new high of Rs. 20.33 crores during the year ended September 1969. This signifies an increase of 20 per cent over the previous year's sales of Rs. 16.84 crores. The company's total tyre exports rose from Rs. 38.7 lakhs in the previous year to over Rs. 53 lakhs in the

Rs. 16.84 crores. The company's total tyre exported went to the U.S.A.

The Company's profit before the provision of depreciation and development rebate totalled nearly Rs. 1.48 crores. The net profit was over Rs. 94.2 lakhs. A 12 per cent dividend has been recommended by the Directors.

During the year the company has received permission to expand its capacity of 3.6 lakhs tyres and tubes to 6.1 lakhs which represents an expansion of 70 per cent in its installed capacity. The cost to implement this major expansion is estimated at about Rs. 5.5 crores, the whole of which has been arranged to be met from the company's own funds and by loans from the financial institutions and from U.S. Aid funds. Import licence valued at Rs. 1.93 crores has been received and arrangements are being made for a speedy implementation of the increased capacity.

For the production of cycle tyres and tubes a pilot plant has been commissioned and trial production has been going on for the last three months. Full machinery for the plant is expected to be received by May 1970, and commercial production will start before the end of 1970.

Miscellaneous

SHAMA ENGINE VALVES LIMITED has declared a maiden ordinary dividend of 6 per cent for the year ended September 30 1969.

The shareholders of BORAX MORARJI LIMITED have approved a revised basis for the bonus issue announced recently, according to which one free scrip will be issued for every three shares held instead of the earlier ratio of two for five.

The directors of BAJAJ AUTO LIMITED have decided to capitalise a part of the reserves and issue bonus shares in the proportion of one share for every two shares held. The bonus shares, however, will not rank for any dividend that might be declared before March 31, 1974.

The directors of TRAVANCORE CHEMICAL MANUFACTURING COMPANY LIMITED propose to capitalise Rs. 10 lakhs out of reserves and issue bonus shares in the proportion of one for three. The new shares will be eligible for dividend from the earnings of 1970-71.

PAPER PRODUCTS LIMITED has passed over the equity dividend for the year ended July 31, 1969 but has declared a bonus issue in the ratio of one share for every five shares held by capitalising Rs. 14.4 lakhs from reserves. The dividend for 1967-68 was 12 per cent, taxable.

STOCK MARKET:

Extreme Caution Marks Trading

No definite trends have been noticeable in the stock markets since the beginning of the year and prices have been moving in an irregular manner swayed by moods of subdued optimism and nervous apprehensions. The Budget for 1970-71 being only a few weeks away, the element of caution is bound to be more pronounced in subsequent sessions. Only after the Budget uncertainties are out of the way can there be any inclination to take a definite view of the outlook for equity investment and even then there may be certain aspects of Government policy which will continue to exert their influence on the thinking of marketmen.

Otherwise, there is nothing to depress the markets in the near future. The industrial sector had never had it so good in the past three years and only a critical shortage of vital raw materials has been standing in the way of a more rapid recovery. Corporate results in many cases have been extremely gratifying and the spate of bonus issues that are being announced by well-known and not so well-known companies have left the investors dazed. At the same time, some very attractive issues of capital have been engaging the attention of the investing public. Imperial Tobacco, Engine

Valves, Andhra Pradesh Paper Mills have already come on the market while Nagpai Petro-Chem Refining, Amalgamations Repco and others would be following suit shortly. But it cannot be said that the present atmosphere is conducive to promoting entirely new companies in a big way as entrepreneurs are still not clear about the profitability of new investments in particular directions because there is still a sizable idle capacity in many industries which will have to be used up before additional capacity can be thought of. A crucial factor which may decide investment decisions in the coming months will be the size of the Fourth Plan and the likely outlay on roads, housing, irrigation and power projects including rural electrification.

Meanwhile, operators have been eagerly awaiting resumption of forward trading in shares. A section of the stock exchange fraternity in Bombay and Calcutta has already staged a strike in protest against the delay over a decision by Government in this regard. Even if forward trading in shares is permitted to be resumed with sufficient safeguards, the markets will remain dormant for some time till it is known in what form the various socialist policies of the ruling party will be implemented.

PRICE MOVEMENTS

The following were the closing quotations for selected scrips on January 5 and 20

Madras		Bombay		Calcutta	
Jan. 5	Jan. 20	Jan. 5	Jan. 20	Jan. 5	Jan. 20
Deccan Sugar	7.65 7.65	Tata Steel	107.50 104.75	Indian Iron	16.00 15.25
India Cements	4.90 4.90	Indian Iron	16.04 15.20	Hind Motors	15.58 15.28
Mettur Chem.	9.50 9.62	TELCO	225.00 218.00	Birla Jute	36.15 35.70
Ashok Leyland	6.10 5.95	Hind Motors	15.32 15.20	Kesoram Ind.	15.25 14.60
S.I. Viscose	126.00 133.00	Century	725.00 710.00	Dunlop India	30.00 29.05
Travancore Rayon	19.75 19.75	National Rayon	435.00 423.00	Indian Alum.	30.15 28.90
Madura Mills	14.00 15.00	Tata Chem.	30.25 31.00	G. K. Williams	13.45 12.75
Blue Mountain	1.60 1.57xd	Scindia	19.24 18.52	Alkali	24.00 24.37
Madras Rubber	21.45 21.37	A.C.C.	121.50 120.50	CAFI	41.37 45.25
Madras Alum.	130.00 132.5	United Carbon	295.00 282.50	Indian Explosives A	21.31 20.00
Seshasayee Paper	8.00 8.00	Glaxo	34.00 32.75	Imperial Tobacco	14.37 14.19
Trav. Chem.	22.75 23.00	Mico	375.00 365.00	Hind Alum.	30.69 30.69

There are strong indications of an early bill to nationalise general insurance while the details are reported to be being worked out in regard to imposition of ceilings on urban property. But the action of the Government in allowing a sizable rise in steel prices and clearing the fertilizer project of Birlas and the expansion project of Tata Chemicals (for raising the capacity of soda ash to 1,000 tonnes per day) besides pronouncements by Government spokesmen that bigness would not be the sole criterion in turning down a project proposal have given rise to hopes that nothing drastic would be done to slow down the growth of industrial production. However, marketmen would be keenly watching how the Prime Minister would use her budget proposals for 1970-71 to raise fresh resources for a larger Fourth Plan that seems likely on present reckoning.

During the fortnight ended January 20, share values in the principal stock markets lost most of their previous gains and were ruling weak. The grave labour situation in West Bengal and the threat of the Indian Iron Management to close down its plants, if a settlement was not reached over the labour dispute unnerved operators particularly in Lyons Range. The stream of encouraging working results was lost in such an atmosphere of gloom and values declined on a wide front in Dalal Street also. The Madras market was virtually inactive with stray business passing in select counters. But for the shortage of scrips bears would have utilised the opportunity to depress the markets still further.

Statistical Supplement....

RESERVE BANK STATEMENT

	16-1-70	9-1-70	17-1-69
BANKING DEPT.			
<i>Deposits</i>			
Central Government	102.97	77.78	53.95
State Governments	4.42	9.20	7.54
Scheduled Commercial Banks	178.25	163.30	158.44
Others	208.58	214.38	320.38
Other Liabilities	95.63	87.51	85.74
Treasury Bills	90.06	91.60	234.31
Balances Held Abroad	149.67	130.42	87.08
Investments	88.05	114.08	212.02
Loans & Advances to			
(i) State Governments	161.63	134.24	33.32
(ii) Sch. Com. Banks	159.11	128.40	45.47
Other Assets	38.55	38.32	37.92
ISSUE DEPT.			
Notes Held in the Banking Dept.	13.75	20.73	15.70
Notes in Circulation	3,744.67	3,722.18	3,344.49
Total Notes Issued	3,758.43	3,742.92	3,360.19
Gold Coin & Bullion Held in India	182.53	182.53	115.89
Foreign Securities	281.42	291.42	191.42
Rupee Coins	67.19	66.70	79.77
Rupee Securities	3,227.28	3,202.27	2,973.11

SCHEDULED COMMERCIAL BANKS

	9-1-70	2-1-70	10-1-69
Aggregate Deposits	4,892.44	4,893.92	4,222.30
Cash & Balances with R.B.I.	300.92	306.35	250.93
Borrowings from R.B.I.	113.52	92.02	72.25
Investments	1,208.99	1,220.64	1,113.08
Advances	3,708.36	3,644.56	3,133.48

VISIT

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31st January — 6th February

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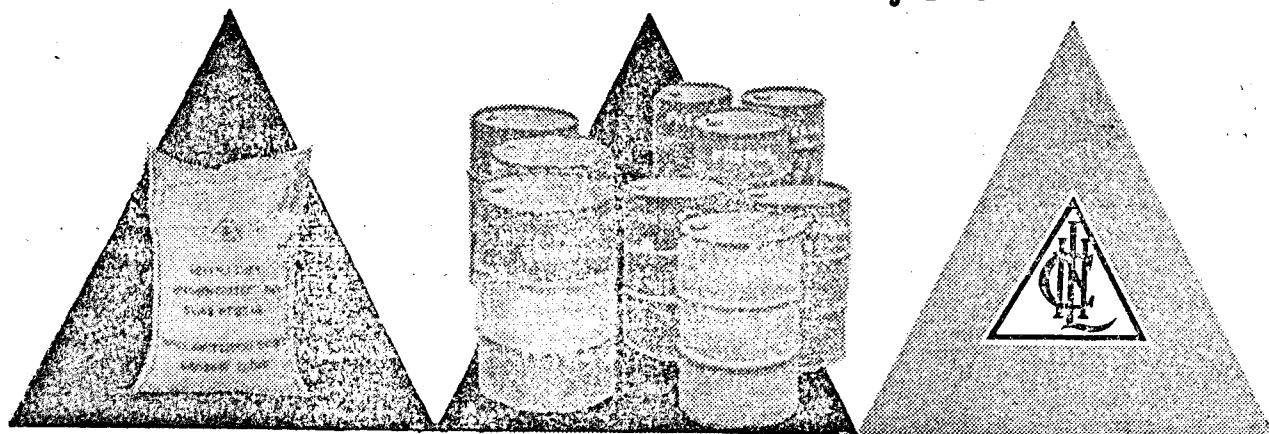
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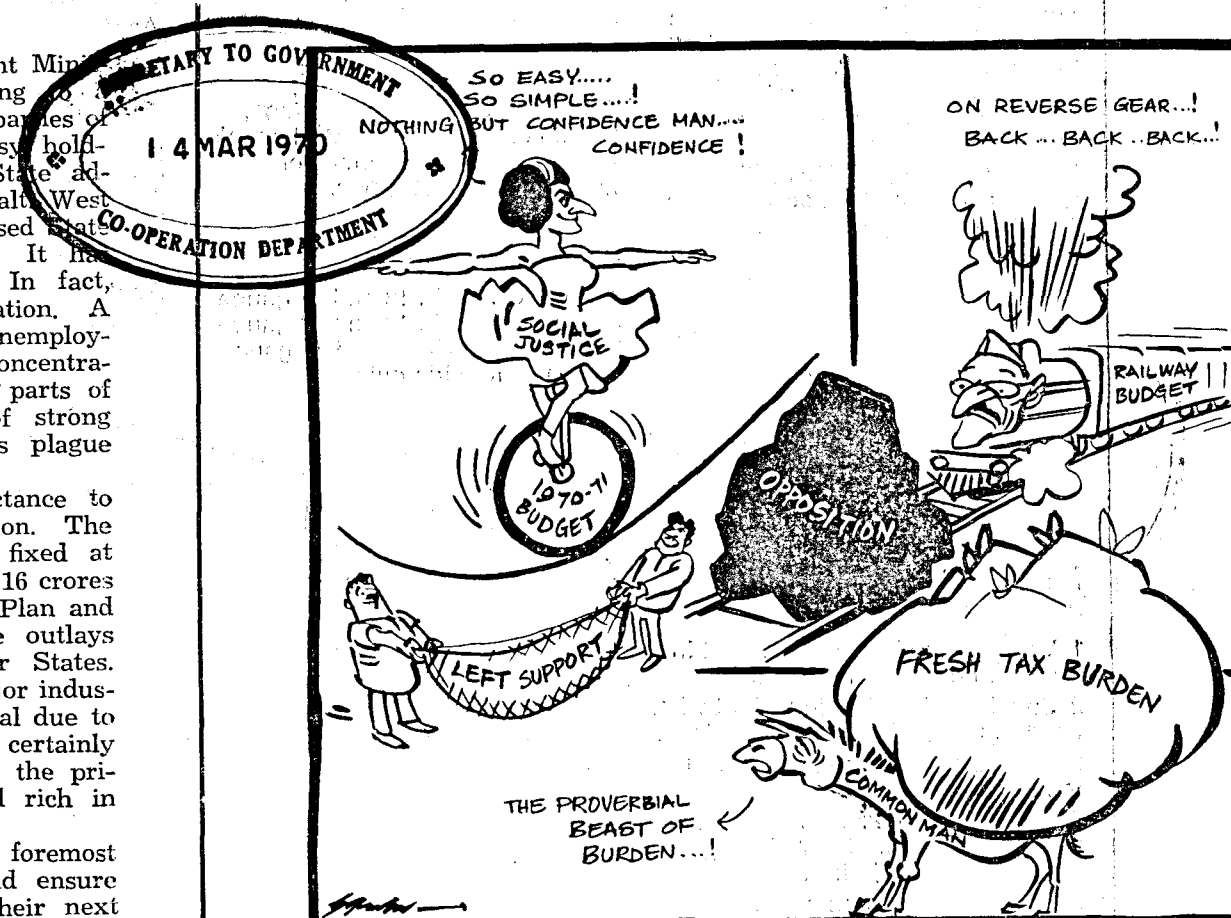
MARCH 1, 1970 [Issued on Mar. 10] VOL. II, NO. 24 PRICE: 75 Pa

The Plight of Bengal

The one-year-old United Front Ministry of West Bengal is heading for collapse. With the constituent parties holding widely differing objectives, busy holding themselves together the State administration has ground to a halt. West Bengal was the most industrialised State at the time of independence. It has gradually lost this position. In fact, there has been virtual stagnation. A high density of population, unemployment and under-employment, concentration of industries in restricted parts of the State and the absence of strong leadership among other things plague the State from progress.

There has been great reluctance to attempt at resource mobilisation. The Fourth Plan outlay has been fixed at Rs. 321 crores which is just Rs. 16 crores higher than that of the Third Plan and which is much less than the outlays contemplated by many smaller States. The decision of some of the major industrial groups to shift from Bengal due to its uncongenial climate will certainly slow down the contribution of the private sector which was indeed rich in the past.

The State needs first and foremost stability and the people should ensure this at least when they get their next chance.



'REDUCE YOUR COSTS—NOW'

— says Hariprasad Nevatia

In recent Newsletter interviews, H.H.'s young Chief Executive, H. R. Nevatia revealed some of his, and his company's philosophy. Leading in the field of light-weight, low-cost and outstandingly high quality material handling equipment, the company's products (and name) are likely to be seen increasingly on the Indian industrial scene. And its deep—also highly successful—commitment to newer product-development over an ever-widening range of equipment, backed by severe quality control in production, seems indicative of the trend towards greater sophistication, the hallmark of tomorrow's technology. It's a trend anyone with an eye on the future can ill-afford to ignore; which should make these reflections from progressive Hariprasad Nevatia particularly valuable. Industrial Material Handling covers the movement of everything within an industrial establishment. It is the 'productive' part of the production process. To reduce it, is immediately to increase productivity. It is said,

correctly, that everytime material is handled, something is added to its cost, nothing to its value. Material handling though not an exact science, quickly repays a detailed study. Even today it is surprising that, in many factories up to fifty tonnes of material movement may take place for producing merely one tonne of a finished product! Material movement can be horizontal, vertical or along inclined planes; on ground level or overhead; indoors or outdoors. A wide range of equipments are thus necessary, each with its own attributes. Commonly used mechanical handling equipments are of various types. Cranes, Forklift and Stacking Trucks, Derricks, Conveyors, Elevators, Telphers, Ropeways, Lifting Blocks, Jacks, Hoists and Winches. Of late, some pneumatic, hydraulic and battery operated equipments are

gaining popularity. A careful examination of work process and plant layout soon suggests the equipment most suited for the job. In addition a variety of supporting grab attachments for different situations can speed up the actual suspension and removal of loads. With the rapid growth of industrialisation, the role of material handling assumes increasing importance in India as a means of reducing waste-

blocks and hoists, many times, work out cheaper and better compared to overhead cranes or forklift trucks—a fact overlooked by many a harassed management. (A survey of the more common equipments in use today is made by Nevatia in the next part of this interview to appear in the Batliboi newsletter next month. Be sure to read these informative remarks from an expert).

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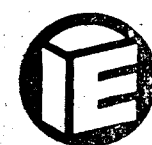
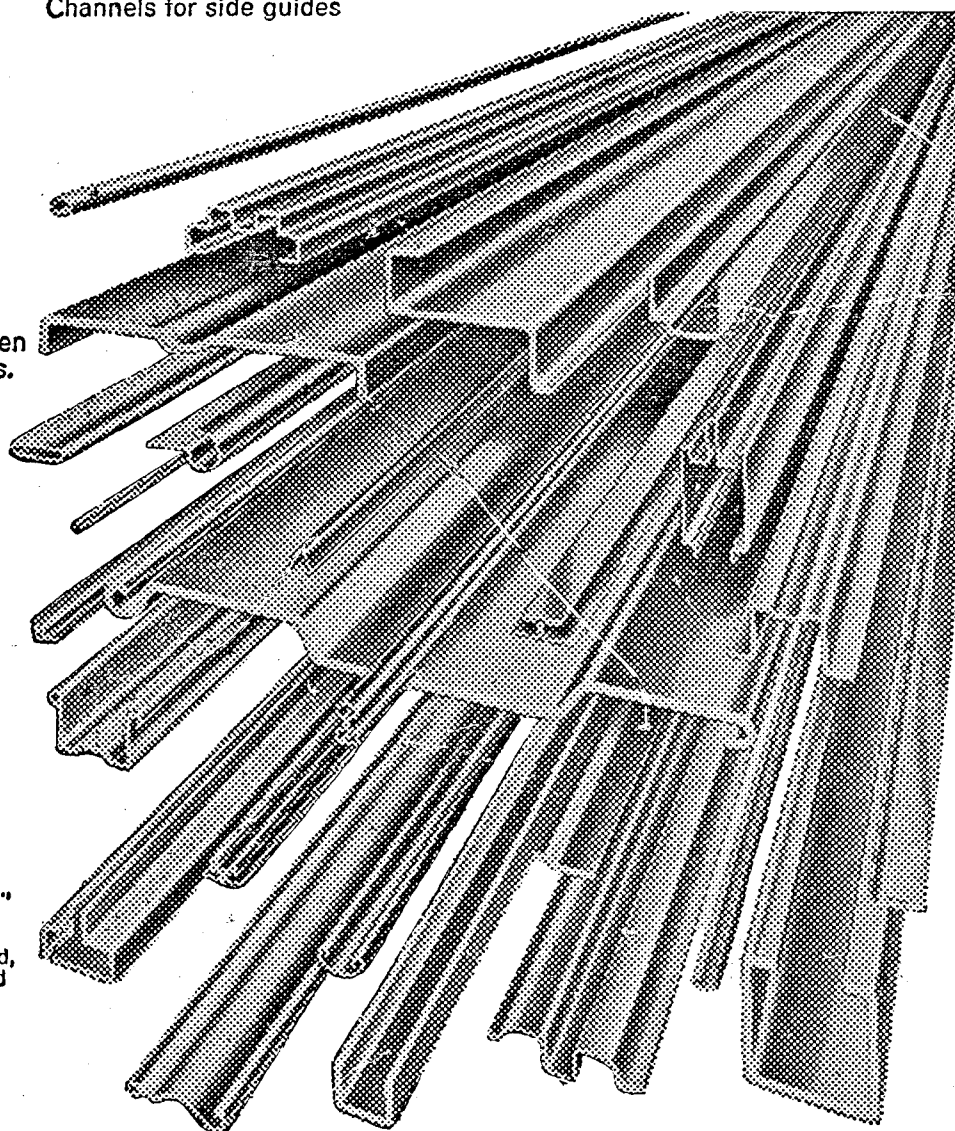
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Severe Penalties for Some, Sweet Promises for Many . . .

The most controversial budget of recent times was presented by Prime Minister Indira Gandhi to the Lok Sabha amidst much excitement because of the general expectations that an attempt would be made to raise large amounts through taxation on the income and wealth of the affluent sections of the society and through fresh levies on luxury goods. The burden of fresh imposts of over Rs. 170 crores has not created that furore and confusion that would have been created under different circumstances. The reliance as on former occasions, on indirect taxes for more revenue is evident from the fact that from the revised and new excise and import duties the yield will be as much as Rs. 135 crores while direct taxes will yield additionally Rs. 35 crores. The latter, however, will fall heavily on the income groups above Rs. 40,000 and wealth tax above Rs. 5,00,000. Urban land and building particularly, will be severely taxed as it is the declared objective of the Government to reduce concentration of this type of wealth in a few hands and develop metropolitan areas on different lines.

The revenue from a higher wealth tax rate and the punitive tax on urban property will not be large. But it may lead to a slowing down in housing construction by private enterprise which may well lead to the creation of new problems.

However, it is necessary to avoid needless confusion and discouragement to initiative and enterprise. It is probably the expectation of the government that there will be a diversion of funds from urban property to other channels while the Government agencies tackled the problem

of housing shortage in the metropolitan areas. If in the process, a virtual ceiling is imposed on holdings of urban property, further concentration of wealth might be prevented which is probably the immediate objective.

There is no excuse, however, for raising income-tax rates to the prohibitive level of 93.5 per cent on incomes above Rs. 2,00,000 against the existing maximum rate of 82.5 per cent on incomes above Rs. 2.5 lakhs. There is no parallel to this even among the heavily taxed countries of the world. Here again the goal appears to be the imposition of a virtual ceiling on net incomes. It is obvious that the egalitarian approach adopted by the Government will first result in a levelling down of incomes and wealth before a levelling up takes place with a sustained high level of economic activity.

The most striking feature of the budget is the decision to raise the outlay on Plan schemes by Rs. 400 crores in 1970-71, Rs. 200 crores to be spent by the Centre and an equal amount by the States. The States should feel happy that they will get assistance to the tune of Rs. 635 crores in 1970-71 against Rs. 615 crores in 1969-70. There will also be special assistance of Rs. 175 crores for overcoming the difficulties of the States. This in effect would mean that the Centre will be accounting for nearly the whole of the additional Plan outlay in the second year of the Fourth Plan. This big effort by the Central Government has been made possible by a buoyancy in tax revenues, additional taxation for Rs. 170 crores of which the share of the Centre will be only Rs. 125 crores and deficit

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To incorporate details of the Central and a number of State Budgets, the release of this issue has been delayed. Any inconvenience caused is regretted. —Ed. I. E.

financing for Rs. 225 crores. Unlike 1969-70 when there was a revenue deficit of Rs. 60 crores on the basis of existing taxation there will be a surplus of Rs. 15 crores in 1970-71 which will improve to Rs. 140 crores after giving effect to the taxation proposals. As there will be a deficit of Rs. 365 crores in the capital budget, there will be an overall deficit of Rs. 225 crores which will be lower than the amount of Rs. 290 crores for the current year in the revised estimate. It is important to point out here that this large deficit would not have arisen but for the fact that special assistance of Rs. 275 crore was given to the States. As a result, the latest adjustments in plan outlay in the Central sector and on centrally sponsored schemes will amount to Rs. 1411 crores against Rs. 1223 crores in the current year and then the State sector to Rs. 1150 crores against Rs. 950 crores. An aggregate outlay of Rs. 2561 crores cannot be considered very large having regard to the revised Fourth Plan programmes for the public sector. But the Central and State Governments may have to feel their way cautiously as it would not serve any useful purpose if merely larger allocations were provided. With a revival in economic activity already shortages have emerged in some directions and without active steps to remedy the shortages a mere increase in the tempo of expenditure may not be helpful.

It must be said, however, that a good base has been created for the mobilisation of resources through taxes and if there was buoyancy in the economy, the growth in revenues will be even more pronounced. It would appear that there has been a definite underestimate of receipts from new taxes as with a larger production and higher rate, the yield should be much more than Rs. 180 crores and may be even Rs. 225 crores. If there were no bottlenecks due to shortage of raw material or labour trouble, the utilisation of the existing capacity in the industry by itself can result in an increase in output by 10 per cent which would ensure a growth in revenue. From excise duties alone Rs. 200 crores more can be got with scope for mobilising additional revenues under other heads by Rs. 150 crores with larger surpluses from public sector

undertakings and with reliance on open market borrowings and with an impressive growth of bank deposits and other favourable developments, there will be really no need for big taxation in the coming years. The fiscal policies should, therefore, be aimed at not merely mobilising resources for the exchequer but keep the investment climate congenial so that the private sector can play its due part.

The absence of any major changes in the corporate tax structure is no doubt to be commended but it is wrong to expect that the industrial units would be able to mobilise the required resources from their own sources, because internal capital formation is not adequate and individual investors will not have the desired surpluses after paying heavy direct and indirect taxes. The larger purchasing power of the rural population may be useful to some extent but with the need for capital expenditure on the development of land and the difficulty in the way of monetising these resources, the Central and State Governments should be careful about the effects that are induced by a large scale diversion of resources from the private sector. The *ad valorem* excise duty on free market sugar on the revised basis has no justification while fabrics made out of man-made fibres should not have been made so costly. There is also no reason why the automobile industry should be so heavily penalised. Fantastic duties have also been imposed on some durable goods. If necessary concessions can be conceded confidence in the immediate outlook for the economy can be restored.

Mrs. Indira Gandhi's Budget with its constructive approach to the implementation of the Fourth Plan and with genuine sympathy for the difficulties of the States should prove to be the beginning of a new era of dynamism in the industrial economy side by side with a sustained growth in agricultural production. With a grant of intelligent concessions and the incentives for saving and investment already provided in the form of a higher exemption limit for investment income and more attractive savings schemes, the growth rate can be even more than 6 per cent in the coming years.

Budget of Tamilnadu:

Tapping Resources for Plan Tasks

The Tamil Nadu Government has gone about the task of mobilising resources for implementing Plan schemes and meeting a rising level of revenue expenditure in its usual thorough manner and it is among the few States seeking to raise a fairly large amount by way of new taxes. While Mysore and Kerala have also attempted similar policies their proposals are not that sweeping in character. Besides the revenue from new proposals is not grossly underestimated as has been evident in Tamil Nadu Budget.

The Finance Minister, Mr. K. A. Mathialagan is sorely disappointed with the recommendations of the Fifth Finance Commission and he was also upset that it was not possible to reduce the overall deficit for 1969-70 as the Centre has yet to agree on rescheduling debt repayments.

In order to prevent a recurrence of the developments of 1969-70 as well as to allocate a fairly large amount for Plan purposes fresh taxation for Rs. 6 crores has been proposed. On this basis it is expected that the overall deficit of Rs. 6 crores will be completely wiped out though there may well be a surplus because trade estimates indicate that the new levies will be onerous and will fetch atleast twice the amount estimated by the Government. It has, therefore, been suggested that the new taxes should be less rigorous in their incidence.

Need to Redefine Central State Relation

Mr. Mathialagan has emphatically demanded that Centre-State relations should be re-defined and in view of the difference in approach on major problems and the need for a continuing dialogue between the Centre and the State, an Economic Council should be set up. He has also sug-

gested that there should be a Federal Debt Commission. There is an understandable grievance that the Centre has been exploiting its vantage position by asking for repayment of loans from the States against credits received on soft terms. It is legitimately felt that atleast in respect of these loans there should be a rescheduling to coincide with the payments that the Centre will have to make against these obligations. While the States cannot weaken the status and financial position of the Centre there will be difficulty in resisting the demand for a rescheduling of debt repayments. It has been assumed that the Centre would be agreeable to a rescheduling of debts by atleast Rs. 50 crores in the current Plan period, apart from providing additional assistance. If a

sympathetic approach is adopted to these problems, the Tamil Nadu Government is confident of implementing a Plan of Rs. 575 crores.

The outlay on Power and Irrigation schemes is quite impressive and there are proposals for developing a petro-chemical complex at Manali and establishing another at Tuticorin. There is also a proposal for starting a sponge iron plant besides completing the schemes for erecting the continuous billet casting plant and a cement factory. There are many other projects which have to be approved by the Central Government.

Impressive Addition to Power

The next financial year will be outstanding from the point of view of

Fresh Imposts

Rates of Sales Tax on single point commodities has been increased from 12 per cent to 15 per cent; net realisation expected from this is about Rs. 1.3 crores. Items under this heading include motor vehicles, refrigerators, typewriters, clocks, watches, wireless sets, etc.

Among other single point taxed goods, the rates of tax on cement is to be enhanced from 6 per cent to 8 per cent. On electrical goods, precious stones, foamed rubber sheets, scents and perfumes, tractors, bulldozers from 7 to 9 per cent. The additional yield expected is Rs. 1 crore.

An additional levy in the form of a surcharge of 7½ per cent on Sales Tax assessed from assessment year 1969-70 onwards has been introduced on assesseees with annual turnover exceeding Rs. 5 lakhs. A surcharge of 7½ per cent will be levied on dealers

covered by the Tamil Nadu Sale of Motor Spirits Taxation Act also. It is stated that no dealer shall be entitled to collect the surcharge from the consumers. Additional yield anticipated is Rs. 1.1 crores.

The rates of motor vehicles tax on stage carriers on mofussil routes are proposed to be enhanced upto Rs. 10 per seat per quarter. The town services are exempted. Anticipated yield Rs. 1.6 crores

The rates of taxes on petrol, aviation fuel and other motor spirits excluding diesel are to be raised by 2 paise per litre. This measure is likely to yield Rs. 50 lakhs.

Show tax levied on cinema theatres is also proposed to be raised. The increase ranges from Rs. 1 to Rs. 250 per show depending upon the location. Estimated yield Rs. 50 lakhs.

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INDUSTRIAL ECONOMIST

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Inhibiting Increases in Rail Freight and Fares

The Railway Budget for 1970-71 presented to Parliament by Mr. Gulzarilal Nanda seeks to raise a large amount through upward adjustments in freight and parcel rates and passenger fares on the plea of inadequacy of resources for implementing Fourth Plan Schemes. Out of a total outlay of Rs. 1525 crores in 1969-74, the Railways have to find Rs. 940 crores.

From Surplus to Deficit . . .

Though the estimates of revenue for 1960-70 have been realised with gross traffic receipts amounting to Rs. 950.55 crores against the budget estimate of Rs. 946.80 crores, there has been a sharp increase in operating expenses and it is now expected that there will be a deficit of Rs. 12.55 crores against an estimated surplus of Rs. 1.91 crores. It has been explained that unexpected increases in expenditure on account of repairs to property for overcoming the damage sustained due to cyclones and floods, additional emoluments to employees and costlier fuel have been responsible for the deterioration in railway finances. The increase in the passenger traffic has actually added to losses of the railways because even now passenger traffic is being subsidised by freight traffic. It has been estimated that the loss on this account is as much as Rs. 45 crores.

Slump in Freight Growth

It has been anticipated that there will be an expansion of originating freight traffic by 9 million tonnes in the current year. However even with a satisfactory performance in the first half of the financial year, the growth in freight traffic is not expected to be more than 5.5 million tonnes, considerably short of the budget estimate of 9 million tonnes. It is not clear how the growth rate in the first six months was achieved and why

there had been a slipping back in the latter half of 1969-70. The data relating to industrial production show that the growth rate has been sustained. There was a continuing volume of iron ore export, a higher level of fertiliser, production and a bigger output of petroleum products. It would be interesting to know whether there has been any large scale diversion of traffic to other forms of transport or the estimates had been exaggerated. If the railways have not benefited adequately by the revival in economic activity it is a matter for serious concern.

Exceptional Year

The developments in the first year of the Fourth Plan, however, should

be considered exceptional as there were serious disturbances in Telengana; two cyclones disrupted communications in Andhra Pradesh; and heavy floods in Rajasthan and Assam affected rail traffic. Flood damage is a normal occurrence every year, but the cyclone caused unexpected havoc which resulted not only in a loss of traffic but also heavy expenditure on repairs. The cumulative effect of all these factors resulted in a deficit for the fourth year in succession even in the face of rising revenues.

Improving Operating Ratio

The Minister for Railways has pointed out that the users of this mammoth national undertaking have to pay for the cost of expansion and

RAILWAY BUDGET AT A GLANCE

	Actuals 1968-69	Budget Estimate 1969-70	Revised Estimate 1969-70	Budget Estimate 1970-71
Gross Traffic Receipts	898.84	946.80	950.55	983.00 + 39.00* Effect of Budget proposals)
Ordinary Revenue Working Expenses (net) i.e., after taking credit for recoveries	636.78	665.25	683.05	700.99
Appropriation to Deprecia- tion Reserve Fund from Revenue	95.00	95.00	95.00	100.00
Appropriation to Pension Fund	10.00	10.00	10.00	15.00
Net Miscellaneous Expendi- ture (including cost of Works charged to Revenue)	14.25	15.53	16.62	16.54
Total	756.03	785.88	804.67	832.53
Net Railway Revenue	142.81	160.92	145.88	189.47
Dividend to General Revenues	150.67	159.01	158.43	167.09
Net Surplus(+)/Shortfall(-)	(-)7.86	(+)1.91	(-)12.55	(+)22.38
Operating ratio	82.5%	81.4%	82.9%	79.8%

*This is reduced since by Rs. 13 crores.

PROGRESS IN AGRICULTURE

Subject	1966-67	1969-70
Production of foodgrains	57.9 lakh tonnes	63.0 lakh tonnes
Acreage under high yielding variety	5.27 lakhs (17.08 lakhs anticipated for 1968-69)	24 lakhs
Consumption of nitrogenous fertilisers	85,000 tonnes	133,000 tonnes
Area covered by aerial spraying	28,000 acres	2 lakhs acres approx. (target for 1970-71: 10 lakh acres)
Cooperative credit: Short and medium term loans	Rs. 31.44 crores	Rs. 62.50 crores (anticipated)
Cooperative credit: For long term loans from development banks	Rs. 4.27 crores	Rs. 16 crores (anti- cipated for 1970-71)

fresh additions to generating capacity as the second stage of expansion of the thermal station at Neyveli will be completed shortly while the Kodayar Hydel scheme may take good shape before March next year. Additional generating sets in the Parambikulam-Aliyar project are also being got ready while quick progress is expected to be made on the Ennore thermal station. Even though some units may be slightly delayed in commissioning, the additions to generating capacity may be well over 450 MW. This impressive achievement may be helpful to the State in reducing its dependence on outside purchases. It has even been stated that even with the new projects beginning to generate large blocks of power, a shortage may emerge in the closing years of the Plan period and that it will be neces-

sary for the second unit at Kalpakkam to be installed without delay. If the Salem plant is also to be commission-

Lowering of Land Ceiling

The Tamil Nadu Government has decided to amend the Land Ceiling Act, 1961, lowering the ceiling limit from 30 standard acres to 15 standard acres. The measure is to be implemented through a comprehensive land legislation under finalisation.

ed by the end of the Plan or early in the next Plan there will have to be even more ambitious plan on the power front apart from a strengthen-

Power Programmes Continue to Receive High Priority

Rural electrification and the energisation of pumpsets continue to receive special emphasis. It is well-known that the State has been leading others in these two sectors. In the first three Plan periods 2.9 lakh pumpsets were energised. In the subsequent three years 1.7 lakh more pumpsets were energised.

By the end of 1970-71 it is expected that the Government would have electrified 42,387 villages and hamlets. A tenor of caution has set in, in the forecast of electrification of villages which will be done "within a short period as possible." Rs. 43.53 crores has been earmarked for power schemes. In this Rs. 21.5 crores has been set apart for rural electrification.

Installed capacity in the State including Neyveli is 1570 MW at present; this is expected to increase to 1720 MW by the end of March 21, 1970 and to 2295 MW by the end of 1970-71.

Checking the Frightening Growth of Slums

A policy decision has been taken to embark upon a phased programme of 'eliminating the slums in the City of Madras within the next seven years. A provision of Rs. one crore has been made for 1970-71 for slum clearance.

ing of transport facilities in all its sectors. With the State in a position to proceed on well-defined terms and no large gap between Plan outlay and resources, the Centre must give the necessary encouragement for worthwhile projects. Any shortfall in resources can probably be made good by more vigorous borrowing through open market loans and mobilisation of small savings. Bank credit also can play a significant role in providing resources.

Break-up of the Annual Plan 1970-71—(Figures in rupees crores)

	1969-70 Revised Est.)	1970-71
Total outlay	Rs. 92.85	Rs. 106.25
Power schemes	46.20	43.53
Agriculture & Allied programmes	13.10	12.10
Irrigation and flood control	4.57	4.98
Industry & Mining	4.62	7.62
Cooperation and community development	3.26	3.53
Education	5.18	7.38
Transport and communication	2.80	3.94

modernisation of existing facilities. But have they to bow meekly to the dictates of a monopoly organisation without questioning its efficiency of management? The operating ratio of the Railways has not come down below 82 per cent in recent years and if it is expected to be lower in 1970-71 at 79.8 per cent it is due to a growth in revenues and additional imposts. The railways have been unable to put their house in order and even with an increase in Gross Traffic Receipts to Rs. 950.55 in 1969-70 from Rs. 818.23 crores in 1967-68, a deficit has been reported. There has of course been an increase in the cost of stores and fuel and adjustments in the emoluments to employees which were inevitable to a certain extent but the adjustments in fares and freights have been effected periodically and between 1967-68 and 1969-70 these increases have amounted to over Rs. 100 crores. The impact has been felt mostly in freight rates and the

steel, cement, chemical and other industries have been obliged to revise the selling prices due to higher freight charges.

Futile Comparisons

The Railway Minister explained that the increase in railway fares and freights since 1950-51 were much less than the increase in wholesale prices and that the rates of the Indian railways were still among the lowest in the world. There is no point in making great comparisons with other countries as conditions are entirely dissimilar. But it is sad to note that no scientific approach is employed in reviewing the fare question and no effort has been made successfully to rationalise the working of the railways and bring down the operating ratio so that the subsidy now being incurred on passenger traffic can be considerably minimised if not eliminated.

Punitive Increases

The latest revisions in freight rates and fares are no doubt punitive and somewhat unwarranted. With the sustained revival in economic activity and a pick up in the output of steel, cement, chemical and other industries which require movement of large quantities of raw materials, there could be a significant improvement in earnings. Besides, it has also to be examined how the cost of operation can be reduced by a quicker turn round of wagons, mechanisation of operational problems and increase in productivity of workers. With the Rs. 1000 crore mark likely to be surpassed even in the next year the railway budget has assumed dimensions which have vast significance from the national angle. It is no use explaining that 58 per cent of the expenditure is accounted for by emoluments to employees and 21 per cent by stores, fuel and other items over which the Railway Board has no control. It is precisely because there is a huge labour content in the budget that there is scope for rationalisation. The existence of redundant labour must be located and adjustments made in regard to future requirements so that productivity can be slowly raised. It should also be examined how with intensive electrification of some parts of the railway system, cost of operation can be brought down.

Parliament's Concern about Third Class Fares

Unfortunately both the Houses of Parliament have not seriously taken note of the fact that out of Rs. 39 crores proposed to be additionally secured nearly Rs. 28 crores will be on account of freight rates and parcel charges. With costlier freights, coal, steel and other items are bound to cost more. Some increases, perhaps, could not have been avoided. But if only about Rs. 15 crores had been additionally raised and there were

adjustments in railway fares to a slight extent, the railway could still have managed to find the resources and could have stalled criticism. The Parliamentarians, however, are concerned only over higher third class fares and there has not been equal vehement opposition for the rises in freight rates, even thoughts the latter is subsidising passenger traffic.

It is necessary to remember that

even with regard to freight traffic, low rated traffic is being subsidised by high rated traffic and some regions are not working as profitably as other regions. Some others are even working at a loss. These anomalies are bound to be in evidence in a vast utility service and cannot perhaps be entirely eliminated but it should be the objective to minimise these subsidies.

The government will no doubt agree to a revision in the budget estimates in order to meet the demands of the Opposition. There is a prospect of reduction in the burden of fresh imposts. But such a reduction can be welcomed only if in the process legitimate claims were not ignored and if the Railways bent their energies to improve efficiency of operation. —(FOC)

Railways and Fourth Plan

The Working Group on Rail Transport set up under the auspices of the Planning Commission has assessed the freight traffic in 1973-74, the last year of the Plan, at about 265 million tonnes. Non-suburban passenger traffic is expected to increase during the Plan period by 23 per cent. The increase in suburban passenger traffic expected is somewhat more.

It is planned to provide for rolling stock consisting of 430 broad gauge and 218 metre gauge main line diesel locomotives, 100 diesel shunters, 340 broad gauge electric locomotives, about 100,000 wagons and 6,400 standard coaches, 768 electric multiple coaches and 50 rail cars. The aim is that the operations of high density traffic routes should entirely be by electric or diesel traction. Diesel traction will be extended to more sections on the railway system, priority being determined by density of traffic, the maximum throughput obtainable and the distance from the coal-fields. Accordingly, 1,700 more route kilometres are planned to be electrified and 3,000 more kilometres brought under diesel traction during the Fourth Plan. Surveys and studies are in progress to determine priorities. About 750 route kilometres are intended to be converted to broad gauge and 1,250 kilometres of track

doubled during the Plan period. The provision for signalling and safety works covers track circuiting of 1,000 stations, automatic block signalling over 500 kilometres and the installation of safety devices at busy level crossings. There is a programme for construction of more staff quarters, better provision for staff welfare and substantial increase in passenger amenities. The money available for construction of new lines will be taken up mostly by the completion of constructions already started and there will be an outlay of Rs. 28 crores for the construction of approximately 800 kilometres of new lines, of which about 150 kilometres are expected to be completed during the Plan period.

Plan Expenditure at Rs. 1 to 25 Crores

The Plan expenditure for achieving the aforesaid targets has been placed at Rs. 1,525 crores. This includes Rs. 620 crores for rolling stock, Rs. 15 crores for plant and machinery, Rs. 200 crores for track renewals, Rs. 28 crores for bridge works, Rs. 32 crores for electrification, Rs. 315 crores for line capacity works, Rs. 30 crores for workshops and sheds, Rs. 40 crores for signalling and safety works, Rs. 45 crores for staff quarters and welfare, Rs. 20 crores for passenger amenities, Rs. 10 crores for invest-

ment in road services and Rs. 83 crores for new lines. The balance of Rs. 37 crores is intended for certain miscellaneous expenses and inventories.

Foreign Exchange Requirements

The foreign exchange component of the Railways Fourth Plan has been assessed at Rs. 180 crores. This, it may be noted, is Rs. 60 crores less than the foreign exchange expenditure at pre-devaluation rates during the Third Plan. Foreign exchange is needed mostly on imported components for diesel and electric locomotives and Electric Multiple Unit coaches, copper for electrification projects and certain other essential equipment. The largest single source of foreign exchange for the development programmes of the Railways has been the World Bank Group; the International Development Association, affiliated to the World Bank, has extended a credit of the equivalent of \$55 million i.e. 41.25 crores in rupees, last September and this should cover the greater part of the Railways foreign exchange requirements during the current financial year and the next year. Assistance from the United States Agency for International Development and the Export-Import Bank of Washington and Canada, the Federal Republic of Germany the United Kingdom, Japan, France, and other countries covers the balance of the requirement.

IMPACT OF FREIGHT RATE INCREASE ON IMPORTANT COMMODITIES

Commodity	Impact
Sugar	.. The increase at 1000 kms is Rs. 4.20 per tonne, while at long distances like 1500 kms, there will be an actual decrease in the rate.
Oilcake	.. The increase at 1000 kms is Rs. 2 per tonne. The prices range from Rs. 300 to Rs. 1000 per tonne.
Kerosene Oil	.. The increase at 500 kms will be 50 paise per tonne.
Cement	.. The increase at 800 kms is Rs. 1.50 per tonne. Price is about Rs. 200 per tonne.
Piecegoods cotton full-pressed and hydrogenated oil	The increase at 500 kms is Rs. 10.20 per tonne, while at longer distances the increase will be lower.
Motor vehicles	.. The increase at 1500 kms. is Rs. 1.70 per tonne.
Iron & Steel Div. B	.. The increase will be Rs. 1.70 per tonne at 500 kms.
Iron ore	.. The increase will be nominal up to 500 kms and at 1000 kms it will be Rs. 2.50 per tonne.

PASSENGER FARE INCREASES

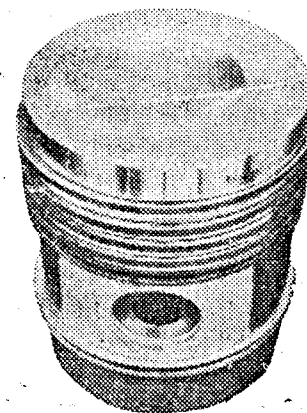
Following are the increases in various categories:

I class and Air-conditioned classes—9 per cent

Rajdhani Express—Rs. 20 for air-conditioned class. Rs. 10 for air-conditioned chair cars.

Taj Express—Rs. 5 for air-conditioned class. Rs. 2 for I class. Re. 1 for III class

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INDUSTRIAL ECONOMIST

A Monstrously Wasteful Method of Tax-Collection

The States Can Do the Job—Parkinson

Professor Northcote C. Parkinson, the well-known economist—humorist from Britain, in the course of a talk with pressmen in Madras referred to the wastefulness in a two-tier system of tax collection machinery in India whereby the federal taxes are collected by officials of the Union and State taxes by officials of the State concerned. Describing this as "a monstrously wasteful method of collecting taxes" he felt that the State machinery can collect the total taxes and hand over the Centre its share of it. He also felt that the States, with greater knowledge of the area and people living there, would do a more efficient job of this.

The noted British economist who was on a visit to India on an invitation by the Economic and Scientific Research Foundation of the FICCI, New Delhi arrived in Madras after completing his visit to Bombay and Calcutta, on February 28.

Greater Powers for States

Professor Parkinson favoured greater powers for the States. "I am very much on the side of Madras as regards State rights." He referred to the experience of Britain where people have very strong views on provincial rights.

Mr. Parkinson's attention was drawn to the conditions in India being very different: What with its vast distances, numerous languages, wide disparities in economic levels among different regions there was need for a strong Centre. There was thus the danger of the disparities growing wider still through greater powers to the States. The Professor was however, inclined to hold that this was still greater the reason for greater powers to the regions.

Professor Parkinson felt that politicians were the last persons to bring out unification. "Scientists and technicians can understand and talk with

each other easily; scholars, musicians, sportsmen, etc. all have common languages; the people who do not understand each other are politicians.... The democratic politicians are the worst in this regard, because they depend on the votes from a single region." The professor described the businessmen as the most unifying persons in India.

Towards an Intellectual Proletariat

Mr. Parkinson referred to the tendency in India to produce too many graduates in every direction. "You produce people with qualification who are apparently not wanted, which would lead to the danger of growing an intellectual proletariat which is a rather dangerous thing in itself."

Mr. Parkinson, who taught for over eight years in Malaysia, gave a lively analysis of the causes of the student unrest the world over. It is common in U.K. and U.S.A. to find students in the streets crying slogans on foreign policy and expressing their views on world problems. The Professor was very strong on this subject. "It is not the students' business at all.... In my view any one who seeks admission into the university must declare: 'I am ignorant. I come to the university to learn.'" He also opposed the idea of a student becoming a member of the university management.

The Mania for Slogan-shouting

Referring to the mania of slogan-shouting Mr. Parkinson said: "A slogan shouted a 1,000 times each by 10,000 people is no more likely to be true than the other point of view expressed once in a whisper by one." "If you do not believe this," the Professor continued: "You have no business to enter the university. Truth can be brought out only by investigation, research.... and not by shouting."

One reason for student unrest, the Professor felt, was that the universities are large and have become too numerous. There are far too many students but there are relatively far fewer staff members. He said men of distinction are not found in large numbers in universities. "First-class minds are relatively few and the number of students large; the contact with the first-class minds necessary for proper education are negligible." He pointed out even in the American universities men of distinction, like Nobel Prize winners in specific subjects, are never seen in any university. "They are perhaps attending committees, commissions, advisory groups or working conferences." In a big university they have no time to teach, as they have to manage a few thousand students and a few million dollars.

Money—Rather than Brain

Mr. Parkinson pointed out that there is a tendency that the answer to any problem could be found by spending more money on it, which is incorrect. "You use your money rather than your brain." The professor described graphically: Spending more money would mean employing more people which would affect mobility.

He also referred to the tendency on the part of every country to establish larger and larger embassies in foreign countries irrespective of, whether it can afford it or not. The objective of an embassy is simply to keep contact with the country concerned and to represent their own point of view. With numerous staff, they spend all their time with each other.... They never meet anybody at all outside. Even the Foreign Minister gets so much involved in dealing with numerous staff, he loses himself completely in the task."

—S.V.

INDUSTRIAL ECONOMIST

The Law of Delay: Parkinson's Third Law

Prof. Cyril Northcote Parkinson, author of 'natural' economic laws which are, as he claims, as great discoveries as that of laws of gravity, motion, etc. has presented yet another law to human knowledge. It was the privilege of Madras City to have the learned professor speak out about his new law for the first time. He called it Parkinson's *Law of Delay*.

The Professor who, while teaching history shook up Government establishments, business enterprises and civil servants by enunciating his First Law about "Work expanding to fill the time available for its completion", then turned to taxation and gave out his second law which virtually unleashed a massive missile on the strangle-holds of revenue authorities all over the world. The Second Law states: "Expenditure rises to meet income."

Explaining his Third Law, the Professor with his devastating wit and flair for driving home even serious subjects through humour, said that delay could never be unintentional. He distinguished the drift that probably had no intention behind, from delay. "If one wants to frustrate a proposal, he need not be uncivilised enough to say 'no'. All that one has to do is to delay it, and delay has a natural quality of indefinite elasticity," he observed. He then went on to point out the most handy way of subjecting a matter to delay. He referred to the endless committees, commissions, working groups, study teams and what not and said "these are excellent and most respectable means of achieving the delay."

The Law in detail and supported with facts and figures is expected to be published in about two months.

Prof. Parkinson's address on "East and West" (in the course of which he put across his new law, being scienti-

fically evolved and established) was listened by over a thousand intellectuals with rapt attention.

In an address at Madras Christian College, Professor Parkinson described the relationship between reputation and power. Political power in the days gone by was acquired by a talented few. The membership of Parliament symbolised power and was derived through one's reputation. Mr. Parkinson said that this has changed now; the basis of reputation is derived from the power of Parliament membership. "Power without reputation is empty. But reputation without power is a feat," said Mr. Parkinson.

Mr. Parkinson also held that the capacity to administer praise should be contrasted with a fearless willingness to criticise. "The morale of the diligent can be heightened only by the castigation of the indifferent," said the Professor.

Budget Shocks to the Consumer

No one really likes the indirect taxes, least of all the unorganised consumers. These taxes have, however, never waited for anybody to develop a liking towards them. They have proliferated and grown more complex from year to year. Innumerable Parkinsons can never hope to release the people from the stranglehold of the excise departments.

In the case of most of the consumer articles, before the Centre came down with increase in its tax rates, the Tamil Nadu Government announced tax measures that are in its competence. "The buck passed to the consumer" has therefore been cumulative and quite steep in some commodities.

Can kerosene, sugar, tea or cigarettes be termed luxury articles? In

the Madras markets, many brands of cigarettes went underground weeks before the budget. Now they have all come out. While the Government spokesmen declare that the prices for the various brands have gone up by two to ten paise, per packet, the buyer has had to pay many times more than the increase of four paise for the cheapest brands and as much as 20 paise more for the costlier varieties. Similar was the case with kerosene. Against a justified rise of two paise per litre, the commodity is not sold for anything less than 60 paise—a rise of five paise from 55. What should be passed on and what should be absorbed is more a matter of Government's intention. But it is true that all tax additions are totally shifted to the consumer.

Free market sugar is today quoted 30 paise more than the pre-budget figure. At a time when the sugar industry is choked with surplus stocks any move likely to affect the already poor offtake cannot but be deplored.

Car maintenance has begun to cost more. The 12 paise increase in the per-litre price of petrol has already had its multiplier effect. According to the State Transport Department the city bus services have begun to feel the impact with a large number of scooter, motorcycle and car owners shifting to public transport at least for some days of the week.

Tea price has risen by 35 paise per kg. and even more in the case of better quality teas. It is undeniably the poor man's beverage and it is hard to justify the levy.

Stainless steel blades, the only Indian blades which are of any use, cost more. The cheapest brand has escalated by 40-50 paise for a packet of 5 blades.

Aluminium utensils—again the poor man's metal—have registered sharp

price increase following the conversion of the specific duties into *ad valorem* levies.

Artificial silks and terene fabrics which are worn by the lower middle class—the upper class goes in only for genuine silk and super silk cotton stuff—have come in for fiscal assault. These are 20 per cent costlier since Feb. 28.

The rate of sales tax on automobiles and parts has been pushed up by three per cent by the Tamil Nadu Government. In addition, a new levy has been imposed on assesseees with turnovers exceeding Rs. five lakhs. Most dealers in automobile and parts will naturally have this shifted to the consumer. The Governments's hopes of this levy being absorbed by the trader will only remain a pious "paper expression." The additional amount one pays now, for instance, for a motorcycle is easily in excess of Rs. 150.

The increases in railway freight and motor spirit taxation together with sales tax escalations on fuel items have tended to push up the general price level. The costs are further going up in the country's already high cost economy.

Micro-filming Unit for Archives

Presiding over the Diamond Jubilee Celebrations of the Tamil Nadu

Archives at Egmore, held on Feb. 18, Mr. K. A. Mathiazagan, Tamil Nadu Finance Minister, announced that two important proposals for Archives development had been included in the State Plan, namely, setting up of a micro-filming unit and a vacuum fumigation chamber.

Sardar Ujjal Singh, Governor, who inaugurated the celebration, urged that the Archives should adopt modern techniques for the collection and preservation of records.

Mr. S. Singararajan, Director, mentioned that the Archives, which was formerly known as Madras Records Office, had at present six million files, six lakh books and thousands of large-sized volumes. There were proposals for machine lamination, vacuum fumigation, vacuum cleaning, micro-filming and expansion of research facilities. He pleaded for the setting up of a net-work of repositories in the districts for the centralisation of records of the Collectorate and various departments of municipalities and local bodies.

Mr. Mathiazhagan pleaded paucity of funds to set up repositories in all the districts now and said it might however, be possible to set up two or three regional repositories to start with.

Dr. V. K. R. V. Rao, Union Minister for Education stated that a proposal for legislation on archives covering

Central Government records was to be shortly submitted to the Union Government for approval. He was delivering the Presidential address to the 40th session of the Indian Historical Records Commission on the evening of Feb. 18.

The Minister also said that the Commission would take advance action to provide facilities for implementation of the proposals under the legislation.

The delegates to the Indian Historical Records Commission were welcomed by the Additional Chief Secretary to Government of Tamil Nadu, Mr. S. Visvanathan. The four-day Conference held from Feb. 18-22 was attended by number of delegates connected with historical records when a number of papers on the subjects were read.

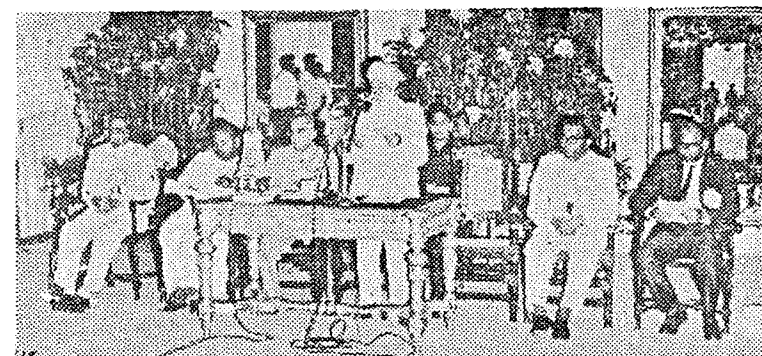
A Revolution of Rising Frustration

Dr. Robert L. Hardgrave, Associate Professor of Government, University of Texas who was on a short visit to Madras addressed the members of the Advertising Club on "Socialisation and the AdMan." He referred to the possibility of a communication explosion in India which will take place far ahead of the capability of the different industries to meet the demand created by this. He cited the example of slides being shown in cinema theatres. The product advertisements reached a much wider audience than can really afford these. Naturally it is likely to result in a revolution of rising frustration.

Dr. Hardgrave referred to the impact of advertising on the personality of man. He said it was possible to identify a person through his product-usages.

The Citizens' Homage to Russel

The Sheriff of Madras, Mr. A. Sivasailam, organised a condolence meeting of the citizens of Madras to pay homage to Bertrand Russel on the



Governor Ujjal Singh is seen inaugurating the 40th session of the Indian Historical Records Commission. To his right is Dr. V. K. R. V. Rao, who presided. Mr. K. A. Mathiazhagan who declared the historical exhibition open is seated second from left

21st. The galaxy of speakers was wide-spread representing a variety of interests who spoke on the contribution of Russel to mathematics, philosophy, politics and humanity.

Quite a few of these appeared to have been very much impressed by Russel's tirade against the United States on Vietnam. A couple of the speakers spoke more on this subject than on Russel himself. The young Mr. Ram of *The Hindu* included Britain also in his tirade and expressed his happiness that the condolence meeting was not organised by the British Council. I do not know why. After all, the British Council is a cultural unit not fully controlled by the British High Commission or the British Government.

There was also some humour. One speaker started thus: "I AM HAPPY to get an opportunity to speak in this meeting." It was difficult to find out from the speech of one of the parti-

cipants, who addresssd in Tamil, whether the meeting was a memorial on Russel or a birthday thanks-giving event on Mr. E. V. Ramaswami Naicker. He waxed eloquence on how E.V.R. resembled Russel (or was it the other way about?) in his atheism and theses on society. Unfortunately he carefully omitted to take cognisance of the changes in Russel's outlook towards the end of his life on religion.

Apart from the loss of Russel there was sufficient reason to feel depressed over the absolute lack of emotion in the speeches of most of the participants. One could not also help feeling that the speeches could have been better delivered. Except Mr. Sivasailam and Mr. Badrinath the content of most of the speeches in English was lost by the speed with which they were delivered, which is a common failing of many in India. We are accustomed to hearing Tamil

or Malayalam delivered in 'high speed.' This tendency unfortunately spreads while making speeches in English also. Even successful and well-known lawyers who spoke on the day and who should have realised the advantage of a slow, clear delivery, committed this mistake of delivering their address as if they were reading a bulletin in great hurry. I am sad to witness this repeated in most of the meetings. Even prepared speeches are read in the style of a Eighth Standard student memorising his English lesson. This of course leads to the defect in our curriculum which does not /care/ to teach this essential outfit of social or business life.

While I should congratulate the organisers for inviting a rich variety of speakers, I could not help feeling that the participation of Rajaji or Dr. Radhakrishnan could have very much enhanced the value of the meeting.

—(FOC)



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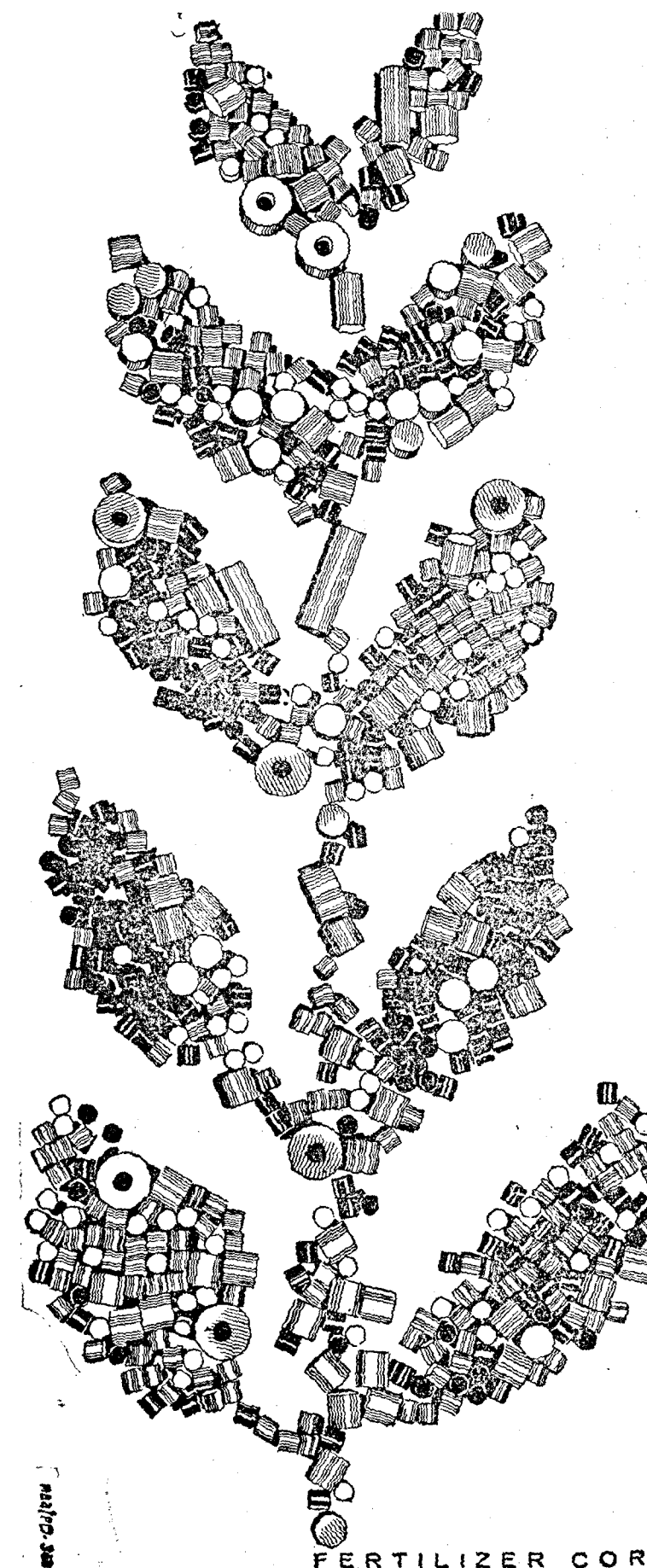
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INDUSTRIAL ECONOMIST

Deficit Budget for Mysore

Mysore's Budget for 1970-71 reflects the constraint imposed on the State's finances by the recommendations of the Tyagi Commission. Even with the levy of additional taxation for Rs. 5.5 crores, the State's Finance Minister, Mr. Ramakrishna Hegde found it difficult to increase significantly the outlay on Plan schemes. Indeed, Mr. Hegde has indicated that with the resources in sight, a Plan of only Rs. 225 crores could be implemented while it was necessary to have a minimum outlay of Rs. 350 crores. Though it is expected that there will be an increase in the budget estimates for revenue in 1970-71 to Rs. 233.47 crores from Rs. 216.47 crores, there will be a big rise in expenditure to Rs. 248.95 crores from 222.71 crores (Revised) in the current year. There will thus be a big revenue deficit of Rs. 15.48 crores which, with the availability of a small surplus in the capital budget, will result in an over-all deficit of Rs. 11.16 crores. Even taking into account fresh taxation there will still be a gap of Rs. 5.66 crores against Rs. 2.58 crores in 1969-70. It is necessary, however, to point out that the actual deficit for the current year will be as much as Rs. 22.58 crores as the smaller deficit has been shown only on the assumption that an *ad hoc* assistance of Rs. 20 crores will be forthcoming from the Centre. The additional tax revenues in the coming year will be secured by a rationalisation of the sales-tax structure, higher duties on motor spirit and other items which will fetch Rs. 5 crores annually, a duty on power consumption which will yield Rs. 2 crores and an impost of 50 per cent surcharge on tax on urban house property which will again yield Rs. 2 crores. But the State Government cannot obviously make a bigger effort as crippling taxation will have a discouraging effect on the development of agriculture and industry. In fact it has

been repeatedly represented by the plantation industries that the incidence of agricultural income tax in the State is very severe and there is need for tangible relief if coffee and other industries are to record further impressive progress.

Plea for Liberal Central Assistance

The State Government is, therefore, making fresh representations to the Centre for liberal financial assistance and the question may be taken up at the forthcoming meeting of the National Development Council. Unless there is a rescheduling of debt repayments which will require the whole of the Central assistance of Rs. 154 crores and some form of financial aid for implementing a minimum Plan the goals laid by the Government cannot be reached. Even though there are ample water resources only 10 per cent of the cultivable areas is covered by irrigation facilities. It is proposed to be doubled to 20 per cent by implementing the Ghataprabha, Hemavathi, Kabini and other projects.

Progress in Power Production

The Kalinadhi project, which will cost in its first stage Rs. 45 crores with a power generating capacity of 396 MW has also to be implemented if a shortage of power in the not-distant-future is to be avoided. Though in the earlier stages the utilisation of the capacity of the Sharavati project was slow it has been indicated by Mr. Hegde that per capita consumption in the State has risen to 90 units from 23 units not long ago. There will be need for larger generating capacity as the transmission network is being strengthened and with the energisation of pumpsets and the promotion of new industries there will be a

continuing growth in consumption. It is noteworthy that no large provision has been made in the current Plan period for creating generating capacity excepting the completion of the Sharavati project. A good part of the outlay will be mostly on implementing rural electrification programmes and constructing transmission lines. As a provision of only Rs. 2 crores has been made for investigation purposes in respect of the Kalinadhi project this scheme can be taken up only if special assistance was forthcoming.

The availability of Sharavati power has been helpful as the West-coast project of Indian Aluminium has taken shape. The smelter under this scheme has been recently commissioned and over a period the capacity would be raised to one lakh tonnes of virgin metal from 30,000 tonnes. The Bhadravati steel project also has been expanded in a big way while some new schemes are under consideration. It is hoped that the credit required for many schemes will be available outside the Plan and the private sector also will play an important role in the industrial sector.

While it is quite likely that impressive progress may be recorded in some directions without intensive development of the infra-structure by the State Government the related Plans may go wrong. The irrigation cum power schemes can be executed by the State only if the Central Government adopted a helpful attitude. As many projects are still in the gestation stage and heavy interest charges have to be paid out of current revenues there is a strong case for rescheduling of debt repayments and capitalisation of interest charges. Without a funding arrangement the outlook for the Fourth Plan does not look promising. Mr. Hegde has forcefully pointed out that it was not possible for him to make any provision against the overdraft from the Reserve Bank which stood at Rs. 20.19 crores because of the paucity of funds. The opening cash balance also will be reduced on account of a net residual deficit. With a strained ways-and-

means position and the compulsion to implement many schemes a way out has to be found.

Need to Gear up State Undertakings

The State Government too has to adopt vigorous measures for increasing the profitability of working of the

numerous undertakings under its management. The large investment of Rs. 159 crores in four corporations and 19 companies did not yield any worthwhile profits. Actually the outlay of Rs. 148 crores relating to 8 projects has not proved to be remunerative so far except indirectly. If these units can step up output and improve

productivity the major weakness in the regional economy would have been eliminated and some surpluses could be created. A multi-pronged approach to the State's problems should result in a brightening up of the horizon which is now rather clouded, but which has immense potentialities.

Credit Squeeze to Window-dress Central Finances

The developments in the money market in the current busy season are somewhat intriguing and the monetary authorities have not provided for full allowance for the special factors that have been responsible for bringing about a squeeze in the money market while formulating new policies. It has been announced by the Governor of the Reserve Bank after a meeting with the custodians of the re-nationalised banks and other bank executives that there would be a restriction of refinance facilities and the net liquidity ratio would be raised in the first stage to 31 per cent and in the second to 32 per cent. The scheduled commercial banks have also been told that they should increase the investments in approved securities by one per cent to 26 within a month and to 27 by the end of April. The second stipulation may not so much hurt as the first because on the analogy of the last season there may be a decline in borrowings from the Reserve Bank by the scheduled commercial banks after the end of March and the funds released can be invested in securities. But the first stipulation has already been responsible for a sharp increase in borrowings of member banks. Though the increase in advances of member banks in the week ending February 13 was only a little over Rs. 38 crores, borrowings jumped by as much as Rs. 55 crores in spite of the fact that there was only a nominal decline in deposits and cash balances and investment were lower at the same time. The monetary authorities probably feel that by rais-

ing the liquidity ratio and restricting refinance facilities they will be compelling the growth of credit on a cautious basis and in particular directions. For, refinance can now be had only against direct lending to the agricultural sector, exports and loans to small-scale industries under the guarantee schemes and procurement finance and other types of advances have been excluded. This will lead to a larger diversion of funds to public sector and to the priority sectors. The Central and State Governments will benefit in the next two months by an additional investment of Rs. 100 crores in their securities. Only if there is a continued lending to the agricultural sector and small-scale industry there can be fresh refinance. Otherwise once the quotas were utilised, borrowing from the central banking institution would be difficult and the banks concerned may not be able to expand their activities. It can be roughly estimated that the increase in advances to the priority sectors which will be eligible for refinance as compared to last year may be over Rs. 125 crores. Taking into account the investment already made in government securities for fulfilling the higher liquidity ratio, the banking system would be obliged to find additionally Rs. 150 crores in a 12 month period. At the same time as a result of increase in the prices of raw cotton and oil seeds, heavy accumulation of sugar stocks and a higher level of industrial production there has been a larger demand for funds.

Usually, between the third week of February and the middle of March—the busy season—biggest increase in advances is registered. When it is quite clear that the banking system would have to expand credit considerably for meeting legitimate requirements of industry it is surprising that the Reserve Bank should have insisted on increasing the liquidity ratio. The anxiety to control expansion of credit for speculative purposes is understandable. Efforts must also be made to reduce inventories wherever they are found excessive. But with a higher level of activity there is bound to be an increase in these inventories. Apart from this it would be idle to expect that there can be a significant reduction in these items in a short period. The regulation of inventory holdings is essentially a long term process and should be carried out scientifically. The Reserve Bank has therefore assumed unnecessary responsibilities for tackling a situation which is mainly its creation. It should have remained content with the restrictions of advances against commodities in short supply. The increase in the liquidity ratio is only an attempt to window-dress the finances of the Central Government. An increase in investments in Government securities which may be mostly in Central loans will be helpful in reducing the overall deficit of the Central Budget but it will be reflected in larger borrowing by the scheduled commercial banks from the Reserve Bank.

Rs. 14.30 Crores Surplus Budget for Andhra Pradesh

The State Governments, by and large, are in no mood to levy heavy taxes even though they have to mobilise additional resources for financing their Fourth Plan schemes. There will no doubt be some improvement in the finances of the State Governments as a result of a larger devolution of tax revenues and grants from the Centre. But many States have still large overall deficits which have been left uncovered as in the case of West Bengal and Gujarat. As the Central Government is likely to impose additional taxation and there will also be buoyancy of revenues in 1970-71 it is quite likely that a good part of the uncovered deficits will be wiped out with an increase in the States' share of revenues from the Centre. But this favourable development will not be helpful in increasing the size of the Fourth Plan or even accelerate the rate of expenditure in the second year which is so badly necessary for completing even the smaller Plan that has been proposed by the Planning Commission.

Andhra Pradesh is probably among the few States to boast of a sizeable overall surplus of Rs. 14.30 crores for 1970-71 and a small revenue deficit of Rs. 47 lakhs. But this healthy trend is mainly due to a reduction in planning outlay which will be Rs. 77.39

crores against as much as Rs. 94.62 crores in the previous year.

A commendable effort, however, has been made in the current year to implement Plan schemes and the additional assistance given by the Centre has been helpful in pushing up the pace of development of the Nagarjunasagar and Pochampad projects. A large outlay has also been earmarked for electrification schemes. But the deficit for 1969-70 is likely to be higher than the estimate if the anticipated Central assistance was not forthcoming. Total revenue in the next financial year has been placed at Rs. 265.96 crores against Rs. 255 crores in the revised estimates for the current year while expenditure will be Rs. 266.43 crores against Rs. 283 crores previously. The drop in expenditure is due to the absence of any special allocation for cyclone and flood relief operations. A loss of over 1½ million tonnes of foodgrains in 1968-69 due to flood and cyclone should have had a devitalising effect on the population in particular regions. It is only to be hoped that in the current season there will be a significant recovery and as a result of the efforts being made to raise the yield per acre a break-through will be established on the foodgrains front.

Waiting for Favourable Development

The Andhra Pradesh Government cannot, however, wait for favourable developments to make a good impact on its revenue position as it has to spend large amounts on the existing irrigation schemes and complete them speedily if food production is to be raised to over 10 million tonnes. There can also be a larger production of oilseeds, chillies, pulses and other items with improved irrigation facilities and the adoption of better techniques in the dry areas. Equally special attention has to be paid to the development of Power generating capacity. The main contribution to new capacity is to be made by the Kothagudem thermal station which will be adding two new sets of 110 MW each, while in the Lower Sileru hydel project fresh capacity of 200 MW will come into being. Immediately, at Ramagundam, one set of 62.5 MW will start functioning. It is also proposed to implement an ambitious rural electrification programme.

To Become Industrially Viable

In the industrial sector nine sugar mills are proposed to be started while the second cable factory in the public sector will be established at Hyderabad. A zinc smelter with Polish collaboration is also to be taken up. It would be interesting to note whether the Central Government will decide to construct a conventional steel plant at Visakhapatnam. With the sanction for erecting a coal-based fertilizer unit at Ramagundam and the exploitation of the multi-metal deposits in Agnikundla and gold and diamond deposits in other parts of the State, the State's economy will become more industrial in character.

Andhra Pradesh might have succeeded in wiping out the overall deficit of 1969-70, with a surplus for the next year and at the same time avoiding fresh taxation. But some new methods have to be found for augmenting its resources. Otherwise its physical resources will not prove to be so useful to the regional economy as they can be with intensive exploitation.

INDUSTRIAL ECONOMIST

Kerala—Non-Plan Expenditure at High Levels

Kerala's budget for 1970-71 reflects the grave financial strain to which it has been subject for some considerable time now. Revenue receipts for 1970-71 are estimated at Rs. 144.47 crores, revenue expenditure at Rs. 157.95 crores and the deficit on revenue account at Rs. 13.48 crores. The gap in capital account is Rs. 18.62 crores against receipt of Rs. 6.08 crores. The overall deficit on the basis of existing taxation is estimated at Rs. 25.86 crores. Against this, the budget proposes new taxes which are to yield Rs. 1.90 crores.

Thavaraj Committee

It may be recalled that the State Taxation Enquiry Committee (1969) headed by Dr. M. J. K. Thavaraj and consisting of prominent public men including the present Chief Minister, had recommended measures for raising an additional revenue of Rs. 35 crores during the Fourth Plan period. Some of these recommendations are being implemented during the current period and others over the period ahead.

The new tax proposals for 1970-71 relate to the agricultural income tax on companies, the tax on buildings, sales tax, registration fees, court fees, etc.

The structure of the agricultural income tax applicable to companies is to be recast as recommended by the Thavaraj Committee. In the case of domestic companies, the rates range between 45 to 65 per cent of the total income, "provided the income tax payable by a domestic company, the total income of which exceeds Rs. 25,000 shall not exceed the aggregate

gate of (1) the income tax payable by the company if its total income has been Rs. 25,000 and (2) 80 per cent of the amount by which the total income exceeds Rs. 25,000." The tax in the case of a company other than domestic company will be 75 per cent of the total income. The revision of the tax structure is estimated to yield Rs. 40 lakhs.

The tax on buildings has an exemption limit of Rs. 10,000 of value. The rate thereafter varies between one and twenty per cent. The tax is to be collected as soon as the construction is completed in lump or in four quarterly instalments. This measure is to yield Rs. 25 lakhs. There will be a 2.5 per cent cess of annual rental value of properties and buildings which will provide Rs. 50 lakhs a year.

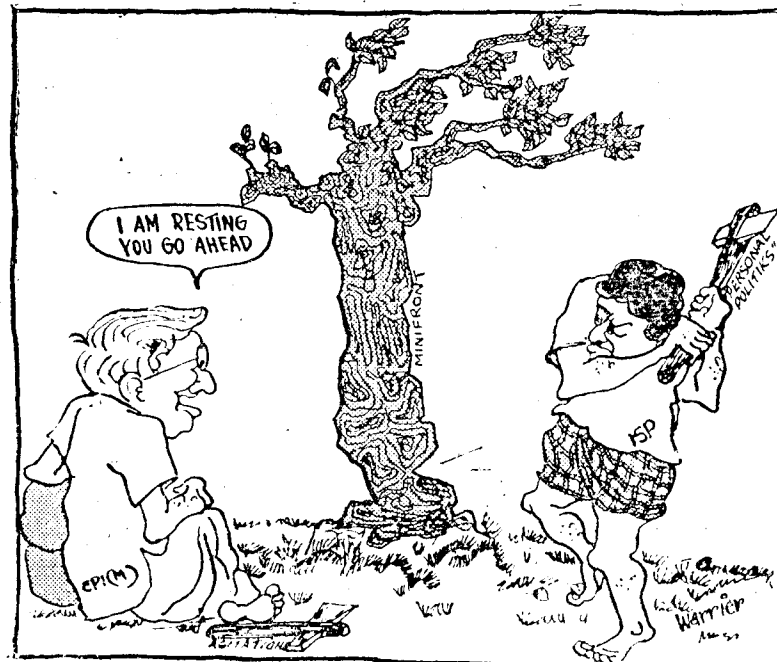
Revision of Sales Tax

The revision of sales tax rate is expected to add another Rs. 45 lakhs. The rate will be up by 3 per cent to 15 per cent on refrigerators, air-conditioning plants and components, wireless reception instruments and apparatus (excluding radios and transistors of value below Rs. 150), telephones, loud speakers and spare parts, cinematographic and photographic equipment, binoculars, telescopes all arms including rifles, revolvers, pistols and ammunition of the same, cigarette cases and lighters; the rate on mosaic tiles and marble chips will be enhanced to 15 per cent from 7 per cent; the rate on ornaments which will be taxed at single point — the first sale point — will be 15 per cent; that on fireworks including coloured matches, foamed rubber sheets, cushions, pillows....

will be enhanced to 12 per cent from 7 per cent; soap will be taxed at 3 per cent multi-point instead of 5 per cent single point; the rates on motor vehicles, chassis of motor vehicles, parts and components, motor cycles, their accessories as well as motorettes will be taxed at 13 per cent against 12 per cent formerly and ice will be taxed at 7 per cent at the first sale point alone. These changes will yield Rs. 45 lakhs. As a measure to check tax evasion, a tax on purchase of goods will be levied within the State in respect of which no tax has already been levied either on the sale point or on the purchase point by any dealer who consumes such goods in the process of manufacture of other goods. Revision of registration fees by elimination of slab rates will yield Rs. 10 lakhs.

Short of Resources

There is no gainsaying that Kerala's Plan has been short of resources and Central assistance to fill in the gap may be necessary. But no other State maintains its non-plan expenditure at such high levels as Kerala. Besides, its ideological bias in favour of Communism has led to work stoppages of which Idikki is a classic instance in point. With so much of hydel resources available and with the establishment of a shipyard and a fertiliser complex at Cochin the State can set in motion the force for fast industrial growth—but not if it is bent on pursuing ideological hares as at present. So long as this predilection hampers policy, industries may not crop in the dimension warranted by the resources available on the one hand and volume of unemployment on the other.



INDUSTRIAL ECONOMIST,

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INDUSTRIAL ECONOMIST

5

Cashing on the Advantages of a Resilient Economy

The Economic Survey 1969-70 reveals that, whatever might have been the turbulence and negativism on the political front, the country has been able to barge forward in the economic field scoring the successes necessary for a future break-through. This was an year which lived up in that sense to the expectations about long term growth. Total food production had reached close to 100 million tonnes. The kharif harvest promises to be better than last year because rainfall and weather conditions had been generally more favourable all over the country. And if the rabi crop maintains its past trend of growth, as is likely, in view of delayed, but extensive winter rains, total foodgrains production will exceed present optimistic estimates by a comfortable margin. There is an estimated 3.9 million tonnes of imports and, in the building up of buffer stocks, the levels maintained by the Central and State Governments were close to 4.2 million tonnes against 3.8 million last year (1968). The comfortable food position led to removal of movement restrictions in a wide part of the country, will Tamil Nadu introducing decontrol. The Chief Ministers, reformed the country into six wheat zones, the northern wheat zone was enlarged and free movement of coarse grains and gram was generally permitted with certain exceptions.

Farm Success Boosts Economic Growth

The growth in the manufacturing sector was around 7.3 per cent. Improvement in the farm sector initiated this faster growth as is evident from the marked improvement seen in the output of agricultural-based industries like radios, bicycles, sewing machines, electrical appliances, etc. The larger spending power in rural areas in the wake of the green revolution raised demand for such consumer goods. The production of radios increased by over 60 per cent, of sewing machines by over 16 per cent and bicycles by over 13

per cent. The farm boost helped production of fertilizers grow by over 31 per cent. There was equal boost in transport and transport based industries except those manufacturing railway equipment. The supply position deteriorated, however, in steel and non-ferrous metals. This was because steel was always short of demand but the acuteness of the shortage was not obvious so long as the recession lasted especially in engineering industry. With the disappearance of the recession and the growth of the farm sector as well, steel shortages will become acute unless advance action is taken even from now on to install additional capacity. And to the extent smaller plants have certain advantages in costs and period of gestations, projects relating to Salem, Hospet and Vizag deserve a close look, especially when Bokaro, is getting inordinately delayed.

Decreasing Trade Deficit

On the foreign trade front, even in 1968-69 exports had risen by 13.5 per cent and imports declined by 7.3 per cent reducing the trade deficit to Rs. 502 crores from Rs. 809 crores the previous year. Consequently, even after repayment of Rs. 58.5 crores to the International Monetary Fund, foreign exchange reserves had risen by Rs. 38.1 crores. In the current year (1969-70), the corresponding increase in reserves will be of the order of Rs. 50 to Rs. 75 crores, after repaying Rs. 125.2 crores to the I.M.F. and without including the Rs. 94.5 crores provided under the Special Drawing Rights Scheme (paper gold). The difference consists in that the better reserves position is due more to a reduction in imports than an increase in exports. In fact, the export growth was 1.5 per cent during the first nine months of the current year as compared to the same period last year. The slower growth was due to sharp fall in sales of tea, jute goods and textile fabrics. Exports of no commodity (other than engineering goods, fish

and fish preparations, leather and leather manufactures) showed any significant rise as also iron ore and steel, while sales of oil and oil cakes actually declined. It is welcome that the Government is implementing an export boost programme with the stress on speedy removal of obstacles and bottlenecks in the way of exports, encouragement for increasing exports ex-stock and from scheduled production, utilisation of idle capacity for exports through adequate supply of raw materials, either imported or indigenous, and other essential inputs, endeavouring through the State Governments to improve labour management relations so that production for exports is not adversely affected, expeditious movements especially at the ports of export consignments and special marketing efforts by public and private enterprises.

Need for Aid on the Up

As for external assistance, Aid India Consortium countries agreed in May last that India required a non-project assistance of Rs. 525 crores including Rs. 75 crores in debt relief that the requirement of non-project assistance was around Rs. 300 crores. Till recently only Rs. 157 crores of non-project aid including debt relief and Rs. 180 crores of project aid have been authorised. The economy could manage with lower aid because of the slack in production and investment. As this slack is taken in more and more and as industrial activity picks up, the need for both maintenance and development capital goods imports will increase. Particularly if the investment proposed in the Fourth Plan in fields like fertilisers, petrochemicals, metals, ports and power is to take place, the need for both project and non-project assistance will also increase. It is unfortunate that the aid climate has become unfavourable just at this moment and its terms have hardened. If the developed countries mean well by India, they should de-

monstrate their good-will through softer and larger aid and particularly the U.S. should see its way to accepting the 0.70 GNP per cent of aid-flow cited by Mr. Pearson.

Matching Supply to Demand

"The prospects for 1970-71," states the Economic Survey, "therefore are clearly for a significant increase in supply and demand. The process of development inevitably entails movement forward towards equilibrium between supply and demand at higher levels. In the context of the recent

upward pressure on prices, it cannot be taken for granted that the increase in supply next year will match the increase in demand, without the aid of conscious policy measures." While the survey lays stress on public or Government investment to play the role of a leader—in tune with the ideological quest for getting the State sector to the commanding heights of the economy, it does not overlook the significant responsibilities devolving on the private sector in helping to realise the annual plan targets. If the private sector is to find the Rs. 10,000 crores necessary for the purpose, the

Government will have to eschew its mental reservations against it and soft pedal on some segments of industrial policy like inhibiting entry of big firms in the middle sector producing consumer goods, proclaiming a monopoly when bigness is an asset from the standpoint of costs than a liability and seeking to convert loans of financial institutions to the private firms into equities in the bid to seep into their management. It is well-known truism that one cannot eat the cake and have it too, but for reasons unknown, the Government does not seem to be aware of it. —S.R.

OTHER STATE BUDGETS

West Bengal — Arithmetic of Allocations

The West Bengal Budget Estimates for 1970-71 show an overall deficit of Rs. 40.57 crores including the opening deficit of Rs. 25.06 crores. Total revenue receipts are estimated at Rs. 279.31 crores as against Rs. 266.05 crores in the revised estimates of the previous year. Expenditure on revenue account is Rs. 285.42 crores against Rs. 286.72 crores last year. The position on the revenue account thus shows an all-round improvement. No fresh taxes are indicated but the additional measures enacted in 1969-70 are estimated to yield Rs. 7.27 crores in 1970-71. Revenue expenditure is Rs. 285.42 crores, making a revenue deficit of Rs. 6.11 crores and a deficit of Rs. 9.40 crores outside the revenue account, taking the overall deficit to Rs. 15.51 crores. This with the negative opening balance of Rs. 25.06 crores results in an overall closing balance of minus Rs. 40.57 crores. Chief Minister Ajoy Mukherjee who presented the budget, told the Assembly that the Government was finding it difficult to give effect to the recommendations of either the Chairman or the majority of the members of the Pay Commission and that a provision of Rs. 9 crores has been made in the

budget on an *ad hoc* basis in respect of both Government and non-Government employees. The Chief Minister expressed dissatisfaction over the fact that, if the State Fourth Plan is limited to the estimated Rs. 321.50 crores it will be actually smaller than the Rs. 304.74 crores—Third Plan, as there has been a steady increase in the price level in the intervening period. He called for larger Central assistance. But to outside observers watching the confused industrial climate in West Bengal, this arithmetic of allocations appears to make little sense so long as the Government is not adopting policies that will stem the flight of capital from the State.

Madhya Pradesh — Nationalisation of Timber Trade

While presenting the budget for 1970-71 the Madhya Pradesh Finance Minister Mr. K. L. Dubey, indicated that revenue receipts are estimated at Rs. 220.43 crores and revenue expenditure at Rs. 212.39 crores leaving a surplus of Rs. 8.04 crores. The overall deficit is put at Rs. 6.47 crores. No fresh taxes have been proposed. The income from the nationalisation of timber wood trade is expected to yield Rs. one crore. The balance of the deficit, Rs. 5.47 crores will remain uncovered. The deficit on accounts other

than the revenue account is estimated at Rs. 11.32 crores. There has been an overall improvement of Rs. 26.75 crores as compared to the budget estimates. This has been largely due to a rise of Rs. 33.69 crores in the revenue account, partly offset by deterioration by Rs. 6.94 crores on other accounts.

Haryana for Utmost Economy

The Haryana Budget for 1970-71 is also tax-free. Revenue receipts are put at Rs. 92.44 crores, revenue expenditure at Rs. 90.64 crores, capital expenditure at Rs. 18.32 crores with an overall deficit of Rs. 6.61 crores while, when added to the deficit carried over from 1969-70 will result in a net deficit of Rs. 12.50 crores. The Finance Minister, Mrs. Om Prabha Jain, has stated that the gap is being left uncovered and that the Government will endeavour during the course of the year, to meet this deficit by tapping the present resources to the full, by enforcing utmost economy on all expenditure, by borrowing and other measures. While no fresh taxation has been proposed, certain relief measures like reduction in tax rates on oils from 3 to 1 per cent have been announced. The outlay for certain selected schemes like irrigation, power and roads is expected to go up building up the deficit by another Rs. 2 crores to Rs. 14.50 crores. —P.S.

Pity them, These Innocent and Well-Meaning Public Figures

The other day, Governor Ujjal Singh inaugurated the Second All India Public Relations Conference in Madras. One heard a good deal on the potentialities, importance and place of public relations; that the interest of the public must be placed first; that true public relations was based on communication, propaganda and understanding... that a public relations officer had to be ever vigilant... The latitude of the oration ranged from the role of public relations in export promotion to that of tourism. The listeners had their full quota of what one could expect from a speaker who, in a weak moment, had agreed to speak on a subject with which he was not very familiar.

Of course, I was rather disappointed that the Governor did not touch his most favourite subject viz. agriculture. I went prepared to hear him speak at length on agriculture and public relations. Otherwise, I had my full quota!

A Valiant Effort

Mr. P. V. Rajamannar, retired Chief Justice of Madras, who delivered the Presidential address had no less an unenviable task. It was evident that he was dragged to the meeting almost at the last moment. His discomfiture to speak on a topic, which was relatively new to him, was evident. He leaned on the ancient lore, "where people could be influenced through *Sama, Dana, Beda and Danda*..." There was the usual and age-old attempt at defining the subject through a couple of quotations in all a valiant effort indeed!

I could not help feeling sad over the propensity of the organisers of major seminars and conferences to drag the innocent and well-meaning public figures and entice them into delivering addresses on subjects with which they are least familiar. In this case, this was a conference of professional men

and the value of the presidential and inaugural addresses could have been very much enhanced if they were delivered by people who are successful P.R. men. The propensity of course, stems from the fact that our newspapers, particularly the leading dailies, attach a rather disproportionate importance to the utterings, even if they be of the most common-place type, from heads of States or Ministers. The organisers naturally have to wait on the convenience of these and I think in most cases, much of their energies and time are spent on this one function.

On the subject of public relations, however, I felt that our DMK Ministers were eminently suited to address. This political party succeeded to the Government by excellent public relations organised on a massive scale. So an exception could have been made to the above rule.

Mr. Gyan Haksar, the chairman of the conference in his welcome address, could not help expressing his regret that the Management Convention held in Madras last December had completely ignored the vital role of public relations in its deliberations. I am conscious of the vital need for and the role of public relations in modern management; but I felt rather disappointed over the almost complete absence of any professional public relations manager from Madras or, for that matter from the southern region, included as a speaker in any one of the nine sessions, though one had the opportunity to hear some of the well-known P.R. men from other parts of India. At least in the context of the conference being held in Madras, could it not be possible to include a couple of professional P.R. men from this region to address on some select topics? If even the P.R. conference could not think of inviting professional P.R. men from this region to speak, could there be any great justification for the criticism against the manage-

ment Convention? Equally conspicuous was the exclusion of the advertising agency executives. Are not the agencies—at least some of them—doing a real job of public relations?

The Best P. R. Man of Madras

The title of the best P.R. man of Madras, of course continues to go to Mr. T. Sadasivam (*Kalki and Swarajya*). Deputing his lieutenants as important delegates was in itself smart. But the perfection of this was evident as the "Tea" provided at the Kalki Gardens. One of the delegates described it as more sumptuous than some of the dinners and luncheons provided. The presence of Rajaji and the personal attention of Mr. Sadasivam and his staff were further enriched by a programme of music by Sangeetha Kalanidhi Smt. M. S. Subbalakshmi. It was not given in *The Hindu* or the ubiquitous *Express* or the vernacular newspapers, the powerful *Daily Thanthi* group or the largest circulated *Kumudam* or the oldest among these *Ananda Vikatan* to think of such P.R. work. Hats off to Mr. T.S.!

The attendance at the inauguration and the subsequent sessions would have been much better if the organisers could have attracted a wider cross-section of P.R. people. It would have afforded the opportunity for public relations people in lower categories to participate in the conference if there was an individual delegate fee at a lower cost.

In all a rich fare. The Public Relations Society of India, Madras Chapter deserves congratulation for its concept and elaborate arrangements. There was an opportunity to hear some of the finest speakers at the different sessions of the conference. The topics selected were wide-ranging and catered to a variety of interests. P.R. men from the public sector and even the police department addressed the conference. A smart piece of P.R. work.

—S.V.

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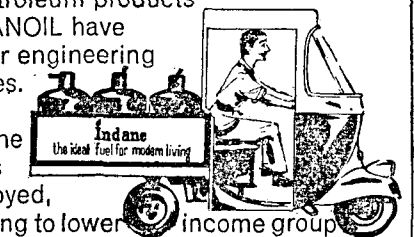
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6

Little Cheer on Trade or Aid for the Developing World

In his foreign policy report to the U.S. Congress, President Nixon has emphasised that peace has an economic dimension and that in a world of independent states and interdependent economies, failure to collaborate is costly in political and economic terms. Speaking of the world payments problems he has stated that the introduction of Special Drawing Rights or paper gold as it is generally called is a step in the right direction inasmuch as "critical monetary arrangements must not rest on the vagaries of gold production, nor should the world be forced to rely more heavily on dollars flowing from U.S. payment deficits." This observation contains much more than the empiricism one recognises on the surface.

Dethroning Gold

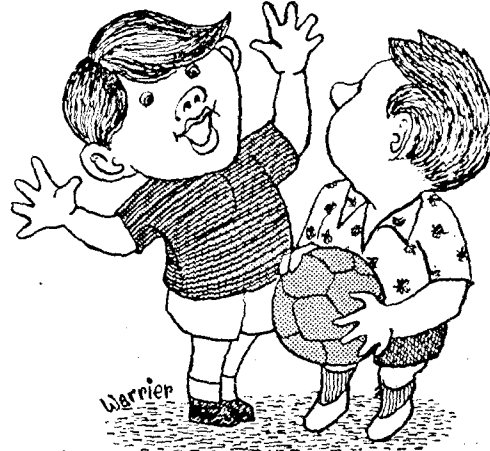
In the wake of the gold crisis of the late sixties and the introduction of the two-tier gold price system, there had been sedulous attempts made to dethrone gold from the monetary system. Some did even suspect that some Western nations including the United States were impatient of the decisive role that South Africa sought to play on the strength of its gold production. It was, therefore, suggested in some quarters that the introduction of S.D.R.s was the first, necessary step towards dethroning gold and *ipso facto* deflating the role of South Africa in world monetary policies. Guesses apart, there can be no question of the logical need, in a mature international society, to cure people and Governments of their lure of gold. If not for any other reason, at least for this the S.D.R.s have a *raison d'être*.

Britain's Headache

Going back to the question of payments imbalances, the character of the malady is quite different as

between the developed and developing countries. To Britain, the main headache is over full employment and gaps in productivity. The latter is possible of correction only through more exports; and against the back drop of uncompetitiveness of British goods abroad, entry into the European Common Market with all its short run costs is the *sine qua non* for obtaining captive custom of the requisite dimension. In the U.S. the fight against inflation seeks to cut back imports and investments and in the process sucks out Eurodollars from Europe disorganising European money rates and exciting Europeans to find fault with the U.S. for doing what they wanted it do always, namely, to correct its payments deficits (through which it was said to be exporting much of its domestic inflation to the countries outside). The Nixon Report does not spell out all this except by implication in the passage where it says that international economic policies reflected by national economic policies should not be such as induce excessive rates of inflation or unemployment which conflict with the national economic and social objectives.

OUR DRAWINGROOM
BEDROOMS AND THE
BALCONY ARE IN MAHARASHTRA
AND OUR KITCHEN AND BATH
ARE IN MYSORE!



Snag in Trade Policy

The main snag here is trade policy. The Director-General of General Agreement on Tariffs and Trade, Mr. Oliver Long, observed in Geneva the other day that national trade policies are yet to recognise the wisdom of free trade as the only means to ensure progressive increases in world trade. He pointed out in this connection the fact that in the 'seventies, GATT is entering into its second phase. The first phase was concerned with the demolition of tariffs which, according to Mr. Long had been achieved through the Kennedy Round of tariff cuts and concessions. There are, however, non-tariff barriers like quotas, excise duties and the like including sanitary regulations against imports. GATT will seek to overcome these in the second phase. It deserves mention here that, even in the first phase not all tariffs have been eliminated and that the benefits of the Kennedy Round to developing countries have been either nil or only marginal.

Gratifying Proposals

It is therefore, gratifying to hear from both Mr. Nixon and Mr. Long that action is proposed to evolve a consensus on preferences for imports of traditional and manufactured and processed goods from developing countries. Mr. Nixon says that action is being induced to eliminate the American selling price system under which tariff is based not on the actual value of the imported item but on the higher value of an equivalent item produced in the U.S. He is also seeking to restore to the President the authority to reduce tariffs by a modest amount, when necessary to promote U.S. interests, besides calling on U.S. trading partners "to begin serious discussions on the recurring non-tariff barriers to trade, which have become

even more important as tariff levels have been reduced." The difficulty of such negotiations cannot be minimised. National legislatures will fight tooth and nail to preserve for their exchequers customary revenues from non-tariff sources like taxes while trading interests will fight for maintaining quotas as the only protection against outside competition, once tariffs have disappeared. The road to the elimination of non-tariff barriers is indeed long and tortuous but there can be no flinching from it, if prosperity is to be shared, in the common interest of the world community, with the poorer nations where the bulk of the world population lives.

Mauling of Aid

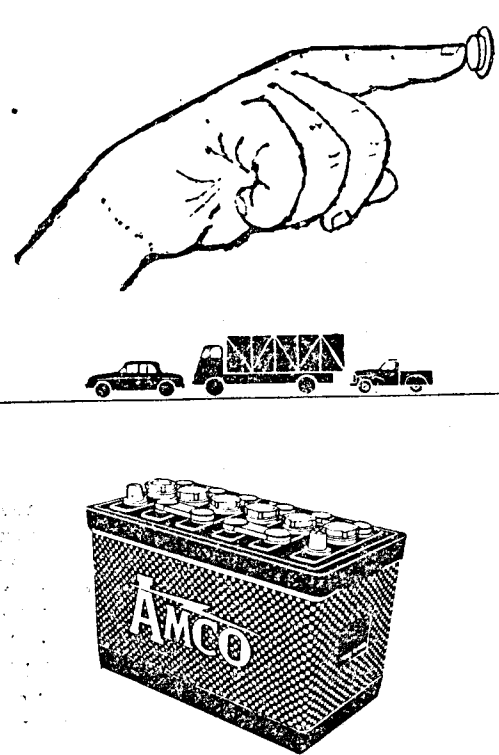
On the question of aid, Mr. Nixon's report reveals the impact of mauling of his aid bill in the Congress. Gone are the days when a country like India can hopefully look up to the U.S. for matching aid contributions against the aggregate assistance

promised by the other lenders. While the Pearson Commission on international development had set a target of the one per cent of GNP for the transfer of capital resources from the rich to the poor countries and had insisted that a target of 0.70 per cent should be reached in the immediate future, Mr. Nixon's report to the Congress sidetracks the issue by affirming: "We must focus on the achievement of our real objective-effective development-rather than on some arbitrary level of financial transfer." What is overlooked here is the fact that the Pearson target is not arbitrary by any means but has been arrived at by a calculation of the resources needed to fulfil requirements of effective development vis-à-vis the capabilities of donor countries like the U.S., West Germany, Japan and England. Failure of the Nixon Report to recognise this makes other parts of its observations on aid "as literally assistance" to supplement and not supplant mere vague generalisations.

Doubtful Utility of Comity of Poor

No great credence seems valid in respect of better prospects of trade and aid mainly because most western economies have begun to be inward-looking. The U.S. is seeking a closed market with Latin American and the E.E.C. in Europe is already one, with the latter's bulwarks strengthened in the event of Britain being admitted as a member. Richer nations have of late been haranguing that there should be greater regional cooperation in the developing world than is now available. The flaw in this proposition is that, while a confluence of affluence can promote more affluence as desired, a comity of the poor can only make poverty look dimensionally more frightening. Since there can be no beggaring of their need in consequence, the developed countries would do well to open their markets to allow the spill-over of wealth so necessary for building up the economies of the developing world.

—R.S.



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I.O.B. Deposits Cross Rs. 100 Crores

"The total deposits of the Indian Overseas Bank, one of the fourteen nationalised banks, crossed the Rs. 100 crore mark in 1969. Credit extended during this period was around Rs. 60 crores. Thirty two new branches were opened during 1969 which takes the total to 213 in India. Of these, 19 branches were opened after nationalisation. For the next five months I.O.B. plans to open 28 branches in rural centres and three in semi-rural centres. (27 in Tamil Nadu and 4 in Kerala)," said Mr. R. N. Chettur, Custodian of I.O.B. at a Press Conference on the 10th. Explaining the new dimension acquired in Banking in the post nationalisation-era Mr. Chettur said that they planned to widen the area of operation with the accent on extending banking coverage to hitherto unbanked centres and to extend the spheres of service with emphasis on credit to small scale industries, small cultivators, artisans, small traders and self-employed persons.

More Money for Agriculture

I.O.B.'s agricultural advance accounted for a little over 10 per cent of the Bank's total lendings in India at the end of 1969. (It was 7 per cent in June 1969 and 2 per cent in June 1968). I.O.B. is the 'lead bank' in Kanyakumari, Ramanathapuram, Thanjavur, Tiruchirappalli and Tirunelveli districts in Tamil Nadu and Quilon and Travandrum districts in Kerala (these 2 jointly with Indian Bank). I.O.B. is presently investigating the potential of investments in these districts. Within a period branches are to be opened in these areas. Banks can help them by priority advances and also offer advice on a variety of agricultural problems. This would result in a two-way transaction of inviting deposits after the banking habit spreads.

As on December 1969, I.O.B. had advanced 2222 small scale industries compared to 1855 at the end of June

1969. The total advance to small scale industries ranged from 20 to 25 per cent of the Bank's total lendings in India, depending upon the season. It is gathered that the Government of Tamil Nadu has sought the co-operation of I.O.B. to develop agro-industries and other small scale enterprises. The bank has fixed a target of Rs. 50 lakhs for lending under the scheme.

Mr. Chettur said that I.O.B. was the first bank in India to start the personal loan scheme 11 years ago. The Bank has sanctioned 43,000 personal loans since its inception. Since October 1969 the scope of this scheme, which was restricted to the steady income group and the professionals, was extended to self-employed persons requiring equipment finance. Special schemes have been devised for artisans and small traders as well.

I.O.B. handles foreign exchange business in the range of Rs. 160 to Rs. 170 crores a year.

In the cities they are seized of the problem of delays and of improving the customer service. Mr. Chettur expressed the hope that within the next three months the Teller system would be introduced in their Bank. Mr. Chettur referred to the thinking in Government circles to introduce an insurance scheme for small deposits. The details are being finalised.

The I.O.B. Custodian also referred to the change in the thinking a few years ago when retail trade was considered an intermediary whose function was belittled. It has assumed priority now and the important role of the trader is increasingly realised.

Mr. Chettur also referred to the demand for money spread throughout the year. The concept of the busy and slack seasons has changed. Money is fully used throughout the year, said Mr. Chettur.

—S.V.

Out of the Inkwell

By 'Randor Guy'

A Dog's Life!

Dogs are very clever animals. They smell out thieves, bite trespassers, and growl at your lovely neighbour's husband conveying your feeling of green-tinted jealousy to that stupid but lucky fellow. Certain dogs are super clever, almost like humans. My friend, a vain fellow, with a vainer wife, bought a dog recently, something with a pedigree certificate and that sort of thing. Soon after the purchase the couple moved into one of those tree-lined, quiet streets where four-figure executives lived and loved. The wife took out the dog for a walk every morning and when they returned, the funny animal stood at the gate and barked



its lungs out. My friend and his wife were puzzled and tried many methods of solving the canine problem. But the marking-at the gate-lark went on every morning. At last they called a dog-psychiatrist (Yes, there are such chaps!) who gave the right medicine. He hung out a board on the gate, with the words 'DOG, BEWARE!' The satisfied animal wagged its tail in sheer joy and the barking was heard no more! Clever dog, that!

Swami Emsworth!

In Guyana, out in the Carribean, there are many people of Hindu descent. They have temples where the local Hindus pray for a better tomorrow. With temples and prayers, come gurus and animal sacrifice. One religious leader objected to the ritual slaughter of pigs in the temple compound but his protests were like pears before swine (pardon the idiom)! Exasperated he lodged his final protest in the fashion of the day by pouring kerosene over his body and committing self-immolation, Vietnam style! Religious men are always persons of strong conviction and obviously this bearded guru found his parish not merely full of pigs but also pig-headed men.

INDUSTRIAL ECONOMIST

Budget Part B: A Summary

Direct and Indirect Taxes Go Up

Fresh Taxes to Yield Rs. 170 Crores

Presenting the Budget for 1970-71, the Prime Minister and the Finance Minister Mrs. Indira Gandhi announced new tax proposals which will yield Rs. 170 crores in 1970-71. Explaining the proposals she said:

The ratio of taxation to national income in India is among the lowest in the world and over the recent past it has declined from the level of a little over 14 per cent which was already reached in 1965-66. There is thus need to enlarge the tax base, so as to meet adequately the continuing requirements of growth and social welfare. She pointed out that taxation was a major instrument in all modern societies to achieve greater equality of incomes and wealth. "It is, therefore, proposed to make our direct tax system serve this purpose by increasing income taxation at the higher levels as well as by substantially enhancing the present rates of taxation on wealth and gifts. Because of the urgent need to restrain speculative increases in urban land values and individual holdings of urban property, the taxation of urban land and buildings is being substantially increased. At the same time, the concessions available at present to stimulate savings are being rationalised, so as to make them more effective. Some marginal relief in direct taxation is also proposed for low income groups. In keeping with the need to stimulate higher production and investment, no significant change in corporate taxation is proposed."

The Preponderant Indirect Taxes

"Nearly 75 per cent of Central tax revenues are derived from indirect taxation, i.e., from customs and excise duties. Any attempt to impart greater strength to the fiscal system, therefore, cannot disregard the scope for increase in indirect taxation. The proposals in this field are designed primarily to raise additional resources in a manner which helps our progress towards self-reliance and restrains the consumption of certain commodities. Such restraint is necessary from the economic or the social point of view. By and large, the additional taxation of investment goods or producer goods has been avoided and the bulk of the increase is in respect of final consumer goods. Wherever it has been necessary to touch items of common consumption, an attempt has been made to safeguard the consumption of the poorer sections of the community to the maximum extent possible."

Following are the details of the proposals

made by Mrs. Gandhi: The marginal rates of income taxation will be increased progressively on all personal incomes above Rs. 40,000 per year. With the addition of the surcharge at 10 per cent, the maximum rate of 93.5 per cent will now be reached in the slab over Rs. 2 lakhs as against 82.5 per cent in the slab over Rs. 2½ lakhs at present.

Wealth Tax Enhanced

Simultaneously, the existing rates of ordinary wealth tax are being enhanced. At present, these rates vary from 0.5 per cent to 3 per cent. They will now vary from 1 per cent at the lowest slab to 5 per cent at the highest slab. For the individual, who derives his entire income from wealth, the combined effect of income and wealth taxation, as now proposed, will impose an effective ceiling on income after tax, when such income reaches approximately Rs. 25,000 per annum. On the other hand, there will be an inbuilt incentive in favour of earned incomes. When income is wholly earned, for example, there will be no absolute ceiling, as the highest marginal tax of 93.5 per cent will leave some room for increase in income after tax at all levels.

At present, the additional wealth tax on urban lands and buildings is leviable, in the case of individuals and Hindu undivided families, on the value of lands and buildings situated in cities and towns with a population exceeding one lakh and with an initial exemption ranging from Rs. 4 to Rs. 7 lakhs in different categories of cities. The tax is leviable on the balance at rates ranging from 1 per cent to 4 per cent. The maximum rate is reached when the value of urban lands and buildings exceeds Rs. 19 to Rs. 22 lakhs. It is now proposed to levy a tax of 5 per cent on the value of urban lands and buildings in excess of Rs. 5 lakhs, and at the rate of 7 per cent on the value in excess of Rs. 10 lakhs. No distinction will be made in regard to the exemption on the basis of the population of the area in which the properties are situated. The definition of an urban area is also being enlarged to include areas within the limits of any municipality or other similar authority having a population of 10,000 or more, with powers to cover by notification areas upto 8 kilometres outside such limits. Business premises will continue to be excluded from the proposed levy as at present. However, guest houses maintained by those liable to pay this tax will not be

reckoned as business premises. Provisions are also being made to prevent avoidance of the tax by transfer, from individual or joint Hindu family ownership, to ownership by partnership firms, associations of persons and closely-held companies. Another measure which is intended to serve a similar purpose, provides for the taxation of capital gains arising from the sale or transfer of agricultural land situated within urban areas.

Taxing the Trusts

One of the major devices leading to tax evasion and avoidance is the creation of private trusts. At present discretionary trusts are taxed on their income and wealth, at the rates applicable to individuals. These lower rates lead to the proliferation of such trusts. It is proposed that in future, discretionary trusts would be taxed at a flat rate of 65 per cent on their incomes and 1.5 per cent on their wealth or at the rates applicable in the case of individuals, whichever is higher. Provision is, however, being made for exemption from these flat rates for certain categories of existing discretionary trusts. In the case of charitable and religious trusts, exemption from tax would be allowed only in respect of income actually applied to the purposes of the trust in the same year, or within three months of the close of the year. Further, the exemption will be forfeited altogether if the trust funds, constituting its corpus or income, are invested in a concern in which the author or founder of the trust or any of his relatives is substantially interested and the amount of the investment exceeds 5 per cent of the capital of that concern. These provisions will curb the use of the funds of charitable and religious trusts to acquire control over industry and business. Some changes are also being made to prevent indirect benefits being enjoyed by the authors or founders of such trusts. On the other hand, the present complete exemption from tax, which applies to Universities and other educational institutions, will also be applied in the case of hospitals and other similar institutions.

At present, a residential house is exempted from wealth tax, irrespective of its value, if it is situated in a place with a population not exceeding 10,000. For houses situated in larger towns, the monetary limit for exemption is Rs. 1 lakh. The monetary limit of Rs. 1 lakh will now be applied uniformly irrespective of the location of the residential house.

Gift Tax Rates Revised

The rates of gift tax are also being revised to bring them more in line with the rates of estate duty and the present exemption limit of Rs. 10,000 in respect of gifts made during a year is being lowered to Rs. 5,000.

An Incentive to Invest

At present, income upto Rs. 1,000 from investment in the Unit Trust and upto another Rs. 1,000 of dividends on shares in Indian companies as well as the whole of the interest earned on a number of small savings schemes and Post Office savings accounts is exempt from income tax. There is no reason why a distinction should be made between such investments, and investments in other financial assets, such as securities of the Central or State Governments, approved rural debentures, deposits in banking companies, cooperative banks and land mortgage or land development banks and the new small savings scheme and Post Office deposit accounts which are not to enjoy any special tax concessions. It is, therefore, proposed that income upto Rs. 3,000 will be exempt from income tax, provided it is derived from investments in United Trust or shares in Indian companies or any of the other categories which I have just mentioned. The exemption in respect of small savings schemes and Post Office savings accounts, where special tax concessions are available, will continue to be available additionally.

Similarly, it is proposed that, apart from the present general exemption of Rs. 1 lakh in the case of individuals and Rs. 2 lakhs in the case of Hindu undivided families and a residential house upto the value of Rs. 1 lakh, investments in a wide variety of financial assets upto a total of Rs. 1.5 lakhs will be exempt from wealth tax. Even today, investments in specified small savings certificates, Post Office savings accounts and five-year fixed deposits with the Central Government are exempt from wealth tax and any one who takes the maximum advantage of these provisions can claim exemption upto Rs. 1.2 lakhs. The enlarged limit of Rs. 1.5 lakhs will now include investments in the Unit Trust, shares of Indian companies, securities of the Central or State Governments, approved rural debentures, the new small savings schemes and Post Office deposit accounts and deposits in banking companies, cooperative banks and land mortgage or development banks. On the other hand, in view of these generalised provisions to encourage savings, there is no reason to continue the scheme of tax credit certificates in respect of investments in new equity issues. These will accordingly be discontinued in relation to new equity issues after 31st March 1970. Existing concessions regarding contributions to life

insurance, provident funds, etc., will continue.

No Income-Tax upto Rs. 5000

Suggestions have been made, from time to time, that the exemption limit for income tax should be raised as a measure of relief to lower income groups and in the interest of better tax administration. In future, a uniform exemption limit of Rs. 5,000 will apply in the case of all non-corporate assesses irrespective of whether they are married or have any children. It is also proposed to provide a minimum deduction of Rs. 20 per month in lieu of the cost of travel to work to all salaried assesses.

Rs. 36 Crores More from Direct Taxes

The combined effect of the increases in direct taxation in a full year would be a gain to revenue of Rs. 36 crores. In fact, when the measures to plug loopholes such as the revised procedure for the taxation of trusts become fully effective, the revenue gain will be substantially larger. The additional revenue from wealth tax will become available only in 1971-72. The additional revenue from income tax also will be available only in part during 1970-71 by way of advance tax and deductions at source. Thus, despite the substantial measures of additional direct taxation, the net addition to the Centre's resources from these changes in 1970-71 would be Rs. 5 crores only. But it will rise to Rs. 23 crores in 1971-72. The States will gain to the extent of Rs. 10 crores in 1970-71 and Rs. 13 crores in 1971-72.

Export Duties on Many Items Go

As to indirect taxation, it is proposed to abolish or reduce export duties on a number of items so as to maintain their competitive position in world markets. The duty on jute canvas, jute webbings, jute tarpaulin cloth and manufactures thereof is being reduced from Rs. 500 to Rs. 200 per metric tonne. The most important change relates to tea, where the export duty is being abolished altogether. At the same time, the excise duty on loose as well as package teas is being raised with the provision for ad hoc rebate on exports at rates varying with the price of exported tea. On balance, the duty burden on the export of all teas will be reduced with a margin in favour of teas fetching a higher value so as to encourage the export of quality teas. The export duty reductions will mean a loss in revenue of Rs. 9.75 crores.

Machinery Imports to Cost More

In order to give impetus to import substitution, the import duty on machinery is being raised from 27½ per cent to 35 per cent *ad valorem*. This increase, however, will not apply to the machinery which is required for the initial setting up of pro-

jects, or for substantial expansion of existing projects, whether in the public or the private sector. The import duty on motor vehicle parts, pharmaceutical chemicals and non-electrical instruments, apparatus and appliances will be increased by 10 per cent *ad valorem*. The duty on certain plastic material and nichrome and other electrical resistance wires will be raised from 60 per cent to 100 per cent *ad valorem*.

There is a proposal regarding customs duties which is intended neither to replace imports by domestic production nor to produce revenue. In order to curb conspicuous consumption and as a modest gesture of personal, if not political, reconciliation, I propose to increase the duty on whisky, brandy, gin and wines.

Inclusive of additional duties corresponding to the changes in excise duties to which I will soon turn, the additional revenue from import duties will amount to Rs. 23.75 crores. Thus, the net gain in customs revenue after adjusting the export duty loss will be Rs. 20.00 crores.

More Tax on Office Equipment . . .

It has often been suggested that the scope for excise taxation should be widened to include taxation at a low rate of about 10 per cent on practically the whole range of manufactured products. Without going that far, it is proposed to levy a 10 per cent *ad valorem* excise duty on a number of new items including office machines, metal containers, sparking plugs, stainless steel blades, slotted angles, iron safes and safe deposit vaults. The levy on office machines will cover items like typewriters, calculating machines, cash registers, cheque-writing machines, computers and intercom devices. The duty on metal containers will be confined to those intended for the packaging of goods for sale, including casks, drums, cans, gas cylinders and rigid containers. The additional revenue from these new duties will amount to Rs. 10.40 crores.

Costlier Chemicals . . .

Similarly, among chemical products, duty at the rate of 10 per cent *ad valorem* will now be levied on calcium carbide, bleaching powder and sodium hydrosulphite and the present duty of 5 per cent on soda ash and caustic soda will be raised to 10 per cent. An excise duty of Rs. 300 per metric tonne is also being levied on synthetic rubber. These changes will bring in an additional revenue of Rs. 5.30 crores. A 10 per cent *ad valorem* duty was levied last year on prepared and preserved foods. The scope of the duty was, however, limited by notification to preserved and canned fruits, jams, jellies, fruit juices, squashes and certain meat products. I propose now to remove the bias against fruits and meat by extending the scope of the levy to include

products such as vegetable juices, synthetic syrups and sherbets, de-hydrated peas, malted foods, instant coffee, instant tea, jelly crystals, custard and ice-cream powders, biscuits, cocoa-powder, drinking chocolate, pasteurised butter, processed cheese, branded aerated waters, glucose and dextrose. I hope Honourable Members will not accuse me of having preferences of my own as, even under my proposals, aerated waters, biscuits, butter and cheese will be taxed only when manufactured with the aid of power and there will be total exemption from tax for baby foods and branded 'deshi' ghee. These proposals will yield an additional revenue of Rs. 8.68 crores.

On Sanitary Ware

The duty on sanitary-ware and glazed tiles of porcelain will be raised from 15 per cent and 10 per cent respectively to 25 per cent. The duty on room air-conditioners will be raised from 40 per cent to 53½ per cent and a similar increase is also being made in respect of larger refrigerators with a capacity exceeding 165 litres. The duty on parts of refrigerators, air-conditioning plants and machinery is also being raised from 53½ per cent to 66½ per cent. Components and machinery required for cold storage plants, air-conditioning of hospitals run by Government, local bodies and public trusts, as well as factory establishments will, however, be exempted from the scope of the increase. It will be seen that small

size refrigerators will not be affected. I propose, very reluctantly, to withdraw the exemption in favour of television sets and impose a duty of 20 per cent *ad valorem*. The gain to revenue from these measures will be Rs. 2.24 crores.

and Aluminium . . .

In the case of aluminium, the existing specific duties are being replaced by *ad valorem* duties. With a certain degree of rationalisation, this will produce an additional revenue of Rs. 4.70 crores. The duty on rigid plastic boards and unsupported P.V.C. sheets is also being rationalised by transferring the incidence to the end product and this will yield an additional revenue of Rs. 96 lakhs. It is proposed to increase the basic excise duty on polyester fibre of 2 deniers or less from Rs. 21 to Rs. 25 per kilogram with a corresponding increase in special excise duty. The present nominal duty of 7.8 paise per sq. metre on artificial silk fabrics which include rayon, nylon, terylene, terycot and terywool fabrics is being replaced by *ad valorem* duty ranging from 3 per cent to 10 per cent. The duty will vary according to the value of the fabric and in the case of the cheaper varieties, whose wholesale price is less than Rs. 2.50 per sq. metre, there will in fact be some relief as compared to the present position. I propose to make no change in relation to cotton fabrics with the exception of a minor measure of rationalisation, whereby certain fabrics at present taxed at

specific rates, will be subjected to *ad valorem* levy. The proposals on synthetic fibre and artificial silk fabrics will yield an additional revenue of Rs. 13.78 crores.

Petrol Costlier by 10 Ps. per Litre

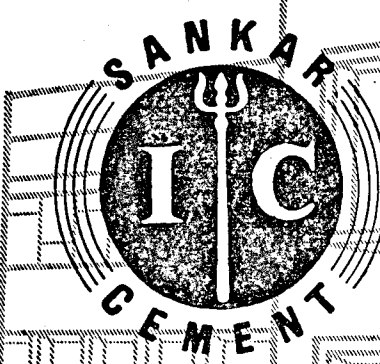
The demand for petroleum products has been increasing very rapidly and it is necessary to exercise some restraint in the interest of saving valuable foreign exchange. It is also necessary to curtail the adulteration of diesel oil by kerosene, which has assumed substantial proportions, and to discourage the use of furnace oil as a substitute for other fuels such as coal. Accordingly, the duty on motor spirit is proposed to be increased by 10 paise per litre, on superior kerosene by 2 paise per litre and on furnace oil by 2 paise per litre. The additional excise duty on these three items will yield a revenue of Rs. 39.56 crores of which Rs. 21.36 crores will be in respect of motor spirit and Rs. 9.2 crores in respect of kerosene. The increase in the duty on furnace oil will not apply to such oil used in coastal shipping and for electricity generation and there will be no change in the duty on inferior kerosene. Honourable Members will also note that the increase in the price of superior kerosene will be only modest, i.e., 3.5 per cent. The duty on cigarettes is being enhanced with the increase ranging from 3 per cent to 22 per cent *ad valorem* depending on the value slabs. The cheaper varieties of cigarettes will go up by only one or two paise

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per packet of 10 cigarettes. Assuming that the smoking community remains steadfast in its devotion, the additional revenue from this measure will be Rs. 13.50 crores.

As already mentioned, the excise duty on tea is being raised in order to release larger quantities for export particularly of quality teas. There will be no increase in the duty on loose tea produced in zone one and only a marginal increase of 10 paise per kilo on teas produced in zone two. For other zones, the increase varies from 45 paise to one rupee per kilo. After allowing for the rebate on export, there will be an additional revenue of Rs. 7.87 crores which will be more than offset by the loss in revenue from the abolition of the export duty on tea.

More Tax on Sugar

A uniform duty of 23 per cent *ad valorem* was levied last year on both levy sugar and free market sugar. Prices of sugar in the free market have declined substantially since then. Accordingly, it is proposed to increase the duty on free market sugar from the present level of 23 per cent to 37½ per cent *ad valorem*. In the case of levy sugar, which accounts for 70 per cent of the total, there would only be a marginal rounding off of the present rate from 23 per cent to 25 per cent. In line with the step up on free sugar, though not to the same extent, the tariff rate of duty on khandasari sugar is being increased from 12½ per cent to 17½ per cent. But as far as the rates under the compounded levy system are concerned, which most of the producers elect to adopt, there will be a reduction on

the present rates which are being revised keeping in view the fall in prices. The net additional revenue from sugar is estimated at about Rs. 28.50 crores. There are also a number of changes proposed in the excise duty structure by way of rationalisation, simplification or clarification of the present position. The statutory rate of duty on tin plates, for example, is being raised from Rs. 375 to Rs. 400 per metric tonne, in order to remove the present anomaly of the indigenous tin plates paying a higher cumulative duty than the additional duty borne by imported tin plates. The excise duty on paints and varnishes manufactured by units not employing power will be wholly exempted as also the duty on fertilizer mixtures made out of fertilizers which have already paid duty irrespective of whether such mixtures are produced by power or not. Some relief is also being accorded in the case of strawboards and millboards by revising the excise duty exemption at certain levels of production. These measures of relief in excise duties will involve a loss in revenue of Rs. 43 lakhs. Certain enabling provisions of the Finance Act 1969 are also being continued.

Rs. 135 crores More from Indirect Taxes

The total effect of all these proposals relating to excise duties will be an additional revenue gain of about Rs. 135 crores, of which Rs. 100 crores will accrue to the Centre and Rs. 35 crores will be the share of the States and Union Territories.

The Posts and Telegraphs Department is likely to be in deficit next year also. Accordingly, postal, telegraph and telephone

tariffs will be revised to some extent from dates to be notified. These revisions are outlined in a memorandum being circulated with the Budget papers. Briefly, there will be some increase in postal tariffs in respect of parcels, registration fee, despatch of value payable articles, money order commission, supplementary fee for telegraphic money orders and book, pattern and sample packets. Phonograms and Greetings telegrams will cost a little more. Charges for telephone calls beyond the first 750 calls in a quarter will increase from 15 paise to 20 paise per call. Services such as post cards and inland letter cards, which are generally used by common people, are not being touched; in the case of money orders also no increase is being made upto Rs. 100. The proposed changes will yield Rs. 8.22 crores in a full year and would leave for next year a surplus of Rs. 1 crore after meeting the anticipated revenue deficit. The effect of these changes has been accounted for in reckoning the total internal resources of public undertakings. To sum up, the measures for the additional taxation proposed will yield a total revenue of about Rs. 170 crores in 1970-71 of which Rs. 125 crores will accrue to the Centre and Rs. 45 crores to the States. In subsequent years, when the full effects of the changes in direct taxation will be felt, the gain to Central and State revenues would be larger even without allowing for the normal growth factor. As a result, the budgetary gap at the Centre next year will be of the order of Rs. 225 crores as against the Revised Estimate of Rs. 290 crores for the current year.

International Sugar Conference of 1968 held in London when an export quota of 3 lakh tonnes was fixed for India. Last year he helped to organise a seminar on agriculture and fertiliser in Madras under the auspices of the Fertiliser Association of India.

It is 10 years since a representative from South is elected President of FICCI—The past Presidents of FICCI from South include Mr. Zamal Mohammed (1931) Raja Sir M. A. Muthiah Chettiar (1943) Mr. C. M. Kothari (1951) Mr. A. M. M. Murugappa Chettiar (1960).

Mr. Kothari will thus be the fifth businessman from the South to be elected President of FICCI in its long existence of 42 years. Does this not appear rather too low a representation?

With his election D.C. belongs to that rare combination of group of businessmen where a father and his son occupied FICCI Presidencies. Mr. G. R. Rao, Secretary of Hindustan Chamber of Commerce recollects two other such instances: Mr. G. D. Birla and Mr. L. N. Birla and Mr. Shriram and Mr. Bharatram. —S.V.



Mr. D. C. Kothari

Madras University. Mr. Kothari is known for his clear analysis of problems on trade and industry. He was a delegate to the

D. C. Kothari Elected FICCI President

Mr. Dayanand C. Kothari has been elected President of the Federation of Indian Chambers of Commerce and Industry for 1970-71. D. C. is among the dynamic industrialists of the South and has been associated with a number of institutions and organisations. Heading the Kothari group of companies, whose interest ranges from share and stock broking and investment Trust to semi-agricultural produce like tea and coffee and to manufactures like cotton textiles, fertilisers and sugar. He has been the President/Chairman of UPASI, Southern India Millowners' Association, Madras Stock Exchange Ltd., The Indian Sugar Mills Association, Yarn Committee of Cotton Textiles Export Promotion Council, South Indian Sugarcane & Sugar Technologists Association, Fertiliser Association of India and Indian Council of Foreign Trade. He has a variety of other social interests also.

A post-graduate in Economics of the

COMMODITIES:

Encouraging Trade Trends

The observations of the Minister for Foreign Trade, Mr. B. R. Bhagat, at the recent meeting of the Consultative Committee for his Ministry, on the new trends in country's exports are encouraging in many respects. The subsequent release of trade figures for December 1969 amply bears out the growing optimism about the export performance though it would need sustained efforts on the part of Government, industry and trade to maintain the momentum gained so far. For the third month in the current financial year, there has been a favourable trade balance in December, with exports at Rs. 115.07 crores, exceeding imports at Rs. 3.25 crores. This has naturally improved the balance of payments position for the current year. The cumulative deficit on trade account for the first nine months of 1969-70, has declined to Rs. 83.36 crores from Rs. 86.61 crores at the end of November and as much as Rs. 363.54 crores in April-December 1968. This has been made possible by a sharp fall in imports in these nine months to Rs. 1,123.48 crores from Rs. 1,388.07 crores in the same period in 1968-69 while exports were modestly higher at Rs. 1,040.12 crores against Rs. 1,024.43 crores in April-December 1968. Though the growth in exports cannot be said to be inspiring, it must be pointed out that the slackening tempo has been reversed. In fact, the export figure for December 1969 of Rs. 118.32 crores is much higher than the level of Rs. 105 crores for the previous month and Rs. 110 crores in December 1968. (The performance in January this year must have been equally impressive as it is learnt that exports of engineering goods set up a new record for any single month in 1969-70 amounting to Rs. 11.3 crores. (The figure for December 1969 was only Rs. 7 crores). Obviously, the crash programme instituted by Government to boost exports by an additional Rs. 70 crores by March end has begun yielding results, particularly in the engineering sector. Besides an increase in actual users' quota for imported raw materials and arrangements for importing about 60,000 tonnes of scarce categories of steel for export units, steps have also been taken to expedite movement at ports and quicken disposal of import formalities. Hindustan Steel which is to handle the emergency im-

ports has already contracted for 34,000 tonnes while the balance quantity of 20,000 to 25,000 tonnes will be arranged shortly. However, all the imports may not be available before the end of the year. Meanwhile, to help rerollers meet their export obligations in respect of bars and rods, steps have been taken to meet their billet requirements immediately through special rolling by Tata Steel of the surplus ingots of the Durgapur plant, of H.S.L. and additional rolling of billets at Durgapur itself. An assessment of the requirements of engineering exporters for 1970-71 has also been made and this is being studied by the Joint Plant Committee and the major steel producers. It is, however, felt that the increased requirements of certain critical items like billets, thinner gauge hot rolled and cold rolled sheets and plates beyond the levels of 1969-70 may not be available and it would be necessary to arrange for their imports in the earlier months of next year. The firm price trend in international markets in the wake of a surge in demand will be an unfavourable factor but exporters should not find it difficult to absorb a part of the additional cost and realise higher prices for their products by incorporating an escalation clause in long-term contracts wherever possible.

New Limits for Cotton Stocks

The imposition of stiff curbs on advances against cotton lint and kapas since the third week of January has had no effect in arresting the continuous rise in prices for various categories of Indian cotton. Even the decision to import an additional 1.25 lakh bales of American cotton under P.L. 480 and to arrange for imports of 1.5 lakh bales of staple fibre has had only a marginal impact on the bullish sentiment of the market. While reports from New Delhi suggest that the Government is considering further imports of global and P.L. 480 cotton, it has been found desirable to reduce the pressure of demand from mills both in the organised and decentralised sectors. Accordingly with effect from February, 16, stocks of Indian cotton allowed to be kept by mills are to be reduced by a quantity equivalent to one month's average consumption. As a result, the stock limits of mills in Bombay and Ahmedabad will be 1½ months, those

in Assam three months' and in other areas 2½ months' average monthly consumption. Mills which are required to export 20 per cent or more of their packed production or which execute Defence orders and which are allowed to keep stocks upto five months' consumption can now keep only four months' stocks. At the same time, the increased stock limits allowed to growers' co-operatives spinning units, mills under authorised controllers and others would also be reduced by one month's average consumption. While the stock restrictions have reduced the pressure on prices, it may be necessary to secure 3 to 5.5 lakh bales of imported cotton by August or September to have a check on prices in the lean months. The industry, however, feels that the 7.5 lakh bales already arranged (4 lakh bales of global, 2.5 bales of PL 480 cotton, and one lakh bales of staple cotton fibre) along with the proposed 50,000 bales of global cotton (of which 9,000 bales of UAR cotton have been arranged), 1.25 lakh bales of additional PL 480 cotton and a further 1.5 lakh bales of staple fibre will make a total of over 10 lakh bales which should be sufficient to meet the situation to a large extent. The Indian Cotton Mills Federation has meanwhile announced quotas for distribution of 1.25 lakh bales of U.S. cotton and 1.5 lakh bales of staple fibre based on their spindle working. The American cotton will carry an export promotion cess of Rs. 75 per bale. The period for imports is to be announced shortly and mills which have executed guarantee against global cotton quotas for the 1969-70 season will be eligible to allotments from the new release. The import of staple fibre is to be made through the State Trading Corporation. Based on spindleage, about 76,500 spindle shifts will be eligible for a quota of a bale of fibre.

Spices Exports Up

The Spices Export Promotion Council has announced a sharp rise in exports in the first ten months of 1969-70 to Rs. 25.42 crores from Rs. 20.84 crores in the same period in 1968-69. In fact, the ten-month figure for the current year even marginally exceeds the total earnings of Rs. 25 crores for the whole of 1968-69. Higher prices for pepper, ginger, cardamom and turmeric have accounted for the rise in exports. Earnings from pepper exports rose to Rs. 10.91 crores from Rs. 8 crores in the corresponding period of 1968-69 while cardamom fetched Rs. 7.42 crores against Rs. 5.41 crores, ginger Rs. 69 lakhs against Rs. 65 lakhs and turmeric Rs. 2.7 crores against Rs. 2.1 crores for the whole of 1968-69. Pepper prices have latterly flared up on improved export demand and are ruling around Rs. 750 per quintal.

BUSINESS BRIEFS:

New Levy Prices Benefit Southern Sugar Mills

The acceptance by the Union Government of the recommendations of the Tariff Commission for the creation of more zones for fixing the ex-factory prices of levy sugar should satisfy the mills in the southern region, particularly in Tamil Nadu and Andhra Pradesh which had been pointing out the unrealistic basis of calculating costs of production in the earlier system of five zones. It is now proposed to create 15 zones in the place of present five zones so that the disparities in inter-factory costs are minimised and, the ex-factory prices have a more reasonable correlation with individual units' costs. According to the new proposal, U.P. which produces the maximum sugar has been divided into three zones, namely, west, east and central U.P. while Bihar has been split into north and south Bihar. Tamil Nadu and Pondicherry will form a single zone and Orissa, Assam, Kerala and West Bengal another. Each of the other States—Punjab, Haryana, Rajasthan, Gujarat, Madhya Pradesh, Maharashtra, Mysore and Andhra Pradesh—will be treated as separate zones. (The Government has also accepted the suggestion of the Commission to provide a fixed rate of return of Rs. 10.50 per quintal to cover interest on capital, profit, taxation and other charges while arriving at the fair price. The present criterion of a 12 per cent return on capital has thus been given up. The cost schedule prepared by the Commission for fixing levy prices for three years 1969-70, 1970-71 and 1971-72 has also been accepted.

The new ex-factory prices of levy sugar per quintal of D-29 grade for the 1969-70 season (including excise duty at 23 per cent *ad valorem*) for the various zones (with 1968-69 prices in brackets) are: Punjab Rs. 164.84 (Rs. 164.22), Haryana Rs. 153.29 (Rs. 164.22), Rajasthan Rs. 177.16 (Rs. 164.22), West U.P. Rs. 156.11 (Rs. 164.22) Central U.P. Rs. 147.56 (Rs. 155.27), East U.P. Rs. 151.11 (Rs. 155.93), North Bihar Rs. 151.45 (Rs. 155.93), South Bihar Rs. 169.03 (Rs. 155.93), Gujarat Rs. 141.56 (Rs. 142.46), Madhya Pradesh Rs. 194.19 (Rs. 164.22), Maharashtra Rs. 135.34 (Rs. 142.66), Mysore Rs. 146.80 (Rs. 142.66), Andhra Pradesh Rs. 150.43 (Rs. 143.66), Tamil Nadu and Pondicherry Rs. 166.16 (Rs. 158.27) and Orissa, Assam, Kerala and West Bengal Rs. 159.49 (Rs. 158.27, 165.43, 158.27 and 155.93 respectively). The rise in the case of Tamil Nadu is Rs. 7.89, for Andhra Pradesh Rs. 7.77, Mysore Rs. 4.14 and Kerala Rs. 1.22. A decision on the recommendations regarding grant of rehabilitation allowance and levy

of a graded slab system of excise duty according to capacity has been deferred.

Meanwhile, the Government has issued orders for release from sugar factories of 2.31 lakh tonnes of levy sugar to the State governments and one lakh tonnes of sugar for free sale for February-March.

E.I.D.-Parry Cuts Dividend

The decision of the directors of E.I.D.—Parry Limited to slash the total equity dividend to 6 per cent taxable for the year ended September 30, 1969 from 10 per cent taxable in 1967-68 has been received with considerable disappointment. Though it had been expected that the slump in open market prices for sugar and sharp decline in recovery would affect earnings to a significant extent it was not thought likely that the earnings would be so low as to force a cut in the dividend drastically. In fact, it has been necessary for the company to draw on reserves even to pay the reduced dividend. Probably reduced sales of fertilizers and an accumulation of stocks must have accentuated the adverse results for the year. The group's net profit before taxation, has dropped precipitously to £ 485,757 from £ 1,479,970 in 1967-68. The claim in respect of taxation is at the same quite large at £ 315,496 (£ 476,822). The group's net profit, after taxation and after deducting the share of profits attributable to the outside shareholders of the subsidiary companies, is thus only £ 159,428 (£ 992,315). A final ordinary dividend of 2¾ per cent, taxable is to be paid while an interim of ¾ per cent, taxable has been already paid. The interim and final dividends will amount to Rs. 33.92 lakhs against Rs. 56.53 lakhs on the previous occasion.

Voltas Earns Less

A prolonged suspension of activities due to labour unrest has affected the working results of Voltas Limited adversely for the year ended August 31, 1969. Though sales of various products were even marginally higher at Rs. 68.27 crores against Rs. 67.59 crores in 1967-68, there was a slump in the net profit, before depreciation and taxation, to Rs. 66.43 lakhs from Rs. 234.47 lakhs. The provision for depreciation is higher at Rs. 55.87 lakhs (Rs. 51.90 lakhs) and taxation Rs. 7.50 lakhs (Rs. 102 lakhs). After taking credit for Rs. 2.92 lakhs (nil) from development rebate reserve, the transfer to the same is Rs. 2.50 lakhs (Rs. 3.50 lakhs) General reserve is credited with only Rs. 3.48

lakhs (Rs. 77.07 lakhs). The directors have naturally decided to cut the equity dividend drastically to 7 per cent, taxable, from 15 per cent, taxable. However, to compensate the shareholders for this drop in return it is proposed to issue bonus shares in the proportion of one for five, subject to Government approval.

Camphor & Allied Pays Same

Camphor and Allied Products Limited has only maintained the equity dividend for 1969 at 12 per cent taxable though there was an increase of 28 per cent in gross earnings over the previous year. The recent decision to make a one-for-five-bonus issue has obviously influenced the directors' thinking as the new shares will be ranking for dividend from the earnings of 1970. The improved working has been due to a higher output and increased sales of by-products. The net profit before depreciation and taxation, rose to Rs. 54.13 lakhs from Rs. 42.17 lakhs in 1968. However, owing to the need for providing a large sum of Rs. 26.75 lakhs for the first time the disposable profits will be less than in the previous year. Depreciation claims Rs. 9.54 lakhs (Rs. 7.05 lakhs) and development rebate Rs. 1.45 lakhs (Rs. 1.60 lakhs). The appropriation to general reserve is lower at Rs. 7.60 lakhs (Rs. 13 lakhs) and deferred taxation reserve Rs. 2 lakhs (Rs. 13.50 lakhs). The dividend is well covered by the disposable earnings.

Work on the terpene chemical unit is progressing well and plant and machinery are being installed in some sections. Out of the total estimated cost of Rs. 86 lakhs, Rs. 12 lakhs has so far been met from internal resources. A second terpene chemical unit is also proposed to be set-up in Himachal Pradesh and a subsidiary company may have to be promoted for this purpose. It is intended to raise loan capital for Rs. 70 lakhs by issuing debentures while the outstanding loans for Rs. 37.25 lakhs from financial institutions have been repaid. The company has laid great emphasis on research for developing new chemicals and the expenditure on a new research unit in Gujarat will be Rs. 60 lakhs. Camphor shares (Rs. 100 paid-up) are now quoting around Rs. 186 on ex-bonus basis and offer a gross yield of about 7 per cent.

G.E.C.'s Bonus Issue

General Electric Company of India Limited has decided to capitalise Rs. 443.75 lakhs out of reserves and allot bonus shares in the

proportion of five equity shares for every two shares held, subject to the consent of the Controller of Capital Issues. The decision on a big bonus issue has been expected for some time as the arrangements for the merger of this company and Associated Electricals India Limited are being finalised. The U.K. parent companies of these two have already been amalgamated and English Electric of U.K. also merged with these subsequently. A.E.I. India is already a public limited company. After the capitalisation of reserves and the merger, G.E.C. of India Limited is likely to issue fresh capital to the Indian public to finance its expansion programmes and also to increase the Indian participation. It is learnt that the working results of G.E.C. of India for 1969 were encouraging and the dividend payment may be encouraging.

Tide Turns for H.M.T.

Hindustan Machine Tools, appears to have turned the corner after the prolonged recessionary phase and expects to utilise its capacity more effectively in the current year. Capacity utilisation is likely to go up to 65 per cent in 1969-70 from 55 per cent in 1968-69 while the turnover may rise to Rs. 17.15 crores from Rs. 15.34 crores in 1968-69. The annual report for 1968-69 reveals that though there was a rise in turnover by Rs. 70 lakhs, the company was not able to get out of the red. However, the loss of Rs. 34 lakhs was less than the deficit of Rs. 66 lakhs in the previous year. An encouraging feature of HMT's working in 1968-69 was the pick-up in demand for machine tools, with orders rising to 2,253 machines from 1,217 in 1967-68 while in the first five months of 1969-70, orders were higher at 980 machines against 553 in the same period in 1968-69. With a view to prevent accumulation of stocks, production had to be curtailed at the Bangalore unit and the output for all units was thus only slightly better at 1,825 units against 1,807 machines in 1967-68. The watch factory turned out three lakh watches valued at Rs. 3.2 crores against 2.5 lakh watches worth Rs. 2.64 crores in the previous year. There are plans to expand capacity for watch manufacture from 3.60 lakh units to 5 lakh units by 1973-74. Another noteworthy feature of HMT's working has been the striking export performance in 1968-69 when exports of machine tools jumped to Rs. 97 lakhs from Rs. 29 lakhs in 1967-68 and orders were secured for 519 machines against only 98 machines in the previous year.

H.M.T. has realised the need for diversifying its activities to reduce the dependence on machine tools alone. Accordingly, it is proposed to set up a second watch factory in Kashmir with an installed capacity of 3

lakh watches. The project report for the new unit and the expansion programme of the Bangalore factory are expected to be ready shortly. Recently the company has entered into a collaboration agreement with an Italian firm for making automatic printing machines while it is proposed to take up manufacture of die casting machines and plastic injection moulding machines. An agreement has also been finalised with a U.S. firm for producing heavy duty presses in a separate division. The Central Government has also approved a Rs. 15 crore project of HMT for manufacturing Zetor 20 tractors in collaboration with Czech interests at its Pinjore unit. Production is expected to be 1,000 units in 1970-71 which will rise to 12,000 units by 1975-76, the full rated capacity and the indigenous content at the final stage will be 90 per cent.

United Carbon's Maiden

As assured by the Chairman, Mr. C. H. Bhabha in his annual statement last year, the shareholders of United Carbon India Limited have not had to wait for a long period to start getting a return on their investment in the company. Within three years after commencement of production it has been possible for the company to work on a highly profitable basis and earn a sizable disposable profit after wiping out the initial losses. The decision of the directors to declare a maiden ordinary dividend of 15 per cent gross for the year 1969 must be considered gratifying especially as it has been possible to transfer a sizable sum to reserves after allocating for the dividend. Also, the dividend will be completely exempt from deduction of tax at source being paid out of tax exempt profits. With the output of carbon black exceeding the rated capacity of 13,400 tonnes sales increased sizably to Rs. 3.52 crores in 1969 from Rs. 2.70 crores in 1968. At the same time, there was a marked improvement in the profitability of operations with the ratio of gross profit to sales jumping to 52 per cent from 43 per cent and the net profit, before depreciation and taxation, to Rs. 182.45 lakhs from Rs. 116.04 lakhs. After setting aside Rs. 34.45 lakhs (Rs. 38.52 lakhs) for depreciation and Rs. 33 lakhs (Rs. 38.30 lakhs) for development rebate there is even a tax liability for Rs. 26 lakhs (nil). The transfer to general reserve is as much as Rs. 89 lakhs (nil) of which the equity dividend will absorb Rs. 23.30 lakhs. The ploughback into business is thus quite substantial at Rs. 133.15 lakhs in the latest year and will be helpful in financing the company's current expansion programme to raise capacity by 33 per cent. In 1968, a sum of Rs. 39.18 lakhs was utilised to wipe out the accumulated losses. There was some delay in getting the capital goods

licence but due to careful planning the equipment will be arriving shortly and the additional capacity may be ready in the next few months, contributing to the sales and earnings for 1970 to some extent. The full benefit from the expanded facilities will be reflected in a fresh jump in earnings for 1971 and with sizable addition to reserves, it would then be possible to capitalise a part of the reserves and issue bonus shares on an attractive basis. Thus, the growth prospects for the company are very bright which accounts for the high premium for United Carbon shares which are ruling around Rs. 330.

Bajaj Auto

It has been indicated by the directors of Bajaj Auto Limited that the proposal to issue bonus shares in the proportion of one share for every two shares held (announced in these columns) will be modified. It is now proposed to make the bonus shares rank equally with the existing shares in all respects and for dividend purposes from 1970-71 and not from April 1975 as originally suggested. The modification of the earlier decision follows representations from the shareholders and is intended to get the approval of Government for the bonus issue before the end of February. The Rs. 100 shares of Bajaj Auto have been quoting around Rs. 221.

Madura Mills Pays More

Even though operations in some sections were affected by the unhelpful attitude of workers, Madura Mills Company Limited has reported satisfactory results for 1969. The net profit, before depreciation and taxation, was thus only marginally lower at Rs. 184.37 lakhs against Rs. 187.70 lakhs in 1968. However, the directors have decided to raise the quantum of equity dividend by declaring a distribution of 6 per cent, taxable, on a capital doubled by a bonus issue against 10 per cent taxable for 1968. Perhaps the huge expenditure on modernisation and renovation in recent years has started yielding results and the directors are hopeful of utilising the new facilities more effectively and more profitably. The claim in respect of depreciation is as much as Rs. 103.12 lakhs (107.88 lakhs) while the provision for taxation is Rs. 14.88 lakhs (Rs. 6.18 lakhs) after taking credit for Rs. 2.47 lakhs, being excess provision in this regard in earlier years. The allocation to development rebate reserve is Rs. 13.15 lakhs (Rs. 11.55 lakhs) and debenture stock redemption reserve Rs. 11.11 lakhs (Rs. 10.67 lakhs). National Industrial Development Corporation loan redemption reserve gets Rs. 5 lakhs (same) while general reserve is credited with Rs. 37.15 lakhs

(Rs. 46.40 lakhs). The equity dividend which will require Rs. 42 lakhs (Rs. 35 lakhs) will be paid out of the latter reserve. The annual report and the Chairman's statement should give a better idea of the outlook for the cotton textile industry in the South in general and for Madura Mills in particular. The company's Rs. 15 shares are quoting slightly below par on an ex-dividend and ex-bonus basis.

Indal Impresses

With a smart pick-up in demand for aluminium and aluminium products and a firm trend in prices both internally and in foreign markets, Indian Aluminium Company Limited, the second biggest unit in the industry, has created new records in production, sales and earnings for 1969. With more effective utilisation of the capacity of the older units, a small contribution from the Belgaum smelter, which was commissioned in October last year, and a drawing down of the opening stocks, sales could be raised by 27 per cent over 1968 to 42,997 tonnes and turnover by 29 per cent to Rs. 26.43 crores from Rs. 21.09 crores in 1968. The net profit, before taxation and after depreciation also rose appreciably to Rs. 5.25 crores from Rs. 4.36 crores. However, the disposable profit is only slightly higher as development rebate claims as much as Rs. 2.05 crores (Rs. 11.1 lakhs) though the provision for taxation is only Rs. 59 lakhs (Rs. 1.99 crores). As an increased capital is ranking for dividend, the directors have decided to only maintain the distribution at 14 per cent, taxable, with the payment of a final dividend of 8½ per cent taxable (same). The new shares will get a proportionate dividend to the extent of the paid-up amount.

Two pot lines are now in operation at the Belgaum smelter with a capacity of 20,000

tonnes and the third potline with another 10,000 tonnes will be commissioned in April. It can be expected that the output of Indal for 1970 will be easily over 65,000 tonnes. The alumina plant is likely to go into production by the middle of this year while the preliminary work on the sheet rolling mill near Bombay is proceeding apace, with the finalisation of arrangements for securing the required plant and machinery.

Stewarts and Lloyds

Stewarts and Lloyds of India Limited has managed to get out of the recession and begin operating on a profitable basis, with the revival of the engineering industries. The company has earned a net profit of Rs. 19.97 lakhs before depreciation for 52 weeks ended September 27, 1969 against a loss of Rs. 33.01 lakhs in 1967-68. After providing Rs. 4.56 lakhs (Rs. 4.13 lakhs) for depreciation and Rs. 61,834 (nil) for taxation, a sum of Rs. 12.48 lakhs (nil) has been transferred to general reserve.

Kothari Group

There is a modification in the merger proposal of the Kothari group of companies following suggestions by shareholders of some of the companies. Under the revised scheme which will have to be approved by the Madras High Court and the members of the respective companies, only five companies in the group, namely, Blue Mountain, Waterfall, Balmadies, Kothari Textiles and Adoni Spinning will be amalgamated while Kothari Sugars and Chemicals will remain a separate entity. There is, however, no change in the rate of conversion of equity shares into those of the new company, Kothari (Madras) Limited while only the preference shares of Kothari Textiles will be converted into preference shares of the new company with a higher interest rate of 9.3 per cent against the 9 per cent proposed earlier. The preference shares of Adoni Spinning will be redeemed. On the new basis, Kothari (Madras) will have a paid-up capital of Rs. 240.59 lakhs, made up of Rs. 222.59 lakhs in equity and Rs. 18 lakhs in preference shares. The merger, if approved, will be effective from September 1, 1969.

Siporex India

Siporex India Limited, a new company promoted for making economic, light-weight building materials, came on the market recently for raising Rs. 82.5 lakhs in equity and preference shares to meet part of the total project cost estimated at Rs. 2.40 crores. It is proposed to manufacture at the company's Poona factory light-weight cellular rein-

forced autoclaved concrete blocks and slabs for floors, walls and roofs, and prestressed, precast reinforced concrete building materials. The company has entered into a technical and financial collaboration with a Swedish firm which developed these revolutionary building materials which can reduce both the cost and time of construction. The products are manufactured by a chemical process using ordinary portland cement and silica sand as basic raw materials.

The plant will have an annual capacity of 75,000 cubic metres of Siporex. With the revival in construction activity in the country, it is confidently expected that the company would be able to establish itself due to the excellent qualities of Siporex. It is proposed at a later stage to take up the manufacture of machinery and equipment for making Siporex. The company has a paid-up capital of Rs. 27.4 lakhs held by the promoters, directors and collaborators. The recent issue consisted of 62,625 equity shares of Rs. 100 each and 30,000 preference shares of Rs. 100 each. Out of this, 5,625 equity shares will be allotted to the Swedish company while 4,500 preference shares will be taken up by the promoters, directors and the Cement Corporation of India (a wholly-owned Government of India undertaking).

Union Carbide's Bonus

The directors of Union Carbide of India Limited have decided to seek the permission of the Controller of Capital Issues for capitalising a part of the reserves and issuing bonus shares to the existing shareholders in the ratio of one for two. The bonus shares will rank equally with the existing shares in all respects except that they will not be eligible for dividend from the earnings of the year ended December 25, 1969. After the bonus news, the Rs. 10 shares of the company have firmed up and are quoting around Rs. 30 against Rs. 27 earlier. The company has maintained the equity dividend for 1969 at 15 per cent taxable with the announcement of a final payment of 7.5 per cent, taxable.

ORWO Exhibition in Bombay

An exhibition displaying high precision cameras and films of interest to amateurs and professionals will be held at the G.D.R. exhibition centre in Bombay from 12th to 23rd March. One of the highlights of the exhibition will be the Pentacon six — a single lens 6 × 6 cm reflex camera. This camera, it is gathered, incorporates a number of modern and convenient technical features.

A 35 mm high precision camera will also be exhibited along with the ORWO films for X-ray, cinematograph, photography, etc.

STOCK MARKET:

Budget Cheers Marketmen

The initial reaction of the stock markets to the Central Budget proposals for 1971 has been one of relief and there was a smart rally in prices on a wide front in the post-budget session. Though Mrs. Indira Gandhi has sought to raise fresh resources for Rs. 170 the immediate cause for the cheerful mood of the markets was the absence of any additional burden on the corporate sector by way of a hike in direct taxes and the absence of any proposal to reintroduce the tax on bonus issues or dividends. At the same time, the rationalisation of the reliefs in taxes on incomes from Unit Trust, dividends from Indian companies and interest from bank deposits and other specified investments, has been a morale booster for investors as it would now be possible to derive a tax-free income from dividends or units upto Rs. 3,000. The higher wealth tax exemption for investments in units, industrial securities and bank deposits and the stiffer wealth tax rates on urban lands and buildings are also expected to divert larger investible funds to the stock markets with a salutary effect on prices. However, the steep increase in slab rates on incomes above Rs. 40,000 and the penal rates on unearned income may act as a disincentive to a significant section of society which has been the backbone of the corporate sector.

Similarly, the abolition of export duty on tea and the sizable cut in duty on certain jute goods have been welcomed as long overdue to enhance this competitive capacity in world markets. But the slight increase in excise duties on medium and high-grown teas, in spite of a rebate on exports has led to grave fears about consumer resistance within the country, particularly when the internal market will have to play a larger part in future to offset any further decline in exports.

On the whole, the market fraternity has been enthused by the constructive features of the budget proposals and with bear operators rushing to cover their open positions and fresh buying by bull operators, share values of many pivotal counters spurted in buoyant trading and only the

Indirect Taxes Ignored

While marketmen have thus generally chosen to ignore the harsh features of the new direct tax proposals and have taken a constructive view of the minor reliefs to investors, it may be necessary to have a close look at the new indirect imposts on a wide range of intermediate and luxury consumer goods which have been rather severe in certain cases. The straight increase in import duties on machinery, certain plastic materials, motor vehicle parts, pharmaceutical chemicals, etc. fetching Rs. 30 crores will raise the manufacturing costs of these industries. It remains to be seen if the enhanced excise duties on many items will not raise the prices of the final products or cost of services and not induce consumer resistance at a time when many of these industries are just experiencing a slow pick-up in demand for their goods. The spread of the net to include many new items like office equipment, metal containers, sparking plugs, stainless steel blades, slotted angles, iron safes and safe deposit vaults besides aerated waters, and

absence of forward trading prevented boom-like conditions. As the indirect taxes may be passed on to the consumers in the present context of shortages in many directions, and as the economy has now entered a crucial phase of accelerated growth aided by fairly stable prices and an enlarged Plan outlay, the private industrial corporate sector can look forward to a period of sustained growth provided the political climate does not hot up.

Wide-spread Gains

Both Dalal Street and Lyons Range witnessed active trading in the post-budget sessions. Century jumped by 60 points to Rs. 770 before shedding a part of the gain. Tata Steel shot up by over 5 points to Rs. 110 before closing at Rs. 109. Hind. Motors firmed up to Rs. 15.28 from Rs. 15. Tata Chemical to Rs. 33 from Rs. 31. Cash scrips were also lively with Century Enk. moving up to Rs. 240, S. I. Viscose to Rs. 140, Synthetics and Chemicals to Rs. 145, United Carbon to Rs. 335xd and Mico to Rs. 387.50.

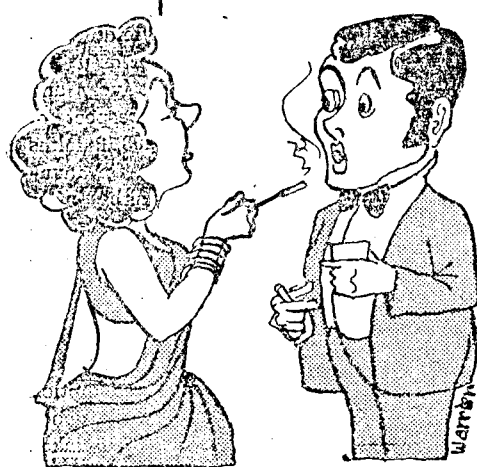
In Calcutta, Indian Iron firmed up to Rs. 17.75 in the special session, Guest Keens to Rs. 13.30 from Rs. 12.50, Kesoram by Re. 1.40 to Rs. 15.30, and Birla Jute by Rs. 1.50 to Rs. 38, Dunlop, Indal, Copper, Orient, Goodyear, Union Carbide and India Steamship were some of the key shares to show handsome gains. In Madras too, many textile plantation and miscellaneous shares were reported to be in keen demand at much higher levels.

PRICE MOVEMENTS

The following were the closing rates in the pre-budget and post-budget sessions on February 28 in Bombay and Calcutta

	Bombay			Calcutta	
	Pre-budget	Post-budget		Pre-budget	Post-budget
Tata Steel	104.50	109.00	Indian Iron	17.10	17.75
Hind. Motors	15.00	15.28	Hind. Motors	14.94	15.26
TELCO	214.00	223.00	Birla Jute	36.45	38.20
Century	711.00	752.00	Dunlop India	28.55	29.00
National Rayon	409.00	434.00	Indian Alum.	28.50	30.20
Tata Chemicals	31.75	33.00	Guest Keen	12.50	13.30
Indian Dyestuff	308.00	327.00	Orient Paper	28.50	30.00
Scindia	18.60	19.00	Kesoram Ind.	13.90	15.50
Gwalior Rayon	37.50	41.00	Indian Copper	3.82	4.02
Larsen & Toubro	16.88	18.52	Indian Explosive 'A'	20.50	22.00
Voltas	210.00	217.00	Hind. Alum.	30.50	32.50
United Carbon	303.75xd	335.00xd	J. K. Synthetics	26.37	30.00
MICO	353.75	387.50	Indian Oxygen	18.19	19.25
Food Specialities	37.25	40.50	Union Carbide	31.12	33.25
NOCIL	168.00	176.00	Inchek Tyres	12.75	13.37

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Statistical Supplement....

TAMIL NADU BUDGET

(Rs. Crores)

	1968-69 Accounts	1969-70 Budget	Revised	1970-71 Budget
Revenue Account				
Revenue Receipts	277.92	268.66	282.92	294.04
Revenue Expenditure	260.94	285.37	299.56	296.98*
Deficit or Surplus	+ 16.98	- 16.71	- 16.64	- 2.94
All Accounts				
Receipts				
Opening Balance	7.92	0.55	9.74	0.55
Revenue Surplus	16.98	—	—	—
Central Loans	57.77	57.21	50.76	49.09
Open market Loans etc.	20.25	24.00	22.30	23.50
Loans from Autonomous Bodies	19.81	28.56	48.80	28.09
Debt, Deposits, etc. (Net)	55.58	26.51	14.82	1.81
Total	178.31	136.83	146.42	103.04..
Disbursements				
Revenue Deficits	—	16.71	16.64	2.94
Capital Expenditure	44.93	29.47	30.93	37.89
Repayment of Central Loans	56.66	48.49	43.54	28.99
Loans & Advances (Net)	36.92	22.33	19.07	8.23
Repayment of Loans from Autonomous Bodies	16.27	26.49	22.47	18.75
Repayment of Open Market Loans, etc.	13.79	12.31	12.95	5.69
Closing Balance	9.74	- 18.97	0.55	0.55
Total	178.31	136.83	146.42	103.04

* This does not include the additional commitment of Rs. 6 crores arising from benefits proposed to government staff, teachers and local body employees. The Centre is to be approached for assistance towards this expenditure.

New tax proposals for Rs. 6 crores include Rs. 3.4 crores from increased sales tax rates, Rs. 1.6 crores from higher M.V. tax, Rs. 50 lakhs from enhanced petrol tax and Rs. 50 lakhs from higher show tax on cinema houses.

CENTRAL BUDGET FOR 1970-71

(Rs. Crores)

	1969-70 Budget	Revised	1970-71 Budget
Revenue Receipts			
Tax Revenue	2,714.15	2,732.04	2,966.97
			+ 170.06
Non-tax Revenue	799.74	855.11	899.75
Total Revenue	3,513.89	3,587.15	3,866.72
			+ 170.06
Less State's Share	517.60	621.67	699.79
			+ 45.30
Net Centre's Revenue	2,996.29	2,965.48	3,166.93
			+ 124.76
Revenue Disbursements			
Civil Expenditure	1,377.97	1,405.04	1,498.24
Defence Expenditure	985.78	979.32	1,017.84
Grants-in-Aid to States & Urban Territories	596.18	592.06	636.10
Total	2,959.93	2,976.42	3,152.18

CENTRAL BUDGET (Contd.)

Revenue Surplus or Deficit	+ 36.36	- 19.94	+ 14.75
			+ 124.76
Capital Receipts			
Market Loan (Net)	106.00	141.31	161.70
External Aid (Net)	467.40	400.46	399.75
(Other than PL 480)			
PL 480 Aid	215.11	205.93	132.27
Loan Repayments	745.00	880.00	825.00
Other Receipts	196.37	347.81	304.99
Total	1,729.88	1,975.51	1,823.71
Capital Disbursements			
Civil Expenditure	478.60	486.24	524.35
Defence Expenditure	124.22	125.42	133.67
Railway Capital Outlay	132.60	124.86	150.00
P & T Capital Outlay	34.16	35.96	35.00
Loans & Advances			
(1) States & Union Territories	793.74	1,057.97	878.25
(2) Others	456.60	424.23	467.19
Total	2,019.92	2,254.68	2,188.46
Deficit on Capital Account	290.04	279.17	364.75
Overall Deficit	253.68	290.11	350.00
			- 124.76

NEW TAX PROPOSALS

(Rs. Crores)

Direct Taxes

Higher I.T. on incomes above Rs. 40,000	20.00
Changes in Wealth tax and tax on Urban Property	16.00
	36.00

[The expected Revenue in 1970-71 will be only Rs. 15 crores]

Indirect Taxes

New Excise Duty on Office Equipment	2.00
Metal Containers	6.50
Spark Plugs, Stainless Steel Blades, Iron Safes, Slotted Angles, Vaults	1.90
New duties on Chemicals & Synthetic Rubber	2.75
Higher Duty on Caustic Soda & Soda Ash	2.55
Air-conditioners Sanitaryware, Glazed Tiles, TV sets	2.24
Ad Valorem Duty on Aluminium	4.70
Processed Foods	8.68
Rigid Plastic Boards, etc.	0.96
Polyester fibre & Art Silk fabrics	13.78
Petroleum Products	39.56
Cigarettes	13.50
Tea	7.87
Sugar	28.50
Relief to Small Units	- 0.43
Net Excise	+135.06

Customs Duty

Higher Import Duties on Machinery Plastic material, Electrical resistance wires, Spirits and Motor Vehicle parts	+ 29.75
Export Duty Relief for Tea and Jute canvas, Webbing, Tarpaulins	- 9.75
Net Additional Revenue	+ 20.00
Net Additional Revenue from Indirect Taxes	+155.00

Total Additional Taxes Proposed for 1970-71 is Rs. 170.00 crores of which Centre's share is Rs. 125 crores and States' Rs. 45 crores

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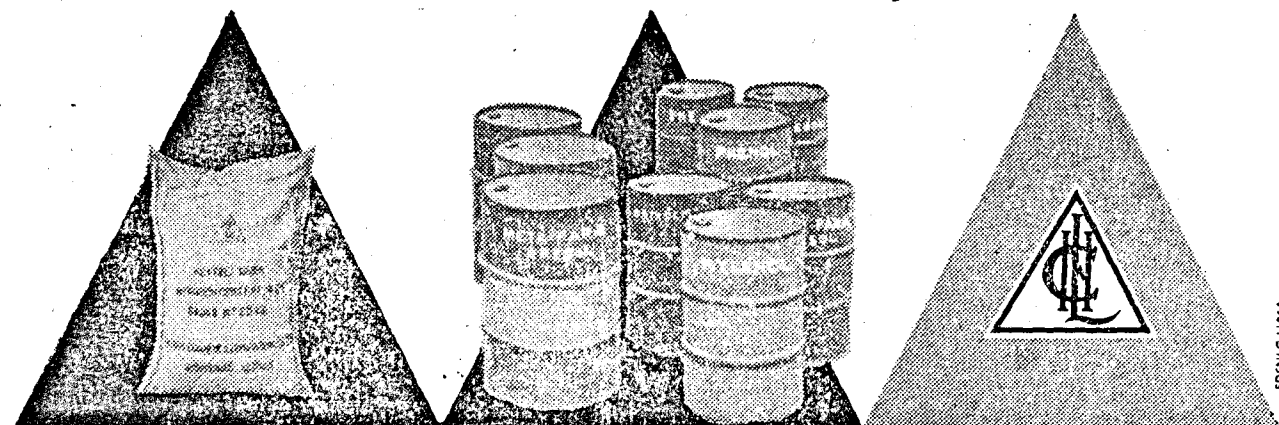
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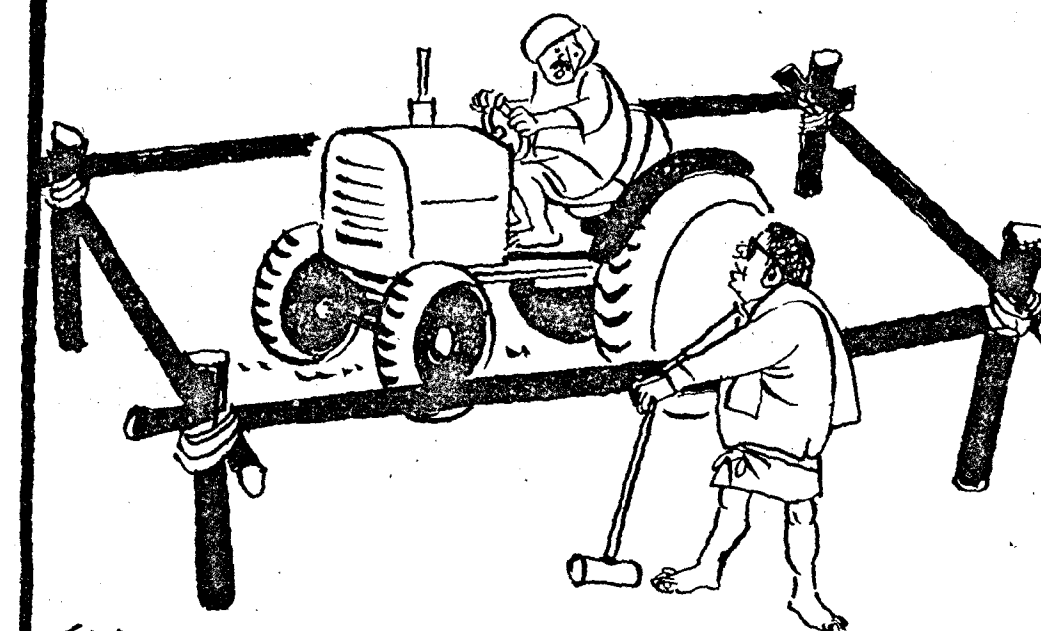
Railway Losses ...

The multiplicity of gauges requiring costly and time-consuming transshipment—there are 14 such points in the S. Railway—of goods, the preponderance of passenger traffic over that of goods, the heavy charges to be paid on coal needed for steam traction (the cost of freight on a tonne of coal for Southern Railway, it is gathered, works out to two times its price paid at the pit head), the existence of a well-organised and efficient road transport network and the transfer of two of the best divisions of the old Southern Railway to the newly formed South Central Railway are among the main reasons for the non-viability of the Southern Railway.

Recent steps towards modernisation of signalling and communication, a greater consciousness of the need for efficient marketing, the general improvement in economic conditions, greater resort to dieselisation and electrification all point to better operating results. With the clearance of the Salem and Hospet steel plants an additional traffic offering of 10 to 12 million tonnes is possible. So the 'seventies hold out better days for the Railway.

THIS LAND
CEILING MEASURE
WILL NOT LEAD TO
GREEN REVOLUTION...!

IF IT DOESN'T
LEAD TO
RED REVOLUTION...
I AM HAPPY!



HOW WELL ARE YOUR QUALITY-CONTROL CONTROLS CONTROLLING ?

With non-traditional exports growing fantastically fast, Indian industry has recently become very conscious of the term 'Quality Control'. Efforts to obtain a final product of high quality has been intensified. Though modernisation of existing departments and equipments had been witnessed for quite some time in many industries, yet in the field of instrumentation very little advances were discernible. 'No longer', notes Batliboi's Instrumentation Expert, A. M. Gidwani, in a recent informal survey of the industry. A pronounced shift to more precise control and increased productivity seems to be taking place already. In the giant petrochemical, fertiliser and basic metal producing complexes, instrumented feed-back control is of course indispensable. However, the more progressive (and comparatively smaller) textile and paper mills seem to be clambering on the bandwagon too.

In India, one of the more significant instrumentation projects involved the installation of sophisticated controls at critical points in all the four (Ammonia, Urea, Phosphoric Acid and Sulphuric Acid) plants of Guja-

rat's ambitious State Fertilizer Corporation.

Supplied by Foxboro's Canadian manufacturing complex, the nearly 400 crucial Foxboro instruments averaged at \$1,000 each, ranged from popular pneumatic transmitters, recorders, controllers and control valves to the latest solid-state electronic marvels which are nearly 40-50 times faster!

Fabrication of the intricate control panels and responsibility for their installation and smooth working on schedule was entirely entrusted to Batliboi's capable young team of instrument experts who have been successfully designing, supplying, installing and servicing control requirements of a broad sector of Indian industry since 1955.

It is being widely recognised that instruments, properly applied to various processes, can improve quality and maintain uniformity far better than any other known method. In addition to an improved final product, there is a tremendous snowball effect in returns through incidental benefits: increased production and decreased material and labour costs.

Modern industries all over the world are embracing the concepts of instrumentation. So warmly, that extensive research programmes to improve the quality and range of control mechanisms are underway in most developed—and many developing countries.

In a publicity handout, specially prepared by Foxboro's PR division in America for distribution in India, the company underlines its deep and satisfying association with Batliboi, an indirect tribute to the Indian company's capability and accumulated engineering expertise of over 79 years.

The tribute is richly deserved. Among the assets and wide-range of services offered by Gidwani and his unblinking band of controllers (many of them specially trained at Foxboro Training Centres in England and America):

- (i) A fundamental understanding of the theory, application and operation of both Foxboro instruments and systems together with a sound knowledge of the techniques for servicing them.

- (ii) Application engineering to determine the measurement and control needed for a process and an ability to specify the right instrument for each requirement.

- (iii) Proper installation, supervisory aid and periodic maintenance service.

- (iv) Fully instrumented control panels and cabinets.

- (v) Expert assistance and advice in emergencies—and a contract service for periodic maintenance to ensure continued accurate performance.

- (vi) Instrumentation and programs to assist customers in establishing their own systems of preventive maintenance—a profitable concept now gaining wide usage.

- (vii) Basic courses for training user personnel in instrumentation, with visual teaching aids and training publications.

More than enough to satisfy the most exacting of customers.

For your needs in machinery write to
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NLC GREETS YOU ON THIS NEW YEAR DAY

Neyveli Lignite dedicates itself anew to your needs. In your home, in your fields, in your industries. Because Neyveli Lignite Corporation is yours. And so is its Brown Diamond—Lignite.

The Diamond that is the dynamism behind everything Neyveli Lignite does for you:

- Producing UREA—46% Nitrogenous Fertilizer—the pearl-white product that helps grow more food.
- Supplying LECO—the ideal domestic fuel for smokeless, trouble-free cooking
- Processing TAR PRODUCTS, the by-products of Lignite technology. For industries and their service to you. From plastics to pharmaceuticals.

● Generating 600 MW of POWER serving about 40% of Tamil Nadu's power needs. In homes, industry, agriculture.

The Greetings are timely. The progress is timeless! And with the New Year, newer horizons are opening!



NEYVELI LIGNITE CORPORATION LTD., Neyveli-1



From Thirty to Fifteen ...

The Bill to reduce the ceiling on land holdings in Tamil Nadu was passed by both houses of the State legislature after two days' of discussion which revealed both the complexity of the issues involved and the vagueness of the mental approach of many of the members. The adoption of a government resolution to set up a crowded committee of 46 members to advise the Finance Minister for examining the scope and nature of the deletion or modification of the exemptions granted in the Tamil Nadu Land Reforms (Fixation of Ceiling) Act 1961 shows how much of close examination of particular cases is required to ensure that the enforcement of the new Act does not land in uninvited hardships. The Government's action in bringing about the changes through an ostensibly new Bill instead of a bill to amend the old Act, which prompted the Opposition to raise a point of order, was sought to be justified on the ground that if the new Act should be struck down by the Supreme Court, the older legislation on the subject would remain in tact. This again suggests the wisdom of taking more time over the introduction of a change which has little in support of it beyond the incessant repetition of old slogans.

Mr. Karunanidhi's indecision after the last Chief Ministers' conference on this subject is itself a proof of the dubious character of the Governments' action in taking the fragmentation of agricultural land another step forward.

More damning is the statement of the Finance Minister that the question of surplus land which the Government will get as a result of lowering the ceiling is irrelevant to the consideration of the measure and that the reduction of the ceiling should be effected even if it results in no surplus. Such a statement reduces to a dangerous absurdity the cry of land for the landless. It lends point to the contention of Dr. Hande of the Swatantra Party that the Bill will restrict the scope of employment for landless agricultural labour. To this day, there has been no impartial enquiry into the impact of the Ceiling Act on food production and such an enquiry is obviously a necessary preliminary to further attempts in the same direction. In any case what with the doubts on this matter and the complexity of the exemptions now granted in principle, the demand for circulation of the Bill for eliciting public opinion was eminently reasonable and should have been conceded.

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Since low ceilings for agricultural land has been the common plank of most of the parties, the passage of the Bill has been easy, differences being confined to questions of detail. There was general support for amending the provision regarding the recognition of partitions up to the modified date which has been changed from Feb. 26 to Feb. 15, 1970, though an attempt was made to push it further back to September last. There can be no question of the justice of extending the recognition of partitions in the case of minor sons and grandsons which was given under Clause 2, to voluntary transfers in the case of unmarried daughter and unmarried grand daughters, govern-

Import Policy to Gear up Foreign Trade

The import policy for 1970-71 has its constructive features; but it may also lead to wasteful use of foreign exchange if the new exercises of the State Trading Corporation and its agencies lead to inefficient purchases and increase the import prices due to competitive buying from Indian sources. It has been possible for the government to decide on a continuance of the liberal import policy because the balance of payments position has improved distinctly in spite of a slowing down in the rate of growth of exports. With the trade gap unlikely to be more than Rs. 85 crores in 1969-70 it should not be difficult even to pay for imports with exports in 1970-71, as imports of fertilisers can be drastically curtailed. There can also be a saving in foreign exchange expenditure on raw cotton and oil seeds if there was an increase in the yield of these cash crops in the next season. What is sought to be emphasised here is the opportunity afforded to the government to eliminate altogether the trade deficit by pruning unwanted imports and utilising the additional earnings in foreign exchange that may be secured through a higher level of exports for liberalising imports of steel, non-ferrous metals and spare parts, and also for paying for larger imports of crude oil.

There may also be a larger demand for industrial raw materials. With a higher level of economic activity the actual users in the small scale sector can secure their requirements of raw materials and components without difficulty. The State Trading Corporation and other agencies may be in a position to sell out of their own stocks the imported items against surrender of licences and thus save time and energy involved in processing the latter. But it is too early to say, whether the State agencies can discharge their new responsibilities satisfactorily and will be able to use the bulk allocation of foreign exchange that will be made to them efficiently. It has been proposed that

ed by Hindu law. Nor can there be any reason, despite the absence of a common code for all communities to deny the same advantage to Christians, Muslims and other communities. The freedom of landowners to make voluntary transfer to hospitals and temples is also entitled to respect. Since this freedom had been used in the past to make only a nominal transfer while retaining the benefits of the gift for the donor, the new Act insists that such lands should vest in the hands of the hospitals and religious institutions. Since there is now no going back on the 15 acre limit, it may be hoped that undue hardships and injustices will be avoided in the actual implementation of the Act.

some products can be imported by actual users as well as by the State agencies, the latter being allowed to import larger number of commodities exclusively. The enlargement of the scope of these agencies in the import trade is in pursuance of the policy of the government to nationalise as large a section of the import trade as possible. But this decision may not be beneficial from the national angle. There is the danger of uninformed or competitive buying leading to costlier imports besides causing unemployment in import houses. The government should, therefore, hasten slowly in its experiments with nationalisation of imports.

The over-emphasis on export promotion and the new concessions to industrial consumers for export performance on a slab-basis is not surprising. But the fact has been overlooked that export-surpluses can be created only if there was an increase in production in the aggregate and the import policy help the industrial sector to utilise its capacity fully. If increasing internal demand can be met with indigenous production to a greater extent than before, this process by itself will lead to smaller expenditure on imports or release funds for importing other items which are more badly needed. The new policy should therefore adopt an integrated approach to the problems relating to foreign trade. As Mr. K. B. Lal has pointed out recently, the new policy can be styled foreign trade policy instead of import policy. The objective should be to promote exports, encourage import substitution and maximise internal production. If imports are required even for boosting production to meet internal demand and keep down prices there should be no hesitation to release the required sums in foreign exchange. Export promotion has no doubt to be accorded the highest priority but it will succeed only if indigenous production was maximised and inflationary pressures were kept in check.

A.D.B.'s Third Year

The Asian Development Bank's activities have to be judged purely on the basis that it is a pioneering institution in an uncharted field—development assistance by a bank within that developing region itself. The Bank's latest annual report indicates that it approved loans amounting to \$ 98.10 million in 1969 which is double the commitments in the previous year. Twenty loans were made to 10 developing member countries, and together with the seven loans approved in 1968, the bank's total lendings reached \$ 139.70 million spread over 11 countries. Its technical assistance projects in 10 countries involved a commitment of \$ 2.23 million raising such total commitments to \$ 3.44 million.

Looks Much Too Modest

Judged by the size of financial commitments, all these may look much too modest. The fact, cannot, however, be overlooked that A.D.B. is a beginner and that, in these initial stages, it cannot raise any funds from the Asian region but depend instead on what the rich Western nations are able to spare over and above their aid commitments. There has been some criticism of the A.D.B.'s activities in the U.S. House of Representatives on the score that it relies on the West almost totally and that its administrative expenses eat out more than what it lends. (The criticism is from Mr. Otto Passman of the U.S. Lower House). Those who are familiar with the origins of the A.D.B. will, however, recall how there was considerable opposition in the U.S. to the setting up of this Bank and how it was even fairly obvious that some part of the opposition seemed to stem from the fear that a separate regional bank in Asia will keep countries of the area out of western blocs. Even granting that all these are but political-economic speculation, it can hardly be gainsaid that in the formative stages, administrative and other expenses will, no doubt, appear

far too heavy, the easing of which will come off naturally when A.D.B.'s lending operations gather strides.

A Counterpart of IBRD

The peculiarity about the A.D.B. on which experts are agreed is that it is a "counterpart in the East of the International Bank for Reconstruction and Development," (World Bank). Like the World Bank, A.D.B. raises resources in the world's capital markets for being lent to the developing countries for investment in their diverse growth projects. Of course, by capital market is meant the money market of the richer countries. The A.D.B. has raised 60 million D.M. in West Germany through bond issues. It will take long for Asian countries to become rich enough to subscribe to such bond issues. Another thing about the A.D.B. is that, like the World Bank's International Development Association, it has also a soft loan window known as the Special Fund which lends over the long term on concessional interest charges. Periodic replenishment of the special fund is done by the richer nations as in the case of the I.D.A. By the end of 1969 A.D.B.'s S.F. stood at \$ 84.92 million including new contributions in 1969 from member countries amounting to \$ 24.83 million and \$ 14.57 million set aside from the Bank's capital according to the provisions of its Charter. Capital contributors to S.F. are Canada, Denmark, Japan and the Netherlands; contributions for technical assistance have been received from Canada, Denmark, Finland, West Germany, New Zealand, the United Kingdom and the United States.

At the time of writing the following nations have made contributions to S.F.: Japan \$ 30 million; Britain \$ 14.4 million; Australia \$ 10 million; Switzerland \$ 0.2 million; Netherlands \$ 1.1 million. The Nixon Administration has proposed to make a contribution of \$ 100 million. The newest

contributor is India, whose representative, Mr. P. C. Sethi, announced a contribution of Rs. 2 lakhs. Though the amount of the contribution is small, India has expressed willingness to make further allocations if the present one is used up, besides paying for expertise in foreign exchange, if necessary. It is of course true that for a country of India's size, the present allocation is far too small and all the surprise it has caused is very well justified. But how can it be overlooked that this is the first time a developing country is making a contribution?

Why Duplicate the World Bank?

The question that has been worrying many is, if the World Bank is difficult of emulation as a development finance institution, why seek to duplicate it even as a regional bank. As many a commentator has abundantly made clear, the answer to this is provided in the latest annual report of the A.D.B. which says: "The needs, the problems, the objectives—and above all the hopes—of the Asian region may not materially differ in the long term from those elsewhere; but at any given time, the techniques and processes needed may be quite different from those fashioned for use in other areas. While a knowledge of the skills and techniques developed elsewhere is important and essential, the know-how of regional development must have an indigenous basis." The Bank is engaged in four large-scale regional activities during the year. A regional seminar on agriculture was held in Sydney at the time of the annual meeting of the Board of Governors as a follow-up to the Asian Agriculture Survey completed in 1968; a conference of Development Banks of Asia was convened by the Bank in Manila in July; and two major surveys were inaugurated—a regional transport survey and a study of the Southeast Asia economies in the 'seventies. The increasing proficiency of the staff in regional economic affairs was a significant factor in the general intensifi-

cation of operational activities of the past year, as was of course the continuing responsiveness of the developing countries in the sometimes complex task of project appraisal and loan negotiation. These are only to show that as a regional bank, the A.D.B. has been able to keep closer to the earth in this area than the World Bank.

Towards Greater Intra-Regional Co-operation

There is yet another responsibility

Central Loan:

Unusual Anxiety to Raise Large Funds ...

The Reserve Bank has managed to make a success of the new Central loan for Rs. 275 crores. The list was closed on the opening day itself, fully subscribed, in spite of conditions in the money market being not very propitious. If there had been no directive from the Reserve Bank to the scheduled commercial banks or had there been no increase in the liquidity ratio it would have been necessary for the Central banking institution to lend big support to the new loan. Total subscriptions amounted to Rs. 290.02 crores with conversion applications for Rs. 140.12 crores. There will thus be net borrowing for Rs. 111.77 crores which would have a complicating effect on the money market. There has, no doubt, been a large influx of funds into the banking system with heavy disbursements by the Central and State Governments and an increase in the deposits of scheduled banks by over Rs. 72 crores during the week ended April 3 which came in handy. There must have been a further rise in deposits in the subsequent week. But even if the aggregate additions were over Rs. 100 crores, there would have been no improvement and the money market would not have derived any benefit. There will, of course, be further disbursements but these may not be on a large-scale and if the Central Government utilises the opportunity to cancel *ad hoc* securities or adjust to some extent the overdrafts of the State Governments with

for the A.D.B. that is in the offing which is a recognition of the trend towards greater intra-regional co-operation in the years ahead. This is the proposal submitted to the Bangkok meeting of the ECAFE (April 14-27) for the creation of an Asian Payments Union and an Asian Dollar to settle residual claims in intra-regional clearances. As has been observed in another article in this issue on the ECAFE, the scope for such regional trading is limited by the difficulty of

dismantling existing tariff restrictions: especially by countries which depend very much on the revenues from this source. But a thaw is clearly setting in, more so because inward looking trade blocs are the order of the day and such blocs formed in the West have thrown Asian export trade out of gear. When under stress of future necessity Asia's intra-regional trade picks up, an Asian Payments Union and an Asian Dollar may cease to be the fantasies of aspiring poverty. —R.S.

easing pressure on the money market.

No Large Surplus for States

It is, therefore, debatable whether there will be any distinct improvement in the money market by the first week of July when the Central Government will have to issue a short medium-dated loan in the second stage of its borrowing for 1970-71. If it seeks to mop up whatever surpluses that existed with the banking system, no large surplus may be left for the State Governments. The Centre may, therefore, be content with the issue of a short medium-dated loan for only Rs. 100 crores and carry out the funding operation in October when the 3 per cent 1970-75 loan falls due for payment. Alternatively the State Governments may be asked to advance their borrowing programmes and complete their quotas so that the Central Government can issue a new cash-cum-conversion loan for Rs. 200 crores and offer also conversion terms to the holders of 3 per cent 1970-75 loan. The strategy has to be suitably changed in the current year in view of the fact that the monetary authorities have shown an unusual anxiety to raise funds in a big way in the first stage even when the Central Government had ample resources at its disposal and conditions in the money market also were uncomfortable. The proper course would have been to raise only Rs. 200 crores in the first stage and just complete the funding operations.

INDUSTRIAL ECONOMIST

Lone Voice for a Strong Centre

The National Convention on Centre-State Relations held in New Delhi early this month revealed such a wide diversity of opinion as to blot out all hopes of a helpful consensus on this subject of vital importance to the future of the nation. Mr. Jaya Prakash Narayan was almost alone in pleading for a strong Centre with a more rational redistribution of powers and functions marked by additions to the concurrent list drawn from both the Union and the State schedules. He is perhaps one of the few leaders in the country who sees no threat to the initiative and authority of the States in the establishment of a strong Centre.

As things are, the Centre has shown itself unwilling or unable to exercise its powers, while exposing itself freely to suspicions or even open to charges of trying to ride rough shod over the State Governments and of partiality in inter-State disputes. These conditions have encouraged the State Governments and the politicians as a rule to ask for more powers for the States without any attempt to reconcile such increase with the need to re-integrate the nation in the face of the divisive forces which, on account of different motives and circumstances, are now rampant all over the country. Mr. C. D. Deshmukh, who presided over the Delhi convention stressed the need for more initiative for the States

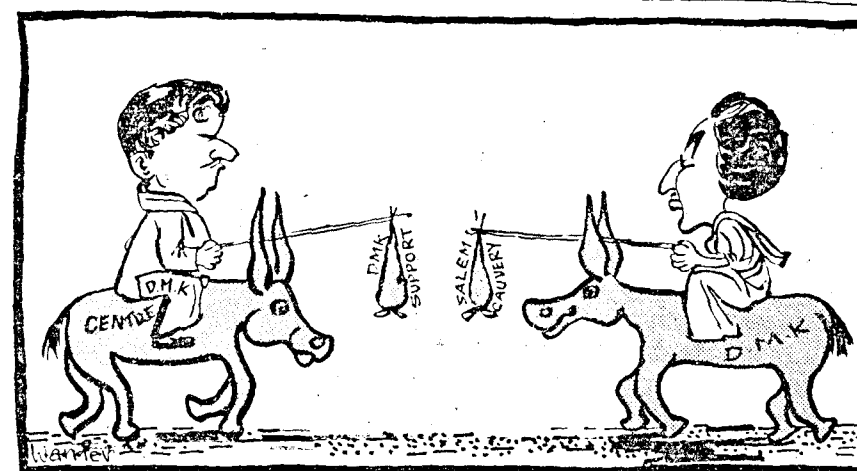
in the matter of agricultural development and the advantages of setting up a planning commission for each State. Others there were who asked for education and agriculture being left completely in the hands of the States. While Mr. Jain was against Centrally-sponsored or Centrally-aided plans, Mr. K. Santanam asked for a clear demarcation of the field of industrialisation between the Centre and the States. Dr. P. S. Lokanathan made a valid point when he stressed the fact that the States are now better equipped to deal with the problem of planning and development. There are in fact only two reasonable approaches to the whole problem, one from the side of unity and defeating the divisive forces of every kind and the other, economic development which will be sound viewed from the national, and adequate from the regional standpoint. The suggestions of these two approaches have to be checked up against the requirements of an equitable and workable system of financial devolution or federal finance. But most of the thinking on this subject is still in the grip of regional or sectarian or sectional prejudice or bias.

Dubious Even in Best of Conditions

In its dealings with Pakistan, the Government of India has rarely shown itself to any great advantage. In the

light of the Punjab Government's challenge to the statement of Dr. K. L. Rao, the Union Minister for Irrigation and Power, that no water was flowing from the Sutlej, Beas and the Ravi-rivers to West Pakistan since the expiry of interim arrangements under the Indus Water Treaty, one may even wonder whether in the delay in the utilisation of the water for the people on this side of the border, is there not a sneaking softness for our unfriendly neighbour! Whatever it may be, the Punjab Government has stated clearly that, contrary to what Dr. Rao conveyed to the nation, seven million tmc feet of water from the three eastern rivers of Punjab would continue to flow into West Pakistan till the Pong and the Thien dams are completed. For, only 3 million tmc feet out of the 10 million tmc feet which became available to India since April 1, could be used right away. Out of the remaining 7 million, five million could be retained in India only after three years when the Pong dam can be expected to be completed. The other 2 million could be stopped by the construction of the Thien dam for which the Punjab Government has been waiting for the sanction of the Union Government all these six long years. In his statement in Parliament, Dr. Rao pleaded lack of funds in defence of the Centre's inactivity or tardy action in this sphere, though he must have known that this plea can hardly be expected to carry conviction. The virtues of the Indus Water Treaty with Pakistan and the equitability of its provisions would even in the best of conditions be dubious. But the Indian public could reconcile itself to the grant of Rs. 60 crores to Pakistan for building link canals, only if all the waters that will become ours after the expiry of the transitional period were completed. It is here that the Government has fallen on its task. While the excess during the monsoon months can be allowed to flow into West Pakistan, there can be no similar helplessness over the waters which under the terms of the treaty belong to India as from April 1.

—P.R.S.



INDUSTRIAL ECONOMIST

India in the ECAFE Survey

This year's annual survey of the Economic Commission for Asia and the Far East stresses brighter prospects for Asian countries in the Second Development Decade provided they achieve more sophisticated co-ordination of fiscal and trade measures as well as increasing production. It does not minimise, however, the darker side. It points for instance that "export prospects for Asian primary products are not very encouraging." The reason for this is obvious: Most of these articles have 'reached' near satiation; in their demand in their traditional markets, and to develop custom for them in non-traditional markets is not easy especially because of the differences in tastes. And as demand satiation is getting clearer, prices have tended to sag and the trend has been worsened by ruinous competition of sellers. Unless consortia are organised, as suggested by ECAFE, for the joint sales of jute, spices, etc., there will be no way of stemming the decline in foreign exchange earnings of the exporting countries. The ECAFE survey holds out the Indo-Ceylon tea consortium as a model in this respect. One should not be beguiled into any complacency, however, in view of the fact that the Indo-Ceylon agreement took too long to organise and the consortia for the other goods will be much more difficult to set up, involving as they do more than two countries. It should not also be overlooked that in the world sales of most tropical products developed countries also are major participants. In fact, "tropical products" is an omnibus term and one should be chary of arriving at any conclusion that the principle of consortia in respect of most of them will be automatically beneficial to developing countries.

More Sentiment than Pragmatism

Viewing developments in the Asian region as a whole, the ECAFE survey says: "Uncertainties of the Vietnam

war cloud the entire picture and the Asian countries should be permitted to participate with wider sharing of the stimulus of increased economic activities in the reconstruction likely to follow the end of the war. Aid from the developed countries should be planned in conjunction with the development assistance to the Asian participants in a joint effort." There is more sentiment than pragmatism in these observations seeing how aid has begun to taper off, its terms have hardened and the proportion of grants in it has also been declining fast. The survey itself is aware that the excuse put forward by the donors of balance of payments difficulties is not very sound, particularly when economic development of donees has reached a point where any staggering or pruning of aid is likely to hamper the effort just when it is getting to be most fruitful. The ECAFE comments "that the extra assistance needed by the developing countries is well within the capacity of developed economies to achieve." Most of Asia has done well and whatever slips in targets there have been, have been marginal. There is little point in overlooking the fact that aid follows political tensions and the inevitable block politics it ushers in its wake. Even then it is difficult to gainsay the expert observation that the spill-over of GNP which is essential to keep developed economies level has not been allowed to benefit the developing regions, despite the fact that it involves no special efforts or changes.

In respect of the Indian economy, the ECAFE survey reiterates what has been described by similar expert reports, Indian and foreign. India found itself, towards the end of 1969, in the midst of various economic difficulties such as a slower-than-anticipated growth-rate in exports, worsening climate for foreign aid in donor countries, declining rate of investment, caused mainly by inadequate domestic

savings and general uncertainty over the direction of economic policy. On the brighter side, there has been an expansion of the share of non-traditional exports in exchange earnings, the steps taken to rationalise administration and managerial practices in state industrial undertakings, resumption of project assistance from Japan, better results from import restrictions and import substitution reflected in the narrowing of payments' deficits, etc. Viewing the policy of nationalisation of commercial banks and regulation of monopoly, the ECAFE survey says as much that the attempt to make the state sector of industry attain the commanding heights of the national economy as the means to achieve socialism will have proved self-defeating if the public sector failed to generate savings enough for development. The warning is particularly timely because the ambivalence in economic policy towards the private sector has accounted for a good deal of discouragement of private initiative, while the eternal threat to convert loans to private companies from state financial institutions into equities has aggravated mental reservations of existing and prospective entrepreneurs.

More Domestic Loan Finance

With regard to the agricultural sector, the report says that India and Pakistan would do well to organise more domestic loan finance based on the farm sector, taking advantage of the green revolution. While the advice has a lot of theoretical validity, its feasibility in actual practice depends on farming becoming a better business, the farmer a better businessman and farm income being production-oriented instead of being consumption-oriented as at present. Indian commercial banks have commenced an experiment for carrying bank credit to the farmers as part of the general bid to monetise the rural sector. The lessons of this experiment, will indicate how far farm-based loan finance is a practical proposition in the near future.

—(FOC)

INDUSTRIAL ECONOMIST

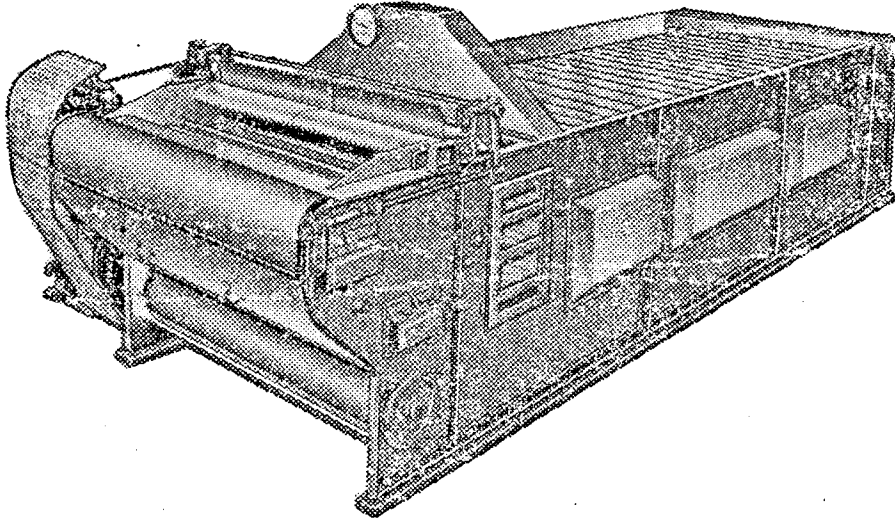
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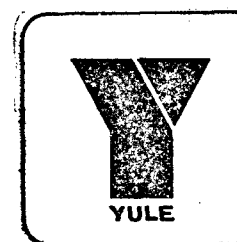


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ATC/ED-32 1

INDUSTRIAL ECONOMIST

Restrict Imports to Proprietary Know-how —M. S. Pathak

"The stage has come when indigenous talents are available for designing and construction of almost all the equipment required for building process plants. By restricting imports to proprietary know-how, which would cost only 1 to 2 per cent of the total project cost, enormous savings in foreign exchange could be made. It would also help in the maximum utilisation of the capacity available with Indian industries," said Mr. M. S. Pathak, Chairman and Managing Director of Engineers India Ltd., in an interview with your correspondent during his recent visit to Madras.

Mr. Pathak said that the cost of the equipment will "approximately work out to 60 per cent of the total cost of a process plant. At present, nearly 85 per cent of the total equipment in value is being imported. Mr. Pathak feels strongly that by restricting our imports to proprietary know-how a still greater utilisation of capacity available within the country is possible.

Engineers India is doing approximately 45 per cent of the work involved in the process design and 70 to 75 per cent of the work in the engineering side in the Haldia Refinery. Mr. Pathak said that for the next refinery the entire designing, both on the process and engineering sides, can be undertaken by Engineers India.

A Satisfactory Year ...

Engineers India Ltd., a Government of India undertaking, recorded a turnover of Rs. 2 crores in 1969-70. It is computed through preliminary estimates, that the company had made a gross profit of Rs. 36 lakhs during the year. The turnover of the company nearly doubled from around Re. 1 crore in the previous year. In the current year (1970-71) the company is expected to do still better, said Mr. Pathak.

Engineers India is engaged in designing and the construction of process

plants in petroleum and other chemical industries. It was closely associated with the construction of Madras Refineries, Gujarat Aromatics Project and the like. It may be recalled that they were in complete charge of engineering procurement, construction supervision and commissioning of the Indian Oil Lube Blending Plant which was inaugurated on April 4.

Accent Should be on Self-reliance

"In the process and design engineering the accent should be on self-reliance which is possible with a larger availability of crude and the development of indigenous equipment. We can buy the best possible



Mr. M. S. PATHAK

know-how and construct the projects completely on our own. This alone can help us get the maximum benefit out of the machinery and of course of the investments made," said Mr. Pathak. Entrusting the design and construction to foreign engineers and consultancy firms would automatically involve the need to import a large volume of machinery, as such firms would prefer to buy industrial equipment from such of those international companies with whom they are familiar and with whose perfor-

mance they were already satisfied, said Mr. Pathak.

Hitherto, some of the rotating equipment like pumps and compressors needed by process plants used to be imported. There are plans to establish a pumps and compressors project at Naini near Allahabad which would eliminate imports to a considerable extent.

EIL is presently working in the construction of the Haldia Refinery, Gujarat Aromatics Project, a Petroleum Coke Calcination Plant at Barauni, the creation of LPG facilities at Barauni... they are also in-charge of the erection and supervision of Hindustan Organics Ltd.

To the Aid of Private Sector Too ...

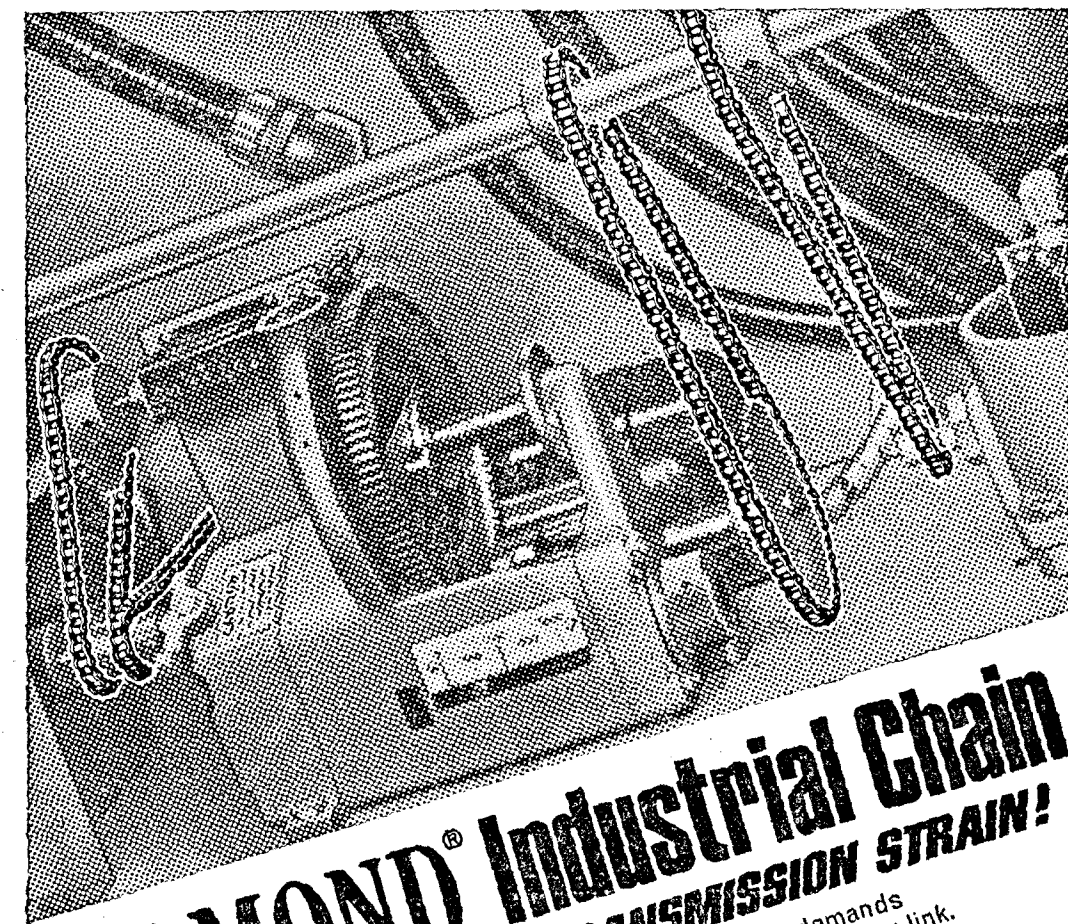
In recent months, there has been quite a number of enquiries from the private sector also seeking the assistance of Engineers India. The company is expected to take up two major projects in the petro-chemical side. One of these is entirely owned by Indian interests and the other is a joint Indo-American venture.

In the fertilizer field EIL is in charge of the complete expansion work connected with a private sector fertilizer project; in another EIL will be working with a Japanese company and in a third the company will be doing a significant portion of work.

EIL has a strength of 650 persons engaged in engineering and construction jobs. It is the largest organisation of this type in the country. This was the first company to have developed process designs for refineries. EIL is organising a development wing to co-ordinate the work of different national laboratories, the Council of Scientific and Industrial Research, the Indian Institutes of Science and of industries.

—S.V.

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INDUSTRIAL ECONOMIST

3

What is Wrong with Bokaro?

The woes besetting the Bokaro Steel Project have been so much in the news in the past few weeks that one wonders why the government ventured on the scheme if it was so badly conceived and the agreement with Russia was so hamstrung on many sides. What exactly is wrong with this mammoth project and is the criticism well-merited? The main difficulty stems from the fact that the Central Government felt compelled to embark on this scheme somehow with the Soviet aid after U.S.A. was disinclined to provide necessary assistance for implementing this project even after it had prepared an elaborate blue-print.

Bokaro Will not Meet the Needs

Whatever might be the background to the sordid affair Bokaro has had a serious effect on plan schemes in many directions. There is an urgent need for increasing production of steel of different types but Bokaro will not meet urgent requirements. What exactly is the advantage accruing to the economy from a project which will have a capacity of 1.1 million tonnes in the initial stage with in-built facilities for expansion and whose viability can be assured only if the four million stage is reached? Even for the first stage, which is expected to be completed by 1974, two or three years

behind schedule, an expenditure of over Rs. 750 crores will have to be incurred while for a plant having an initial capacity of 1.5 million tonnes and being capable of expanded to 2.5 million tonnes, the outlay will not be more than Rs. 350 crores. It will, therefore, readily occur to any one that even with an initial outlay on the Bokaro Project another conventional plant with an initial capacity of 1½ million tonnes would have been that with the extra outlay that has established in a different centre and been proposed in the revised draft in the Fourth Plan another steel plant could have been easily set up with a similar capacity.

Likely Losses of Bokaro

It will thus be clear that when there could be an increase in output by 4½ million tonnes in a five year period the country will be achieving a capacity of only 1.7 million tonnes in the same period with the promise of 4 million tonnes, only five years later, with an aggregate outlay which may not be very much less than the three steel plants. The Bokaro Steel Plant might produce in large volume flat-products for which there is a shortage now but it is unlikely to operate on a profitable basis or even on a break-even basis until the 2.5 million stage has been reached. It is therefore likely that for

about five years a loss of at least Rs. 25 to Rs. 30 crores annually might be incurred adding to a total of Rs. 125-150 crores, amounting to half the cost of the steel plant. It may take another five years, or at least three years, to wipe out this deficit so that any net generation of internal resources can take place only after seven or ten years. The advantages accruing through the so-called sophisticated technique can, therefore, be felt only after a decade.

Experts Against Big Plants

Even expert thinking is divided on the subject of the size of steel plant as the latest opinion is veering round to the view that the optimum capacity of the steel plants is around 2½ million tonnes and it would be advisable in the case of a country with vast area and resources to attempt dispersed development and allow bigness to come about naturally.

Thus the obsession with Bokaro has been responsible for shutting out many other projects especially the Visakhapatnam and the Hospet conventional steel plants. The Salem Steel Project stands, of course, on an entirely different footing and has to be undertaken regardless of what is happening in other spheres. There is, therefore, the opportunity for producing 4½ million tonnes of steel plates and more in a five year period and 250 tonnes of alloy steel in the bargain for the same or slightly larger outlay than that envisaged for Bokaro.

—(FOC)

Tamil Nadu: Demand for Education

Primary Education: Provision for Cent Per Cent Coverage

The Note on the Demand for Education in the Tamil Nadu budget for 1970-71 issued by the Ministry furnishes a wealth of figures to indicate the progress of education in the State in the three Five Year Plan periods and the three years following. There can be no doubt of the eagerness of the

Government to reach the targets it has fixed for itself in respect of enrolment of the age groups relevant to the different stages of education. Nor can one doubt the readiness of the Government to increase the financial outlay in step with the requisite increase in the number of schools and colleges

or the special technical and functional institutions. There is, however, little to help the qualitative appraisal of the educational progress that is claimed in the official review.

Primary Education Facilities for All

The increase in the proportion of expenditure on education to total ex-

penditure on revenue account to 23 per cent bespeaks the Government's earnestness to take educational facilities to all classes of the population and to every little village or hamlet with a population of 300 or above. The percentage of enrolment of children in the age group 6 to 11 has risen from 87.59 at the end of the Third Plan to 92.61 at the end of 1969-70 and the target for the end of the Fourth Plan is a full cent per cent. The percentage for the age group which depends upon the achievement in respect of the earlier age group has moved up from 47.30 at the end of the Third Plan to 54.11 at the end of 1969-70. During 1970-71 an addition of 1.10 lakhs of pupils and 1930 secondary grade teachers is proposed to be ef-

fectured. Likewise, for the age group 14-17 enrolled in high schools, an increase of 70,000 pupils and 1320 B.T. teachers is planned for 1970-71. The Government have been endeavouring to meet the practical consequences of their somewhat revolutionary action in abolishing fees for the secondary school and P.U.C. courses. The managements of private or municipal schools are compensated to some extent by increases in grants. The anxiety for the quality of education is evinced by the Government in its grants for buildings and equipment, the provision for refresher courses and the improvement of training for the teachers and in working together with international agencies like the UNICEF.

... and Collegiate Education

The increase in the number of colleges and the opening of evening classes for degree courses are all steps in the right direction. The official review claims credit for the progress in the provision of text books, which no one can help judging by the side of the letters appearing in the Press about school boy errors appearing in some of them. In the same way the increase in the institutions using the Tamil medium in the colleges and in the student's opting for it will be appraised in the light of Mr. Pai's motion in the State legislature asking for freedom of choice being given to the students in this matter and providing for better education in English in the earlier stages.

—P.R.S.

Landmark in Ore Trade

The signing of four contracts by the Minerals and Metals Trading Corporation with the representatives of eight Japanese steel mills early this month should prove to be a major landmark in the history of India's foreign trade. In a short period iron ore bids fair to be the largest foreign exchange earner. The negotiations for concluding this deal have been going on for quite some time. It was originally indicated that a quantity of 150 million tonnes may be contracted for a period of 15 years. Both the parties were obviously anxious to make a good beginning with a big contract for a shorter period and raise the quantum later in the light of actual developments. In the latest arrangement the newly developed Bailadilla mechanised ore mines will play the prominent role as 61 million tonnes of iron ore will be exported from this area through Visakhapatnam. Another 7 million tonnes will be moved from the mines in Barajamda in the Bihar-Orissa border, presumably through the Paradeep or

Haldia ports while the Bellary-Hospet mines will be supplying 3.4 million tonnes. A small quantity of 3 lakh tonnes of manganese ore is involved under the fourth contract. The total value of all supplies will be Rs. 535 crores.

Exports Through Visakhapatnam

In the next three years exports through the Visakhapatnam port will amount to only 16 million tonnes, but in the subsequent five years there will be a big spurt in the quantum of shipments. It is estimated that over 46 million tonnes will be sent through the same port. There would thus be a virtual doubling of iron ore exports from Visakhapatnam after the outer harbour has been constructed. As Visakhapatnam will be accounting for nearly one third of iron ore exports and surpass the achievement of Goa, the movement over the railways as well as the handling at the port will have to be perfected and the huge carriers that will call at this port should not be kept waiting. Para-

deep and Haldia also will have to play a major role while three will have to be development on a large scale of the mines in the Bellary-Hospet area.

Export and Internal Needs

With the prospect of commissioning the Bokaro steel plant in 1974 and with the location of conventional steel plants at Visakhapatnam and Hospet there will have to be careful planning of the development of iron ore mines. Upto now there has been no conflict between the claims of exports and the needs of the steel plants as the five major units have been exploiting their own ore resources—Tata Iron and Steel getting its needs from Noamundi, Indian Iron from Orissa, Rourkela also from Orissa and Bhilai from Korba. The Bokaro project, however, will, draw its supplies from Kiruburu in Madhya Pradesh which is exporting large quantities to Japan. As Bokaro alone will be needing over 4 million tonnes of ore annually, new mines will have to be developed in this area.

Bailadilla — Main Source for Export

Bailadilla will probably be the main source for export for quite a long time as it may not be decided in the immediate future to establish a large-sized

steel plant in that area or near about. The ore from this region will, of course, be needed by the Visakhapatnam steel plant, as in another seven years new capacity for seven million tonnes may be created and the output of southern steel units may have

to be raised after a short period. Additional ore consumption internally from the areas which now serve the export markets may be such as to call for integrated and accelerated development. It is happy to note that the Government is seized of the impor-

tance of developing port facilities at Paradeep, Visakhapatnam, Madras and Mangalore on an emergent basis and a special board will supervise the construction of new schemes in order to prevent the emergence of transport bottlenecks. (FOC)

Problems of Paper Industry

A ticklish situation is developing in the paper industry. Against the earlier complaint about lack of demand for printing and writing paper especially with a bunching of the completion of expansion schemes, there are now reports about an emerging shortage in these categories of paper. The position is likely to become active after two years as for the time being an increase in demand can be met with the completion of some schemes which are under execution.

New Units not Coming Up

The main difficulty has arisen from the fact that no large-sized paper mill has been erected in recent years and the continuous control over prices until two years back discouraged the promotion of entirely new companies. Luckily, many units embarked on expansion schemes. In fact nearly all the major units have completed or are implementing schemes for diversification of production and in the current year the output may constitute an all-time record.

Expansion of Existing Units

Seshasayee Paper has successfully executed its programme for raising output by over 50 per cent though in this case the increase in production will be confined mainly to boards. There will even be a reduced output of printing and writing paper because one paper machine has been changed over to the manufacture of boards after being suitably modified. Mysore Paper has more than doubled its output to

20,000 tonnes while the most impressive progress has been recorded by Andhra Paper with its programme to step up production to 150 tonnes daily being successfully accomplished. Here again, there will be diversification; printing and writing paper may constitute only a fraction of the total. Titagur Paper is modernising and expanding all its three units in West Bengal and Orissa. West Coast Paper and Straw Products too are expanding their capacity but the aggregate output may increase by only 20,000 tonnes annually. Shree Gopal Paper and Ballapur Paper have been merged under the same management but the latter unit has already executed its new schemes. Sirpur Paper which is the other major unit has somehow been stagnating.

Involving Heavy Investment

With the schemes on hand and those under contemplation it may be possible to increase production by about 50,000 tonnes in the next two years but a sustained growth in output can take place only if the existing units were encouraged to increase further their capacity and new units came on the scene. In spite of the increase in selling prices for common varieties and the more remunerative functioning of some units lately there has been no attempt so far to start new units because of the heavy cost involved. If the capital outlay on a new mill with a capacity of 20,000 tonnes annually was Rs. 8 crores a decade back, it is now Rs. 18 crores.

What is more, it is felt that without an increase in the capacity to 100 tonnes daily and an investment of Rs. 25 crores a new mill is not considered viable. This large sum cannot be found easily. Besides, there are alternative channels for investment which can be more remunerative. Without a reduction in the cost of production through a lowering of taxes and cheaper raw materials the industry cannot hope to make the desired headway.

A Paper Corporation

The Central Government is hopeful of filling the gap by starting its own units. A Paper Corporation has been formed for this purpose. There are proposals for starting five units in different parts of the country. It will be a long time before these units take shape. It is, therefore, necessary that such of the existing units like West Coast Paper, Ballapur Paper and Straw Products which will not have serious difficulty in regard to the availability of raw materials, should be asked to raise their output which will result in increase in availability by one lakh tonnes. The Fourth Plan target of nearly one million tonnes cannot be reached unless new expansion schemes were undertaken without delay and a serious bid was also made to produce paper based on bagasse with suitable incentives. This raw material is not now considered cheap, because of the larger expenses involved in processing and the difficulty experienced in supplying furnace oil to the sugar mills against purchases of bagasse. Unless the problems are handled in a practical manner orderly progress of the paper industry cannot be assured. —(FOC)

Asia-Pacific Food Production Conference

At Manila in the Philippines, the International Minerals and Chemicals Corporation conducted recently its sixth annual conference, known usually as the Asian-Pacific Food Production Conference. The I.M.C.'s previous conferences were held at Hong Kong, Tokyo, Sydney, Bangkok and Singapore. The aim of the participating countries in these annual meetings has been to take stock of the progress achieved on the food front and set further guidelines for achieving self sufficiency in food supplies in the region, as a complement to the United Nations Freedom from Hunger Campaign. In fact the significant event of the Manila meet was the exhibition of "Freedom from Hunger" stamp collection. The stamps of 52 countries, were exhibited on the occasion.

Population Control in the Philippines

In his keynote address, the Philippines President, Mr. Ferdinand Marcos, reiterated that no meaningful food production programme, and in the larger context, no meaningful economic development, was possible without population control. The Philippines has proposed to initiate for the first time legislation regarding family planning. It is a late starter especially because its demographic problem is not as grave as in other Asian countries, particularly India, and hence has been able to attain near self-sufficiency in food production through improved practices.

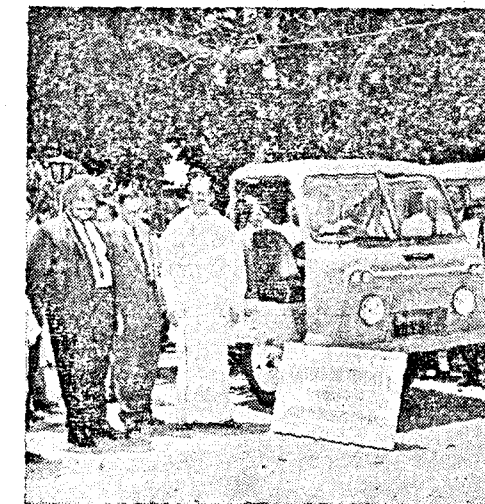
Communication of Farming Ideas

The Chairman, Mr. Sidney T. Keel's address emphasised the utmost co-

operation among Asian countries in the spheres of communication of new farming ideas, the education of farmers and the marketing of farm produce. The atmosphere for such co-operation was particularly bright because the problem of hunger is already being tackled competently in many Asian nations. For instance, progressive agriculture has made the Philippines self-sufficient in food just five years after it had to import 570,000 tonnes to meet domestic needs; in Ceylon, rice production has

STANDARDS FOR SMALL FAMILIES....

Standard Motor Products of India Ltd., Madras, manufacturers of Herald and Companion cars and Standard Twenty one ton truck chassis and built vans, handed over their 100th Family Planning Van to the Tamil Nadu Minister for Education, Health & Family Planning V. R. Nedunchezhiyan on April 2



Standing by the side of the Van (R to L): are the Minister, Mr. K. V. Srinivasan, Director, S.M.P.I. and Lt. Col. S. S. Chowdhary, Commercial Manager of the company.

increased by 34 per cent in two years, while the success stories of India and Pakistan are too well known to call for any reiteration.

As for communication of new farming ideas and Government co-operation, Mr. Sadikin Sumintawikarta, Director General of the Department of Agriculture in Jakarta (Indonesia) reported on "package projects" in rice production his country is now conducting. Foreign companies are invited by the Indonesian Government to sell a package project providing loans in kind for fertilisers, pesticides, farm tools, seeds, sprayers, some jeeps, motorcycles and bicycles, cash loans to farmers' living allowance, project management and operation fees, services in distribution of farm production inputs, training for farmers and the establishment of fertiliser and variety trials. The credit packages supplied to farmers are collected at harvest time by the Government.

Rice Bank Proposals

With regard to results of past conference discussions, Mr. Tokuji Tonuma, Fertiliser Department Manager of Zenkorem, Tokyo, said that the rice bank proposal introduced in the 5th annual conference has been instrumental in legislation now pending before the Japanese Diet for enabling Japan to send rice to deficit Asian nations. The President of Central Farmers Fertiliser Company, Chicago, emphasised that it is not financial assistance to farmers that is as important as efforts to "pinpoint under-productive resources and provide stimulus to better utilisation. Dr. Robert Chandler of the International Rice Research Institute stated; "Private industry in the agri-business has played and continued to play a highly significant role in agricultural development and the biggest thing they can do is to make agricultural chemicals available on the scene and wherever they are needed at prices that they can

be bought at and still give a profit and use." The significant point that he made was: "But please remember, particularly for the rice growing world, that most of the really good rice land is now growing rice. And so, except for new irrigation systems coming in, we probably will not see many large areas coming into rice production. But we have opportunities to double and triple the yields on present lands."

Helping Agricultural Development

The President of the Asian Development Bank, Dr. Takeshi Watanabe,

stressed the role A.D.B. plays in agricultural development. "We are identifying needed irrigation projects but that alone is insufficient. We are identifying feeder wads to be built, projects for the training of extension workers, studies are being carried out for the first time on the use of soil and forest resources and also on the sociological problems implicit in development." As Mr. Chandra da Fonseca pointed out in the concluding address, the peculiarity of the I.M.C. is that it represents unique private initiative making the most original and imaginative extra-governmental contributions to the global effort against hunger.

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Emphasis on Fertilizers

The I.M.C.'s emphasis is necessarily on fertilisers. As Mr. Harvey C. Auman, Managing Director of I.M.C. put it, I.M.C. produces 15 per cent of the world's potash and phosphate. In addition to Asian Pacific Food Conference, I.M.C. has sponsored meetings in Latin America, Europe and North America to examine problems and opportunities of the region. Most of the delegates invited to the conference are chemists attached to fertiliser factories. That is why the Action Plan considered by the Manila Conference laid stress on: (a) survey and compilation of statistics of supply requirements of existing food processors in raw materials from the farm; (b) evaluation of production capabilities at the farm level; (c) provision of information to the food processing industry of the existing and potential farm production capabilities to meet demand with a view to displace imports and (d) motivation of farmer co-operatives (FACOMA) and private entrepreneurs by making known the fact that, through an aggressive programme of seminars, particular potent demands can be identified and coped with.

In fact, the stress on food processing and canning has been taken to be the means to supply protein deficient countries of the region with the high protein foods they require. The Manila Conference undertook an elaborate discussion of the problems and possibilities in this field from the standpoint of the canning industries. The points that emerged had, however, a familiar ring. Though the entire effort of the conference was reflective of the public relations attempts of private sector fertiliser and chemical manufacturers of the Asian region, it can hardly be denied that the discussions threw up valuable suggestions, as indicated already, for linking the manufacturers with the farmers through the dealers.

—S.R.

INDUSTRIAL ECONOMIST

I believe

I believe that a catalogue of consecutive crimes should be justifiably deemed to be the indication of a method and of an intention behind that method. Take this list for instance: At Manipuri in Uttar Pradesh Mr. S. P. Upadhyaya, the Vice-principal of an Intermediate College was way-laid and murdered because he

took away the answer books of certain students whom he detected copying. A lecturer at Moradabad, also in Uttar Pradesh, was shot at and injured seriously following his catching a M.A. student indulging in unfair practice in the examination hall. At Satna, in Madhya Pradesh, a section of students ran amok tearing answer

RAJU ELECTED PRESIDENT OF AIMA

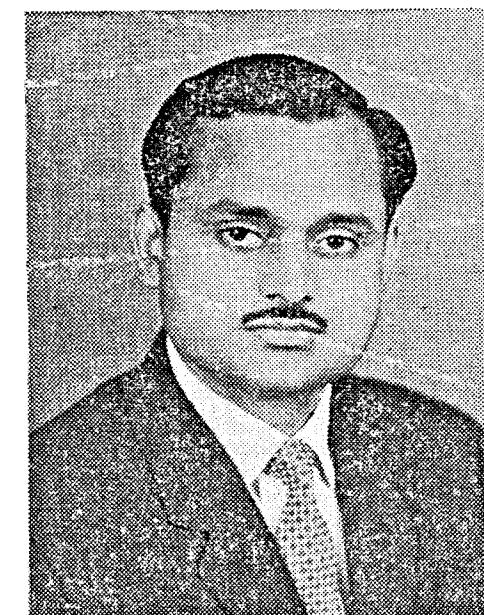
Mr. M. K. Raju, Director and General Manager, India Pistons Limited has been elected president of the All-India Management Association for the current year. A firm believer in management serving as an effective tool for increasing productivity, Mr. Raju is sure to add lustre to the already prestigious post he is taking over. Early incumbents to the office were Messrs. A. L. Mudaliar, N. Dandekar, K. S. Basu, Sir James Lindsay and Lala Charat Ram.

Even in 1966, when the outlook for Indian automobile industry was not very promising, Mr. Raju stressed the need to take to volume production. An output of 1.2 million vehicles per annum by the mid-seventies should be planned, he desired fervently. Of course Mr. Raju is no visionary idealist; his own company has recorded such astounding increases in production and sales turnover right from its inception: From a mere Rs. 18 lakhs turnover in 1955 it was slightly in excess of a crore of rupees in 1960 and in the year just ended (1969-70) the turnover was around Rs. 6 crores.

Mr. Raju is widely travelled. He visited the United States in 1963 as a delegate from Madras for the CIO XIII International Management Congress. He visited Japan twice: In 1965 as a member of the study team sponsored by the Government of India to study the development of automobile and ancillary industries and again more recently in February 1970, as a member of the Trade Delegation sponsored by the Government of India and the Engineering Export Promotion Council. He has also toured the West Asian countries in early 1967, as the leader of an Automobile and Ancillary Delegation.

His term as President of the All-India Automobile and Ancillary Industries Association for the two years in succession, in 1966 and 1967, saw spectacular advances

made in the field of ancillary exports. He was the President of Madras Management Association during 1966-69 and contributed significantly to the success of the All-India Management Convention held in Madras towards the close of last year.



Mr. M. K. RAJU

Mr. Raju is an illustrious example of a Professional Manager ascending to head an organisation through his managerial talents. He joined India Pistons as Sales Manager in 1954, became its Deputy General Manager in 1957 and Director and General Manager in 1963.

Mr. Raju is brilliantly qualified academically too, educated in India, England and U.S.A. After obtaining his B.Sc. (Hons.) in Madras he did his M.S.E. in Michigan.

—S.V.

INDUSTRIAL ECONOMIST

books in the examination hall just because some students of B.A. and M.A. classes were prevented from copying.

Such Order and wantonness in student crimes should have cut the earth under the feet of those who have been seeking to find philosophic — if not psychotic explanations for student misbehaviour. The usual explanation offered is that the students are fed up with the 'establishment' in academic life and besides are subject to different reflexes because of the generation gap between them and their teachers and parents. If you do not like the ways of an institution there are umpteen different ways of showing your displeasure: you do not have to break furniture, light a bonfire of stationery or kill your teachers. Likewise, if the generation-gap between the young and the old has any meaning, it is only in that the element of conservatism in dress, expression, and behaviour will have been shed in part, and not certainly even then, in any indecorous manner. In any case, generation-gap does not explain refusal to take examinations, organising strikes merely to get examinations postponed or gheraoing Vice-chancellors to inflate grade marks. If there is any method in all this madness and crime it is that the students are wilfully bent on avoiding studies but determined to get the degree come what may. Which civilised society can tolerate this indiscipline?

It is sometimes contended that misbehaviour and lack of decorum are imbibed by the young from out of the political squabbles of the old which are reflected in fist fights even in very august legislatures. While this can only mean that the old could have set a better example, it does not mean that the young have been eager to take lessons from legislative behaviour. If so why cannot they emulate those in the limelight in the assemblies and the Lok Sabha who come prepared to their task after collecting a lot of information on their theme?

—Horace

Beginning of a New Spurt in Growth Around Manali

Lube Blending Plant of Indianoil Inaugurated

The first among the chain of units for utilising the products of the Madras Refineries at Manali, formally went on stream on April 4. Indian Oil Corporation's first Lube Blending Plant is the beginning of the new spurt in industrial activity around the giant oil refinery at Manali.

The Tamil Nadu Chief Minister M. Karunanidhi inaugurating the Indianoil's plant at Tondiarpet touched the correct chord and voiced the feelings of the population of this part of the country when he urged on the Centre to help the setting up of a variety of petro-chemical units, now that the refinery had opened up tremendous possibilities in this regard. From naphtha alone, he said, 40

different products could be produced. He wanted a naphtha cracker to be installed without loss of time.

The Rs. 1.10 crore plant built over a sprawl of 25 acres in the vicinity of the Refineries is most upto date and is designed to blend 140,000 tonnes of base stocks per year into as many as 13 grades of industrial lubricants. The plant was designed, built and engineered completely by Indian talent—the process design by Indian Institute of Petroleum and construction supervision by Engineers India Ltd.

The Union Minister for Petroleum & Chemicals, Dr. Triguna Sen pointed out that this plant was a big step towards self-sufficiency in lubricants. He made a particular mention of the

modern laboratory as an adjunct of the plant containing some sophisticated apparatuses perhaps not found anywhere else in the country.

Mr. N. N. Kashyap, Chairman of I.O.C. took the opportunity to outline the phenomenal of growth achieved by the Corporation over the past dozen years. It performed two functions (1) running refineries and managing pipe lines and (2) marketing petroleum products. It managed three public sector refineries at Gauhati, Barauni, and Koyali (Gujarat) and the connected pipelines. Its fourth refinery was under construction at Haldia near Calcutta. Its marketing Division has a nation wide storage and distribution net work—22 main installations, 116 bulk depots and 129 consumer depots and relay satellite depots. From 32,000 kilolitres in 1960, the sales of the Corporation jumped to over eight million kls. last year. Its liquefied petroleum gas (*Indane*) was now available in 36 cities with a clientele exceeding 15,000.

In the field of lubricants, it has set up two modern blending plants, at Bombay and Calcutta with the co-operation of Mobil Petroleum Co. Inc., of New York and produces automotive, industrial and marine products and greases. IOC's blending plant opened that day, he said, was the biggest (and fully owned and operated by IOC) in India. The Corporation would be building another blending plant to blend the base stocks from Haldia he said.

The Public Relations Manager Mr. B. V. Ranganath, earlier, delivered an extempore welcome address in Tamil. Mr. Kamaljit Singh, Managing Director of the Corporation (Marketing Division) proposed a vote of thanks.

—(FOC)



Mr. N. N. Kashyap, Chairman, Indian Oil Corporation, (right) is seen presenting a memento to Chief Minister Karunanidhi on the occasion of the inauguration of the Lube Blending Plant at Tondiarpet. Dr. Triguna Sen, Union Minister for Petroleum & Chemicals is looking on

Power and Irrigation Projects Yielding Results

Irrigation and Power Industry's Review for 1969-70

The Annual Report for the Ministry of Irrigation and Power for 1969-70 reveals that an additional irrigation potential of 2.1 million acres was created in the country during the year and 1.4 million KW added to the installed power generation capacity.

Rural electrification, energisation of pumpsets and tubewells and flood control schemes were undertaken on a priority basis.

Out of the 545 major and medium irrigation projects undertaken since the beginning of the first Five Year Plan, 325 projects have been completed. An additional irrigation potential of 24 million acres from major and medium irrigation projects has been created since the commencement of the First Plan. With the completion of the projects on hand, another 22.5 million acres of irrigation potential will be created. Even so, at the beginning of the Fourth Plan, only a third of the usable annual flow is being utilised.

Power Development Noteworthy

Power development over the last two decades has been noteworthy but shortages continue to persist in some regions. By the end of 1969-70, the installed capacity is expected to touch 15.5 million KW as against the installed capacity of 2.3 million KW at the commencement of the First Plan. However, we have still a long way to go before we reach a reasonable level of per capita consumption of power. The load growth is being reviewed continuously and steps are being taken to establish an installed capacity of at least 22 million KW, and if possible more, by 1973-74.

Stress on Rural Electrification

Rural electrification has received special attention as electricity supply to rural areas meets the urgent need for stepping up the utilisation of groundwater resources for agriculture

and agro-based industries. The number of irrigation pumpsets energised had increased from 18,700 in 1951 to about 11 lakhs by the end of March, 1969. In the Fourth Plan period, it is expected that about 12.5 lakh pump sets would be financed through Plan outlays and about 5 lakh pump sets through loan assistance to be provided by the Rural Electrification Corporation which has been set up in the public sector. The number of villages electrified as on September 30, 1969, stood at 73,554, representing about 13 per cent of the total number of villages in the country.

More attention is being given to transmission and distribution schemes and for completion of regional grids for the integrated operation of power systems in each region. Inter-regional tie lines are also proposed to be constructed for evolving an all-India grid.

Floods and Cyclone Havocs

1969 witnessed floods of severe magnitude causing a total damage of about Rs. 138 crores to property and

crops. Parts of Assam, Uttar Pradesh, Bihar, West Bengal and Rajasthan were the worst hit. A severe cyclone hit the coastal areas of Andhra Pradesh in May, 1969, and then again in November, causing immense damage. The total damage was over Rs. 200 crores.

During the year under report, a Central Flood Forecasting Organisation was established in the Central Water and Power Commission with centres at Gauhati, Balasore, Surat, Patna, Varanasi and Jalpaiguri. A chain of radar stations is to be set up on the eastern coast of India to facilitate issue of timely warnings to the areas which are frequently hit by cyclone. One such radar has already been set up and five more are to be installed in the course of the next three years.

As an important step in making India's expertise in the field of irrigation and power available to developing countries, a Consultancy Organisation, Water and Power Development Consultancy Services (India) Ltd., has been set-up in the public sector.

Bhilai Well Set to Produce 2.5 Million Tonnes

The Bhilai Steel Plant of Hindustan Steel Limited set new records in production and sales during 1969-70, according to a review of the performance made by Mr. G. Jagathpathi, General Manager of the Plant.

Production during the year totalled 2.14 million tonnes of iron and 1.86 million tonnes of steel. This was the highest ever produced in a year since the plant went into operation in 1959-60. Bhilai is the biggest manufacturer of iron and steel in the country. It is now well set to achieve a production level of 2.5 million tonnes, its rated capacity at the second stage. The

plant's gross capital block is over Rs. 350 crores.

The total value of despatches of iron and steel products from Bhilai during 1969-70 is estimated at Rs. 148 crores for home sales as well as exports. The value of export despatches alone is estimated at about Rs. 35 crores.

According to Mr. Jagathpathi, with the increase in sale prices of iron and steel allowed by the Government since January 1970, the plant has now turned the corner and is making steady profits month by month.

Crash Programme for Exports a Success

The Government of India has identified some gaps in the pattern of assistance rendered to exporters. Mr. Baliram Bhagat, Union Foreign Trade Minister told a meeting of the Exporters Club that he was contemplating the setting up of an Export Trade and Development Agency to provide assistance to industrial manufacturers and exporters in the form of marketing research and developmental and financial advice. He claimed that the crash export programme worked in the closing months of the last financial year to arrest the declining export trend had been a success in a greater measure than expected.

Mr. Bhagat who gave away awards for the best handloom exports in 1968 told the Handloom Export Promotion Council on April 4 that he was confident that the Fourth Plan target of Rs. 110 crores of new exports annually would be achieved. This would mean a seven per cent export growth. He appealed to exporters to cooperate in achieving this.

Mr. S. Madhavan, State Minister for Industries, requested the Centre to give large subsidies to promote handloom exports. He released an album to be displayed at the Osaka Expo 70.

The Handloom Week

During the 16th All India Handloom Week from March 29 to April 4, goods worth several crores of rupees were sold and special rebates was available. At the main celebrations organised by the Tamil Nadu Handloom Weavers Cooperative Society almost all the State Ministers including the Chief Minister and the Planning Commission Member Mr. R. Venkatraman participated. Mr. Venkatraman suggested direct monetary assistance to handloom exporters to cover at least part of the losses sustained by them. Mr. Madhavan (Industries Minister)

urged the Centre either to enforce strictly the reservation scheme or allow the State Government to prevent entry of powerloom and mill goods exclusively reserved (though not enforced) for the handloom sector.

A Plea to the Banking Commission

A memorandum has been presented to the Banking Commission by the Tamil Nadu Government pleading for representation for the State on the boards of management of nationalised banks. According to the government, it is only through such representation that the aspirations of the people of the State could be fulfilled. The memorandum has suggested the opening of a regional head/control office in Madras for each of these banks in order to make the nationalisation scheme a success.

This information was given by the State's Finance Minister, Mr. K. A. Mathiazhagan to the Assembly on April 1.

Presumably similar requests have been made by other State governments as well. The Banking Commission has not yet made up its mind on this question of representation for States.

Power Rates for Agriculture Reduced

The Tamil Nadu Government announced on April 4 reduction in the power rates for agricultural loads from ten paise to nine paise for lift irrigation from wells with a depth of 75 feet and more.

The rate charged till last November was only eight paise per unit for this load against an average generation and transmission cost of 16 paise. Expert and lay opinion alike had been feeling for some time that agriculture had become sufficiently remunerative not to need as much as a 50 per cent

subsidy. Mr. R. S. McNamara, the World Bank President, in fact, publicly suggested to the State Government during his recent visit that agriculture must be prepared for unsubsidised power.

But after the State Government put up the rate to ten paise a few months ago without any fanfare through a gazette notification, landed interests, particularly in Coimbatore district, agitated against the increase, and indulged in hunger strikes, picketing of government offices and courted imprisonment.

The reduction to nine paise for deep well irrigation announced in the Assembly is in response to the agitation.

A Seminar on Job Evaluation

There was an interesting seminar held during the fortnight. Organised by the Indian Engineering Association (Southern Branch), the seminar discussed in detail the need for job evaluation in industry. Industrialists, managers, trade unionists, Government officials together with specialists participated in the discussions for a better and fuller appreciation of the subject of job evaluation.

Right from the time Mr. K. Eswaran, Chairman of IEA (Southern Region) inaugurated the seminar till the concluding session on the evening of the following day, the proceedings were of absorbing interest.

What job evaluation seeks to achieve was explained by industrial engineers and people who have had experience in determining the worth of jobs. J.E.'s objectives among other things are to establish correct wage differentials for all jobs within the factory, to establish a general wage level for a given factory, to bring new jobs into their proper relationship with jobs previously established, to place wage negotiations on a sounder and impersonal basis.

The main types of J.E. schemes could be based on different methods—the ranking method, the grade or classification method the factor com-

parison method and the point rating method. The advantages and disadvantages of each of the methods were discussed.

Mr. K. Santhanam summed up the discussions, on the first day. He said J.E. was a tool for fixing a proper and satisfactory wage structure. "If it is properly used it is good; if it is not

it can be thrown away," he said. He pointed out the J.E. project could lead to lower emoluments for workers. If the job lost its worth for valid reasons after lapse of time, the job content must be revised and the emoluments must be improved in any scheme of J.E.

The specialists who participated were

Brig. K. Pennathur, Mr. K. S. Narasimhan, Mr. G. C. Ramaswamy and Mr. C. G. G. Panicker and Mr. G. T. Sahani. The second day's main address was delivered by Mr G. K. Devarajulu. The management and labour points of view were put forth by Messrs. N. R. Srinivasan and S. C. C. Anthony Pillai. —V.M.

Credit Facilities to Encourage use of Fertilisers

The Chairman of E.I.D.-Parry Limited, Mr. H. V. R. Iengar, has made important observations at the annual meeting of shareholders relating to the availability of credit facilities for the distribution of fertilizers and for avoiding violent fluctuations in the fortunes of the sugar industry. The lack of proper assessment of fertilizer needs of the country and inadequate appreciation of credit requirements for absorbing large quantities of nutrients have been responsible for the accumulation of imported stocks of fertilizers and the difficulties experienced by indigenous producers in marketing their current production.

Heavy Accumulation of Stocks

There is no doubt that the level of consumption of inorganic manures can be much higher than what it is now. It has been repeatedly pointed out that the small farmers have not been using agricultural inputs in a big way and it has also been recommended by expert committees that credit should be granted liberally for using these inputs. The policy of the commercial banks, in this regard, however, has not been realistic. Though there is anxiety to help the farmers directly, indirect credit has not been given on a large scale for stimulating consumption of fertilizers. E.I.D.-Parry, Rallis, Gujarat State Fertilizer Co., FACT and others have a vast network of distribution agencies, but it has not been possible so far to get liberal finance against credit granted to dealers who

in turn have been obliged to sell large quantities to retailers and actual consumers. While co-operative credit societies and commercial banks can directly lend to farmers, short-term credit can best be provided by dealers in fertilizers and the banking system can probably adopt a credit card system which can be used by the farmers to buy agricultural inputs from all these dealers. Also, until such time this movement gains the desired popularity, ample credit should be provided to the distributors. Otherwise it cannot be expected that the consumption of fertilisers will grow at the desired rate and it would be possible to raise the output of food and cash crops on the targetted basis. The earnings of E.I.D.-Parry in 1968-69 were seriously affected by a heavy accumulation of stocks due to keen competition from imports. It was also necessary to stimulate sales through grant of credit, which in turn, resulted in an addition to interest charges due to larger book debts. With a curtailment of imports and an improvement in consumption, the hardships in this regard may not be so keenly felt in 1969-70. But the machinery for disbursing credit will have to be reorganised and expanded apart from restricting drastically imports of fertilizers until such time stocks are reduced to normal proportions.

The outlook for E.I.D. Parry for the current accounting period is considered more promising though much will depend upon the level of earnings that

will be reported by the sugar units and an improvement in the efficiency of working of the Ennore Fertiliser plant, which for some time past, has not been making any contribution to the Group's earnings. It is hoped that with the special steps now being taken to make a success of the expanding facilities and a brisker offtake of fertilizers along with a larger turnover in the merchandising division, the working results will be better than those for 1969-70. The Chairman of the company, however, is more confident about the long-term outlook as the expanded capacity of the Nellikuppam sugar factory should be helpful in augmenting earnings while the cattle feed unit, pesticides formulation plants and high-yielding seed centres should contribute their own share of earnings to the pool. It has also been stated that the schemes for diversifying the activities of the company are taking shape and immediately the manufacture of electronic connectors will be taken up in collaboration with Amphenol Corporation of U.S.A. A private limited company styled Amphetronic Private Limited has been formed for this purpose and E.I.D.-Parry will have a substantial interest in the equity capital of this new undertaking. It will possibly be decided by the directors to issue additional capital in equity shares when other schemes also take shape as it has been considered advisable to have a better relationship between owned and borrowed funds. —(FOC)

Company Meeting:

THE MADRAS ALUMINIUM COMPANY LIMITED

COIMBATORE-18

SRI R. VENKATASWAMY NAIDU'S REVIEW

Addressing the Shareholders at the Tenth Annual General Meeting of The Madras Aluminium Co. Ltd.,
Sri R. Venkataswamy Naidu, Managing Director, said:

I have great pleasure in welcoming you all to the 10th Annual General Meeting of the Company.

Your Board of Directors' Annual Report, Balance Sheet as at 31st December 1969 with the Profit and Loss Account and the auditors' report have been with you for sometime now. I am sure you would have noted with great satisfaction the excellent working results of the Company during the year under review and also the recommendations of your Board of Directors to step up the equity dividend to 12% after providing Rs. 52 lakhs for reserves. In view of the sound liquid position of your Company, your Board of Directors thought it fit to increase the dividend on equity shares, to compensate at least partially for the long gestation period during which you had to wait for your return. I am also very happy to note that our shareholders are dispersed among a large segment of the investing public and the Company is now considered a leader and investors are happy.

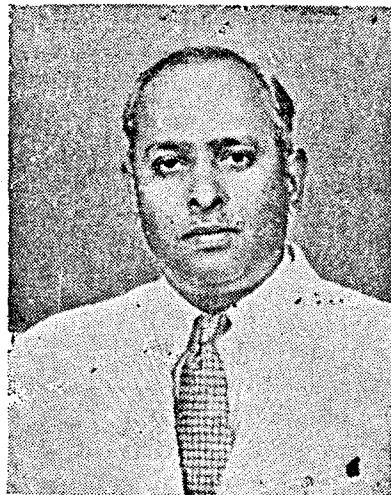
Concentrating on Expansion

The Management and the foreign technical Collaborators, M/s. Montecatini-Edison, have been concentrating on further steps to implement and complete the expansion project at an early date, and the various technical details have already been finalised. M/s. Mediobanca, our Italian Bankers, have offered and, in fact, have been reserving the foreign exchange required for our expansion programme for a long time now. For the utilisation of the loan, the guarantee of the Industrial Finance Corporation of India is awaited. The imported machinery and components for the expansion have been brought down to a very small percentage of the total investment on the project and I understand that the import licences for these equipments are under issue. As the profitability of the Company increases with the increased production, our Company cannot afford to delay the implementation of the expansion to the full extent. One encouraging factor is that most of the equipments required for the expansion are either manufactured in India or can be fabricated at the site under

the expert supervision of our technical and managerial staff, supplemented by our Collaborator's guidance and advice.

Financing of Expansion...

As regards rupee expenditure for expansion, our requirement is partly loans and partly Bank guarantee to indigenous machinery suppliers. Our application to Financial Institutions for loan is still under



Sri R. VENKATASWAMY NAIDU

consideration. The Bank guarantee required for suppliers of machinery is pending with our Bankers.

Substantial Liquid Resources

Fortunately, your Company has built up substantial liquid resources. On account of excellent working conditions and good business relationship which your Company has built up, I am happy to inform you that the management has been contacted and offered financial assistance by various customers, suppliers of machinery and equipment and the general public. If for any reason, the Financial Institutions are unable to assist us with loans, the Company will endeavour to complete its expansion programme according to schedule, with the available liquid resources of the Company

and with the expected generation of resources during the period of expansion and on top of it the financial assistance offered by our clients and public.

The debt position of your Company has come down considerably. By June, 1970 we would have paid off over Rs. 4.90 crores in discharge of about 50% of our liabilities towards the Mediobanca loan. The liabilities of the Company in respect of borrowings in India have also been reduced. With the production capacity rising without recourse to raising the share capital base, you can see for yourselves that the intrinsic worth and the earning potential of the Company will go up further.

Growing Demand for Aluminium...

All the world over the demand for Aluminium is so rapidly growing that many of the countries who have no raw material are embarking on establishment of Aluminium Smelters. I am happy that the Government of India are going ahead with developing further the aluminium industry in the Public Sector. It is a good augury that your Company which had developed skill in fabricating certain types of machinery is in a position to be of service in offering certain machineries fabricated, to such public sector projects, thus avoiding expenditure of considerable amount of foreign exchange by the public sector projects. In such a context, it is highly essential that expansion of your Company should also be at a pace and according to schedule, if the growing demand for aluminium is to be met. Therefore, the future for this industry is assured.

Our expansion programme is well under way. The alumina facilities have already expanded to feed smelters of a capacity of 20,000 tonnes metal production.

For sometime now, there has been a declining trend in the investment in private sector industries and also in the utilisation of resources available with the financial institutions for the expansion and modernisation of industries in the private sector. The Governor of the Reserve Bank of India recently made pointed reference to this dis-

quieting trend. This is not due to any non-co-operative attitude adopted by the private sector but due only to the genuine difficulties experienced by them in meeting the conditions stipulated, apparently on the recent changes in the thinking of the Government.

A Disquieting Trend...

It is certainly a disquieting trend that the financial institutions are insisting upon conditions like conversion of loan into equity capital. Naturally, the private sector industries may not be interested in taking advantage of financial assistance under such onerous conditions. The policy of the financial institutions seems to be that they would charge interest on their loan during the period the company is in the formative or in the initial stages—the period during which the equity shareholders do not derive any return on their capital. But the moment the Company starts making profits, the financial institutions may convert the loan into equity capital to take advantage of the profit-making capacity of the Company. They want to have the best of both worlds. Naturally, this policy is being objected to by the equity shareholders as well as the foreign collaborators who have invested in Equity Capital as being patently unjust. Moreover, the conditions stipulated for the expanding companies tend to vitiate the commitments made to foreign collaborators and bankers in the initial stages of the Company. The foreign collaborators and bankers are naturally unable to appreciate the changes in the policy which would affect the interests guaranteed to them.

I also feel that it is essential for the development of Indian industries, that the Central as well as State Governments should not alter the terms of any agreements approved by them at the time of the establishment of such industries. The foreign bankers and Collaborators render financial credit and assistance not only from the point of investment but also with an intention to develop our economy. It will be easy for them to pick and choose avenues of investment anywhere in the world among the developing nations. If they choose to come to India, it is because of their desire to render assistance to our country, incidentally im-

proving their foreign trade. They are completely upset when agreements solemnly entered into at the time of starting up of the industries are unilaterally altered by the Government. In order to build up the confidence of the international investment, no change should be made in the agreements already entered into during the pendency of the agreement.

Sales Tax Levies Affect Competitiveness

The incidence of 6% Sales Tax on ingots sold within Tamil Nadu increases the cost to our consumers within the State. It puts us in a very disadvantageous position when compared to our competitors. Apart from this, the Tamil Nadu Government have proposed a 5% surcharge on Sales Tax. Its effect would be that we would be losing about Rs. 15 per tonne for all sales made within the State of Tamil Nadu. This will be an additional burden on us, when we try to help the industries in our State.

Management with Competent Technocrats

In tune with the change in the Companies Act, M/s. Salcoe & Company are no longer the Managing Agents of your Company. I am quite sure that you would like to place on record your sincere appreciation and thanks to M/s. Salcoe & Company and its Partners for the entrepreneurship, technical expertise and guidance they have brought to bear in promoting, sustaining and bringing to this stature your Company—that too with minimum remuneration. You have already been informed about the amendments proposed to the Articles of Association to make alternative arrangements for management, by the appointment of two Managing Directors who will be under the supervision of a Committee of Directors. In view of the special nature of the industry and in view of the secrecy clause attached to our foreign collaboration agreement and in view of the expansion programme on hand, the Board felt that there should be continuity in management. Their decision accords with the present thinking in the country that the management of

companies should be in the hands of technocrats of competence. On behalf of Sri P. R. Ramakrishnan and on my own behalf, I wish to thank the Board for the confidence they have reposed in appointing us as Managing Directors in view of our knowledge of the industry and our ability to carry through the expansion project with minimum import content. I wish to assure you that we will discharge our duties to the best of our abilities to fulfil successfully your expectations.

Please also permit me to assure our foreign collaborators and foreign bankers that your Company would stand by the commitments it had made.

Electricity at Reasonable Rates...

I am glad to welcome the new stance of the Tamil Nadu Government in industrial development not only in starting new industries, but also in expanding the existing ones. I am quite sure that under the enlightened leadership of the present Government, their policy will have favourable impact on the future industrialisation of the State. I thank the Government of Tamil Nadu, which is a progressive one, for agreeing to make available electricity at reasonable rates for our expansion.

I am glad to report that we have smooth and cordial labour relations and I hope that this would continue. I wish to assure our workers that their interests will be the prime concern of the management.

I wish to thank our Collaborators, M/s. Mediobanca of Italy, Industrial Finance Corporation of India, Industrial Development Bank of India, Industrial Credit and Investment Corporation of India Limited and Punjab National Bank and my colleagues on the Board and all our Senior Executives for their help and co-operation.

In conclusion, I request you to join me in paying our tribute to our employees at all levels for their unstinted co-operation and loyal service.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

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COMMODITIES:

More Imports Through State Agencies

The import policy for 1970-71 announced by the Central Government on March 31 marks a major departure from the policies of earlier years in that the State will be taking over the import of 38 items in addition to the present 22 products already canalised through State agencies. The value of the items now to be imported through State trading agencies is Rs. 35 to Rs. 40 crores per year. Otherwise, the latest policy has been conceived in an imaginative way and is a worthwhile attempt at an integrated import-export policy. Any sincere export effort is sought to be encouraged through added incentives while shortfalls would be penalised. The comfortable foreign exchange situation, the best in a decade, has induced the Government to take a liberal view of the import needs of a growing industrial sector. While the need-based policy has been continued, an attempt has been made to minimise the procedural difficulties in encashing import licences particularly by small units, through the institution of an industrial raw material assistance centre of S.T.C. (for a limited range of raw materials not included in the State list) which will organise bulk imports for off-the-shelf sale to actual users and registered exporters against valid licences. It is stated that actual users are free to import their requirements from any source and the new raw materials centre will only be a complement to other existing agencies for making available imported materials at competitive rates. The two State agencies, State Trading Corporation and the Minerals and Metals Trading Corporation which will be handling all the canalised 60 items, will also play a great role in export effort.

More Items for State Agencies

The additional 38 items import of which has been canalised through public sector agencies are platinum, palladium, aniline oil, powdered milk; sulphadimidine, amidopyrine, analgin, phenobarbitone, piperazine and its salts, vitamin B₁, Vitamin B₂, folic acid, chloramphenicol, streptomycin, sulphate, sulphadiazole, sulphadiazine, sulphamethazine, tetracycline, graphite, raw silk, (through Silk Board), formic acid, dodecyl benzene, pentacrythritol, tartaric acid, metaminophenol, urea (chemical grade), cynopyridine, lithopone, cellulose, nitrate sheets and flakes, melamine pure, acrylic resins, cryolite, nylon moulding powder, polypropylene, stainless steel (for non-priority industries

other than those for whom there is a ban on import of this item under the new policy), BP sheets either in coils or in cut lengths (hot rolled and cold rolled) for manufacture of drums, barrels and steel furniture, tinplate for manufacture of open top sanitary cans, tin (for meeting the requirements of priority industries which are individually not more than 16 tonnes each).

In the case of bulk imports and sales to actual users of non-canalised items, the prices to be charged by STC and MMTC will be determined by them subject to the general control of the Ministry of Foreign Trade. The STC and MMTC will also be having a greater role in the export effort by providing assistance in finance, marketing and general services. Small-scale units will find these very useful. Further, the import of capital goods and approval of foreign investments for new capacity or expansion of existing capacity will be favourably considered to enable generation of supplies to meet external demand. Foreign collaboration in the case of primarily export oriented units will be given special consideration, and the existing agreements suitably revised to remove irksome constraints.

Preferred Sources

Units in the priority sector exporting 10 per cent or more of their production will be granted preferred sources of supply and facilities for further expansion of their export production. Those exporting 25 per cent or more of their output will have a greater preference in the matter of sources of supply. Small-scale units will get their full requirements in free foreign exchange whereas in the case of large-scale units, at least one-third of their requirements subject to a maximum of Rs. 10 lakhs will be met in free foreign exchange. Units in the non-priority sector having a similar export performance will be treated as priority units. Even in the priority sector, 13 industries (last year there were 10 and three more have been added now—pipes and tubes, transmission towers and weighing machines) have been selected for their export potential. Units in this category, if they fail to export 5 per cent of their output will be liable to a cut in the import entitlement and will also lose the facilities of preferred sources of supply and expansion of capacity.

At the same time in view of the growing volume of indigenous production, 159 items

have been removed from the permissible list. These include certain types of ball bearings, taper roller bearings, small tools, machine tools, electrical instruments, apparatus and appliances, textile machinery accessories, drugs and medicines and chemicals, several items of garage tools and cinema machinery, some parts of electro-medical apparatus, pressure gauges and slide rules. Also, 56 items which were hitherto allowed to actual users without restriction will now be permitted only on a restricted basis. These include certain types of ball bearings, drugs and medicines, dyes and dye intermediates and motor vehicle parts. In respect of 29 items, the quotas of established importers have been reduced. These include spare parts of various equipment, drugs and medicine, motor vehicle parts, garage tools and instruments.

Export Incentives

The Government also proposes to set up an export development agency or authority to offer individual manufacturers and exporters various services to boost their exports. Also the scheme for grant of facilities to export houses, introduced last year has been broad-based. Merchanting export houses will be enabled to look after the requirements of their supporting manufacturers in the matter of organising production, obtaining licences and other benefits. Besides import facilities, these merchanting export houses will continue to have facilities of bulking imports on behalf of actual users. In the case of manufacturer-exporters additional facilities have been introduced. Thus a system of "on account" import licences has been allowed for manufacturer-exporters with a minimum export performance of Rs. 10 lakhs per annum in 1969-70 in non-traditional goods. The value of these "on account" licences will be half of the value of import replenishment licences in 1969-70 and will be adjusted later against normal replenishment licences for 1970-71 in 4 to 12 instalments. For others with a lower export performance an "imprest" licence will be issued which will be adjusted later against normal entitlements. Merchant-exporters will also have most of the facilities as manufacturer-exporters. For drawback of duties, industry-wise rates have been fixed in respect of 109 product groups in pursuance of the recommendations of the draw back enquiry committee.

Priority Industries

Import requirements of 59 priority industries in respect of raw materials and components will continue to be met on the basis of their actual needs for maintenance/ expansion of production. Requirements of

non-priority industries will be met as before, subject to availability of foreign exchange. A more liberal policy will be adopted in the case of new units in the small sector. The upper limit of initial import licences for raw materials and components for such units has been raised from Rs. 50,900 to Rs. 75,000. Also the proportion of free foreign exchange will be increased from one-third to one-half while issuing import licences for raw materials and components to non-exporting units. The balance will be against U.S. aid for rupee payment. It was intended to revise the basis of licensing in the case of certain industries so as to ascertain the precise needs of all units in these industries.

The Foreign Trade Minister, Mr. B. R. Bhagat, indicated in a talk over All India Radio that import of cotton during the year would also be taken over by State agencies. He explained that the new foreign trade policy sought to continue to replenish the raw materials consumed by priority industries and to some extent liberalise import licensing to give a further impetus to industrial production. The Government would also try to meet the requirements of non-priority

units to a greater extent. But the main beneficiary in this regard will be the small sector. Mr. Bhagat also indicated that during the current year, in addition to cotton the public sector agencies would take over from time to time other items of import. He pointed out that raw material licensing in the past 12 months had been substantially higher than in the previous year. The import bill was, therefore, likely to be higher in the current year. Industrial and commercial strategy must, therefore, provide for an even greater effort in the generation of surpluses which would be available for counter-balancing exports.

Sharp Fall in Rubber Prices

The rubber growers would seem to be concerned over the declining trend in prices for this commodity in the past one year. The latest Rubber Board statistics reveal that there has been a net fall of Rs. 115 per quintal over a eleven month period ended February this year. The average price dropped from about Rs. 600 in April 1969 to Rs. 494 in November and after a temporary recovery to Rs. 508 in December slumped again to Rs. 485 in February. It has been

pointed out that while a larger output of 72,928 tonnes in the first ten months of 1969-70 against 62,917 tonnes in the same period of 1968-69 had a stabilising effect on prices in the face of an almost unchanged consumption of 72,011 tonnes (72,166 tonnes) in the ten month period, the slump in prices must be accounted for by the comfortable stock position with the rubber goods producers following liberal imports. Imports of natural rubber in April 1969-January 1970 totalled 17,413 tonnes against only 4,657 tonnes in the previous corresponding period. Stocks of natural rubber at the end of January this year were thus higher at 36,464 tonnes against 20,744 tonnes a year ago, representing five months' consumption. The industry may not agree with the view that the present prices for natural rubber are not remunerative for the growers and while they may favour continued imports of cheaper rubber, it may be possible to arrive at a compromise formula which would regulate imports in such a way that the price moves in a narrow range around Rs. 500. In this context, the decision on the Tariff Commission's recommendation which has already been delayed considerably, will have added significance.

Out of the Inkwell

By RANDOR GUY

A COSTLY ITCH !

The din was almost unbearable. People in dhotis and jubbis, tight pants and bulging bellies, old-world charcoal grey suits ... all of them screaming, shouting ... medley of voices and noises ... gibberish ... *liya-diyas* ... the tie and tight-panted young man wondered if he had strayed by mistake into a badly-maintained mad-house! Up on the wall wandered lizards, rows of red ants oblivious of the din below and a portrait of Nehru clowning with his walking stick seemed to fit well into the mood of din and dekho-bhais! The youth looking lost, sweating profusely watched a pair of fat men scream at each other ... *liya ... diya ...* one shouted at the other and then they hugged and nearly kissed. The onlooker, was shocked and felt his nose itching. He scratched and then hell seemed to have broken over him Given *diya dohhazar ...* words ... words ... words ... What on earth had happened, he wondered as bits of paper were thrust under his nose. 'Sign' ... somebody said ... He cried and ran out. Later it was all explained. The young man, a bank's officer-trainee was a visitor to

the stock exchange floor and poor boy, he was not aware that in the signal-and-smoke-signs lingo of bears, bulls and stags, a scratching of the nose meant 'I buy'. Funny world that place, the share bazaar!

LAMENT FOR LOST WEEKENDS !

And then the axe fell ... as the pulp magazine cliff-hanger serial fiction had it in the good old days ... The Pandora's Box has been opened by the Prime Minister the other night in the Parliament and it contained, among other things, a sharp axe that landed on the entertainment expenses previously allowed to be set off in computing profits. Alas ... gone will be all those gay parties where foreign liquor flowed freely, delicious weekends of dalliance at air-conditioned guest houses where men of low-brow or to be more precise, no-brow, like me, enjoyed the simple pleasures of company-directorial generosity like blue films, forbidden delights of feminine company and many other diversions of vintage voluptuousness, Oh ... the games people played during those fringe-benefit fancy fetes ... the names that were dropped of books that would make chaps

like Henry Miller, William Burroughs, Harold Robins, and even Randor Guy blush to their white-grass roots! It's all over now. No more fun at the expense of the obliging shareholder! The question stares at me—what will I do for all those free drinks, Sheesh Kababs, Tandoori chicken, malai-kajja and the blue movies during week-ends? Nothing Stay at home and listen to Commercial Radio; I suppose. Surely after Indira's budget, India will be a dull place to live, at least for the company expense account-wallahs!

ENGLIS

'A bare minimum' the boss had dictated and the shapely steno who knew how to say 'yes, you may' in seven languages had typed it as 'A BEAR MINIMUM'. The boss roared at her poor English and spelt out the correct word. Many letters, pinches and tea-for-and-take-it-off-affairs later, the boss dictated again. 'Please bear with us ...' The steno came back with the letter that read ... 'PLEASE BARE WITH US!' The poor man lifted the nearest dictionary and conked himself with it! The steno walked out, humming ... '*Hindustan hamara*' ...

QUIZ TIME :

Q: What is golf?

A: A game in which you chase a ball, played by chaps too old or too fat to chase anything else.

STOCK MARKET:

Cash Counters to the Fore

Stock markets continued to depict buoyant conditions during the fortnight ended April 10. While select forward shares came in for sustained support at improved levels the cash scrips were quite lively and appreciable gains were recorded over a wide front. Encouraging corporate results continued to influence sentiment favourably while scarcity of floating scrips led to a disproportionate rise in values depressing yields unduly. This is a significant development considering the general upward tendency of lending and deposit rates of the banking system and the high rates offered by companies on term-deposits. Yield considerations have obviously been relegated to the background for the present and quick capital appreciation has become the guiding factor in the current recovery phase.

The stepped up outlays in the public sector is bound to increase the demand for various capital and consumer goods while the larger incomes of the rural population is bound to have its effect on various consumer and durable goods. It may happen that many industries which are now able to utilise their capacity more fully will have to think of continuous expansion in the next few years to improve their profitability. Entirely new units or diversification of existing units along new lines would also be necessary but latterly progress in this direction has not been significant for various reasons. With the shift in emphasis on encouraging a new class of entrepreneurs to broadbase the industrial sector, bigger units are not able to plan their future schemes with certainty while the fear of conversion of loans into equities has deterred potential entrepreneurs from approaching the statutory financial institutions even if the latter are in a quite comfortable position to extend their support to

worthwhile projects. Barring a few new flotations under influential auspices, the new issue market has been stagnant for some time. With the result, too many investors have been chasing too few shares of good companies, pushing up their prices to fantastic levels. This development cannot be considered very healthy as the stock markets then become vulnerable to speculative pressures.

Good Corporate News

Corporate news has continued to be encouraging, with many companies raising their dividends or announcing bonus issues while maintaining their distributions. There has, however, been some apprehension in market circles that the authorities might adopt a less liberal attitude while sanctioning bonus issues. It can be expected that this would not affect companies in which the shareholding is more broadbased and any bonus issue would benefit a majority of small investors. The improved conditions in West Bengal after imposition of President's rule have given rise to hopes that the industrial units in that State would be operating regularly in the coming months. Indian Iron and Steel Company Limited has reported a sharp setback in its working in 1969-70, with a decline in production and sales from the previous year mainly due to the non-co-operative attitude of labour. Reports of the Government move to put restrictions on inter-company investments to tighten the supply of bank credit to industry and the delay in the submission of the Anjaria Committee's report on forward trading had a sobering effect on sentiment earlier but the announcement of a helpful import policy for 1970-71 which was in line with market expectations had a revitalising effect

PRICE MOVEMENTS

The following were the closing quotations for selected scrips on March 23 and April 7

Madras			Bombay			Calcutta		
	Mar. 23	Apl. 7		Mar. 23	Apl. 7		Mar. 23	Apl. 7
India Cements	4.95	4.97	Tata Steel	112.00	111.25	Indian Iron	17.55	17.25
Mettur Chemical	10.95	11.45	Indian Iron	17.40	17.40	Hind. Motors	15.76	15.50
Ashok Leyland	5.95	6.00	TELCO	226.00	227.00	Guest Keens	13.70	15.10
S.I. Viscose	139.00	152.00	Hind. Motors	15.72	15.48	Dunlop India	34.35	34.05
Travancore Rayon	20.60	21.00	Century	800.00	805.00	Birla Jute	20.00	19.60
E.I.D. Parry	20.00	19.65	National Rayon	459.00	463.00	Kesoram Ind.	15.80	16.60
Madura Mills	14.35	14.25	Standard	602.90	605.00	Alkali	24.87	28.06
Madras Alum.	159.00	162.00	United Carbon	360.00	362.50	Explosives 'A'	23.62	24.06
Madras Rubber	19.00	19.10	Century Enka	265.00	294.00	Philips India	50.75	51.00
Seshasayee Paper	8.65	9.10	NOCIL	184.00	210.00	English Electric	10.12	12.25
FACTS	7.40	8.65	Polyolefins	194.00	215.00	Hind. Aluminium	34.56	36.56
Engine Valves	21.00	24.00	Bayer	171.00	195.00	Incheck Tyres	14.06	14.00
Rane Madras	9.50	9.70	Synthetics	154.00	157.00	Union Carbide	38.25	39.37
Mysore Cement	15.62	15.75	Food Specialities	45.75	46.75	J.K. Synthetic	30.62	34.37
Indian Overseas	180.00	162.00	Tata Yodogawa	118.00	149.00	India Steamship	12.94	12.81

and bull operators regained control of the markets.

Sizable Gains

As stated, gains were more pronounced in the cash shares. In Dalal Street, prominent counters which came in for vigorous support included Century Enka which shot up to Rs. 294, S.I. Viscose to Rs. 153 on hopes of better results for 1969, Sandvik Asia to Rs. 245, Associated Bearings at Rs. 240, Camphor at Rs. 230, Synthetics and Chemicals at Rs. 157, United Carbon at Rs. 362.50, Food Specialities at Rs. 46.75, MICO at Rs. 397.50, Tata Yodogawa at Rs. 150, Goodlass Nerolac at Rs. 142, Cooromandel Fertilizers at Rs. 14.88, CAFI at Rs. 52, Herdillia at Rs. 15, NOCIL at Rs. 210, Polyolefins at Rs. 215 and Bayer Rs. 195. In Lyons Range many engineering shares came back in favour. Guest, Keen, Williams was a firm spot around Rs. 15.50 against Rs. 13.50 while other forward shares were hovering around previous levels. In cash list, Escorts was active but easier at Rs. 22.87 after the right issue proposal. Alkali advanced to Rs. 27.50, Indian Explosives 'A' to Rs. 24.19, Avery India to Rs. 11.37, British Paints to Rs. 13.81, English Electric to Rs. 12.50, Hind Aluminium to Rs. 36.56, Imperial Tobacco to Rs. 15.25, Inckeh to Rs. 13.81, India Carbon to 30.75, Indian Oxygen to Rs. 20.31, J.K. Synthetics to Rs. 33.87, Universal Tyres to Rs. 6.69, Union Carbide to Rs. 38.87 and India Steamship to Rs. 13. In Madras, textile and miscellaneous industrial shares were more active. S.I. Viscose was firm at Rs. 152, while Mettur Chemical had buyers upto Rs. 11.55. Ashok Leyland was steady around Rs. 6. South India Shipping at Rs. 160, Engine Valves at Rs. 24, Travancore Chem. Mfg. at Rs. 24.50, Rane Madras at Rs. 9.70, Madras Aluminium at Rs. 162, Seshasayee Paper at Rs. 9.30 and Simco Meters at Rs. 9.60 and Mysore Cement at Rs. 15.75 were all gainers during the period under review.

BUSINESS BRIEFS:

Textile Units Perform Better

The results of composite and spinning mills for 1969 published so far indicate that most of the companies were able to increase their sales to a considerable extent while their earnings also showed a rise though less spectacular. Almost all the companies have maintained their dividend on equity capital while the remaining ones have started earning a profit. Thus Madura Mills, Bombay Dyeing, Standard Mills, Binny, Anglo-French, the Kasturbhai and Tata groups have reported improved results, while Coimbatore Pioneer, Lakshmi, Mettur Beardsell and others in the south and the Mafatlal group in Ahmedabad can also be expected to announce encouraging results in the coming weeks. Obviously a steady pick-up in demand for cloth, particularly of the superior categories and a jump in export demand for yarn have been a key factor in the turn in the industry's fortunes while cotton prices also were ruling at reasonable levels for most part of last year. It is also to be noted that all the above mills have been latterly modernising their spinning and weaving departments besides diversifying their activities as in some cases. While in the current year the upward trend in demand for cotton textiles may continue, profit margins may be seriously affected by the sharp increase in the cost of raw cotton and higher imposts on rayon and other synthetic fibres which are finding increasing use in blended fabrics. No doubt the Government is trying to arrange imports of cotton and staple fibre from various sources to relieve the pressure on indigenous supplies but these may be available only after some time. Costs of stores and chemicals also have gone up and the mill industry has been repeatedly pleading for adjustments in the controlled prices which have not been reviewed for quite some time.

Tata Group of Mills Does Well

The Tata Group of mills has done well during 1969 with all the three companies recording a sizable improvement in sales and earnings. Ahmedabad Advance and Svadeshi will be maintaining their dividends on equity capital at 9 per cent, taxable, (the former on a larger effective capital) while Tata Mills has again skipped the dividend though it has cleared arrears of overhead charges and reduced its losses slightly.

Ahmedabad Advance Pays Same

Ahmedabad Advance Mills Limited was able to raise its sales to Rs. 7.01 crores from Rs. 6.06 crores in 1968 while the net profit, before depreciation was much higher at Rs. 55.90 lakhs against Rs. 38.08 lakhs. After providing Rs. 32.21 lakhs (Rs. 24.95 lakhs) for depreciation and Rs. 23.50 lakhs (Rs. 3.90 lakhs) (due to fresh development expenditure in the last two years) for development rebate, there is no tax liability. The transfer to general reserve is Rs. 18,894 (Rs. 9.23 lakhs). The equity dividend has been maintained on a larger effective capital at 9 per cent, taxable, and will be paid out of general reserve.

Svadeshi Maintains

Svadeshi Mills Limited earned a higher net profit of Rs. 68.07 lakhs, before depreciation and taxation for the same accounting period against Rs. 45.04 lakhs in 1968, following a rise in net sales to Rs. 8.29 crores from Rs. 8.29 crores. The sum set aside for depreciation is Rs. 39.61 lakhs (Rs. 43.07 lakhs) and development rebate Rs. 2.55 lakhs (Rs. 7.55 lakhs) while taxation claims Rs. 15 lakhs (nil). The transfer to general reserve is Rs. 11.52 lakhs (nil). The dividend on equity capital has been maintained at 9 per cent, taxable. In 1967-68 it was necessary to transfer Rs. 5.38 lakhs from general reserve to adjust the net loss while the dividend also was paid out of general reserve as in the latest year.

Tata Mills Skips

Tata Mills Limited has turned the corner and it has been possible to earn a net profit of Rs. 70.19 lakhs, before depreciation, for 1969 against a loss of Rs. 14.32 lakhs in 1968. Sales were considerably higher at Rs. 9.39 crores against Rs. 8.27 crores in the previous year. However, the shareholders could not derive any benefit from the sizable earnings as arrears of depreciation for 1967 and 1968 claimed as much as Rs. 68.97 lakhs (nil). The balance has been utilised to reduce the debit balance of Rs. 14.27 lakhs brought in from the previous accounts to Rs. 13.04 lakhs. Only the preference dividend in being paid. If there is a further rise in sales and earnings in the current year and the disposable profit is sufficient after clearing the depreciation

for 1969 and 1970 and wiping out the loss besides meeting any unclaimed development rebate, it may be possible to resume payment of dividend on a modest scale.

Kasturbhai Group

The Kasturbhai group of textile mills has also reported encouraging results for 1969. While five companies have announced liberal bonus issues, two have raised the dividend, four maintained it and the seventh (Nutan Mills) resumed payment of dividend after a sharp setback in 1968. The working results must be considered gratifying in the context of rising costs and disturbed conditions in Ahmedabad for some time during last year. Arvind and Saraspur have proposed a one-for-three bonus issue while Asoka, Aruna and Raipur have each declared a one-for-two issue.

Arvind Mills has also maintained the equity dividend at 24 per cent, taxable. The company's sales increased to Rs. 8.15 crores from Rs. 7.48 crores in 1968. The net profit before depreciation and taxation, improved to Rs. 1.49 crores from Rs. 1.39 crores. After setting aside Rs. 45.82 lakhs (Rs. 46.98 lakhs) for depreciation and Rs. 9.70 lakhs (Rs. 14.50 lakhs) for development rebate, the provision for taxation is Rs. 44.50 lakhs (Rs. 44 lakhs). The transfer to general reserve is Rs. 39.30 lakhs (Rs. 54.26 lakhs). The dividend is to be paid out of this reserve.

The performance of Asoka Mills was more impressive, with a more than doubling of the net profit, before depreciation and taxation, to Rs. 47.31 lakhs from Rs. 22.69 lakhs in 1968 following a rise in sales to Rs. 5.88 crores from Rs. 4.48 crores. The ordinary dividend has been maintained at 18 per cent, taxable. The provision for depreciation is Rs. 25.90 lakhs (Rs. 24.19 lakhs) and development rebate Rs. 10 lakhs (Rs. 25,000) while taxation claims Rs. 4.75 lakhs (nil). After taking credit for Rs. 1.12 lakhs from tax credit certificate and wiping out the debit balance of Rs. 1.69 lakhs brought in from the previous year, a sum of Rs. 6 lakhs (nil) has been taken to general reserve. The equity dividend will absorb the entire amount.

Raipur Mills has recorded a rise in sales to Rs. 3.53 crores from Rs. 3.31 crores with a jump in the net profit, before taxation and depreciation to Rs. 51.38 lakhs from Rs. 34.64 lakhs in 1968. The charge in respect of depreciation is Rs. 25.96 lakhs (Rs. 26.48 lakhs) and development rebate Rs. 2 lakhs (Rs. 6.50 lakhs) Taxation claims Rs. 12.50 lakhs (Rs. 25,000). General reserve gets Rs. 10.90 lakhs (Rs. 1.40 lakhs). The equity dividend which has been maintained at 24 per cent, taxable will be paid

out of this reserve, absorbing Rs. 12.45 lakhs (same).

With an increase in sales to Rs. 3.17 crores from Rs. 2.79 crores, Nutan Mills has earned a net profit of Rs. 37.41 lakhs against a loss of Rs. 13.82 lakhs in 1968. After providing Rs. 14.09 lakhs (Rs. 15.59 lakhs) for depreciation and allocating Rs. 3.82 lakhs for paying a dividend of 12 per cent, taxable, the debit balance of Rs. 30.11 lakhs brought in from the previous accounts has been reduced to Rs. 6.78 lakhs which is carried forward.

Aruna Mills has maintained the dividend at 18 per cent, taxable, with sales at Rs. 4.35 crores (Rs. 4.05 crores) and the net earnings at Rs. 57.79 lakhs (Rs. 36.01 lakhs). Saraspur Mills has raised the dividend to 18 per cent, taxable, from 10 per cent, taxable, with a jump in earnings to Rs. 50.84 lakhs from Rs. 2.53 lakhs in 1968. Ahmedabad New Cotton Mills has also increased its payment to 18 per cent, taxable, from 10 per cent taxable, following a surge in earnings to Rs. 43.34 lakhs from Rs. 7.14 lakhs in 1968.

Madura Mills

The Chairman of Madura Mills Company Limited, Raja Sir M.A. Muthiah Chettiar, has told the shareholders that the company is anxious to accelerate its modernisation and expansion programme to improve profitability of working, and take advantage of the keen export demand in developed countries. Emphasis is being laid on modernising the preparatory processes for spinning and in the winding departments. There has been some delay in processing licences and in delivery schedules of machinery supplies. The company's application for increasing the heavy looms for making specialised industrial fabrics is being considered by Government and an early approval will enable the reorganization of the mills at Madurai. With a more helpful attitude of labour, it is felt productivity can be increased substantially. The Chairman has however, cautioned against increasing cost of cotton and the heavy burden of excise duty on blended fabrics. In 1969, the duty paid rose by Rs. 79 lakhs to over Rs. 2 crores. This will go up further in the current year due to higher duties on synthetic fibres. It is stated that the whole of the dividend of 6 per cent for 1969 will be exempt from tax. However, with a rationalisation of production and higher productivity it is expected that the higher working expenses can be absorbed.

Dhanalakshmi Mills' Bonus

Dhanalakshmi Mills Limited has had a satisfactory year of working in 1969, with a doubling of the net earnings, after depreciation and before taxation to Rs. 17.35

lakhs against Rs. 8.59 lakhs in 1968. The equity dividend has been maintained at 10 per cent, taxable, but there will be a bonus issue in the proportion of one share for every two shares held.

Dunlop India's Record

Dunlop India Limited could increase its turnover and earnings during 1969 substantially mainly due to the availability in the course of the year of an additional capacity for 1.36 lakhs tyres and 1.25 lakhs tubes with the installation of balancing equipment. The capital expenditure incurred during the year was Rs. 2.44 crores against Rs. 2.05 crores in 1968. The full benefit of the increased capacity will be derived in the current year while the company has already undertaken a fresh expansion scheme for raising the capacity further by 2.5 lakh tyres and tubes. The financing of the new scheme has not posed any problem as generation of internal resources has been quite adequate even after paying attractive dividends while the foreign exchange requirement had been covered by a loan from the parent company of upto £ 2 million. However, it is stated that this loan will not be fully utilised as the Government is providing credit from other sources. The strength of the reserves position will be obvious from the fact that against a paid up capital of Rs. 10.70 crores in equity and preference shares (Dunlop of U.K. owns equity shares for Rs. 5.12 crores) at the end of 1969, reserves amounted to Rs. 9.32 crores. The net block stood at Rs. 11.03 crores. The amount ploughed back last year alone was as much as Rs. 3.12 crores, while the equity and preference dividends absorbed Rs. 2.05 crores. A feature of Dunlop's India's activities has been the widening range of tyres and rubber products. In 1969, new products introduced included grooved rubber pads for the Railways, Metalastik rubber to metal bonded components for Defence and specialised industrial applications, new Plus Bar truck tyres and tyres for Boeing aircraft. Since 1960 the company's income has jumped from Rs. 30.52 crores to Rs. 81.74 crores while shareholders have benefited considerably by the issue of bonus shares on three occasions.

Union Carbide Forges Ahead

Union Carbide India Limited has made accelerated progress during 1969 with an unsatisfied demand for most of its products and a pick-up in offtake of some products like polyethylene after the previous year's recession. Sales of plastics made a substantial recovery as prices were more remunerative with the depletion of imported stocks in

the country. The turnover in consumer products like batteries and flashlights was also much higher while there was keen demand for cinema arc carbons and photographic materials. Pesticide sales also improved significantly with greater promotional efforts. Export sales too recorded a 14.3 per cent rise at Rs. 1.26 crores during the year which enabled the company to maintain its place in the priority list for import licensing in the current year. The higher sales performance was made possible by a higher level of production of various products. With the new unit at Hyderabad achieving rated capacity production, there was an increase in output of batteries but this was partially offset by losses due to labour problems at other units. The Lucknow factory produced more flashlights with greater efficiency while the carbon products plant at Calcutta could not maintain its output due to lower labour productivity. The metals and ores plant however, operated satisfactorily. The chemicals and plastics division at Trombay also worked on a more profitable basis with the free availability of low-cost indigenous alcohol, and improved trading conditions. The new pesticides formulation plant at Bhopal commenced production during the year while the work on the electrolytic manganese dioxide plant is proceeding apace. Construction is likely to begin this year on the midget electrode plant at Hyderabad and a zinc rolling mill in Madras. There are also plans for commercial harvesting of shrimps and trawling operations may commence by the end of the year. Total development expenditure in 1969 amounted to Rs. 2.38 crores against Rs. 1.31 crores in 1968. The company has no problem of financing its various new schemes as internal resources are being generated on a large scale. In 1969, out of a gross profit of Rs. 7.88 crores, the amount ploughed back was Rs. 4.15 crores (including depreciation allowance). It was also possible to repay the outstanding amount of an unsecured loan for Rs. 1.11 crores to the parent company. With the transfer of Rs. 44.14 lakhs from development rebate reserve, revenue reserves at the end of the year amounted to Rs. 5.98 crores and other reserves Rs. 4.62 crores against a paid-up equity capital of Rs. 8.19 crores (Union carbide of U.S. owns shares for Rs. 4.91 crores). The net block stood at Rs. 19.13 crores.

Mahindra & Mahindra Pays More

Mahindra and Mahindra Limited was able to operate on a more profitable basis following a pick-up in demand for jeeps and an upward adjustment in prices for vehicles and other products during the year ended October 31, 1969. Except the new agro-aviation division, all other divisions account-

ed for a larger turnover. With a significant improvement in sales of vehicles and spare parts to civilian customers, the turnover recorded a sizable rise to Rs. 29.46 crores from Rs. 24.54 crores in 1967-68. But with a continuous increase in costs of raw materials and ancillary components, there was only a slight improvement in profitability, the net profit before depreciation and taxation increasing to Rs. 107.67 lakhs from Rs. 70.77 lakhs in the previous year. The ratio of profit to turnover is barely 5 per cent. After setting aside Rs. 25.51 lakhs (Rs. 24.27 lakhs) for depreciation and Rs. 4.98 lakhs (Rs. 1.09 lakhs) for development rebate, taxation claims a much larger sum of Rs. 41 lakhs (Rs. 29.50 lakhs). After writing back Rs. 1.53 lakhs (Rs. 5.47 lakhs) from development rebate reserve Rs. 7.94 lakhs (Rs. 9 lakhs) being excess provision for gratuity and other adjustments, the total disposable profit amounts to Rs. 47.86 lakhs (Rs. 45.84 lakhs). On the previous occasion, credit was taken for Rs. 6.18 lakhs being excess of net worth of Mahindra Engineering Company Limited on amalgamation over the amount invested in that company. The transfer to general reserve is Rs. 6.50 lakhs (same). Debenture redemption reserve gets Rs. 2 lakhs against Rs. 3 lakhs to preference shares redemption reserve in 1967-68. The equity dividend has been raised to 11 per cent, taxable from 10 per cent taxable and will absorb Rs. 34.85 lakhs (Rs. 31.68 lakhs). It is stated that though jeeps and allied products were decontrolled from September 1968, the company has not been able to reach agreement on a rate contract for supplies to Government. The performance in the first four months of the current year has been encouraging, with a 12 per cent increase in offtake over the corresponding period last year. It is expected that this progress will be maintained in the remaining months as large orders from the Defence and Family Planning departments as also from Yugoslavia are under negotiation, though the meeting of demand of this magnitude will depend on availability of steel on an adequate scale. Mahindra and Mahindra shares (Rs. 10 paid-up) have firmed up latterly in Bombay, with the quotation ruling around Rs. 16.25.

Atul Products Raises Dividend

The progress of Atul Products Limited has been really impressive after the setback in 1967 when it was necessary to prune the equity dividend to 8 per cent, taxable, from 12 per cent in the previous seven years. There has been a further sharp rise in sales and earnings of the company in 1969 and the directors have raised the dividend to 14 per cent taxable from 12 per cent in 1968. Sales

rose by over 12 per cent to Rs. 11.54 crores from Rs. 9.60 crores in the previous year while there was marked improvement in profitability and the net profit, before taxation and depreciation, jumped to Rs. 197.27 lakhs from Rs. 152.24 lakhs, or by over 30 per cent. The claim in respect of depreciation is Rs. 103.05 lakhs (Rs. 117.17 lakhs) and development rebate Rs. 45 lakhs (Nil). There is no tax liability as in the previous year. The disposable profit of Rs. 49.22 lakhs (Rs. 55.08 lakhs) has been transferred to general reserve. The higher dividend will absorb Rs. 56 lakhs (Rs. 48 lakhs) out of this reserve. The Rs. 100 paid-up shares of Atul are quoting around Rs. 300 offering a gross yield of less than 5 per cent.

Alembic Glass's Bonus Issue

The directors of Alembic Glass Industries Limited have proposed to capitalise a part of the reserves for issuing bonus shares in the proportion of one share for every two shares held. They have also decided to maintain the ordinary dividend at 12 per cent taxable, for 1969. The Rs. 100 paid-up shares are being quoted at Rs. 224.

More from Orissa Cements

As anticipated in stock market circles, Orissa Cements Limited has reported excellent working results for 1969 though the directors have decided to raise the dividend on equity capital only to 12½ per cent, taxable from 11 per cent, taxable, for 1968. It is likely that the company may decide on a bonus issue after sometime. Considering the general experience of the industry and of A.C.C. in particular, the performance of Orissa Cements must be considered extremely gratifying as the net profit, before depreciation and taxation, has jumped to Rs. 252.42 lakhs from Rs. 155.03 lakhs in 1968, following a sharp rise in sales. The claim in respect of depreciation is Rs. 36.12 lakhs (Rs. 37.64 lakhs) and development rebate Rs. 4.67 lakhs (Rs. 9.70 lakhs). The Exchequer is the major beneficiary claiming as much as Rs. 102 lakhs (s. 43.50 lakhs). At the same time, it has been possible to transfer a much larger amount of Rs. 77 lakhs (Rs. 23.75 lakhs) to general reserve. There is however no allocation to expansion reserve against Rs. 19.04 lakhs in the previous year while dividend reserve gets Rs. 36.04 lakhs (Rs. 31.82 lakhs). The equity dividend will be paid out of this reserve and is covered over three times by disposable profits. At the end of the year, total reserves stood at Rs. 335 lakhs against a paid-up equity capital of Rs. 270 lakhs. The company made a one-for-five bonus issue in 1967.

Dalmia's Good Showing

Dalmia Cement (Bharat) Limited also increased substantially its earnings during 1969 following a smart pick-up in output and sales though the directors have decided only to maintain the ordinary dividend at 12½ per cent, taxable. The net profit, before depreciation and taxation, rose by over 30 per cent to Rs. 211.95 lakhs from Rs. 162 lakhs in 1968. After providing Rs. 34.68 lakhs (Rs. 30.96 lakhs) for depreciation and Rs. 2.12 lakhs (Rs. 6.61 lakhs) for development rebate, the claim in respect of taxation has been as much as Rs. 93.50 lakhs (Rs. 64 lakhs). The allocation to general reserve, is at the same time higher at Rs. 50 lakhs (Rs. 34.22 lakhs) and dividend reserve gets Rs. 38.62 lakhs (Rs. 38.10 lakhs). On the previous occasion, there was transfer of Rs. 21.96 lakhs to expansion reserve. However, in 1968, the appropriations were helped by a transfer of Rs. 35.01 lakhs against only Rs. 6.96 lakhs in the latest year. Dalmia Cement is also in a comfortable position to decide on a liberal bonus issue, as its reserves at the end of the year amounted to Rs. 323 lakhs against a paid-up equity capital of Rs. 280 lakhs. The company made a two-for-five bonus issue in 1967. Shares of both Orissa Cement and Dalmia Cement have firmed up after the encouraging news, the former quoting at Rs. 14.50 and the latter at Rs. 12.20.

Anti-friction Bearings

Manufacturers of bearings of various types have been experiencing a keen demand for their products with the recovery in the engineering industry and the various companies engaged in this field are likely to report encouraging results for 1969. Already Associated Bearings has declared a maiden dividend on equity capital while Antifriction Bearings Corporation Limited has increased the dividend for 1969 to 10 per cent from the maiden dividend of 8 per cent in 1968, following highly profitable working. While sales of Antifriction Bearings rose to Rs. 105.2 lakhs from Rs. 93.2 lakhs, the net profit, before depreciation and taxation, jumped to Rs. 32.63 lakhs from Rs. 22.48 lakhs. The provision for depreciation is Rs. 11.45 lakhs (Rs. 8.78 lakhs) and taxation Rs. 5 lakhs (nil). The transfer to development rebate reserve is Rs. 16 lakhs (Rs. 10.20 lakhs) and general reserve Rs. 18,000 (Rs. 3.50 lakhs). The proposed dividend will claim Rs. 6 lakhs (Rs. 4.8 lakhs) and will be paid out of general reserve. The performance in the current year in the first quarter has been promising and it is expected sales for the whole year will increase by 30 per cent over the previous year, with a proportionate rise in earnings. Good progress has been made with the

Rs. 2.5 crores expansion scheme which will be completed by the end of 1971. After the expansion, the turnover would increase to Rs. 4 to 5 crores. The project is being financed by internal resources and borrowings. The Rs. 10 paid-up shares are quoting around Rs. 18.75.

Boots Pays More

Boots Pure Drug Company Limited has declared an ordinary dividend of 16 per cent gross for 1969 on a capital increased by a bonus issue in the proportion of one share for every two shares held. This works out to 24 per cent on the old capital against 22 per cent in 1968. Also 20 per cent of the latest distribution is exempt from tax deduction at source. The company has done extremely well in 1969, with the turnover higher at Rs. 3.50 crores against Rs. 3.09 crores in 1968. The net profit, before depreciation and taxation, rose more impressively to Rs. 43.76 lakhs from Rs. 35.48 lakhs. After setting aside Rs. 5.76 lakhs (Rs. 5.59 lakhs) for depreciation and Rs. 18,000 (Rs. 35,000) for development rebate, the provision for taxation in raised to Rs. 20.10 lakhs (Rs. 15.50 lakhs). The proposed dividend will claim Rs. 12 lakhs (Rs. 10.56 lakhs).

Rane Brake Linings' Maiden

With a jump in sales and earnings it has been possible for Rane Brake Linings Limited to wipe out the accumulated losses and declare a maiden dividend of 6 per cent taxable, on the equity capital for 1969. The turnover for the year rose sharply to Rs. 46.43 lakhs from Rs. 25.75 lakhs in 1968 while the net profit before depreciation jumped to Rs. 14.43 lakhs from Rs. 3.93 lakhs. The ratio of profits to sales is quite high at over 30 per cent. After setting aside Rs. 3.40 lakhs (Rs. 1.99 lakhs) for depreciation and Rs. 17,920 (Rs. 11,189) for development rebate the debit balance of Rs. 8.51 lakhs brought in from earlier years has been wiped out. The directors have decided to utilise the disposable profits to clear the arrears of preference dividends and also pay the current preference dividend, and the equity dividend. As the disposable profit will be substantial in the current year even at the existing level, the shareholders can look forward to a higher payment for 1970. It is also expected that there will be a fresh increase in sales and earnings.

NOCIL Looks Ahead

National Organic Chemical Industries Limited is well poised for vigorous growth from now on and sales will be recording a further sharp increase even for 1969-70. With the commissioning of the remaining alcohols

plant and the PVC compounding unit, all the units in the complex are now in commercial operation. It has been stated by the directors that even in 1968-69 sales would have been much higher but for some mechanical troubles. It would be possible, to reduce the accumulated losses to a considerable extent from the current year's earnings though a maiden dividend can be thought of only in the subsequent years. The company's export performance has been noteworthy and exports for this year may be around Rs. 70 lakhs. Already PVC resins and chemicals are being shipped in packed form, the former in fulfilment of product loan obligations. A jetty is being constructed at a cost of Rs. 30 lakhs to enable bulk handling of chemicals for export. NOCIL's Rs. 100 paid up shares have firmed up recently in Bombay to over Rs. 200.

Nagpal Ambadi Petro-chem.

Nagpal Ambadi Petro-chem Refining Limited, a new company promoted to undertake manufacture of transformer and other speciality oils near Madras based on feedstocks from Madras Refineries recently came on the market for raising capital for Rs. 1.73 crores in 12.30 lakhs equity shares of Rs. 10 each and 50,000 cumulative redeemable preference shares carrying interest at 9.5 per cent gross. Half the money was payable on application and the balance in one or two calls to be made between June and December 1970. The company has got a licence for producing 15,000 tonnes of transformer oil, 8,000 tonnes of speciality oils including white oils, petrolatums and sulfonates and 16,500 tonnes of oleum. These products find wide application in the electrical, pharmaceutical, cosmetic, toilet, food, plastic and other industries. The total project cost is estimated at Rs. 5.20 crores. There is already a paid equity capital of Rs. 77 lakhs subscribed by the directors and friends. Besides the latest public issue for Rs. 1.73 crores, term loans and overdrafts from institutions and banks will provide Rs. 2.70 crores. The complete process design and know-how is being provided by Witco Chemical Corporation of U.S. which is a pioneer in speciality oils and till recently was India's main supplier of these oils. The Indian Institute of Petroleum is the technical consultant in India. Construction work is already under way and the plant is expected to be ready for trial runs by the end of this year and for commercial production two or three months later. The directors (Chairman Dr. A. Ramaswamy Mudaliar and Dy. Chairman Mr. A. M. M. Arunachalam) are confident that the company will be earning profits right from the first year of commercial production (1971) and subject to unforeseen circumstances, will be able to pay a

maiden equity dividend of 10 per cent from the earnings of the year ending March 31, 1973 after paying all the arrears of preference dividend. The Rs. 5 paid-up shares of Nagpal Petrochem. already command a premium of Rs. 1.50 in unofficial dealings.

Warner Hindustan

Warner Hindustan Limited has reported a marked improvement in its working results for 1969 though the directors have only decided to pay a slightly higher dividend of 9 per cent gross on the equity capital against 8 per cent in 1968. The entire dividend is exempt from tax deduction at source, being paid out of tax-exempt profits. The net profit, after depreciation and development rebate before taxation, has jumped to Rs. 28.24 lakhs from Rs. 21.23 lakhs in the previous year. The provision for taxation is, however, only Rs. 2.90 lakhs (Rs. 6.52 lakhs) perhaps due to a larger claim towards development rebate. The proposed equity dividend will absorb Rs. 6.30 lakhs (Rs. 5.60 lakhs) and the preference dividend Rs. 1.50 lakhs (same). Further details of appropriation are not available. The company's working in the first quarter of the current year is stated to be encouraging. After publication of the results, Rs. 10 paid-up shares of Warner Hindustan have shot up from Rs. 26 to Rs. 32.

Escort's Rights Issue

Escorts Limited has maintained the ordinary dividend for 1969 at 13 per cent, taxable though on a higher capital as raised by a one-for-four bonus issue. The company has done extremely well in 1969 with a near doubling of the output of tractors to 8000 and larger sales of auto components. The net earnings also were significantly higher in spite of higher working expenses. Sales were much higher at Rs. 29 crores against Rs. 20.50 crores in 1968 while the net profit before taxation and depreciation increased to Rs. 2.86 crores from Rs. 2.25 crores. Depreciation claims a larger sum of Rs. 75.82 lakhs (Rs. 46.78 lakhs) while provision for taxation has been raised to Rs. 98 lakhs (Rs. 77 lakhs). The equity dividend will claim Rs. 35.95 lakhs (Rs. 30.91 lakhs). It is understood the whole dividend will not be subject to tax deduction, at source, being payable out of tax-exempt profits. The directors also propose to issue equity shares for Rs. 58.06 lakhs on a right basis at a premium of Rs. 4 per share to the existing shareholders in the proportion of one for five. The proceeds will go to finance the needs of the subsidiary company, Escorts Tractors Limited formed in collaboration with Ford of U.S. for manufacture of a new range of higher H.P. tractors.

Andhra Bank Raises Dividend

Andhra Bank Limited, the biggest scheduled bank in the private sector now, has recorded a sizable increase in its deposits during 1969 to Rs. 52.31 crores from Rs. 40.90 crores, which is much higher than that for all scheduled commercial banks, for the year. With a more effective utilisation of funds, advances rose even more sharply to Rs. 35.45 crores from Rs. 25.47 crores. It has been stated that new loans to the priority sectors accounted for over 68 per cent of the additions to deposits. At the end of the year, the agricultural sector had received assistance for Rs. 6.92 crores while small-scale industries accounted for Rs. 3.69 crores, exporters for Rs. 1.69 crores and retail traders for Rs. 64 lakhs. The net profit, after taxation and before payment of bonus to staff, improved to Rs. 11.65 lakhs from Rs. 8.24 lakhs in 1968. Bonus to staff claims Rs. 5.62 lakhs (Rs. 4.23 lakhs) and reserve fund Rs. 1.22 lakhs (Rs. 82,000). Investment fund gets Rs. one lakh (Rs. 40,000) and gratuity

fund Rs. 55,000 (Rs. 25,000). The dividend on equity capital has been raised to 6 per cent, taxable, from 5 per cent, taxable.

W. S. Insulators Earns a Profit

The higher tempo of rural electrification schemes since last year has obviously benefited units, manufacturing conductors, cables, insulators, arrestors and other electrical equipment. W.S. Insulators of India Limited is one of them as its sales in the year ended September 30, 1969 rose sharply to Rs. 154.22 lakhs from Rs. 99.02 lakhs in 1968. The company has orders worth Rs. 2.47 crores, after effecting sales for Rs. 56.57 lakhs in the first four months of the current year. The higher turnover is reflected in a net profit of Rs. 13.42 lakhs, before depreciation, against a loss of Rs. 6.2 lakhs for 1967-68. After providing Rs. 8.22 lakhs (nil) for depreciation, the balance of Rs. 5.20 lakhs has gone to reduce the arrears of depreciation to Rs. 17.63 lakhs. The arrears of preference dividend amount to Rs. 10.20 lakhs.

Statistical Supplement....

INDUSTRIAL PRODUCTION IN 1968 & 1969

Item	Unit	1968		1969	
		Installed Capacity	Production	Installed Capacity	Estimated Production
1. Industrial Machinery					
Sugar Machinery	Rs. Crores	21.00	11.60	21.00	12.00
Cement Machinery	"	23.00	8.18	23.00	10.00
Boilers (Industrial & Power)	"	9.00 + (1.3 mkw)	19.81	9.00 + (1.3 mkw)	22.00
Chemical & Pharmaceuticals	"	12.40	11.00	13.10	13.00
Paper & Pulp	"	6.40	2.71	4.45	3.60
Mining Machinery	"	9.63	2.99	9.63	12.50
Steel Plant Equipment	"	46.00	10.20	46.00	7.00
Construction Machinery	"	5.87	1.05	5.87	0.90
Asbestos Cement Plant	"	2.80	0.47	2.80	0.50
Machine tools	"	51.39	17.22	57.57	19.54
Furnaces	"	4.84	3.07	6.50	3.36
2. Automobiles					
Com. Vehicles	Nos.		35,947		40,000
Jeeps	"		7,790		9,000
Cars	"		35,799		36,000
Motor Cycles	"		31,164		35,000
Scooters	"		39,609		52,250
Mopeds	"		9,104		10,000
3-Wheelers	"		4,727		5,250

Progress of Erection at MFL

The last major foreign vessel for the Rs. 52 crore Madras Fertilizer Project has been erected at the project site at Manali, 18 kilometres outside Madras. The erection of the vessel brings the project to the final phase of the mechanical erection leading to major piping installation.

With this erection, fifty five per cent of the project work has been completed. The project, India's largest fertilizer complex, is being constructed by Chemical Construction Corporation (CHEMICO). The Project will have a 850 t/d capacity Ammonia Plant, 950 t/d Urea Plant and 1250 t/d NPK (Compound Fertilizer) and when completed will serve agricultural needs within a radius of 300 miles around Madras. The Madras Fertilizer Project will form a part of the Petro-chemical complex of Madras.

CHEMICO has been operating in India for over 30 years, and among other things, it has built the Trombay Fertilizer Plant and the Namrup Fertilizer Plant.

Item	Unit	1968		1969	
		Installed Capacity	Production	Installed Capacity	Estimated Production
3. Heavy Electricals					
Electric Motors	Mil. H.P.	2.70	1.91	2.57	2.00
Transformers	Mil KVA	6.00	4.84	6.00	5.00
Starters	Lakhs	2.34	3.53	3.78	4.30
Elec. Steel Sheets	'000 Tonnes	18.00	28.11	18.00	28.00
VIR & PVC Cables	Lakh km.	8.10	3.68	8.83	3.90
ACSR & AAC	000 Tonnes	89.71	64.86	94.83	70.00
Paper Insulated Power Cables	000 km	8.36	2.36	8.36	2.30
PVC Power Cables	"	11.21	11.68	13.69	14.20
4. Heavy Engineering					
Steel Castings	000 Tonnes	137.27	47.20	132.47	43.10
C.I. Castings	"	410.80	175.70	384.50	158.00
C.I. Spun Pipes	"	438.36	133.08	438.36	120.00
Seamless Steel Tubes	"	30.00	24.43	39.60	27.00
Black & Galvanised Tubes	"	409.28	255.50	470.46	300.00
Railway Wagons (4-Wheelers)	000 Nos.	35.20	14.50	30.41	16.00
Steel Structural	000 Tonnes	458.00	141.96	496.00	170.00
Light Engineering					
Sewing Machines	000 Nos.	397.00	423.22	493.00	394.04
Ball & Roller Bearings	Mil. Nos.	12.74	12.09	11.20	13.20
Bicycles	"	2.18	1.95	2.18	1.95
Farm Implements	000 Tonnes	24.48	22.00	25.70	20.00
Electric Fans	Lakhs	14.90	14.66	18.16	15.00
G.L.S. Lamps	Millions	59.35	84.51	77.35	94.00
Storage Batteries	000 No.	747.20	870.47	948.00	1,040.00
Dry Batteries	Millions	379.00	408.54	479.00	460.00
House Service Meters	Lakhs	17.30	13.20	17.36	15.00
6. Others					
Cement	Mil. Tonnes	14.76	11.94	15.56	13.50
Paper & Board	Lakh Tonnes	7.30	6.48	7.30	6.80
Rayon Pulp	000 Tonnes	56.00	55.80	56.00	60.00
Automobile Tyres	Lakh No.	33.43	34.38	33.43	41.00
Bicycle Tyres	Mil. No.	21.57	24.62	21.30	24.00
Soap	Lakh Tonnes	212.70	216.49	212.70	235.00
Detergents	000 Tonnes	30.6	18.7	33.3	21.0
Confectionery	"	40.2	15.9	40.2	9.9
Biscuits	"	36.4 (3 shifts)	61.8	76.3	62.6
Glass & Glassware	"	410.00	250.00	410.00	300.00
Tractors	000 No.	24.50	13.80	24.50	16.00
Diesel Engines (Stationery)	"	62.30	118.50	62.30	125.00
Petrol Engines	"	61.60	23.47	61.60	25.00
Power driven pumps	"	132.5	330.7	132.5	340.0
Detonators	Mil.	104.0	86.1	168.0	108.2
Veg. Tanning of hides	"	4.83	2.84	4.83	2.33
Chrome Tanning of hides	"	1.58	0.80	1.58	0.82
7. Petroleum & Products					
Crude Oil	Mil Tonnes	—	5.85	—	6.72
Refinery Products	"	—	16.10	—	17.50

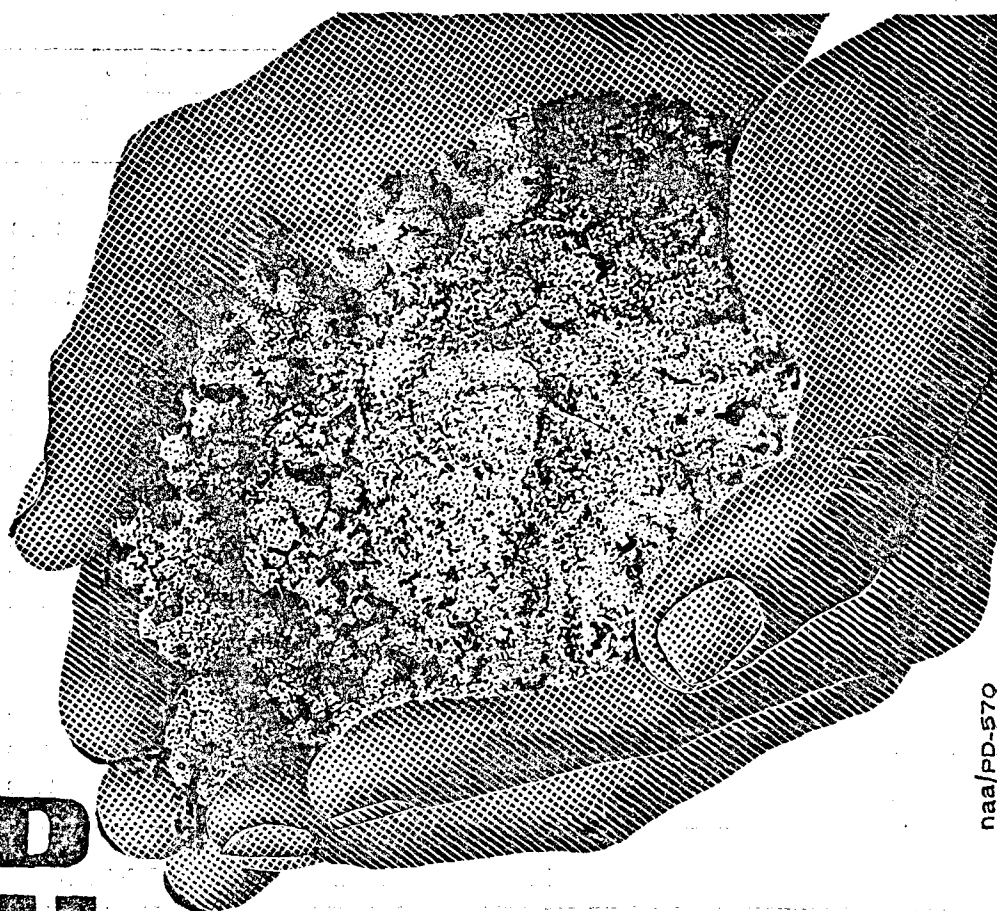
Item	Unit	1968		1969	
		Installed Capacity	Production	Installed Capacity	Estimated Production
8. Others Chemicals					
Caustic Soda	000 Tonnes	367.1	295.3	367.1	337.6
Soda Ash	"	398.8	396.2	434.8	422.0
Sulphuric Acid	"	1,834.8	1,064.1	1,921.2	1,147.5
Alcohol	000 Kl.	312.1	154.0	321.1	225.0
Benzene	000 Tonnes	49.5	31.4	87.3	44.6
Ethylene	"	60.0	12.2	60.0	33.8
Nylon Textile Yarn	"	6.0	5.2	7.6	7.6
Polyester Fibre	"	4.5	4.7	5.0	5.7
Synthetic Rubber	"	30.0	25.2	30.0	24.6
Polyethylene	"	39.1	22.8	39.1	36.0
Polystyrene	"	10.0	6.7	17.5	8.7
PVC Resin	"	24.0	17.6	44.0	34.4
B.H.C.	"	11.8	10.8	17.8	13.3
Amm. Sulphate	"	971.0	528.0	978.0	617.0
Amm. Phosphate	"	188.0	84.0	186.0	85.0
Urea	"	627.0	380.0	1,581.0	650.0
Superphosphate	"	1,023.0	736.0	1,328.0	648.0

PRINCIPAL EXPORTS IN 1968 & 1969

(Rs. Crores)

Item	Unit	1968		1969	
		Quantity	Value	Quantity	Value
Groundnuts	000 Tonnes	20.9	3.26	48.4	10.14
Vegetable Oils	"	47.5	11.94	23.1	4.77
Oilcakes	"	858.9	50.95	713.0	41.97
Tobacco (Raw)	"	52.0	33.0	54.7	33.33
Spices	"	57.3	28.44	36.2	26.90
Raw Cotton	"	35.9	13.29	32.4	13.31
Sugar	"	164.7	21.10	105.7	6.88
Cashew Kernels	"	60.0	57.43	62.7	58.54
Fish	"	23.1	20.20	28.3	31.25
Tea	"	208.0	166.50	168.7	120.54
Coffee	"	28.6	17.60	34.3	20.25
Iron Ore	Mil. Tonnes	15.6	86.48	15.10	87.97
Manganese Ore	"	1.19	12.08	1.21	11.62
Mica	000 Tonnes	22.1	14.15	20.8	14.49
Iron & Steel Scrap	"	508	8.71	445.5	8.71
Cotton Piecegoods (mill made)	Mil. metres	469.8	66.01	413.5	62.43
Artsilk Fabrics	"	15.3	3.01	14.1	2.64
Handloom Fabrics	"	—	8.02	—	11.84
Cotton Yarn	Mil. kg.	17.3	11.43	33.1	23.67
Other Cotton Textiles	"	—	22.20	—	25.28
Coir Yarn & Mfrs.	000 Tonnes	60.5	14.17	52.2	12.92
Jute Mfrs.	"	666.0	212.46	574.0	216.03
Leather Footwear	Mil. Pairs	12.1	8.63	12.1	9.28
E.I. Tanned Hides & Skins	Mil. kg.	20.6	45.45	20.2	51.33
Chrome Tanned	"	9.3	15.12	12.9	25.35
Engineering Goods	"	—	59.09	—	81.96
Handicrafts	"	—	62.48	—	73.39
Iron & Steel	"	—	71.26	—	68.39
Mineral Fuels (including coal)	"	—	11.85	—	10.67
Chemicals & Allied Products	"	—	15.27	—	20.12
Plastics	"	—	2.16	—	4.78
Paper & Boards	"	—	4.62	—	5.11
Total (including others)		1,320.82		1,373.32	

THE GOOD EARTH



naa/pd-570

One of the major problems of the country is self sufficiency in food. The yield of foodgrain in India is hardly 10 quintals/hectare as against 37 quintals/hectare in some of the most advanced countries of the world.

Efficient foodgrain output depends on good seed, irrigation, adoption of improved cultural practices including proper and timely application of fertilizers and pesticides. The Planning and Development Division of FCI has made a significant contribution in helping the farmer to obtain a better yield from his land.

The Agricultural Research Department of the P & D Division backed by highly developed laboratory, glass houses and field facilities carries out extensive fundamental and applied

research in agronomy, soil science, crop physiology, crop improvement, horticulture, plant protection and farm management.

It has charted the soil per every 10 acres in the states of Assam, West Bengal, Bihar, Orissa, Uttar Pradesh and Madhya Pradesh. With the help of its extensive laboratories and mobile soil testing facilities, over 1,00,000 soil samples are tested each year. Thousands of fertilizer demonstration trials and field days are conducted and literature distributed to educate the farmer in the efficient use of fertilizers, high yielding crop varieties, plant protection, irrigation and other cultural practices.

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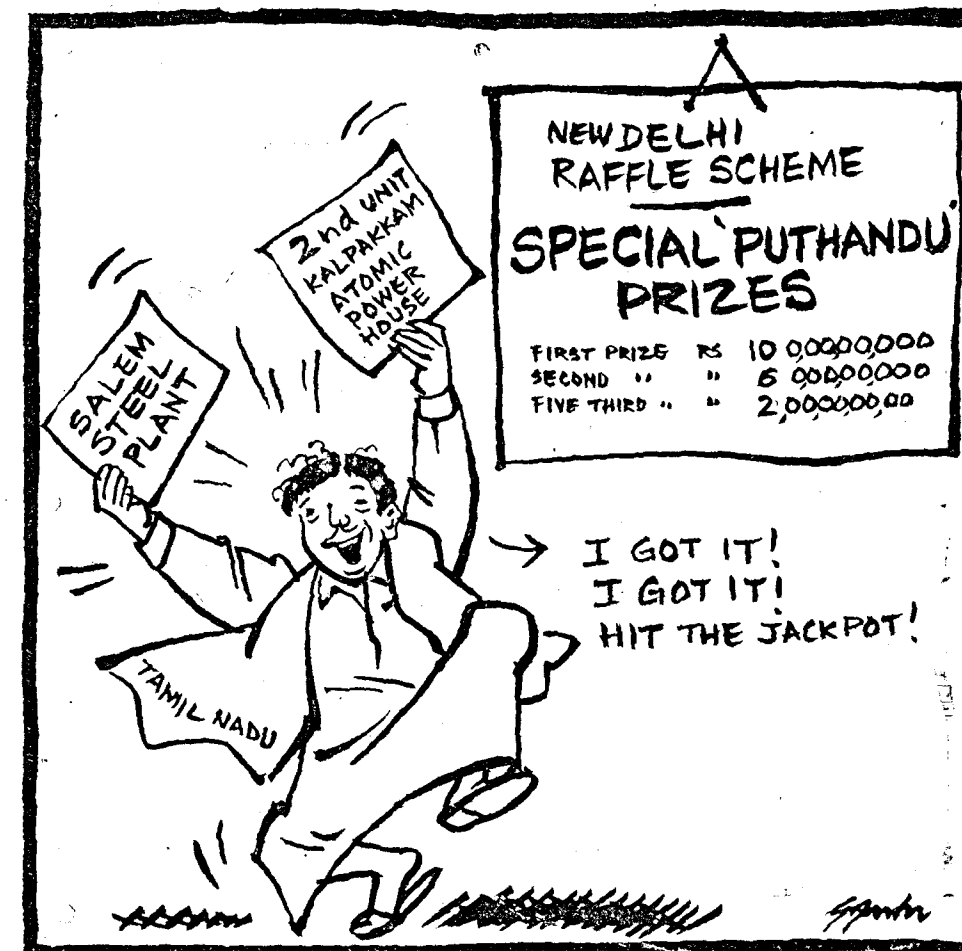
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DELANEY
P.S.

DELAYED DECISION
ON
DEVELOPING STEEL ... 3

Drug Dialectics

Acting on the recommendations of the Tariff Commission, the Government of India has fixed the prices of 17 specified drugs. It has also decided to bring drug formulations within a system of price control. The machinery dealing with price control will also be strengthened and streamlined. The Union Minister for Petroleum and Chemicals has also indicated that a price fixation for all drugs will be announced soon. While any bid to bring down the price level is laudable, attempt to rectify the structure of the industry which itself is largely responsible for a push up in prices, should be made. The Tariff Commission has pointed out that as in many other industries, quite a large number of licences have been issued in the drugs and pharmaceutical industry too for installation and expansion. Many of which, however, have remained dormant. There are also numerous cases where installed capacity has exceeded the licensed capacity. There is no uniform or firm policy at work in this regard. The under-utilisation of capacity for specified basic drugs, poor quality of glass containers, rubber stoppers and aluminium strips, the absence of standardisation and such other matters should be looked into if the cost of production of drugs is to be brought down drastically.



OF COURSE OUR RESERVES ARE IMPROVING— BUT WHERE ARE WE HEADING?

More than anything, the March 1st form only a minute fraction of Indian P-form abolition dramatically spotlighted India's improving foreign reserves. Also a continuing surge in non-traditional exports. But the main exporters are necessarily big, still

Do you have a product with an EXPORT potential?

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industry. And their outgoing products could hardly be called representative of the vast range of quality goods now being made in the country. If India is to export seriously, many more efforts will be needed to motivate the smaller quality manufacturers into entering world markets. As

in Japan, Export Houses will need to work much harder in preparing for the 'big push'. A disquieting feature today is that most recognised Export Houses are exporting products made in their own factories, or of the group to which they belong. Little inclination or enthusiasm is visible for handling the export of products

made by units outside their group. Export House can offer. In an era of increasing competition both at home and abroad, the situation is hardly likely to remain. Manufacturers need to pay far more attention to producing quality—and on time. Inconsistent quality control and default in shipping goods—will not only reduce chances for repeat business from the same customer, it may antagonise a whole country. A lesson bitter experience has already taught many a do-it-yourself Indian Exporter. Also one which the newer entrepreneur could well afford to learn from hearsay.

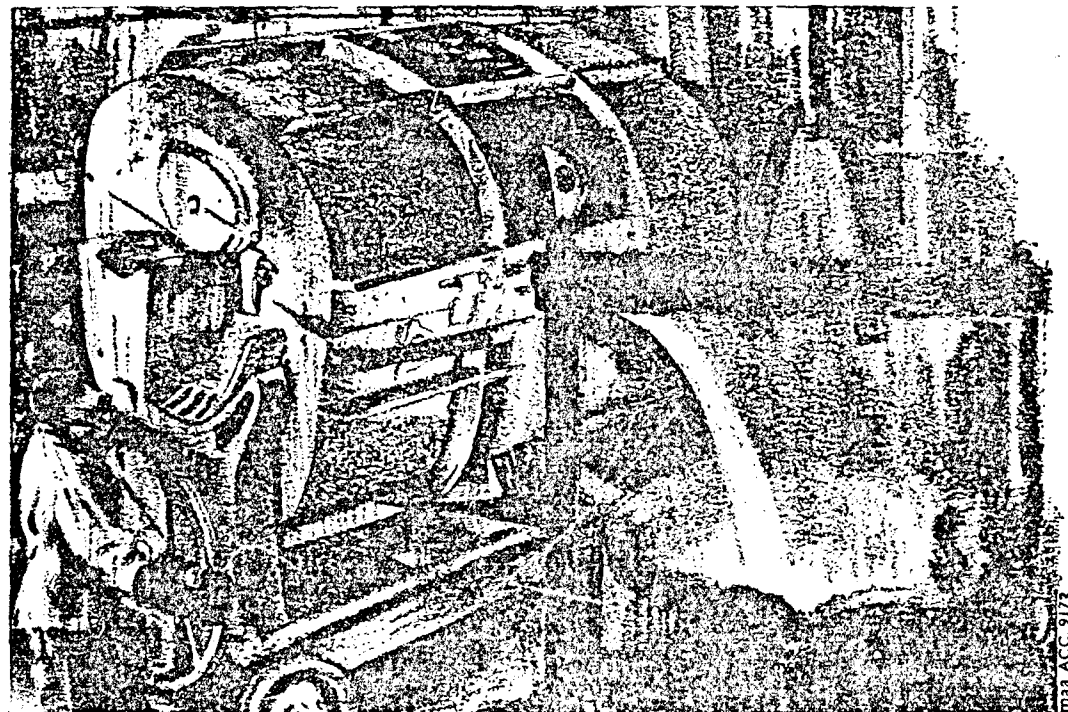
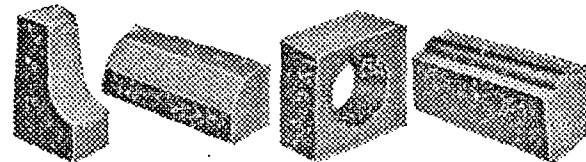
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Delayed Decision in Developing Steel

The announcement of the decision of the Central Government to set up three steel plants in the Southern Region at Salem, Visakhapatnam and Hospet and the observation of Mr. K. C. Pant in the Lok Sabha that there will be a steel plan for fifteen years and that efforts would be made to raise output by one million tonnes every year in the next decade are of great importance for the regional and national economies. For the first time in the Plan era, it has been decided to develop this basic industry on a dispersed basis and it has also been indicated that the claims of other centres will be considered and decisions taken in the light of developing situations and availability of the required plant and machinery from indigenous sources. The Government has, no doubt, taken a step in the right direction, but they have, failed to act in time. It should have been decided long ago to have only conventional steel units with initial capacity of 1.5 million tonnes each so that unnecessary freight charges on the movement of finished products can be eliminated and the opportunity also would be created for promoting engineering industries in different parts of the country. The concentration of steel plants in the eastern region has other

disadvantages too. The developments in the past two years in West Bengal and elsewhere have been detrimental to the interests of the nation and the hold up of operations of the two major steel units and big engineering firms have upset the schedule of construction of many projects and accentuated steel shortages.

The latest move will prevent further concentration of heavy industries in North-east India. It must be pointed out that quicker development of the steel industry would have taken place if only the Government had conceived the Bokaro steel project with an initial capacity of 1.5 million tonnes. The compulsion to spend large amounts even in the first stage and the necessity to take up work immediately on the expansion scheme for increasing capacity to 4 million tonnes have resulted in reduced availability of resources for other sectors and even for erecting other steel plants. The latest announcement of the Government will have real meaning only if it was decided to implement the Bokaro steel project for a capacity of 2.5 million tonnes for some years and make a serious effort to mobilise larger resources for the three steel units. It

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will be possible to augment steel availability only if work on the three plants could be taken up vigorously and production commenced atleast in the early years of the Fifth Plan.

With an allotment of Rs. 110 crores that has now been proposed no headway can be made and it may well happen that the projects will be only in the blue-print stage even by the end of the current Plan period and may not be in full operation before 1980. The force of this argument will be appreciated if it is realised that the cost of a conventional steel plant with an initial capacity of 1.5 million tonnes of ingots will be about Rs. 400 crores and that of an alloy steel plant with a capacity of 5 lakh tonnes to be reached in two stages will be about Rs. 200 crores initially. It would, therefore, be necessary to spend in the aggregate Rs. 1,000 crores and the outlay can be much higher if there was a rise in prices and sizable additions to interest charges, as a result of delayed implementation.

The new schemes can, therefore, get off to a good start only if about Rs. 300 crores can be provided by the Government. Besides it calls for correct planning in regard to the fabrication of plant and machinery by the Heavy Engineering Corporation and other major units. It is needless to point out that the construction of the Hospet and Visakhapatnam plants will not present any serious problems as the ore mines are already well developed in the Hospet area and for the Visakhapatnam plant there is no question of securing materials from new sources as ore from Bailadilla can be brought to Visakhapatnam by the railways and coal imported from West Bengal or Orissa. As rail transport facilities already exist and have only to be improved, the period of construction will necessarily be short unlike in the case of Rourkela or Bhilai where work had to be commenced from scrap and large jungles had to be cleared. As regards Salem, the job can be completed in a much shorter period as the pelletisation plant can be got ready without any difficulty while Neyveli will be in a position to supply the required quantities of lignite if only additional mining machinery can be secured. A consortium of experts has already observed that the Hospet and Visakhapatnam steel plants can operate on a profitable basis while the Salem alloy steel plant will be a success if lignite was used for smelting purposes and electricity was also used on a large scale for subsequent operations. It would be desirable, therefore, to proceed on the basis of a target date of 1975 or 1976 for completing these projects and also plan the layout in a way that future expansion to four million tonnes can be easily achieved in Hospet and Visakhapatnam. Salem may have an initial capacity of 2.5 lakh tonnes of special steel and 5 lakh tonnes in the second stage. It has also been suggested that it can have a capacity of over one million tonnes for producing mild steel. Since the feasibility report by Dastur & Co., and Japanese experts were prepared it has been established that magnetite ores exist in

large quantities in contiguous areas and there will be no problem of feeding large-sized plant with required raw materials as limestone and lignite being available in plenty near the ore mines.

WORLD BANK AID FOR STEEL

The development of the steel industry has obviously to be carried out in a manner which will reduce capital cost and achieve results in the shortest period possible. In this context the reported offer by the World Bank to finance the construction of a steel unit in the public sector will prove to be greatly advantageous as on a closer analysis it will be found that raw materials and components required for fabricating steel making machinery may have to be imported on a large scale. The question is on what basis the World Bank will be prepared to extend assistance. If past experience is any guide it will certainly insist on the purchase of equipment from the cheapest sources and on the adoption of the latest techniques. This approach may be in conflict with the idea of the government to fabricate indigenously steel making machinery and make the best use of the facilities of the Heavy Engineering Corporation and other units. Even here it may be found that certain types of machinery can be produced on a competitive basis and the opportunity for streamlining cost and supplying machinery at world market prices should also be useful in producing equipment for other projects on a similar basis. On an earlier occasion the world bank granted a sizeable loan to Tata Iron & Steel Company for its two million tonne expansion. No serious problem arose then as the bulk of plant and machinery had been imported. The same procedure cannot be adopted now because of the vastly improved capacity of Indian engineering firms to undertake even complicated jobs. It should be possible to arrive at a workable agreement between the World Bank and our government and some part of the aid should be capable of being used within the country. In any case, it will be worthwhile to build an entirely new plant with World Bank aid as a large export trade is being developed in engineering goods as well as steel. In so far as the new steel plant can produce cheap steel which can be used by the engineering industries for export purposes or even being exported directly as steel there can be no objection to the establishment of a new unit on the basis of equipment obtained competitively. This plan may also enable the government to find out how cost will be inflated with a maximisation of indigenous equipment and to what extent these costs can be reduced on capital account and in current operations. As there is an acute shortage of resources in foreign exchange the programme of constructing three new units besides the expansion scheme of Bokaro plant will be considerably hastened if one unit can be erected with World Bank aid and the country's owned resources were released for use in other directions.

A Mildly Reflationary Budget

The British Budget presented to Parliament recently reflects the optimism borne out by current improvements in the country's balance of payments. As the Chancellor of the Exchequer, Mr. Roy Jenkins put it, for two and a half years, a large part of the increase in the national output had to be devoted to additional exports, import replacement and manufacturing investment. For many years the payments position was very weak, but now "it is one of the strongest in the world." The payments surplus was now at an annual rate of £ 550 million on current account and £ 740 million on current and capital account, while the visible surplus in the last nine months was £ 87 million. As a consequence, it was possible for the country to reduce its short term debts abroad to a mere £ 300 million from £ 2,100 million outstanding long ago. To a very large extent, British trade figures follow closely the ups and downs of world trade. World trade is likely to grow less than in the past two years, but it could still grow as fast as in the ten years proceeding 1969. The Chancellor expects that "there should be a satisfactory balance of payments surplus taking into consideration current and long term capital accounts. Current account should be strong during the next 12 to 18 months."

Cut in Import Deposit Rate

It is, therefore, not surprising that the Budget has allowed for an increase in imports to enable Britons to buy more than they did so far from abroad. The rate of import deposit has been reduced, with effect from May 1 to 30 per cent from 40 per cent. The 10 per cent cut should help traditional sellers in the English market, like India. Already the hope is being entertained that Indian textiles will be

particularly benefited, though there can be no certainty on this account because current indications in world markets are that the supplies from India's competitors in the field like Hong Kong, Japan and Pakistan, have been able to achieve a bigger headway. The reduction of the rate of import deposit has only provided the opportunity; maximisation of the benefits from it will depend very much on the ability of Indian sellers to improve the competitiveness of their wares. At the same time there is no room for the illusion that British trade restrictions have disappeared or are likely to disappear in the wake of the large payments surplus. The Chancellor has made clear that the existing exchange control arrangements affecting overseas investment will be maintained intact.

Wage-Push Inflation

Indeed he is very much worried over the wage-push inflation that has been building up of late. The advantages from the payments surplus are to be restricted consequently to provide for tax and other concessions of an aggregate £ 200 million (in a full year) which will assure a mild dose of reflation against the credit squeeze of previous years. It is expected that the reflation will have helped a 3½ per cent growth rate which would suffice to absorb a good number of the unemployed. This is a presumption which does not hold out any convincing possibilities. In fact, 1970 began in England with a general wage like of 10 per cent, despite a good deal of talk about liddling wage explosion. Obviously, the Wilson Government was unable to stem the wage demands; which means that they are likely to display similar inability in respect of further demands for increases in wages which are in the offing. It will

be futile for any government to succumb to such claims. As British commentators have been saying, it is not a question of party politics any longer: If wage explosions are not to wreck British prosperity just when it is showing signs of resilient expansion, Labour and Conservative party leaders should do their utmost to curb wage ambitions of trade unions which the economy cannot afford to translate into action.

Budget—Aware of the Need

It has to be stated to the credit of the Labour Government that its recent Budget displays an awareness of this need. Personal allowances i.e. amounts deductible for income tax purposes, have been enlarged for the benefit of those at the lower end of the wagescale. The Budget says: "There will be an increase in the age exemption income limits beyond what is necessary to reflect a full year's increase in the national Insurance Retirement Pensions. The limits will be raised to £ 475 for single persons and £ 740 for married couples. The tax liability of elderly persons with incomes somewhat above the exemption limits will be limited to 50 per cent of the income in excess of the limit, instead of the present 45 per cent. This will free about 100,000 elderly people from the tax and will reduce the liability of about 300,000 more." The dependant's income limit for the full dependent relative allowance for 1970-71 is to be increased from £ 245 to £ 260. Persons with sur-taxable income not exceeding £ 2,500 will be exempted from surtax. This will benefit 185,000 persons. The single allowance, for income tax, is to go up to £ 325 i.e. by £ 75; the married allowance by £ 90 to £ 465. Nearly two million people will benefit from the raising of the tax threshold which will be—for an individual to £ 418 from £ 328 (maximum benefit £ 21 per year) and for a married man with two young children from £ 724 to £ 840 (maxi-

mum benefit £ 27 per year). Eleven million married men paying tax at the standard rate will each benefit by £ 7 sh. 17 d. 6 and 4 million other taxpayers will benefit by more than that.

There can be no exaggeration of the benefits. In fact the reflation being ordered by Mr. Jenkins is much too mild. The two million beneficiaries at the lower end of the wage scale will

lose their benefits once their wages cross, as they should, their present levels through the inevitable upward revision of wage scales which the Government is fighting against but which cannot be resisted successfully. That is why British critics of the budget have been saying that the budget has not made it any easy for Labour M.P.s with marginal seats to keep their seats. Besides Britain is still far too weak to do without controls, though

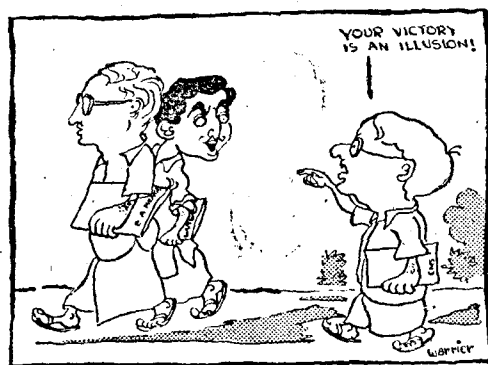
the lowering of the Bank Rate to 7 per cent should help investments marginally. The purchase tax and the selective employment tax are to continue as before and even monetary policy is likely to tighten the screw by one or two more turns, if inflation goes beyond what are deemed at present to be manageable dimensions. In short the present British Budget is more the instrument of the economist than of the politician.

I believe

I believe that the failure of the Constitution Amendment Bill to end the privileges of I.C.S. officers to obtain the requisite majority is a warning of what could happen to crucial proposals if the members of the Legislature are not able to ensure that their will to do something is not spontaneously supported by the requisite action. In the present case, the number of members to be present had to be 50 per cent of the strength of the Lok Sabha, i.e. 263. Actual attendance was only 235 of which 213 voted for the Bill, 21 against it and one member abstained. Those for the Bill comprised 136 from Ruling Congress, 14 from Organisation Congress, 14 from the D.M.K., 10 from the C.P.I. (Marxist), 13 from the other Communist Party, 17 from the S.S.P. 10 from the P.S.P. 5 from UIPG, 2 from B.K.D. and 1 Independent, while their respective strength in the Lok Sabha is 220, 64, 25, 19, 24, 17, 16, 25, 9 and 25.

Except the S.S.P. which mustered all its members, the other parties had in many cases less than half their membership present at the time of voting. Except the Jan Sangh which was neutral, the two Congresses as well as the leftists had been always making clear that they would vote for the Bill. Mr. Y. B. Chavan, Union Home Minis-

ter had expressed that, as a matter of principle, the Government was supporting the Bill, though the persons to be covered by it numbered a mere 106 most of whom would be retiring in about seven or eight years. Indeed the reformists in the House had been making much of the fact that in the evolving socialistic society, no privilege was sacrosanct and no rights will be recognised which were in the nature of an unequal advantage to any group of persons, however small or big that group could be. In fact, in obedience to these sentiments, the Government



"The impression that CPI(M) has lost its hold in Kerala is illusory; in fact the recent by-elections have shown that CPI(M) is still the strongest party"—EMS.

had brought in the measure; yet in the absence of preparatory homework, the Bill fell through even though it was believed that 450 members were actually in the Capital at that time.

The failure of this Bill was under circumstances similar to those that obtained at the time of the voting on the 17th Amendment. Both these fell through despite their obtaining the requisite two-thirds majority of members present, because they could not get the 50 per cent majority of the total membership of the House. In the present case, one is tempted to speculate whether the absence of many members of the House was due to the fact that they were feeling uncomfortable about having to support a measure which was seeking, for whatever reason, to make of past guarantees "a mere scrap of paper." They could not oppose the measure when the wind was blowing all the time in favour of socialism and socialism interpreted as annulment of privilege. If that be the case, all the furore over I.C.S. privilege would be deemed to be merely a sort of gimmicks by political cynics. The Government need not have to resign over this flop because the Bill under reference is not of the type of a Money Bill. But one can be pardoned if he jibes that, if reform of the future is to appear genuine in intention, reformists will, therefore, do well to ensure that the gap is never too large if hopes and realities are, as they insist, should be as evenly matched as will be feasible under the circumstances. —Horace

INDUSTRIAL ECONOMIST

On Aid and Economic Development

A section of the Asian Press has reported an interesting discussion between World Bank President Robert McNamara and Mr. Takeshi Watanabe, President of the Asian Development Bank. Mr. McNamara has emphasised the fact that the World Bank has been lending more in Asia than in any other continent. The reason is that Asia contains the largest population and the weakest economies. It is, therefore, gratifying that the World Bank is proposing to double the level of its aid in Asia between 1969 and 1973. It may be recalled that in 1969, such aid stood at \$ 800 million, which was itself twice the level of such assistance in 1968.

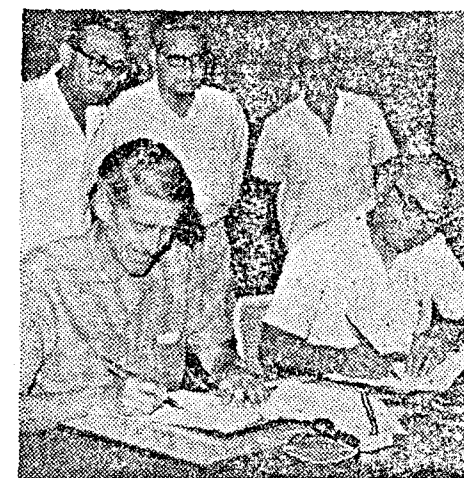
Unjustified Criticism

An important point made by Mr. McNamara was that most of the criticism of the "tardy" economic growth of developing countries in the First Development Decade that has just ended was unjustified. Says Mr. McNamara: "The major objective of the Development Decade was the achievement of a 5 per cent rate of growth in gross national product in the developing countries. And that objective was achieved. It was a major accomplishment in my opinion. At no similar stage in the development of the industrialised nations of the world did they achieve as high a rate of growth as that. The developing countries did so in the 1960." While all this looks, no doubt, creditable the fallacy of this argument is that the tenor of industrialisation required in the late 18th and early 19th centuries was of an entirely different character as compared with that of the current century. The benefits of the growth rate in the 1960s were so unequally distributed and the dominance of the economic results of India and Pakistan so large that it is not the successes in some

areas of Asia but the failures in most others to hit the 5 per cent growth rate that matter.

It will be uncharitable to imply that the World Bank President was totally overlooking this point. On the contrary, while calling for more strenuous efforts in the 1970s, he did not mince words while speaking of the continuing economic backwardness of Asia. He had referred to the continuing intolerable living conditions characterised by malnutrition, illiteracy and unemployment and warned, that unless growth rates were raised and the three evils listed above were tackled more competently, Asian economic development will not have made any mark on Asian poverty.

INDO-CANADIAN INDUSTRIAL COMMODITY LOAN AGREEMENT



Canada will provide Rs. 11.8 crores (Canadian Dollars 17 million) to be used by Indian industry for the import of Canadian industrial commodities. Picture shows Mr. James George, High Commissioner for Canada (left) and Dr. I. G. Patel, Secretary, Department of Economic Affairs, Ministry of Finance, Government of India, signing in New Delhi on April 22, 1970 the India-Canada industrial commodity loan agreement.

Disparities in Economic Needs

While outlining the strategy for the 'seventies, Mr. Watanabe, A.D.B.'s President, said that it will have to take count of the disparities in economic needs and development among Asian countries. There were some requiring special emphasis on agriculture and others requiring industrial or infra-structural development. The A.D.B. can keep its ears close to the earth as a regional bank. Its role will be similar to that of a family doctor who can carry on efficiently upto a point, but who will require the assistance of a specialist from the city—here the World Bank—to deal with exceptional situations. That the A.D.B. has a bright future before it, is obvious from the fact that Mr. Watanabe expects that what was possible for Japan after the Second World War should be possible for others. Incidentally, he made pointed reference here to Thailand, Korea, Malaysia, Singapore and the Republic of China—countries which have export-oriented economies and which seek to earn that way the foreign exchange for their developmental and maintenance imports.

Decline in Flow of Aid

On the question of aid, the discussion reiterated what has been obvious to many. The flow of aid from the rich countries to the poor countries, in relation to the gross national product of the former, has declined in the past 10 years. But there is room for hope that the upturn may not be far away. Partly as a result of the Pearson Commission's report and partly because of other pressures, the upturn seems incapable of any further postponement. Since the publication of the Commission's report in October 1969, a number of developed countries have announced increases in their aid programmes. The United Kingdom has said that it will increase its aid in each of the next three years: West German Chancellor, Herr

Brandt, has publicly stated that his country will increase its aid by an average of 11 per cent a year. The King of Norway has announced that his country will triple its aid between 1968 and 1973. The Prime Minister of Japan has stated that in the near future, Japan will double its aid. It is also very welcome that not only more aid will be forthcoming, but the share of untied assistance in the aggregate will also be much larger than now.

Problem of Servicing Debts

But the debt problem of the recipients has in the meanwhile, become quite serious. Between 1957 and 1967, the external debt of the developing nations has quadrupled and the cost of servicing this debt has been going up by 17 per cent a year, while the export earnings of developing countries have been going up only by about 5 or 6 per cent per annum. It is because of this, concessional aid has become the most welcome form of assistance. I.D.A. replenishments which seem to be coming in as promised,

hold out high hopes in this regard. Making loans at concessional rates is only one way of avoiding further debt accumulation. Another question that must be faced is how to deal with past debts, especially because in the case of some countries, net assistance after repayments is getting to be a nil or minus figure. There has to be a segregation of the problem according as it relates to short term or long term debts. In the former case, even though the pinch is great now, relief is certain over the future. In the case of long term debts, however, bilateral arrangements cannot at all solve the problem as has been suggested in some quarters; what is wanted here is, on the contrary, international action for rescheduling debts and scaling down interest charges. Much has been spoken on this. No positive action has been forthcoming so far. Is it because the misery is not quite oppressive now or because the borderline between debt that is repayable and debt that will only be repudiated has not been reached? Some close thoughts deserve to be devoted to identifying and applying the requisite

solutions, particularly because an explosive debt situation can become the seedbed of power politics, international intrigue and conflicts.

Very Little Reference to India

In most of the discussion, there has been very little reference to India. There is a belief that India is outside the South-East Asia bloc, because of its geographical location and its faster economic growth. Historical experience of the past has been such as to indicate that the Japanese are more interested in building their image in South-east Asian countries. Japan's dreams of a co-prosperity sphere in Asia have not disappeared even now, when one recalls how India had been kept out of some of South-East Asian conferences. It is hoped that such reservations will end soon, as otherwise regional economic co-operation in Asia will be a Big Man's show, of interest only to the Big Man from Tokyo and Asian economic development sans Indian association with it will only lead to needless political and economic tensions. —S.R.

Corporations' Claim for more Resources

The conference of the All-India Council of Mayors which was inaugurated by Sardar Ujjal Singh, the Governor of Madras, put forward a claim on behalf of the municipalities to a number of taxes ranging from the urban land tax and entertainment taxes, octroi duties and tax on advertisement other than those of newspapers. The claim is based not only on the growing needs of all urban areas particularly those of the big city corporations but also on the alleged local origin of these taxes. There can be no doubt that larger and larger resources are a stark necessity for the municipalities. And some apparently differential

treatment of urban and rural areas is inevitable, though many popular politicians seem to promote the idea that the cities are a parasitic growth feeding on the wealth of the rural population. It is only in very recent times that the myth of higher tax burdens for the villages has been dispelled. Nevertheless, there must be more appreciation of the fact that not only are the cities an important source of national income but also the centre of attraction for the villages. Provision of adequate water supply and other facilities for the cities must be made regardless of the efforts that might be required as those of Bhagi-

ratha as Mr. Karunanidhi aptly pointed out at the conference. But all these would not justify the allocation of tax heads and absolute freedom to raise the rates. The municipalities have no qualms about piling more burdens on those who are easy to fleece; for instance the urban land tax comes on top of a house tax which is an onerous burden and may be unbearable in the case of houses which are rented out by the owners. The octroi duties are both heavy and annoying and are a pain in the neck for road transport operators who have made a demand for its abolition. The need today is for system of financial devolution which will put the emphasis on the quantum of resources rather than the right to tax and will not widen the door to oppressive and invidious increases. —PRS

Pointer to Revolution Against Disorder

The electoral triumph of Mr. C. Achutha Menon, the Chief Minister of Kerala in the by-election from the Kottarakara constituency was one that was confidently predicted not only by his close associates but also by impartial observers of the political scenes in that part of the country. His nearest rival, Mr. Sankaranarayanan Nair, an Independent strongly supported by the Marxist Party and a number of its allies among the numerous splinter groups in Kerala politics, did not secure more than about a half of the votes cast for the Chief Minister. The votes cast in favour of the other candidates may throw some light on the shifting allegiances of influential people in the locality. Kottarakara being the most crucial of the by-election in Kerala, the Chief Minister's success, which has a high prestige value, may be said to clear up the future politics of the State. Even before the contest was on, Mr. Achutha Menon was fairly sure of being able to strengthen the position of the mini-front ministry as may be seen from his statement at a press conference in New Delhi that the PSP would be joining the Kerala Government. He has been careful to convey the impression that, if he expands the Kerala Ministry, it will be more because of the burden of work which each minister has now to carry than because of the anxiety to strengthen the political base of his cabinet through alliances with other groups. He has good reasons to make such a statement because he has come to an understanding with the new Congress for the support of his Ministry without its seeking a quid pro quo in ministerial jobs, while at the same time the new Congress has an understanding with the CPI which does not amount to a political alliance.

INDUSTRIAL ECONOMIST

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Mr. Achutha Menon's vigorous plea for progress with the Cochin Shipyard also indicates his expectation of continuance in office and in his application to the problems of his State. The success of the New Congress candidate in the Nilambur constituency, even like Mr. Menon's Kottarakara, though to a lesser extent, points to a revolution against those responsible for the regrettable law and order situation in Kerala.

Mannargudi—A Drab Affair

The State Political Conference of the New Congress's Tamil Nadu Committee was a somewhat drab affair in spite of the fulmination against the stalwarts of the Old Congress freely indulged in by the Congress President, Mr. Jagjivan Ram, the Prime Minister herself and Mr. R. V. Swaminathan, the President of the New Congress in Tamil Nadu. Very little political advantage was derived from the Prime Minister's dramatic announcement of the Centre's decision to set up the next three steel units in Salem, Hospet and Visakhapatnam. In spite of Mrs. Gandhi's spirited diavowals, its political motivation was too obvious to be missed by the public or easily erased by the supporters of the New Congress. What is more important, the D.M.K. is strong enough and has sufficient political astuteness to claim the Salem plant as a significant victory for itself than as the gains of political bargain. The fact is that the split in the Congress has tended to make every party and every leader, politically two-faced, seeking strength from one group while promising support to another on the other side. The growth of the D.M.K.'s political power can understandably irk the Tamil Nadu Congress President than the leaders at the all-India level who are conscious of the hold of the Old Congress leaders in this part of

the country and of the consequent wisdom of conserving their strength for the fight on more favourable grounds elsewhere. But Mr. Jagjivan Ram has no reason for singling out Mr. Kamaraj for his more venomous attack. On the other hand he might well aim to bring down two birds at one stroke since a charge of working against the scheduled caste would be in the interest both of his faction in the Congress and his community in the country at large. Mr. Ram knows only too well that after more than two decades after independence and special privileges, his pleas for his community will tend to lose its emotional appeal and that no opportunity should be missed for keeping these questions in the forefront. But how exactly the New Congress will fill the role of a national party is by no means clear. Mr. R. V. Swaminathan would for his part, invite with open arms all the socialist-minded parties who, according to him, must see in the Old Congress the defender of the interests of the rich and the propertied classes. More to the point, so far as he is concerned his allegation against the D.M.K. is that it has fallen into the "octopus clutches" of the reactionary forces. According to him the people of Tamil Nadu have been greatly disappointed by the performance of the D.M.K. Government. As for the Prime Minister, she sees great political advantage for the present in the disavowal of all intentions to topple State Governments and affirmation of the readiness of the Centre to treat them all alike regardless of their political complexion.

Towards a Need-based Wage?

The appointments of a five-member Pay Commission under the Chairmanship of Mr. Raghubir Dayal, a former judge of the Supreme Court to go into the salaries and emoluments of all classes of Central Government employees is a necessary step taken in good time. Thanks to the vigorous action of the Home Minister at the time of the general strike of September 1968 has

been followed by nearly two years of calm. But many of the basic issues have remained unsettled, as for instance, the question of need-based wage and compensation for every 10 point rise in the cost of living. The Government of India has given the new commission the widest scope of enquiry and brought all classes of Government employees including the Railways, the Post and Telegraphs and even the armed forces within its purview. In the discussion in the Lok Sabha following the break-down of the general strike and the amnesty to the strikers, the Government laid due emphasis on its capacity to pay and to the claims of planned economic development on the available resources of the nation. These points are re-emphasised in the present context. The commission is faced with no easy task. But it has the advantage of a more mellowed outlook on the part of the Government employees.

Presidential Powers

Careful observers of political events and trends in this country will feel

sorely disappointed at the discussions in the recent New Delhi seminar on the relative powers of the President and the Central Cabinet. According to available reports, the eminent jurists and national leaders who participated in the seminar are of the view that the balance of powers inclined in favour of the Government rather than of the President. It is difficult to dissent from this view so far as the questions on which the President is required to act in accordance with the advice of his Council of Ministers. But once the right of the cabinet to remain in office is brought into question, the right of the ministers to determine the actions of the President for such continuance or the return to office arises. The problem cannot be viewed as one of the relative rights of the Government and the President. On his assumption of office as head of the State the President is sworn in to protect, preserve and defend the Constitution. Once the cabinet is defeated in the legislature, it is under a constitutional obligation to resign. And resign, it must. And once it is out of office, it

cannot conceivably have any rights to ask the President to prorogue or dissolve the legislatures. On these questions, the President is entitled to his judgment. To any error on his part, the legislature has in its hands the power of applying the necessary correctives, by voting a new ministry out of office or even of impeaching the President, if his action is not considered to be *bona fide*. Whether or not the omission is considered unfortunate, the fact is that there is no provision in the constitution for President's rule at the Centre as there is in the case of the States. Strangely enough the omission is deemed to have been caused by the fear that any provision may open the door to a dictatorship. But no one can question the right of the President on the defeat of a Ministry in Parliament of obtaining the resignation of the cabinet to explore the chances of a rival party or group of parties running the Government before dissolving Parliament and ordering fresh elections. A Central Government with scant respect for the spirit of the constitution is a far graver danger to democracy than a President conscious of his powers under the constitution.

A Button for Birth Control

And now the newest weapon against overpopulation. A button? On April 22 more than 100,000 persons in the United States wore a button prominently proclaiming: "Stop at Two." Jockesters may ask—"Two A.M. or two P.M.?"—but the button's message simply seeks to convince American families that they should have no more than two children. Campaigning by buttons is not new in the United States. In 1968—the last Presidential election year—more than 200 million buttons advertising candidates of all parties were sold. Yet it remained for a volunteer group—AVS, or the Association for Voluntary Sterilization—to come up with a button slogan aimed at stabilising the U.S. population at about its present level—204 million.

INDUSTRIAL ECONOMIST

Steady Growth of Fertilizer and Chemical Industries

Fifteen factories, eight in public sector and seven in private sector, with an installed capacity of 1,344 million tonnes for nitrogenous fertilizers were in production during 1969-70. In addition, eight projects (seven in public sector and one in private sector) with a total capacity of 1.21 million tonnes of nitrogen were under implementation. Another 12 projects (four under public or cooperative sector and eight in private sector) with a total capacity of 2.146 million tonnes of nitrogen, though approved in principle, were to be firmed up yet. Phosphatic fertilizers are produced along with nitrogen fertilizers in most cases. The installed capacity of these fertilizers was 0.421 million tonnes and on additional 0.423 million tonnes was under implementation. Giving the above details, the Annual Report of the Department of Petroleum and Chemicals points out that the Fertilizer Corporation of India had 5 operating units and 4 units were under construction. It has been entrusted with the execution of another four projects also, at Talcher, Ramagundam, Korba and Trombay expansion.

Coal-based Plants

The fertilizer projects at Talcher (Orissa), Ramagundam (Andhra Pradesh) and Korba (Madhya Pradesh) are to use coal as raw material. Each of these projects is likely to cost Rs. 70 crores, and is designed to produce 2,28,000 tonnes of nitrogen. While Talcher and Ramagundam projects will be using 9,68,000 tonnes of coal per annum, Korba will consume about 8,35,000 tonnes of coal. Preliminary steps are being taken to implement Talcher and Ramagundam projects while the phasing of Korba project is under consideration.

The work at Madras Fertilizers Ltd., a joint venture of the Government of India and M/s. Amoco India incorporated USA, is in progress and the project is likely to go into production in 1970-71. It will manufacture ammonia, urea and

complex fertilizers and will have a capacity of 1,90,000 tonnes of nitrogen and 80,000 tonnes of phosphates.

Much Less than Installed Capacity

The chemical industry maintained steady progress in 1969-70. Though the total licensed capacity for sulphuric acid is 32,00,000 tonnes, the installed capacity was only 19,21,150 tonnes and only about 12 lakh tonnes of sulphuric acid was produced during 1969-70. The under-utilisation of installed capacity was due to poor off-take of single superphosphate which utilises the major portion of the sulphuric acid produced in the country. Since there are no commercially exploitable sources of elemental sulphur in the country, exploitation of pyrites and sulphurous gases of non-ferrous metals plants has, therefore, been undertaken to produce sulphur. During 1969, the zinc smelters at Alwaye and Udaipur produced 44,000 tonnes of sulphuric acid and Sindri produced 10,000 tonnes.

The production of soda ash during the year showed an increase of about 7 per cent over that of the previous year. Production in 1969 is estimated at 4,21,972 tonnes.

The production of caustic soda went up by about 14 per cent in 1969. About 3,37,827 tonnes of it was produced in the year. Licences/letters of intent for additional capacity of 1,05,687 tonnes per year have been issued.

The production of Caustic potash was curtailed due to accumulation of stocks but production of potassium carbonate was steady and was maintained at the level of demand.

The production of soap in 1969 by the organised large scale sector is estimated at 2,46,060 tonnes against 2,16,494 tonnes in 1968. The import of substantial quantities of tallow arranged through STC helped this sector not only to maintain progress of production of soaps but also to keep the soap prices down in spite of a steep rise in the prices of indigenous oils.

Synthetic Detergents

The manufacture of synthetic detergents is being encouraged with a view to release vegetable oils for edible purposes, to reduce the import of hard fats and oils, and to offer an acceptable alternative to consumers who have sentimental objections to the use of soap made of animal tallow. As a result of sales promotion methods adopted by the detergent manufacturers, a higher trend of detergent production was observed during the year. Production during 1969 is estimated at 23,190 tonnes against 17,759 tonnes in 1968.

Pesticides

While the production of pesticidal chemicals like BHC, DDT, etc., increased in 1969, there was reduced production of the inorganic pesticides that use scarce imported non-ferrous metals. Proposals for manufacture of certain other sophisticated pesticides are under scrutiny.

Drugs and Pharmaceuticals

The trend of increase in production of drugs and pharmaceuticals was maintained in 1969. Substantial increase was registered in the production of items like penicillin, streptomycin and amphotricin, all belonging to the group of antibiotics; synthetic oral anti-diabetic drugs like chlorpropamide; anti-pyretics, analgesics like aspirin, paracetamol; anti-TB drugs like PAS and its salts; synthetic hormones, sulpha drugs; and vitamins.

Although the Antibiotics Plant of Indian Drugs & Pharmaceuticals Ltd., at Rishikesh was commissioned in 1968, it had run into difficulties. The project is now getting over these difficulties. The Synthetic Drugs Project at Hyderabad has achieved stable production in respect of seven drugs. In order to improve the utilisation of the Surgical Instruments Plant at Madras, a diversification programme is being drawn up to include better saleable instruments in its product-mix.

Banks Asked to Branch Out Fast

The Reserve Bank of India at a meeting of bankers held recently at Bombay, reviewed the progress of the Lead Bank Scheme under which the districts in the country have been allotted to public sector banks and a few private banks where they are required to take a leading role in the development of banking. The first step in putting the scheme to work is a survey of the districts to collect relevant information on the economy of a district to enable the banks to plan the opening of new branches and frame policies suitable to the requirements of each district. The Reserve Bank desired that the surveys should be quick. While the lead bank surveys should help cover a district both extensively and intensively with banking and credit facilities, it has made clear that

pending completion of these surveys, banks should proceed with the opening of the branches as programmed. The Reserve Bank also drew attention to the extreme urgency of branch opening on a large scale to assist deposit mobilisation and dispensation of credit and wanted greater efforts to be put in to realise the target set for the year 1970, viz., opening of 1,350 offices, of which 1,186 are to be in unbanked centres. As against this target, on the basis of advices so far received, 375 offices (including 291 in unbanked centres) have been opened by banks upto March 31, 1970. While the opening of branches was considered satisfactory, the urgency for putting in more sustained efforts to achieve and exceed the target has been stressed by the Reserve Bank.

Food Situation Continues to be Comfortable

According to the latest indications, the total production of foodgrains during 1970 is expected to be around 100 million tonnes which will be the highest on record. The Annual Report of the Union Department of Food for 1969-70 confirmed that the food situation in the country continued to be comfortable for the third year in succession. The increased level of production had brought about a large measure of stability on the food front.

Price Fluctuations Normal

During 1969, market availability of foodgrains remained generally easy and the seasonal fluctuations in their prices were, by and large, normal. Internal procurement of foodgrains

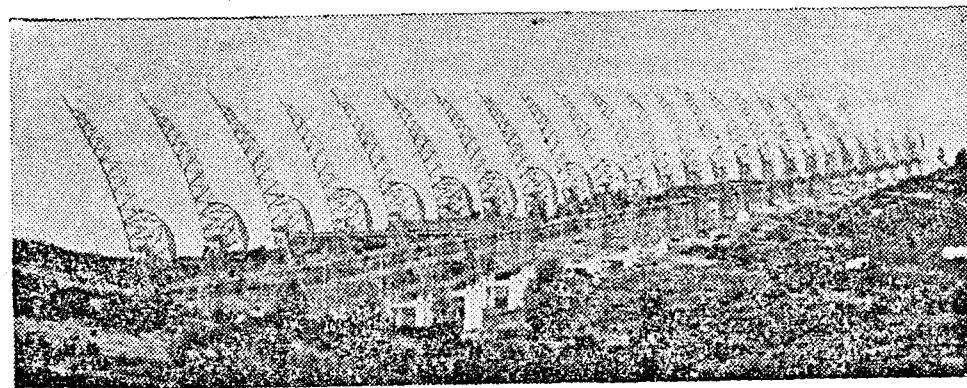
crossed the 6 million mark for the second year in succession while imports of foodgrains reduced further from 5.7 million tonnes in 1968 to 3.9 million tonnes. The off-take from the public distribution system declined from 10.4 million tonnes in 1968 to 9.6 million tonnes. Government plans for building up a buffer stock made further progress, the total stocks with the Government having gone up from 3.9 million tonnes at the end of 1968 to 4.4 million tonnes at the end of 1969. Considering the general improvement in the availability of foodgrains and the increase in Government stocks, restrictions on the movement and distribution of foodgrains were further relaxed.

Ooty Radio Telescope More Sensitive than Jodrell

The largest cylindrical radio telescope at Ootacamund has just been completed and is now in operation. Set up by the Atomic Energy Commission under the aegis of the Tata Institute of Fundamental Research, Bombay, it is one of the largest and most powerful telescopes in the world. It is intended for observation of radio waves emitted by the sun, the moon, the planets and particularly the very distant galaxies in the universe. As a result of its unique design, which uses fully the location of India near the geographic equator, its cost is very much lower

than that of the radio telescopes in the world of comparable sensitivity and steerability. The facilities of this instrument will be available to all interested groups in various universities and other educational institutions in India.

The Ooty radio telescope is 530 metres long and 30 metres wide. Its sensitivity is about four times that of the famous Jodrell Bank radio telescope, whose diameter is 250 feet. It is expected that this will place India in a leading position in the field of radio astronomy and astrophysics.



A view of the Ooty radio telescope pointing towards western horizon. When the telescope is rotated, top ends of the frames come down and touch the ground

Role of Food Corporation

The Food Corporation of India, which was set up with the object of securing a commanding position in the foodgrains trade, is now playing a dominant role in purchase, storage and distribution of foodgrains in the country. The Corporation played a commendable role during the year in respect of the purchase, movement and storage of the bumper wheat harvest in Punjab and Haryana. The storage capacity under the F.C.I. at the end of February 1970 stood at 27.76 lakh tonnes. In addition, the Corporation also hired accommodation of about 27.86 lakh tonnes making the total availability to the order of about 56 lakh tonnes. Godowns of about 4.3 lakh capacity are, at present, under construction and a further programme of construction of 6.25 lakh tonnes capacity is expected to be completed during 1970-71. Another noteworthy programme of the Corporation is the installation of 24 modern rice mills in the country.

Sugar Production Up

There was a marked improvement in the sugar position following record production of 35.59 lakh tonnes in 1968-69 which was 13.11 lakh tonnes higher than the previous year's level. During 1969-70 the production of sugar is expected to reach 42 lakh tonnes and it is hoped that 7 new sugar factories are likely to go up in 1970 and some of the existing factories would go through their completion programme.

As for the vanaspati industry, consequent on partial delicensing of the vanaspati industry in September 1939, 46 applications for registration were received during 1969-33 for installation of new factories and 13 for expansion of the existing units, for a total additional capacity of 6.17 lakh tonnes per year. Registration formalities were completed in 16 cases and the rest are under examination.

INDUSTRIAL ECONOMIST

The Wall Street Slump

The slump in Wall Street on April 27 and 28, when the Dow Jones index touched the lowest levels for 7 years gave rise to the fears that there might be a repetition of the recession of 1963 and with inflation and high taxes corporate units might not be able to earn satisfactory profits. These fears have been responsible for a heavy sell out of stocks by individual investors in the past few months and, in fact, President Nixon had been appealed to those having surplus resources to invest them in industrial scripts.

Exaggerated Apprehension

The big drop in prices had its impact in London, Tokyo, Hong Kong and other centres and many were wondering whether the setback in Wall Street was due to political considerations or apprehensions about a slowing down

Aluminium Industry

High Cost of Creating Capacity

Mr. H. V. R. Iengar's observations at the annual meeting of the shareholders of Indian Aluminium Company Limited are thought-provoking. They highlight the difficulties that may be experienced by the existing and new industrial units proceeding to implement new schemes or undertake replacement of worn-out plant and machinery on account of rising capital costs. The problem arising out of inflationary conditions within the country and all over the world is brought out forcefully by the fact that for creating a capacity of 42,000 tonnes of virgin metal over a long period, Indian Aluminium incurred a capital expenditure of Rs. 30 crores. But for implementing the first stage of the West Coast project, an outlay of Rs. 43 crores has been made and the capital cost per tonne of integrated capacity works out to Rs. 14,000 against Rs. 7,000 in earlier years.

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in economic activity. It should be said, however, that the fears of a world recession have been exaggerated and the pundits in Wall Street have pushed down prices because of a feeling that profit margins would be affected by higher costs and taxes if their country got involved in West Asia and Cambodia while efforts were being made to reduce commitments in Vietnam.

Explosive Situation

The national political situation is undoubtedly explosive, but one hopes that the big powers will be sober enough not to risk a major war. The clouds are bound to lift in a short period and it is reasonable to expect that world trade will be maintained at a high level. It is not, therefore, correct to say that memories of 1929 have been revived. There can never be a

re-enactment of the happenings of the period of the great depression. There will be a major setback only if a major clash between the big powers took place. In view of the cataclysm that will take place in the event of a clash between the major powers, it is unlikely that the international political situation will be allowed to deteriorate to such an extent that another world war will break out. On second thought there has been a brisk rally in Wall Street and with the U.S. administration keen to revive confidence through the adoption of new measures the heavy losses may be regained to a great extent. In India there has been no major setback in Dalal Street or Lyons Range and the decline in prices noticed in some scrips is due mainly to corrective profit taking. The outlook for the Indian economy is quite promising and there can be a sustained growth in the national income if only political uncertainties did not have any upsetting effect. —(FOC)

Beyond Comprehension

There is some force in this argument as with a world shortage of aluminium this light metal produced within the country is cheaper than the imported product and it passes one's comprehension why a metal which is used for manufacturing cables and for industrial purposes should be taxed so heavily. It is very necessary to have clear ideas in this regard as it will be possible for INDAL and other units to implement new schemes only if fresh investment was worthwhile.

The Belgaum Smelter is so designed that its capacity can be raised to one lakh tonnes of virgin metal ultimately. In view of the increasing popularity of aluminium INDAL HINDALCO and MALCO should be helped to expand their output continuously and internal resources should form a sizable proportion of fresh expenditure. This can be done only if there was a reasonable level of earnings which could be ploughed back after paying satisfactory dividends on the equity capital. —(FOC)

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Obscurantist Shifts on Freight ...

The India-Pakistan Shipping Conference operating on the India-U.K. Continent route has proposed an increase in freight rates by 15 per cent with effect from July 15 next. The announcement was made at a meeting between the chairman of the conference and certain Madras shippers recently in the city. The decision has surprised the shippers of the region especially; because it seems that there had been a general consensus that the cost of operations has gone up by 2.5 per cent only every year. The more important point is that this conference has not fallen in line with some other conferences which have reduced the surcharge for the Suez recently, to 10 per cent, and in some cases to 7.5 per cent, from 15 per cent. Moreover, it was only in 1966 that a freight increase of 7.5 per cent was made; to go in for a general 15 per cent hike in rates now would mean that the freight burden will be going up by three times within four years.

Will Hamstring Export Trade ...

The immediate effect of any such increase will be to hamstring Indian export trade, particularly at a time when, against heavy odds, the country is seeking to attain a 7 per cent annual growth in exports to sustain its development programmes in respect of their foreign exchange commitments. There is already a contraction in Indian exports of textiles to the British market, which is the major buyer, because of British import restriction. The present proposal to increase shipping freight will make for a further contraction and a similar effect is expected in respect of Indian exports of coir and coir products and small tools to Western Europe and the U.S. In fact, if the increase in shipping charges is implemented, it will actually mean impeding trial orders for some non-

traditionals which India has been busy with in response to demand from sophisticated markets like West Germany and the United States.

Discussed at Second UNCTAD

It may be recalled here that some of these questions were brought into sharp focus at the time of the second United Nations Conference on Trade and Development in the Third Committee (on shipping). The developing countries stressed that they did not have any voice in decisions on shipping and freight rates on account of the imbalance in the distribution of tonnage between them and the developed countries. It was further emphasised that lack of shipping services to potential markets and certain practices of shipping companies adversely affected their exports and the promotion of new exports. The developed countries felt that their major worry was heavy port charges, rendered heavier by the slow turn-round of ships at the ports of developing countries. Such congestion was, according to them, militating against any feasible reduction in rates. This was the point that was also repeated by the Chairman of the India-Pakistan shipping conference at the Madras meeting. But Madras shippers were quick to indicate the fallacy of this position: On the one side, there was no reduction in freights despite very large improvements in turn round of ships at ports like Calcutta and Bombay. While representatives of conferences made generous references to such improvements, nothing was done to recognise such improvements in freight policy. And, on the other hand, there was the spectacle of rate increase alone unmitigated by better services. In fact, in 1966 when the 7.5 per cent upward revision in freight was made, the Conference promised better ser-

vices. Over all these four years, the promise has not been fulfilled. The shippers have to face uncertainty in bookings, lack of shipping space despite earlier assurances to the contrary, etc. much in the same way they had to before 1966.

Decisions Mostly Unilateral

The most disturbing aspect of this is that policy decisions of conferences were mostly unilateral. There was a lot of heated debate over this at UNCTAD-II and a common measure of agreement could not be reached on any mandatory resolution. The Shipping Committee, after deliberations, adopted a resolution which invited governments, shipowners, shippers, shipping and commercial interests and conferences to co-operate with the UNCTAD secretariat for making studies on freights and allied questions. It was recognised that for the proper functioning of the maritime system, liner conference system was necessary. But the trouble was that the practices of these conferences were generally unhelpful: The developing countries felt that freight rates were generally high and were kept on rising on goods moving in the international trade of their countries, despite substantial increase in the volume of cargo shipped. This discouraged expansion of exports in times of falling primary commodity prices. It was also pointed out that liner companies had failed to offer low freight rates by not adopting their vessels to carry unitised cargoes. The practice of carriers charging high general cargo rates especially for exports of non-traditionals is indeed deplorable, more so because all the while, at international conferences richer nations have been sermonising on the urgency for developing countries to develop exports of non-traditionals for which alone the prospects of growth in world trade were really bright. The present decision of the India-Pakistan Shipping Conference is yet another proof that conferences dominated by the rich maritime nations can never be expect-

ed to fulfil hopes raised by such altruistic exhortations.

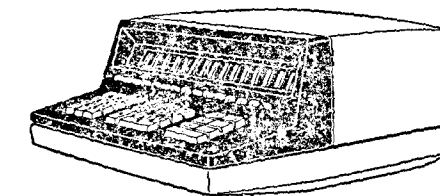
It is particularly unfortunate that the introduction of promotional freight is being bedevilled by these obscurantist shift of freight policy. The attitude of developed countries on this has been negative. Their excuses are now fami-

liar enough: Promotional freights (low rates) will have to be compensated by higher rates on others to avoid net losses to shipping companies. Such discriminatory freights obstructed the flow of trade according to the natural play of market forces. Low rates for some developing countries may

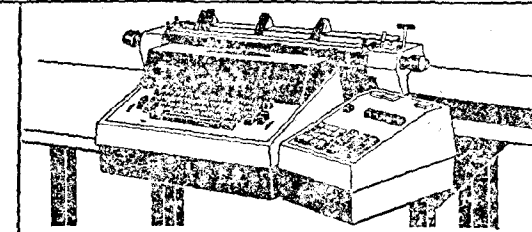
inevitably mean higher rates to certain others. Indeed U.N. resolutions on the freight question have been ignored under some pretext or other. Needless to add that the proposed 15 per cent increase will prove to be another instance of this pastime of richer countries. —S.R.

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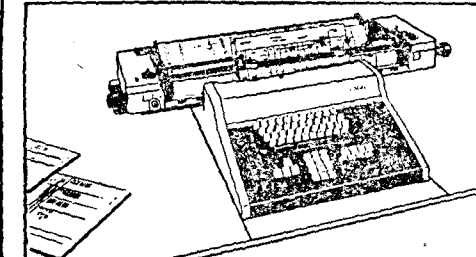


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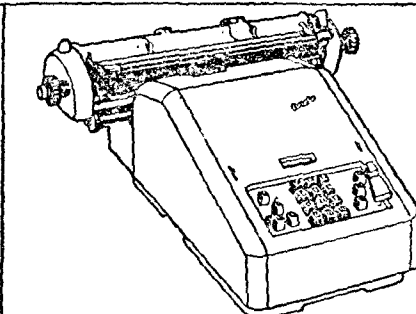


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D.M.K.'s Victory Day

No decision of the Government of India in recent years was hailed so well in Madras as the one relating to the projected Salem Steel Plant. When the Prime Minister announced the inclusion of the project in the IV Plan along with two other steel projects for Mysore and Andhra Pradesh, there was jubilation that at long last the demand of Tamil Nadu for Salem project, which was conceived at least a decade ago, has been conceded. The jubilation in the ruling party circles was so much that it had been decided to celebrate May 1 as a day of victory for the D.M.K.

Mr. Vajpayee, the Jan Sangh leader, suggested in his comment that there was politics in the decision. No doubt, the Ruling Congress has been known to cultivate the parties in power in the Southern States and the D.M.K. might display this as a "big feather in its cap." Notwithstanding the element of politics, it cannot be denied that the first time steel was made in India in the recent centuries was in Porto Novo (near Salem) using the Salem iron ore. Mr. Josiah Marshall Heath set up an iron smelter there in 1830 and worked it for some time and gave it up as an expensive proposition. He had not the benefit of the technology now available.

As for warnings that the Salem plant's production costs would soar to uneconomic heights, it must be pointed out that the present is a period when manufacturing is undertaken at any cost. If the transport costs are taken into account as also the fact that Salem would turn out only alloy and special steels which fetched much higher prices than plain carbon steel, the venture need not be worthy of condemnation as totally uneconomic.

Almost all the categories of steel used by industries in the South (as

elsewhere in the country) are in chronic short supply and the industries are suffering from production upsets. In this context, the early setting up and commissioning of the steel plants sanctioned for the South would be the wisest thing to do. But the provision made for all the plants is a meagre Rs. 110 crores during the Fourth Plan. It must be considerably raised so as to facilitate the completion of the project in four or five years. Also the estimates of the Salem plant would have to be revised upward. Originally it was thought that a 500,000 tonne alloy special steel plant would cost roughly Rs. 100 crores including a foreign exchange content of Rs. 39 crores. Not only has the general cost gone up in the meantime but the project would have to be designed for early expansion to 1.2 million tonnes as indicated in the Dastur Report.

The Tamil Nadu Chief Minister Karunanidhi has asked for an equity share for the State Government in the public sector Salem Steel Project. He has also stressed the immediate urgency for sanctioning the second lignite mine cut in Neyveli. These points are under the consideration of Government, if the Prime Minister's reaction is any guide.

Second Unit at Kalpakkam

Another Central decision which was hailed by the Tamil Nadu Chief Minister is about the second unit for the Kalpakkam Atomic Power Station. The erection of the first unit of 200 megawatt is in progress and it is expected to be commissioned in 1973-74 and may cost anything upto Rs. 65 crores.

Work in the second unit, also of the same capacity, is likely to start soon

with the approval of the Atomic Energy Department. In fact the civil construction for the second unit has also been in progress. Together the two units, generating about 300 million kilowatts per year, will greatly relieve power supply difficulty in Tamil Nadu expected in mid-seventies.

P.M. for a Strong Centre ...

The Prime Minister, during her visit to the city on her way to the Mannargudi Ruling Congress Political Conference, told pressmen that while she was not averse to the States enjoying all the powers given unto them under the constitution and even some additional powers transferred to them under agreement, she did not understand the D.M.K. concept of a loose federation. With parties having different political and ideological complexions in power in different States, the need of the hour was to keep them all together in intelligent co-operation and function in stability. This major role could only be that of the Central Government which should have powers enough to do this job. Also it was quite conceivable that in the near future power in the Centre might be shared by more than one party and this would pose many problems the solutions for which would depend on a strong Centre, she said.

Bid to Make L.I.C. Efficient

Mr. T. A. Pai, new Chairman of L.I.C. told a committee of hosts who felicitated him on his appointment as LIC Chairman that the Corporation was considering grant of loans to buy or build flats under a new scheme "own-your flat". Under the earlier scheme it has been proposed to help build 10,000 houses this year. He promised a "complaintless, socially-oriented administration" in a short period of time and said towards that end he had contemplated several measures. He also assured that the outstanding claims numbering 150,000 would be settled in not more than three months.

—V.M.

INDUSTRIAL ECONOMIST

The Kane Report

Pilot Plants Prove Prodigal

The Kane Committee Report on the pilot plants of the Council of Scientific and Industrial Research has let loose a controversy over the role of these institutions and the rationale of import substitution. It is the contention of the Committee that the expenditure of nearly Rs. 10 crores on these during the last 15 years was largely infructuous and that pilot plant activity in some major laboratories only amounted to rediscovering what was known in other countries. The Committee found that "there had been some confusion regarding the purpose of a pilot plant with several testing units going under the name of pilot plants and that industrial exploitation of products and processes developed by national laboratories had been small in relation to the expenditure and effort involved in the pilot plant work."

The Infructuous Rediscoveries ...

The other points made by the Committee are: That the scientists had no concern for the commercial aspect of their proposition in so far as what they could supply could be obtained at a lower price from abroad; that whatever import substitution was effected through their assistance was of a very small value in relation to the total product; and that private sector industries did not make use of their services. These are indeed very damaging comments, though their validity cannot be easily questioned. What is the point in seeking to substitute an indigenous process for an imported one, if it did not involve any gain in foreign exchange which was overwhelming enough to dispense with imported know-how? What is the economics of the entire operation, if at the end, one finds that what has been discovered

here is but what has almost been current knowledge in the developed world for quite sometime? It is no doubt, true that research, unlike brick-laying, cannot be measured in monetary terms; but a poor nation can ill-afford to spend Rs. 10 crores on it, if all that is going to be mostly infructuous.

An instance is provided in the Report about the uselessness of the research effort when none was prepared to use it. The low shaft furnace established at the National Metallurgical Laboratory, Jamshedpur, had found no useful application during eleven years of its existence. Companies in the public and private sectors preferred, according to the Kane Committee, to organise their own research and development, rather than draw on the know-how built by the C.S.I.R.'s pilot plants. The purpose of such units is "to obtain the scale-up data for design

and operation of a production unit. Demonstration units or evaluation and testing units should not be classified as pilot plants." Consequently, a pilot plant should be set up only when the product was new and data from laboratory experiments were not adequate for scale-up and where the know-how product process was well known but not available. It is exceedingly strange that the CSIR units should have, on the contrary, undertaken to reprocess what was well known and was cheaply available, besides undertaking laboratory experiments which do not lie within its superior competence.

The directors of the laboratories have said that some of the conclusions of the Committee have overlooked data on the valuable work done by the pilot plants and its observations regarding scale-up data did not recognise the peculiarities of scientific requirements of developing countries. This may be true as far as it goes; but it does not gainsay the fact that research and industry have not got together as they should to be mutually beneficial. This is a lag on which much has been spoken but very little has been achieved so far.

—R.S.

New Custodian for Syndicate Bank



Mr. K. K. PAI

Mr. K. K. Pai has succeeded Mr. T. A. Pai as Custodian of the Syndicate Bank. Mr. Pai (49), a graduate of the Bombay University, joined the Syndicate Bank in 1943 as Sub-Manager at Bombay Fort Office. He has served the bank in various capacities and was the Chief Officer before becoming Custodian. He brings with him thus rich banking and administrative experience.

INDUSTRIAL ECONOMIST

Need to Avoid Jerks in Refining Operations

For the second month in succession the government has directed the five coast-based refineries to cut their throughput—this time by 15 per cent. (The first cut was for 10 per cent). The decision has been taken because of a heavy accumulation of diesel oils. It has been estimated that there will continue to be an accumulation of middle distillates unless there is a change in the pattern of production. But problems may arise later in the year with an increase in consumption of naphtha and a larger output of lubricants. The Cochin Fertiliser Plant is scheduled to be commissioned shortly, while Madras Fertiliser unit may be ready early next year. The Durgapur unit too is taking shape. With Lube India and the Madras Refineries maximising their output of lube-base stocks there may be shortage of fuel oils. Under these circumstances a blanket cut in throughput may create more problems than it seeks to solve. Imbalances in production are bound to be there as the refining capacity has increased suddenly in a short period with the commissioning of the Madras unit. The remaining units are functioning efficiently; also, the three private sector units are maximising their output following their agreement with the government to reduce prices for imported crude oil.

Increasing Consumption . . .

The position will get corrected by the middle of next year as consumption of all petroleum products is increasing at an average rate of 10 per cent which would mean that an additional production of 1.6 million tonnes will be required. With the full use of the capacity of the Madras Re-

fineries and an increase in output of the Cochin Refinery the demand can be fully met, though some difficulties may arise in 1972-74 if there was delay in completing the Haldia Refinery.

Need to Change Production Pattern

A difficult situation can be overcome only if the reserve capacity of the Trombay unit in the private sector could be used without being inhibited by ideological considerations. The temporary cuts of 10 and 15 per cent will mean a reduction in the output of petroleum products of 3.3 lakh tonnes in two months which may not by themselves create difficulties. However, if these cuts were continued there may be a shortage of kerosene, naphtha and fuel oil which may have to be imported involving heavier expenditure in foreign exchange. It would be helpful if efforts could be made to export diesel oils and maintain the throughput at a high level. The problems can be overcome to a great extent through an appropriate blending of crude oil and changing fractions of petroleum products. Some years back with a sudden increase in the consumption of middle distillates the private sector refineries increased their output of these products with a blending of heavier crudes with lighter ones and changes in techniques of fractionation. It was possible through this process to reduce the output of gasoline and increase the share of diesel oils. It was even then necessary to export large quantities of naphtha. With changing patterns of consumption and differing needs of the economy at different stages the pattern of production will have to be suitably changed with the adoption of different techniques.

These should not present any major conundrums as consumption is growing all the time though the increase in the demand for particular petroleum-products may not grow at the same rate. The refining capacity is now only 18 million tonnes and it should not be difficult to effect reduction in the output of diesel oil by 10 to 15 per cent by changing the character of crude supplies. The private sector refineries should be able to effect the necessary changes to a greater extent than the public sector units at Cochin and Madras because the former draw their crude supplies from various sources and it should be easier for them to secure a blend which will maximise the output of the lighter and heavier products. Between the three refineries there is a capacity of nearly 8 million tonnes and if it is taken into account that diesel oils will constitute 20 per cent of total production, a distinct reduction in the output of these refineries in these oils may help to overcome the problem of accumulation. The public sector refineries too should explore the possibilities of a change in the pattern of production though they were not so well placed in regard to selection of crude sources. The recent developments have thus clearly emphasised the need for co-ordination of the activities of the public and private sector units and it will be possible to eliminate sharp imbalances in production only if a central body closely examines changing trends in consumption and there is also an effort to export on a pooled basis surplus products. What is more important is the imparting of flexibility to refining operations as with increasing production the problems may be felt acutely at particular stages. If there could be intelligent adjustments and proper planning, jerks in refining operations can be avoided. —(FOC)

Exit of Cheap Money Policy?

The Reserve Bank has been adopting a flexible policy in regard to the administration of credit control and there is now realisation that an unimaginative tightening of the monetary screw has created needless hardship for industrial units. The grant of discretionary accommodation, has been responsible for the absence of any sharp rise in short-term rates as happened some years back when the three-tier system was in vogue. The intention of the monetary authorities was obviously to introduce a measure of discipline. But the attempt to regularise the utilisation of bank finance granted for working-capital purposes for creation of fixed assets should not have a complicating effect. There is, no doubt, need for regulating the maintenance of inventories and compelling the borrowers concerned to raise additional capital in the required form for meeting capital expenditure. But this process can be completed only over a period and any undue haste may have a retarding effect on the growth of industries. On the other hand it would be much easier for the banking system to mobilise additional deposits through the branches newly opened in the rural areas. In that event it can itself grant term loans and release that portion of credit which had been given for maintaining inventories.

Increase in Borrowings . . .

There has been an increase in borrowings of the scheduled commercial banks during the busy season that has just ended and these stood at the high level of Rs. 230.04 crores on April 24, against only Rs. 68.91 crores in the corresponding period in 1968. The increase in borrowings has, of course, been exaggerated to a significant extent by the insistence on the main-

tenance of a higher liquidity ratio. The large net borrowing has also resulted in a squeeze in the money market especially as there was a slowing down in the rate of growth of deposits.

As there is no immediate prospect of a decline in advances, and therefore in borrowings, it is felt that the facility for refinance against fresh

procurement operations should be available as it is expected in some quarters that the Food Corporation of India may have to effect large purchases of wheat. It has, therefore, been decided that refinance should be provided to the extent of 80 per cent against fresh credit until July and for 50 per cent thereafter. It is, therefore, likely that borrowings from the Re-

A Versatile Citizen . . .

The passing away of an outstanding citizen of Madras was condoled by a citizens' meeting on April 29.

Kumararaja M.A.M. Muthiah Chettiar who died at the young age of 40 had packed into his short span of life achievements in a variety of fields to which a number of speakers including the Sheriff Mr. A. Sivasailam and the

Finance Minister Mr. K. A. Mathiazhagan referred.

His contribution to commerce, banking, education, civic life and sports was quite significant. He had been a corporator and served as the city's Mayor at the very young age of 30.

He served on the Boards of several leading banking, trading and industrial organisations which included the Indian Bank, the Chettinad Cement Corporation and the Madras Industrial and Investment Corporation. He was the President of the Southern India Chamber of Commerce for two terms.

As a member of the Senate of the Madras University he used to take very great interest in the syllabi for various courses.

A keen sportsman, the late Mr. Muthiah Chettiar was a popular figure on and off the fields, particularly the cricket grounds, and also the race course. He was a steward of the Madras Race Club and owned several good horses. —V.M.



Mr. M. A. M. MUTHIAH CHETTIAR

serve Bank will rise further in the next few weeks though there may not be an increase to the full extent of permissible refinance against procurement credit because advances against sugar stocks may tend to decline and there may also be a faster growth of deposits. But the adjustment during the slack season may again be compli-

cated if the Central Government chose to complete its second stage of borrowing in July and the State Governments too raised their loans early September. There is, therefore, the prospect of the money market remaining active till the end of July and slack conditions may set in only after the State loans were out of the way. While

there has been liberalisation of refinance facilities in some directions the curbs against some commodities in short supply having been more severe and with an increase in margins the lending rate has also been raised to 12 per cent. This is a clear indication that cheaper money policy is slowly being abandoned. —(FOC)

Communication Revolution Through TV

Delivering the valedictory address at the television conference recently held in New Delhi, Mr. I. K. Gujral, Minister of State for Information and Broadcasting, observed that "the time has now come to lay the foundations of a national television system which should not only be comprehensive, satisfying the aspirations of the country as a whole, but also capable of being used as an instrument of knowledge and socio-economic growth." Indeed, TV is not merely a mode of entertainment but a tool of knowledge and in a country of India's size where the emphasis has to be on mass communication, this medium will be capable of a decisive impact in the matter of inducing our vast rural population to participate in the great economic experiment in which the country has been engaging itself since the commencement of economic planning.

Finance has always been the major constraint. That explains why the emphasis of mass media has been on sound broadcasting which costs less than TV. The magnitude of the expenditure involved in covering the entire country with TV can hardly be

underestimated. The total cost of providing TV to the half a million villages in the country works out to Rs. 160 crores provided the choice is for a hybrid system involving direct broadcast to some areas and 5 re-broadcast stations for community viewing. As Mr. Vikram Sarabhai has pointed out, "there may be some arguments concerning the precise saving through the use of a synchronous satellite, but every one is agreed that the saving would be very sizable and the Indian estimates only confirm the experience in other parts of the world". On the basis of this calculation, if we can allot Rs. 30 crores for TV each year over the current decade, we could cover the entire country by the end of 1979 using synchronous satellite. If, on the contrary, the same funds are utilised on conventional technologies already in existence, the programme could be completed only by 1990. It is good that the Rs. 7.86 crore Commercial Satellite Communications Earth Station at Arvi near Poona which links India with the international satellite communications network will be ready for operations in

five or six months. It may then become possible for people in India to see future moonlandings televised through the global satellite communication system.

On present sights, the Indian TV project in its first phase up to 1973 would prepare the foundation for implementing it "largely on an Indian base involving design, development and fabrication of equipment, establishment of management systems as well as soft wear skills in each subject area". In Phase II between 1974 and 1976, there would come up 100,000—150,000 new community reception centres. There is at present only one TV centre in the country at Delhi. Steps are now being taken to set up a TV centre at Srinagar and another at Bombay with a relay station at Poona. The Fourth Plan envisages setting up three more centres besides augmenting the facilities in the TV centre at Delhi. In view of the diversity of languages in the country, a large number of ground stations with programme originating facilities would be required in the various regions. If costs are a major handicap as they seem to be, a hybrid system using judiciously terrestrial stations with microwave and satellite facilities would have to be developed for countrywide coverage. —S.R.

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INDUSTRIAL ECONOMIST

Expanding Rubber Industry

It is heartening to note that the country has made impressive progress in the past two and a half decades, particularly in the 'sixties, in the manufacture of automobile tyres and tubes, cycle tyres and rubber components, foam products and industrial belting. But, as Dr. Bharat Ram, President of the International Chamber of Commerce observed, while inaugurating the Silver Jubilee Celebrations of the Indian Rubber Industries Association recently held in Bombay, the progress made by the rubber industry is insignificant compared to their stature in the developed countries and it will be necessary for those in charge of management of the specialised industries to keep abreast of the latest techniques and diversify production and improve quality. There is also the prospect of a big increase in demand for different rubber products with a higher level of industrial and agricultural production. With the green revolution sustained, there will have to be a steep increase in the output of bicycles, motorcycles, commercial vehicles, tractors and other items which will call for a corresponding increase in the production of automobile tyres and tubes, rubber components, foam products, etc.

Seven Tyre Units

The tyre industry naturally occupies the most important place among rubber industries and it is significant that, apart from the two established foreign-owned companies which were in the field for quite a long time, five new factories have come into being in the past decade and all the seven units are now busily engaged in the implementation of expansion schemes which will result in an increase in aggregate production by more than 35 per cent.

While efforts are being made to promote new units, it may be necessary to increase further the capacity of the existing producers as it is felt that over and above the schemes now being executed additional capacity for 2.5 million tyres and tubes should be created. The output of cycle tyres and tubes are also being raised in a big way as there is a continuing shortage of these products in spite of a phenomenal growth in production. The small units are doing good work but it has been thought advisable to allow some of the tyre units to install equipment for producing cycle tyres at the rate of two million units annually.

Raw Material Availability

The rapid growth of the rubber industries has necessarily created problems relating to the availability of

raw materials like natural rubber, synthetic rubber, tyre cord conversion capacity, rubber chemicals, carbon black, bead wires, valves and so on. The output of natural rubber has been increasing at a fairly fast rate while synthetic rubber is also being produced on a large scale by the only unit in the field. The gap, however, is growing and it is likely to assume serious proportions if rubber cultivation was not undertaken with a sense of urgency. Apart from increase in the area under rubber there will have to be vigorous re-plantation of acreage where the yield is low and the costs are high. But there is no escape from installing another plant for producing synthetic rubber with a capacity of even 50,000 tonnes annually or two units of 25,000 tonnes each in different petro-chemical complexes. Any delay involved in arriving at a decision will cost the exchequer heavily in terms of foreign exchange as large imports will have to be allowed if indigenous output of finished product has to be maintained at a high level.

Rubber Chemicals ...

The output of rubber chemicals is being steadily augmented. While the two units producing carbon black are raising their capacities, there will be need for promoting two or three more units. With rapid growth in passenger traffic by road and increasing use of foam products for domestic purposes the consumption of rubber in other directions will also increase substantially. The producers of essential components and processed materials should, therefore, co-ordinate their activities carefully as the country is in a position to meet the needs of the transport and other industries in terms of rubber products from its own resources. Important industrial organisations like the Indian Rubber Industries Association should formulate plans sufficiently early and carry out intensive research work so that there could be a sustained increase in production of rubber goods with a regular improvement in quality. —(FOC)



"It is suspected that the man who attempted to assassinate Jyoti Basu is a Naxalite".

INDUSTRIAL ECONOMIST

COMMODITIES:

Big Decline in Yarn Stocks

Though there was a general improvement in the working of the cotton mill industry during 1969 as compared to the previous year, the recovery noticeable has not been very encouraging, according to the annual report of the South India Millowners Association. The year closed with lower output of both cloth and yarn mainly due to inadequate supply of cotton. Yarn production was slightly lower at 953 million kg. against 961 million kg. while the fall in mill cloth was more pronounced at 4,195 million metres against 4,366 million metres. The much lower cloth output is attributed to sluggish demand for a major part of the year, labour troubles resulting in strikes and lockouts in certain parts of the country and power cut in Maharashtra. The mill industry is naturally concerned by the absence of any favourable impact from a satisfactory agricultural season and growing rural incomes. In fact, even with a drop in output by 171 million metres, stocks of cloth with mills at the end of the year were only slightly lower at 2.58 lakh bales (of 1,500 metres each) against 2.69 lakh bales a year ago. There was, however, a significant improvement in the yarn trade, stocks with mills declining sharply to 85,800 bales of 180 kg. each from 1,28,000 bales in December 1968 mainly due to an impressive rise in yarn exports during the year, which jumped to 33.83 million kg. valued at Rs. 24.39 crores from 16.54 million kg. worth Rs. 10.68 crores in 1968. There was a spurt in shipments to Burma, Ceylon and Indonesia. In the case of cloth, the signs of steady offtake in the first four months, when stocks declined to 2.33 lakhs bales (a record low level for recent years) from the opening level of 2.68 lakhs bales, did not stay and there was a sharp rise in stocks to 2.84 lakh bales at the end of September. The seasonal demand from October was not helpful in reducing the stock level much which dropped only slightly below the opening level for the year.

The report states that the final output of cotton in 1968-69 was only 57.5 lakh bales against the earlier forecasts of 62 lakh bales and with a delay in imports of adequate quantities, there was a spurt in prices for various categories of indigenous cotton in May-June last year. A worldwide shortage also lifted prices for imported cotton, particularly from East Africa. It is pointed out that there is a persistent shortfall of 7 to 8 lakh bales of long staple cotton and unless early steps are taken to attain self-sufficiency in this category, the country may have to

depend on imports involving increasing sums in foreign exchange.

Oil Prices Firm

Prices of edible oils and vanaspati have been ruling at high levels for some months now due to a shortfall in supplies accentuated by increasing demand from the domestic sector and the booming hotel trade. Groundnut oil has been on the forefront of this upward thrust, with its price ranging between Rs. 470 and 500 per quintal in various centres. The Government is trying to reduce the gap in availability by arranging for imports of soyabean and other oils but its efforts have been hampered by a world shortage of edible oils leading to firm prices. Even traditional exporting countries like Argentina have started taking marginal imports to overcome critical shortages while European demand has diverted all the normal surplus soyabean oil of the U.S. from going to other deficit areas. Even then the supply position in India is likely to improve with the arrival of 18,500 tonnes of soyabean oil shortly while another consignment of 16,000 tonnes is expected in June and 1,050 tonnes have already been received in Bombay. Besides these imports under PL 480, 10,000 tonnes have been commercially purchased from the open market in the U.S. and these may be arriving in the next two or three months.

Soyabean Cultivation

The current annual consumption demand for various edible oils is around 25 lakh tonnes while output in 1969-70 of all oilseeds is placed at 90 lakh tonnes or the equivalent of 23 lakh tonnes of oil. The gap is thus only marginal but this can exaggerate the price trends unduly in the lean season. While increasing use of cottonseed and bran-oils can end this shortage and even leave a surplus for export, the cultivation of soyabean on a commercial basis is likely to bring about a revolution in the oil economy. The Union Minister of State for Food, Mr. A. P. Shinde, in fact warned recently in Bombay that proper arrangements would have to be thought of to produce and market this new wonder crop which will be grown on one lakh acres in the khariff 1970 season in the northern plains. The Minister even visualised a wider role for soyabean oil to overcome the protein deficiency in the normal Indian diet while industrial utilisation of this oil for making vanaspathi and protein food will

ensure remunerative prices for the growers. The extension of this exotic crop to more areas in the coming years and the exploitation of its full potential in relieving the chronic oil shortage in the country will be keenly watched by industries and consumers alike.

Setback in Exports in Feb.

The latest trade figures reveal a sharp setback in exports in February. Exports declined by a third during the month to Rs. 95.78 crores from the all-time high of Rs. 145 crores in January. With imports in February amounting to Rs. 132.03 crores the previous month's surplus was turned into a large deficit of Rs. 35.25 crores. The cumulative exports for the first 11 months of 1969-70 amounted to Rs. 1,281.9 crores and imports to 1,384.14 crores, taking the total deficit to Rs. 102.24 crores from Rs. 77 crores till January.

Sugar Output Trends

Production of sugar in the 1969-70 season has remained quite high compared to the previous season and the total output in the first five months ended February amounted to 23.43 lakh tonnes against 19.70 lakh tonnes in the same period last season. Production in the subsequent three months can be expected to be over 16 lakh tonnes so that even by the end of May total output may touch 40 lakh tonnes. In February there was a rise in the output to 6.71 lakh tonnes against 6.44 lakh tonnes a year ago. The offtake during February 1970 was about 2.89 lakh tonnes for internal consumption against 2.04 lakh tonnes in February 1969 taking the total for the first five months to 13.27 lakh tonnes for internal consumption and 19,000 tonnes for export against 9.20 lakh tonnes for internal consumption and 5,000 tonnes for export in the corresponding period last season. Even with larger releases, the closing stocks at the end of February were much higher at 23.01 lakh tonnes against 14.79 lakh tonnes a year ago. Stocks will continue to rise till the monthly production falls below the current releases of over 3.30 lakh tonnes. Even now sugar mills are feeling the burden of the increasing stocks acutely, with the nationalised banks in no mood to finance such a high level of stocks. Mills in Tamil Nadu are particularly feeling the pinch as they have been allowing their free sale quotas to lapse owing to the unremunerative net realisations on such sales following the steep rise in excise duty. The Vice-Chairman of the South Indian Sugar Mills Association recently told a press conference that the attitude of the nationalised banks in meeting the credit needs of sugar industry had not been helpful and securing new credit limits posed serious problems. While

there is the assurance by the Food Minister Mr. Jagjivan Ram recently in Madras that liberalised credit is being arranged, his statement that the Government would not take over the lapsed free sale quota has caused some concern as the mills, in that case, may have to dispose of their quota in the open market.

It is encouraging to note that there has been brisker offtake of levy sugar and mills in Tamil Nadu have had no difficulty in marketing their levy quotas without difficulty as the State Government has been lifting its stocks since February. However, it is pointed out by the industry in South that excise duty should be charged on actual prices realised for free market sugar as per invoices and gate passes on *ad valorem* basis, instead of on the basis of fixed tariff values now in force. Open market prices in the South are invariably lower by as much as Rs. 20 per quintal as compared to North Indian prices and a uniform tariff value has made it unremunerative for Southern mills to use their free sale quota. The disparity in levy prices has also posed some problems.

While the levy price order has been challenged in the Andhra Pradesh High Court which has stayed its operation and has ordered the higher price fixed for Tamil Nadu mills to be paid in the case of the petitioners, the Central Government is also considering a revision of the prices in some states like Maharashtra, Mysore, and Andhra. The Union Minister of State for Food Mr. A. P. Shinde told Parliament recently that the open market prices were lower than controlled prices in at least two States. (U.P. and Delhi). The Minister said that sugar mills have been asked to crush all the cane in the reserved areas and even accommodate cane from unreserved areas whenever possible to help the growers dispose of their large stocks and prevent a situation similar to that which developed last year when cane was offered much below the minimum fixed prices. The average recovery is, however, expected to be slightly lower in the current season due to the extended season though the Government is particular about securing the minimum price for the grower. Mr. Shinde felt that the season's output would be as much as 42 lakh tonnes and the mills

would be able to cover their losses by continuing production in the summer months as they would have the relief in excise duty of Rs. 8 per quintal on production in excess of 105 per cent of the 1968-69 output.

With glut conditions in the internal market following liberal releases, the industry naturally is keen to ship 4 to 5 lakh tonnes as the international prices have been ruling at the highest levels (around £ 39 a ton) recently and export losses are the least the country can expect. While internal consumption can be easily 33 lakh tonnes, the industry can sustain an export effort of this order though the question of who is to share the losses on export sales is yet unresolved. The subsidy involved in export of 5 lakh tonnes will be about Rs. 20 crores while the foreign exchange earnings will be Rs. 35 crores. The Government can easily bear this burden from its surging excise revenue from the commodity which may easily exceed Rs. 100 crores this year. The export quotas under the international agreement should not lapse and preferential quotas should be fully utilised.

Out of the Inkwell

By RANDOR GUY

MISS RUMOUR!

Rumour is a funny thing. Moves faster than space modules, takes many shapes and sizes and sometimes even changes sex! Often starts as a little bird and grows into a giant emu. War-mongers, stock market-wallahs and of course, women put it to very good use. Out in Dalal Street I have heard of Pandit Nehru dying many times before he really did! Stories about leaders of the market (yes, they do have 'Tata kings' 'Scindia specialist', 'Bombay Dyeing Babu, and even a Kil Kotagiri Kuttirani!) dying of sudden heart failures, eloping abroad with cheese-cake cineactresses, are a legion. Rumours are so juicy to listen to when those are about others but the other day I heard some about myself! 'The chap is a ruddy Yankee in India ... a C.I.A. agent no doubt', that's the way one rumour about me goes! Embarrassed? No! No writer can afford to be, you know... Talking of rumours I knew a girl in college who was known as Miss Rumour because she went from mouth to mouth!

MOVIE GOING...

'Why are Indian movies so bad' asked a popular weekly recently. Why, I ask now. One chap went to the extent of shouting from his car-top (he had no house!) that the phrase 'Indian film' was a misnomer, because the screened stuff was neither Indian nor film! The hero is almost always an orphan and grows starving under the iron heel of a squint-eyed aunt. If so, how come the hero is able to get so fat? If he has a sister (you bet, he has!) she is sure to be raped or seduced and left in the lurch, before the intermission. Tears... sobs... mush... goo... on and on it goes on. The hero and the fatter heroine chase each other, in between to give some sort of a relief. And the love scenes... oh, that's another story, as Scherezade would say! No kissing, no bussing but plenty of messing. As one of my friends put it, filmic love on the Indian screen is some sort of a coitus interruptus! Thus far and no farther... though often the hero becomes a father soon after the intermission! In a land of such culture why this cultural insolvency in films. Will somebody answer?

SAND CASTLES

I had always thought that these ministers' jobs are 'cushy' things to have. Plenty of free travel, free food, and many other things free if you still have enough powder and shot! And of course, there is plenty of money in it... The only snag is, you are there to-day and gone tomorrow! No security in that business. Some chap crosses the floor because his brother-in-law did not get some fat tender knocked down in his favour and you, the minister have the rug under your feet pulled away. Kaboom! up goes everything except your fleshy seat! Once I went to see a minister. He was busy with a huge crowd and at last, when I succeeded in catching his eye, he came up to me, grinning like a monkey. 'Ah, you... can you come Friday noon... Will give you a long interview... Sorry for the change in the date... you don't mind, do you?' he patted me on the back. "Well, sir, I'll see you on Friday... but are you sure you'll still be in office on Friday?" I asked him brightly and as his face changed colour, I beat a hasty retreat...

QUIZ TIME

Q: Why does a man hold his beloved's hand?

A: At first it is love. Afterwards self-defence!

STOCK MARKET:

Corrective Phase Sets in

There has been a slight setback to the buoyancy witnessed in stock markets since the Central budget and share values have latterly turned easier due to selling at the higher levels. But till the third week of April there was a sizable expansion of business in spite of the absence of forward trading facilities. With the extreme reserve of sellers and the paucity of floating stocks of favoured scrips, even small buying enquiries tended to push prices out of proportion. Latterly, activity has extended to hitherto dormant shares which have shared in the general upward movement. While the forward group shares have been more active cash shares have dominated the scene and touched a new high levels before shedding all their gains.

Excellent working results of many established and new companies in the latest accounting year, higher dividends on equity capital and a string of bonus issue proposals along with the optimism exuded by the chairmen of most companies have all put the bear operators on the defensive. Also, other forms of investment like real estate, company deposits, etc. have lost their attraction in view of the fiscal and other disincentives and the spectacular capital appreciation in many equities in a short period has been a powerful stimulant for investors with idle funds. But with interest slowly hardening and yield rates on equities declining, the stock markets may have to go through a corrective phase before prices get consolidated and resume their upward trend. But in the general mood of robust optimism about the future of the economy and the industrial sector in particular, yield considerations obviously play a minor part in de-

sion-making by operators and even investors. If only the 'rain gods' oblige and the kharif prospects for the next year turn out to be encouraging, the present constructive phase may get extended.

But the immediate factor for the buoyancy was the steady flow of encouraging corporate news. While most of the tyre companies have reported higher sales and earnings, some of them have raised their equity dividends and the chairmen's speeches point to an uninterrupted growth in the coming years. Aluminium shares have drawn cheer from the higher production of Hindustan Aluminium, Indian Aluminium and Madras Aluminium for the latest year. Hindustan Aluminium has increased its profits considerably though it has only maintained its dividend at 10 per cent. Cement companies are expected to improve their earnings in the current year. Philips India has raised its dividend to 23 per cent, taxable, from 20 per cent taxable and has got the approval for its one-for-two bonus issue. Shipping companies are expected to benefit from the boom in tramp trade while many textile companies in Bombay, Ahmedabad and Tamil Nadu have been able to increase their sales to a significant extent though profit margins have not improved to the same extent. Sugar shares have been an exception due to the slump in prices for the commodity and the high excise duties. Tata Oil Mills has set up a new record in sales for 1969-70, while Tata Chemicals has also reported a sharp rise in turnover in the first nine months of 1969-70. Polyolefins of the Mafatlal Group has reduced its accumulated losses with a jump in profits while the chairman of NOCIL has expressed optimism about the future outlook. National Rayon,

Food Specialities, Modella Woollen, Raymond Woollen, Binny, Sankey Wheels, Permanent Magnets, Lakshmi Machine Works, Rane (Madras), Electric Construction, Anglo-French Textiles, Bayer (India), Herdillia Chemicals, Khandelwal Ferro Alloys, Mysore Kirlosker have all had a satisfactory year of working and are hopeful of improving their performance in the current year.

Marketwise, Lyons Range continued to be the pace-setter with many shares gaining sizably during the fortnight ended April 25. Among cleared shares, Dunlop India, Indian Aluminium, Guest Keen Williams, Orissa Cement, Textile Machinery were firm spots, while in the cash list, prominent features were provided by CAFI which shot up to Rs. 60, Indian Explosives, Jessop, Associated Battery, Electric Construction, Goodyear, Incheek Tyres, India Carbon, J.K. Synthetics, Philips India, Tribeni Tissues and India Steamship. Dalal Street too witnessed widespread gains. Tata Steel advanced to Rs. 115 before closing slightly lower while Indian Iron had buyers upto Rs. 17.70. Century was a favourite to harden further to Rs. 823 while National Rayon was firm at Rs. 513. Among shippings, Scindia at Rs. 23.75 and Great Eastern at Rs. 31.25 were in demand. A.C.C. moved up sharply to Rs. 135 from Rs. 129 and Digvijay to Rs. 166. Tata Oil was sought at Rs. 85. Among cash scrips, Century Enka, Permanent Magnet, Synthetics, United Carbon, Food Specialities, MICO, NOCIL, Polyolefins, and Gujarat Fertilisers were firm. Pharmaceutical shares turned subdued on reports of a sizable cut in drug prices. Bank counters were in good demand. In Madras, textile shares came to the fore but S.I. Viscose turned easy. Mettur Chemicals, Dalmia Cement, Lakshmi Machine, Engine Valves, Seshasayee and FACT were taken up at higher rates. Towards the close, an easier tone was noticeable in the absence of fresh support.

PRICE MOVEMENTS

The following were the closing quotations for selected scrips on April 10 and 24

Madras			Bombay			Calcutta		
	Apl. 10	Apl. 24		Apl. 10	Apl. 24		Apl. 10	Apl. 24
Deccan Sugar	7.10	6.75	Tata Steel	113.25	113.75	Indian Iron	17.50	17.00
Mettur Chem.	11.35	11.15	Indian Iron	18.00	17.36	Hind Motor	15.56	15.70
India Cements	5.02	5.00	Century	819.00	817.00	Birla Jute	19.55	19.25
Madura Mills	14.15	14.20	National Rayon	505.00	512.00	Indian Alum.	31.55	37.15
S.I. Viscose	150.00	135.00	Telco	230.50	232.00	Dunlop India	33.85	34.70
Travancore Rayons	21.00	21.00	Hind Motors	15.52	15.80	Kesoram Ind.	16.90	16.85
Alind	7.50	7.25	Tata Chem.	32.25	35.00	Guest Keen Williams	15.15	15.90
Ashok Leyland	6.00	5.95	A.C.C.	132.00	136.50	Texmaco	12.90	12.40
Dalmia Cement	12.65	13.00	Tomco	82.00	82.00	Alkali	29.06	28.87
FACTS	8.55	8.00	NOCIL	195.00	206.00	CAFI	51.06	58.00
Lakshmi Machine	87.00	102.00	Pfizer	42.00	38.00	Indian Explosives 'A'	24.25	24.62
S.I. Shipping	151.00	151.00	Polyolefins	212.00	210.00	Union Carbide	38.94	40.12
Seshasayee Paper	9.55	9.12	Bayer	209.00	194.00	Tribeni Tissues	13.50	14.62
Madras Alum.	165.00	162.00	Synthetics	159.00	164.00	Hind Alum.	36.87	35.00
Madras Rubber	19.50	19.50	Food Specialities	46.50	40.75	J.K. Synthetics	36.25	38.19

BUSINESS BRIEFS:

Aluminium Units Earn More

The manufacturers of aluminium can look forward to a period of continuous growth as there is an unsatisfied demand for the metal within the country. Three of the producers are now engaged in expanding their capacity and even in the current year it is expected that the total output can be increased to over 1.70 lakh tonnes from about 1.45 lakh tonnes in 1968. But it is felt that even this level of availability will fall short of the surging demand from the power and other industrial consumers and already the Government has directed the manufacturers not to commit themselves to any more exports though world prices are very attractive. There will even be need to arrange for modest quantities of imports of conductor grade aluminium involving valuable foreign exchange. This only highlights the need for quick additions to capacity within the country as the end of the Fourth Plan may witness an increase in aluminium consumption to over 3 lakh tonnes annually. While the proposed public sector plants will have to be got ready expeditiously, the two major producers in the private sector, Hindustan Aluminium and Indian Aluminium, should be allowed to proceed with their next phase of expansion. Madras Aluminium is also expediting its arrangements to complete its expansion to 25,000 tonnes while Aluminium Corporation has been operating above its rated capacity. The high prices prevailing in the internal market and remunerative export sales have benefited all the companies which have reported a sharp increase in turnover and earnings for 1969 and have enabled them to finance their expansion schemes to a considerable extent from internal resources. And there is every likelihood of a further rise in profits in the current year, in spite of higher working expenses. While the changeover to the *ad valorem* basis for levying excise duties has increased the burden on the industry, the imposition of control on prices for aluminium and its products may help undue manipulation of prices by the trade. A special panel is to determine the fair selling prices for the metal and its products based on cost studies, and the industry hopes to get the prices fixed at reasonable levels which will ensure a fair margin.

Madras Aluminium

Madras Aluminium Company Limited is seriously engaged in completing the expansion scheme to raise its capacity to 25,000

tonnes as it is felt that the company should take early advantage of the improved profitability of operating a higher capacity. An encouraging feature of the expansion is that only a small portion of the additional equipment will have to be imported as most of them can be procured from within the country or fabricated at the company's factory itself. It has been indicated by the chairman of the company, Mr. R. Venkataswamy Naidu, that while the foreign exchange for importing the required machinery has been arranged with Mediobanca, Italy the rupee expenditure can be met even if assistance is not forthcoming from the financial institutions, as internal resources along with deferred payment credits and loans from other sources can take care of the expansion needs. The company's finances have been considerably strengthened with large plough-back of profits even after paying satisfactory dividends and it has been possible to reduce the debt liability sizably. With a raising of capacity, sales and earnings will be rising sharply in the next few years. Even now, the company's alumina facilities can sustain a production level of 20,000 tonnes of virgin metal. The outlook for the company in the current year is quite encouraging as there may be a fresh rise in output and sales and prices also are remunerative. The Rs. 100 paid-up equity shares of Madras Aluminium are ruling firm around Rs. 165.

Hindalco's Good Show

Hindustan Aluminium Corporation Limited has been making impressive progress over the years and new records have been set up in regard to output, sales and earnings in successive years. In 1969, with no shortage of power, there was a further jump in output of aluminium to 72,231 tonnes from 59,707 tonnes in 1968. The plant is now operating at an annual rate of 80,000 tonnes. Sales recorded a sharp rise to Rs. 34.25 crores from Rs. 26.07 crores. Exports amounted to 10,600 tonnes worth Rs. 4.40 crores. With remunerative prices realised on both internal and export sales, there was a 53 per cent increase in the net profit, before depreciation and taxation, to Rs. 10.11 crores from Rs. 6.60 crores in 1968. However, with a view to conserving resources for the expansion scheme, the equity dividend has been only maintained at 10 per cent, taxable. The provision for depreciation is Rs. 3.65 crores (Rs. 3.47 crores) and development rebate as much as Rs. 4 crores.

(Rs. 55 lakhs), due to the large expenditure on the first phase of expansion. Mr. Aditya Birla, a director of the company, has stated that the final clearance for the next phase of expansion of capacity to 1.25 lakhs tonnes is awaited. Further details of appropriations will be available only from the balance sheet after some time.

Indian Aluminium

Production of Indian Aluminium Company Limited in 1969 improved further to 41,561 tonnes from 38,745 tonnes in 1968. While the Hirakud unit could raise its output to 22,576 tonnes from 19,816 tonnes in the previous year and the Alupuram unit maintained its level of production, the share of the new unit at Belgaum was 1,128 tonnes. Two of the three potlines at Belgaum have been commissioned and are now in full production but there has been some delay in commissioning the third potline due to postponement of delivery of some electrical equipment by indigenous suppliers. The full capacity of 30,000 tonnes will, therefore, be available for only a part of the current year. The alumina plant is expected to go on stream in the coming weeks and integrated production at full capacity will be possible in the second half of the year. The net profit, before depreciation and taxation, was much higher at Rs. 713.33 lakhs against Rs. 610.01 lakhs in 1968. Depreciation claims Rs. 187.95 lakhs (Rs. 173.82 lakhs).

Binny Limited

Binny Limited has announced an ordinary dividend of 6 per cent, taxable, for 1969. This is the first year for which the results of the amalgamated unit have been given. The company has earned a net profit, before depreciation of Rs. 1.75 crores. However, as the provision for depreciation is as much as Rs. 1.14 crores and development rebate Rs. 67.28 lakhs, there is a loss of Rs. 6.32 lakhs. A sum of Rs. 51.70 lakhs has been withdrawn from reserves for adjusting this loss besides transferring Rs. 2 lakhs to debenture redemption reserve and paying the equity dividend.

Lakshmi Machine Impresses

The vastly improved working results of Lakshmi Machine Works Limited for 1969 have been received in stock market circles with agreeable surprise. It was not expected that the company would be able to increase its output and sales of various textile machinery to the extent indicated in the preliminary results. The turnover during the year jumped to Rs. 4.17 crores from Rs. 1.73 crores in 1968 while the net profit, before depreciation, was as much as Rs. 94.20

lakhs against Rs. 22.71 lakhs. After providing Rs. 34.53 lakhs (Rs. 21.91 lakhs) for depreciation, the balance of Rs. 59.67 lakhs has been utilised to wipe out the debit balance of Rs. 58.78 lakhs brought in from the previous accounts and write off preliminary expenses for Rs. 46,735. There is a small credit balance of Rs. 19,629 which is carried forward. There are no arrears of depreciation on the straight-line method though a large sum may have to be claimed towards development rebate if there is taxable profit. Thus the company may be in a position to declare a maiden dividend on equity capital for the current year, especially as the turnover is likely to increase further. Export orders for the company's products have been encouraging and may account for a sizable portion of the total sales for 1970. The manufacture of blowroom lines has been taken up besides that of high-speed draw frames, speed frames and ring frames while high-speed combers and lap machines will be added to the production range in 1971. The Rs. 100 paid-up equity shares of Lakshmi Machines have recovered smartly after the encouraging news.

J. K. Synthetics

J. K. Synthetics Limited came on the market on April 23 to raise fresh capital in redeemable cumulative preference shares for Rs. 75 lakhs to find part of the finance for its acrylic fibre project at Kota in Rajasthan. The preference shares carry interest at 9.5 per cent gross. The estimated cost of the project is Rs. 6.25 crores and a licence has been obtained for manufacturing 4 million kg. of acrylic fibre per year. Apart from the preference issue, the project is to be financed by a loan of Rs. 50 lakhs from the Rajasthan Government, deferred payment of Rs. 316.40 lakhs, internal resources of Rs. 175.40 lakhs and issue of preference shares for Rs. 8.20 lakhs to the technical collaborators. Thus there will be no fresh issue of equity capital. Meanwhile, the company's performance has been quite encouraging in the current year, sales in the first four months (July-Oct. '69) amounting to Rs. 4.58 crores against Rs. 12.18 crores for the whole of 1968-69. The gross earnings were more than proportionately higher at Rs. 1.61 crores against Rs. 4.03 crores for 1968-69.

Herdillia Chemicals Cuts Losses

Herdillia Chemicals Limited was able to show a smaller loss during 1969 with a sharp rise in sales to Rs. 5.50 crores from Rs. 3.02 crores in 1968. Sales would have been much higher if only production had not been affected by power failures and there was no competition from imported products. There was a reduction in the loss to Rs. 30.75

lakhs from Rs. 126.57 lakhs in the previous year. After making some adjustments the debit balance of Rs. 169.56 lakhs, including losses brought in from earlier accounts, has been carried forward. The phthalic anhydride plant which had a break-down last year has been recommissioned after necessary repairs. The current year's working may show further improvement as the existing facilities can be better utilised due to restriction of imports of competitive products and the pick-up in internal demand. The Rs. 10 paid up Herdillia shares have firmed up recently to quote around Rs. 15 in Bombay.

Khandelwal Ferro

Khandelwal Ferro Alloys Limited has staged a remarkable recovery in 1969 after the earlier set back and there was a jump in sales and earnings during the year which has enabled the directors to raise the equity dividend substantially to 12 per cent gross from 8 per cent in 1968. The latest dividend is to be paid out of tax-exempt profits and hence there will be no tax deduction at source. Sales of both ferro-manganese and steel pipes almost doubled to Rs. 8.06 crores from Rs. 4.23 crores in 1968. The turnover in ferro-manganese rose to Rs. 3.56 crores from Rs. 2.41 crores, mainly due to a doubling of exports to Rs. 2.50 crores, while sales of steel pipes increased to Rs. 3.41 crores from Rs. 1.17 crores in 1968. There was also a jump in pipe exports to Rs. 57.50 lakhs from Rs. 26 lakhs. A higher turnover was naturally reflected in a jump in the net profit, before depreciation, to Rs. 70.93 lakhs from Rs. 42.78 lakhs, in 1968. After setting aside Rs. 17.06 lakhs (Rs. 16.93 lakhs) for depreciation and Rs. 2 lakhs (Rs. 10.55 lakhs) for development rebate, the transfer to general reserve is as much as Rs. 34.15 lakhs (nil). There is no tax liability. The directors have stated that shortage of skelp came in the way of an even higher output of the pipe plant which worked to only one-third its capacity.

Anglo French Repeats

Anglo-French Textiles Limited has reported another year of encouraging working in 1969. With the expanded facilities contributing to a larger turnover there was a big rise in the net profit, before depreciation and taxation, to Rs. 67.95 lakhs from Rs. 45.08 lakhs in 1968. However, the company has only maintained the dividend on equity capital at 15 per cent, taxable. The new shares issued on a rights basis in the ratio of one for four will, receive a proportionate dividend of 70 paise per share, taxable. The provision for depreciation is much higher at Rs. 36.99 lakhs (Rs. 16.20 lakhs) and development rebate Rs. 22.22 lakhs (Rs. 4.40

lakhs). There is no tax liability against Rs. 9 lakhs in 1968, while general reserve gets Rs. 2.48 lakhs (Rs. 9.47 lakhs). The provision for bonus to staff is Rs. 4.55 lakhs (Rs. 4.30 lakhs).

Shreenivas Cotton

Shreenivas Cotton Mills Limited has decided to double its dividend on equity capital to 10 per cent, taxable, for 1969. The company has recorded an appreciable, rise in sales during the year to Rs. 7.52 crores from Rs. 6.57 crores in 1968 while the net profit, before depreciation and taxation, has jumped to Rs. 69.87 lakhs from Rs. 39.68 lakhs. The provision for depreciation is Rs. 39.74 lakhs (Rs. 36.87 lakhs) and development rebate Rs. 9 lakhs (Rs. 2.70 lakhs). There is a tax liability for Rs. 9.62 lakhs (nil), while general reserve gets Rs. 5.51 lakhs (Rs. 11,000) and debenture redemption reserve Rs. 6 lakhs (nil). The proposed dividend will absorb Rs. 11 lakhs from general reserve.

Bayer (India)

The chairman of Bayer (India) Limited, Mr. B. M. Ghia has taken an optimistic view of the outlook for the company in the coming years as there is an unsatisfied demand for its various products, and there are proposals for substantial expansion and diversification of the lines of production. While the output of rubber chemicals, in which it commands a good portion of a growing Indian market, is being stepped up and new items are being added in the current year an application has been made for permission to raise the capacity of this division besides manufacturing some intermediate products from indigenous raw materials. The company has also been successful in taking up the manufacture of some base stocks for pesticides while it is felt that the pharmaceutical division also will have to be expanded to meet the increased demand for anti-malarial drugs. Large orders have been received from Government for these drugs. As the Government has given its approval for the selling prices of various pharmaceuticals it is expected that sales and earnings will improve further considerably in the current year,—helping to wipe out a sizable portion of the accumulated losses. Bayer's Rs. 100 paid up shares which were quoting around Rs. 150 sometime back have shot up to over Rs. 200 before closing slightly lower.

Poddar Mills Resumes

Another textile company which has reported satisfactory results for 1969 is Poddar Mills Limited which has decided to resume payment of dividend on its equity capital

after two years, with the announcement of a distribution of 10 per cent taxable. The turnover for the year has risen sharply to Rs. 6.24 crores from Rs. 5.54 crores in 1968 while there has been an even more pronounced increase in the net profit, before depreciation and taxation, to Rs. 63.25 lakhs from Rs. 22.87 lakhs. After setting aside Rs. 24.38 lakhs (Rs. 23.44 lakhs) for depreciation there is no tax liability. Share issue expenses for Rs. 3.58 lakhs (nil) have been written off and the transfer to general reserve is Rs. 35.53 lakhs (nil). The profit of Rs. 16.05 lakhs on sale of investments has been credited to capital reserve while the equity dividend is to be paid from general reserve. The working of the company in the first quarter of this year is stated to be quite satisfactory.

Kamani Engineering

Kamani Engineering Corporation Limited could not operate on a profitable basis during the year ended September 30, 1969 owing to a less keen demand for structurals and transmission line towers and a strike at its Jaipur unit. Sales declined to Rs. 8.40 crores from Rs. 9.07 crores while due to higher costs, there was a loss of Rs. 11.07 lakhs before depreciation against a profit of Rs. 45.25 lakhs in 1967-68. The loss of Rs. 21.27 lakhs after providing Rs. 13.10 lakhs (Rs. 22.52 lakhs) for depreciation has been adjusted with the excess provision for depreciation in earlier years to the extent of Rs. 37.11 lakhs by changing over to the straight-line method. The balance of Rs. 13.45 lakhs has been taken to general reserve. The equity dividend has been halved to 6 per cent taxable, and is to be paid out of general reserve. However, it is proposed to issue bonus shares in the proportion of one share for every ten shares held. The company hopes to show improved results in the current year as there may be a larger offtake of transmission line towers. There are also large export orders which amounted to Rs. 12.28 crores at the end of the year.

Sylvania & Laxman

Sylvania and Laxman Limited, which is a late comer in the field of lamps manufacture, has turned the corner after a period of initial troubles. During the year ended September 30, 1969, the company was able to raise its turnover sharply to Rs. 1.76 crores from Rs. 86.15 lakhs in 1967-68 in spite of suspension of operations for a few months at the lamp and glass plants for want of imported raw materials. Export sales also were satisfactory at Rs. 6.38 lakhs in the 12 months ended March 1970 and the company is a major exporter of fluorescent tubes. The company has earned a net profit, of Rs. 7.05 lakhs against a loss of Rs. 15.50 lakhs in the

previous year. The chairman of the company. Mr. Laxman S. Agarwal, has stated that arrangements are being made for taking up the manufacture of some of the vital raw materials and components like fluorescent powder, coils and lead-in-wires for both G.L.S. lamps and fluorescent tubes. Already orders have been placed for the required plant and equipment which will be sent as soon as an import licence is obtained. It is expected that the new plants will be in operation before the end of this year, saving valuable foreign exchange and ensuring regular supplies to meet an increasing demand for the company's products. The dollar cost is to be found from a World Bank credit through the ICICI for Rs. 21.71 lakhs, while the rupee expenditure is to be met by a preference issue for Rs. 20 lakhs and an IFC loan for Rs. 30 lakhs. It is also proposed to take up the production of mercury vapour lamps for which there is growing demand. Arrangements have been made for import of a sophisticated plant which too may go into operation by the end of the year.

National Rayon's Bonus

Shares of National Rayon Corporation Limited have been in the limelight after the surprise announcement of the proposal to capitalise Rs. 80 lakhs out of the company's reserves for issuing bonus shares in the proportion of one share for every four shares held. The directors have at the same time maintained the distribution on equity capital at 28 per cent, taxable, (including a bonus of 4 per cent) for 1969. Net sales during the year increased to Rs. 17.73 crores from Rs. 16.21 crores, after payment of Rs. 4.61 crores (Rs. 4.45 crores) towards excise duty. The output of tyre cord jumped to 42.43 lakhs kg. from 25.15 lakh kg. while that of textile rayon yarn declined slightly by to 86.09 lakh kg. from 88.70 lakh kg. in 1968. Sales of tyre cord thus rose sharply to Rs. 6.78 crores from Rs. 4.08 crores while those of textile yarn were much lower at Rs. 12.64 crores against Rs. 14.17 crores owing to the supply of a significant portion of the output to weavers and fabric exporters at unremunerative prices. The turnover in chemicals, however, improved to Rs. 2.78 crores from Rs. 2.31 crores. There was a slight improvement in profitability also with the net profit, before depreciation and taxation, rising to Rs. 525.30 lakhs from Rs. 474.95 lakhs in 1968. The provision for depreciation is Rs. 133.89 lakhs (Rs. 111.42 lakhs) and taxation Rs. 216 lakhs (Rs. 212.80 lakhs). Development rebate reserve gets Rs. 23.95 lakhs (Rs. 13.10 lakhs). After taking credit for Rs. 4.58 lakhs (nil), being excess provisions no longer required and some adjustments the transfer to general reserve is higher at Rs. 147.50 lakhs (Rs. 137.70 lakhs). The equity dividend will claim Rs. 89.60

lakhs (same) out of this reserve. As there is a large cover for this it should not be difficult for the company to maintain the distribution on an increased capital if the bonus issue is approved. The previous bonus issue was in 1967 in the modest ratio of one for ten. The latest announcement has come as a pleasant surprise to marketmen as it had been indicated by the chairman more than once last year that there was no prospect of capitalisation of reserves in the near future as the company had some diversification schemes on hand requiring all the available internal resources. The quotation for the Rs. 100 shares has jumped to Rs. 510 after the release of results from Rs. 485 earlier.

Food Specialities Pays More

Another record has been set up by Food Specialities Limited in 1969 in respect of sales and earnings and the directors have decided to raise the equity dividend to 20 per cent, taxable, from 18 per cent, taxable in 1968 with the declaration of a final payment of 10 per cent, taxable. The interim has already been paid. Sales rose further by over 9 per cent to Rs. 7.78 crores from Rs. 7.11 crores in 1968 while the net profit, before depreciation and taxation, rose by over 26 per cent to Rs. 182.28 lakhs from Rs. 144.98 lakhs showing improved profitability. Depreciation claims Rs. 26.79 lakhs (Rs. 21.66 lakhs) and development rebate Rs. 2.60 lakhs (Rs. 1.05 lakhs). The provision for taxation is Rs. 87.60 lakhs (Rs. 76.85 lakhs). The disposable profit in thus higher at Rs. 65.29 lakhs (Rs. 45.42 lakhs). The interim dividend absorbed Rs. 18.16 lakhs (Rs. 15.26 lakhs) while the final dividend will claim Rs. 18.47 lakhs (Rs. 12.13 lakhs).

Raymond Woollen's Bonus

Raymond Woollen Mills Limited has reported a big increase in its net profit, before depreciation and taxation, for 1969 to Rs. 89.87 lakhs from Rs. 63.80 lakhs in 1968 following a further rise in sales and other income to Rs. 9.55 crores from Rs. 8.78 crores. Export sales were also higher at Rs. 1.25 crores against Rs. 1.15 crores. The directors have maintained the equity dividend at 12 per cent, taxable, though on a higher capital. The 50,000 new shares will get a proportionate dividend. At the same time it is proposed to capitalise Rs. 21 lakhs out of reserves for issuing bonus shares in the ratio of one share for every five shares held, taking the paid up equity capital to Rs. 1.26 crores. The claim in respect of depreciation is Rs. 31.81 lakhs (Rs. 26.93 lakhs) and development rebate Rs. 6.20 lakhs (Rs. 3.90 lakhs). The provision for taxation has been raised to Rs. 22 lakhs (Rs. 10 lakhs) and deferred taxation reserve to Rs. 8 lakhs (Rs. 7.90

lakhs) while general reserve No. 2 gets Rs. 21.86 lakhs (Rs. 15.21 lakhs). The equity and preference dividends will be paid out, of this reserve and will absorb Rs. 14.06 lakhs (Rs. 13.63 lakhs). As the dividends are comfortably covered, it can be expected that the dividend will be maintained on the increased capital for the current year as sales and earnings may go up further. The Rs. 10 paid-up equity shares have been a firm feature with the quotation marked up to Rs. 22.50.

Wimco Earns More

Western India Match Company Limited has benefited from the improved demand for matches during 1969 and sales rose further to Rs. 26.5 crores from Rs. 24.87 crores in 1968. Offtake of matches increased by 25,000 cases while output of paper was higher at 6,284 tonnes against 5,257 tonnes and of potassium chlorate at 4,182 tonnes against 3,862 tonnes in 1968. Paper output is expected to rise to 7,000 tonnes this year while with the removal of control, there was an improvement in profitability of paper sales. The company is also making good progress with its chemical pulp plant. Most of the equipment have been received at site and the plant is likely to be commissioned by the middle of this year. The increase in earnings for 1969 was more pronounced as the net profit, before depreciation and taxation, jumped to Rs. 2.18 crores from Rs. 1.45 crores in 1968. The provision for depreciation is Rs. 32.55 lakhs (Rs. 31.50 lakhs) and development rebate Rs. 4.51 lakhs (Rs. 3.58 lakhs). Gratuity claims Rs. 8.52 lakhs (Rs. 12.43 lakhs) while the allocation for taxation, including surtax is Rs. 1.06 crores (Rs. 64.50 lakhs). The surplus of Rs. 74.39 lakhs (Rs. 45.70 lakhs) has been transferred to general reserve. The equity dividend has been raised to 12 per cent taxable, from 11 per cent taxable and will absorb Rs. 49.50 lakhs (Rs. 45.38 lakhs) out of general reserve. The directors have also proposed to issue bonus shares in the ratio of one-for-five by capitalising Rs. 82.50 lakhs out of reserves.

Swastik Rubber to Pay Same

The directors of Swastik Rubber Products Limited have decided to maintain the ordinary dividend at 12 per cent, taxable, for 1969 in spite of a decline in the net profit, before depreciation, to Rs. 55.33 lakhs from Rs. 63.88 lakhs in 1968. There was a smaller margin on export sales while the footwear unit could not operate satisfactorily. The disposable profit is also much lower as the provision for depreciation has been stepped up to Rs. 39.88 lakhs (Rs. 18.92 lakhs). Development rebate claims Rs. 6.25 lakhs (Rs. 11.25 lakhs) while the allocation for taxation is only Rs. 5.20 lakhs (Rs. 18 lakhs).

The transfer to general reserve is Rs. 4 lakhs (Rs. 15.70 lakhs). The dividend is to be paid out of general reserve.

India Carbon's Pref. Issue

India Carbon Limited plans to diversify its lines of production. The company is setting up a plant at Budge Budge in West Bengal in collaboration with Great Lakes Carbon Corporation of U.S. to make calcined anthracite now being imported by aluminium smelters, calcium carbide ferro-alloys, ferro-manganese and electric pig iron producers. Also a chemical plant is to be set up near Bombay in collaboration with Naphtha-chinemic of France to manufacture mono-di-tri ethanalamines, a group of chemicals used in the production of dyes, paints, emulsifiers, textile ancillaries, detergents, soaps, pharmaceuticals, refineries and fertilisers. These are now being imported and their demand is expected to go up from the present level of over 2,000 tonnes to over 5,100 tonnes by 1975. To find part of the finance needed for the new projects, the company came on the market in the third week of April to raise Rs. 10 lakhs in cumulative redeemable preference shares carrying interest at 9.3 per cent gross and repayable in 12 to 15 years.

Jessop Skips Again

Jessop and Company Limited was able to raise its sales during the year ended October 31, 1969 to Rs. 14.02 crores from Rs. 12.16 crores in 1967-68 which helped it to earn a small net profit of Rs. 10.32 lakhs, before depreciation, against a loss of Rs. 36.80 lakhs in the previous year. The provision for depreciation is Rs. 50.20 lakhs (Rs. 47.51 lakhs) and the net loss of Rs. 39.88 lakhs (Rs. 84.38 lakhs) has been adjusted with a transfer of Rs. 5.78 lakhs (Rs. 7.16 lakhs) from development rebate reserve no longer required and Rs. 43.14 lakhs (Rs. 78.25 lakhs) from general reserve. The equity dividend has again been passed over. The company incurred a fresh capital expenditure of Rs. 42.45 lakhs (Rs. 21.69 lakhs) during the year. A term loan of Rs. 3 crores was sanctioned by the IDBI while Rs. 2 crores was repaid to the State Bank of India.

Bright Outlook for Associated Bearing

The equity shares of Associated Bearing Company Limited have been in keen demand following the optimistic reckoning of the company's future outlook by its Chairman, Mr. A. Hydari, and the Rs. 100 paid-up shares are quoting high around Rs. 240 in Bombay. Sales in the first quarter of this year were nearly double those for the same period in 1969. Average daily sales now amount to 12,500 units which may go up to 15,000 units a day for the whole year. The

long-term prospects are also quite bright as a substantial expansion of capacity from 2.4 to 6 million units a year is already under way and is expected to be completed by 1973, involving a total outlay of Rs. 1.5 crores. When in full production, the expanded facilities will account for a turnover of Rs. 9 to Rs. 10 crores. The company also has a scheme on hand to raise its capacity for making textile machinery components at a cost of Rs. 73 lakhs. The additional capacity may be available by 1974. The cost of imported plant of Rs. 41 lakhs is sought to be met by a foreign currency loan from the ICICI which has been approached in this regard.

Gujarat Steel's Bonus

Gujarat Steel Tubes Limited has done better in the year 1969 with a rise in sales and earnings. Besides maintaining the ordinary dividend at 10 per cent, taxable, the directors have also announced a bonus issue in the ratio of one-for-five subject to the consent of the Controller of Capital Issues. Sales of tubes improved to Rs. 4.62 crores from Rs. 4.09 crores in 1968. Exports accounted for 45 per cent of the total production against 40 per cent in the previous year. The profitability of working was also higher, the net profit, before depreciation and taxation jumping to Rs. 75.72 lakhs against Rs. 52.51 lakhs in 1968. The claim in respect of depreciation is Rs. 9.54 lakhs (Rs. 8.75 lakhs) and development rebate Rs. 50,000 (Rs. 2.30 lakhs) while the provision for taxation is raised to Rs. 37.75 lakhs (Rs. 20 lakhs). After writing back Rs. 5 lakhs, being excess tax provision in earlier years, the transfer to general reserve is higher at Rs. 32.81 lakhs (Rs. 21.39 lakhs).

Dunlop India's New Plans

The chairman of Dunlop India Limited, Mr. J. A. Moore, has urged the Government to allow fresh expansion of capacity of the existing producers of automobile and cycle tyres to meet a likely surge in internal and export demand in the coming years. It is pointed out that the recent announcement of allowing fresh capacity for 1.5 million automobile tyres and tubes by entirely new units will only delay the creation of critically needed additional capacity. The Government should also realise that the quickest and most logical method to expand capacity is to allow the present manufacturers also to create additional facilities besides permitting them to increase their output even from their existing capacity through improved productivity and installation of balancing equipment. The Government's attitude in reserving additional cycle tyre capacity for the small scale sector has also been criticised as companies like Dunlop India will be

prevented from enlarging their exports, for which there is a considerable potential, after meeting an increasing domestic demand. There is also continuing need to purchase technical know-how for improving quality and meeting the changing needs within the country. Dunlop India's technical agreement with its parent firm expired last year and new proposals have been submitted to Government for getting the continued technical assistance of the U.K. firm.

The company's tyre production at its Sahaganj (West Bengal) factory was affected by labour unrest during 1969. With an improvement in the situation this year, it is expected that output will be much above last year's level. Output of the industrial products division at Sahaganj was, however, maintained at the previous level in spite of an acute shortage of cycle rim strips. The Ambattur unit made good progress during the year, with substantial improvement in productivity and output. Exports of the company's product set up a new record at Rs. 2.8 crores, showing a 12 per cent rise over 1968. As there are already orders for Rs. 2 crores on hand, shipments in the current year may easily exceed Rs. 3 crores though it is stated any further export effort will depend on the Governments' acceptance of expansion in both automobile and cycle tyre capacity.

The current expansion scheme for an additional capacity of 250,000 tyres and tubes at Ambattur is likely to be completed by the end of 1971 and the expanded facilities will be fully operative in 1972. A licence has been obtained for producing 1.5 million cycle rims at Ambattur. Work on this project is in progress and is expected to be completed by the middle of next year. Letters of Intent have also been received for the manufacture of tennis balls and golf balls both of which will be implemented as soon as possible. There are also plans for further diversification into products which are capital-intensive and require sophisticated technology.

Ultramarine Repeats

Ultramine and Pigments Limited has maintained the equity dividend at 18 per cent taxable, for 1969, with the announcement of a final payment of 12 per cent, taxable. Sales improved to Rs. 84.09 lakhs from Rs. 70.37 lakhs while the net profit, after depreciation and taxation, was slightly better at Rs. 12.01 lakhs against Rs. 11.06 lakhs in 1968.

Miscellaneous

ZENITH LAMPS LIMITED has again skipped the dividend on equity capital for 1968-69.

INDUSTRIAL INVESTMENT TRUST LIMITED has maintained the ordinary dividend at 7 per cent, taxable, for 1969.

RANE (MADRAS) LIMITED has raised the interim ordinary dividend for the year ended March 31, 1970 to 7½ per cent, taxable, from 6 per cent, taxable for 1968-69.

ELECTRIC CONSTRUCTION AND EQUIPMENT COMPANY LIMITED has proposed an interim dividend of 10 per cent, taxable, on equity capital for the year ended October 31, 1969, against a similar distribution for the whole of 1967-68. The directors are also revising the ratio of the earlier announced bonus issue from one-for-three to one-for-five and an application is being made to this effect to the Controller of Capital Issues.

The directors of MYSORE KIRLOSKAR LIMITED have announced a bonus issue in the proportion of one share for every five equity shares held subject to Government sanction by capitalising Rs. 20 lakhs out of reserves.

TRAVANCORE CHEMICAL AND MANUFACTURING COMPANY LIMITED has obtained the permission of the Controller of Capital Issues for issuing bonus shares in the ratio of one-for-three.

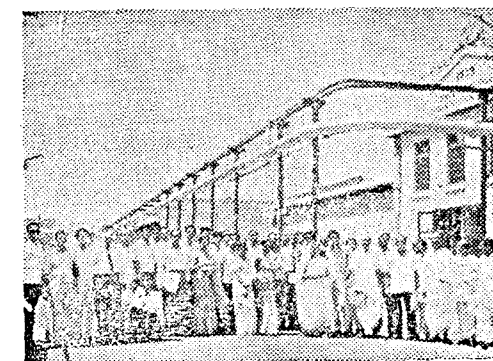
VYSYA BANK LIMITED has raised the ordinary dividend to 9 per cent taxable, for 1969 from 7½ per cent, taxable for 1968.

POLSON LIMITED has maintained the equity dividend at 12½ per cent taxable, for 1969.

The subscription list for raising Rs. 1.23 crores in equity shares by NAGPAL AMBADI PETRO-CHEM. REFINING LIMITED which was opened on April 13 was closed on April 16 after being oversubscribed. In unofficial dealings, the Rs. 5 paid-up shares are reported to be quoting at Rs. 5.50. The preference shares list for Rs. 50 lakhs was however kept open till April 23.

TATA OIL MILLS COMPANY LIMITED has reported an increase in its sales during the year ended March 31, 1970 by 32 per cent to Rs. 39 crores. There was keen demand for soaps and detergents, sales of soaps rising by 22 per cent. Exports of shrimps in the later half of the year amounted to Rs. 50 lakhs and there may be a further sharp increase in sales of seafoods in the current year.

Ten-fold Increase in Assets of ACCI



ACCI organised a Shareholders Day at its factory at Rishra recently. Photograph shows a group of shareholders with ACCI Managing Director, Mr. A. L. Mudaliar

Hyderabad and work was also going ahead for the manufacture of a range of pharmaceuticals of ICI specialities in India.

INDEX NUMBER OF WHOLESALE PRICES — NEW SERIES
(Continued from our issue dated February 15, 1970)

	All Commodities	Food Articles	Liquor & Tobacco	Fuel, Power, etc.	Industrial Raw Materials	Chemicals	Machinery & Equipment	Manufactures
Jan.	173.1	197.0	184.8	155.9	183.4	186.8	133.7	146.8
Feb.	173.8	—	184.6	156.0	187.3	186.8	139.7	148.3
Mar. 7	175.4	198.7	190.7	159.4	189.2	188.0	139.7	148.4
Mar. 14	175.3	199.5	189.4	159.4	185.3	188.0	139.7	148.7
Mar. 21	176.1	199.6	189.1	159.4	189.8	188.0	139.7	149.0
Mar. 28	175.4	199.2	188.2	159.4	186.0	188.0	139.7	149.0

TRENDS IN CAPITAL ISSUES *

(Rs. Crores)

	1961-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69	69-70
1. Consents for Capital Issues									
(a) All Companies	247.17	385.61	512.59	377.33	322.81	486.01	233.66	135.21..	143.5
(i) Govt. Companies	65.69	163.25	306.90	164.40	109.83	196.24	2.39	2.80	12.0
(ii) Non-govt. Companies of which	181.48	222.36	205.69	213.29	212.98	289.77	231.27	132.41	131.5
Bonus Shares	10.07	14.15	10.75	4.97	4.90	196.22	48.53	21.42	41.1
Others	171.41	208.21	194.94	208.32	408.08	143.55	182.74	100.99	90.4
2. Capital Raised Against such consents									
(a) All Companies	162.71	302.17	324.88	216.93	174.68	353.97	116.98	54.26	NA
(i) Govt. Companies	56.12	152.22	225.03	118.99	84.37	172.65	1.82	—	NA
(ii) Non-govt. Companies of which	106.59	149.95	99.85	97.94	90.31	181.32	115.16	54.26	NA
Bonus Issues	10.03	12.82	10.40	3.00	4.90	139.38	42.12	21.09	NA
Loans	23.42	27.59	9.79	18.14	20.76	6.72	4.83	2.92	NA
Others	73.14	109.54	79.66	76.80	64.65	35.22	68.21	30.25	NA

* Under 1966 order except for bonus issues, private companies, banking and insurance companies and govt. companies are completely exempt from Sections 3, 4 and 5 of Capital Issues (Control) Act 1947 and under 1969 order public limited companies are only required to file a statement of their capital issue proposals provided they conform to stipulated financial criteria. Consequently the 'no objections' are substituted by 'acknowledgment of proposals'

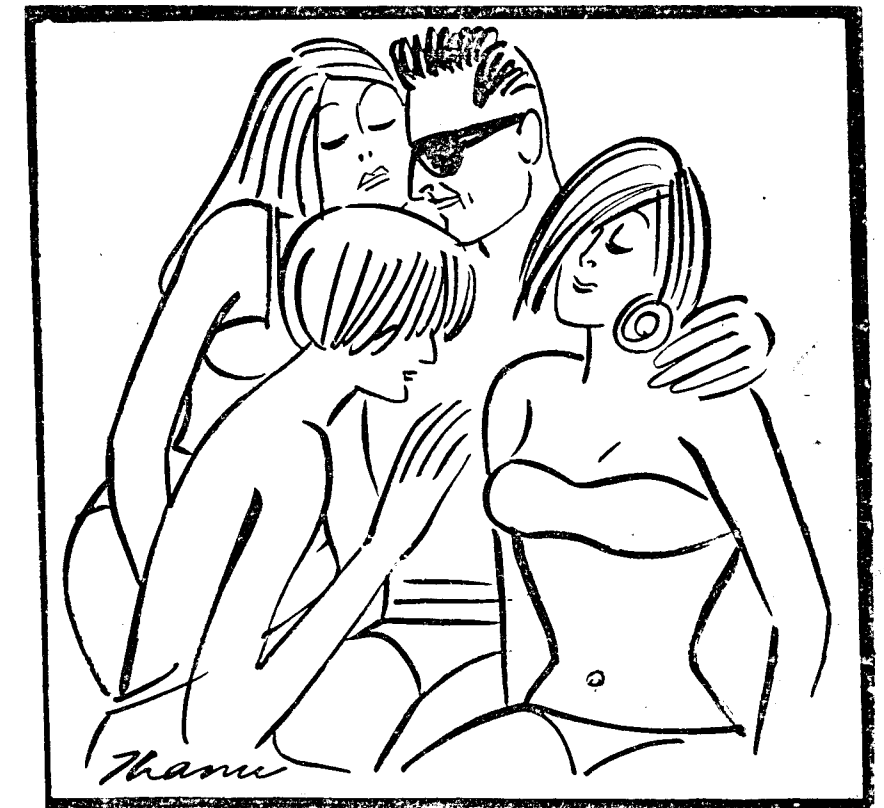
SCHEDULED BANKS

	10-4-70	5-4-70	11-4-69
Aggregate Deposits	5,073.38	5,068.23	4,413.92
Cash & Balances with R.B.I.	326.26	328.95	264.92
Borrowings	205.09	215.44	67.88
Investments	1,167.98	1,202.33	1,052.16
Advances	4,016.12	3,984.91	3,463.98

RESERVE BANK OF INDIA

	17-4-70	10-4-70	18-4-69
BANKING DEPT.			
Deposits			
Central Government	83.17	52.38	59.81
State Governments	6.08	4.92	5.45
Scheduled Banks	163.35	168.74	154.58
Others	165.35	168.87	301.65
Other Liabilities	134.95	127.47	115.79
Government Treasury Bills	69.90	27.40	177.07
Balances Held Abroad	127.45	117.87	143.08
Investments	96.42	98.75	158.39
Loans and Advances			
to State Governments	173.08	172.99	182.54
to Scheduled Banks	179.31	196.18	72.47
Other Assets	45.71	45.69	41.51
ISSUE DEPT.			
Notes held in the Banking Dept.	25.50	22.17	15.42
Notes in circulation	4,002.16	4,004.88	3,627.29
Gold Coin held in India	182.53	182.53	182.53
Foreign Securities	361.42	361.42	216.42
Rupee Coins	61.25	60.76	71.61
Rupee Securities	3,422.46	3,422.33	3,172.15

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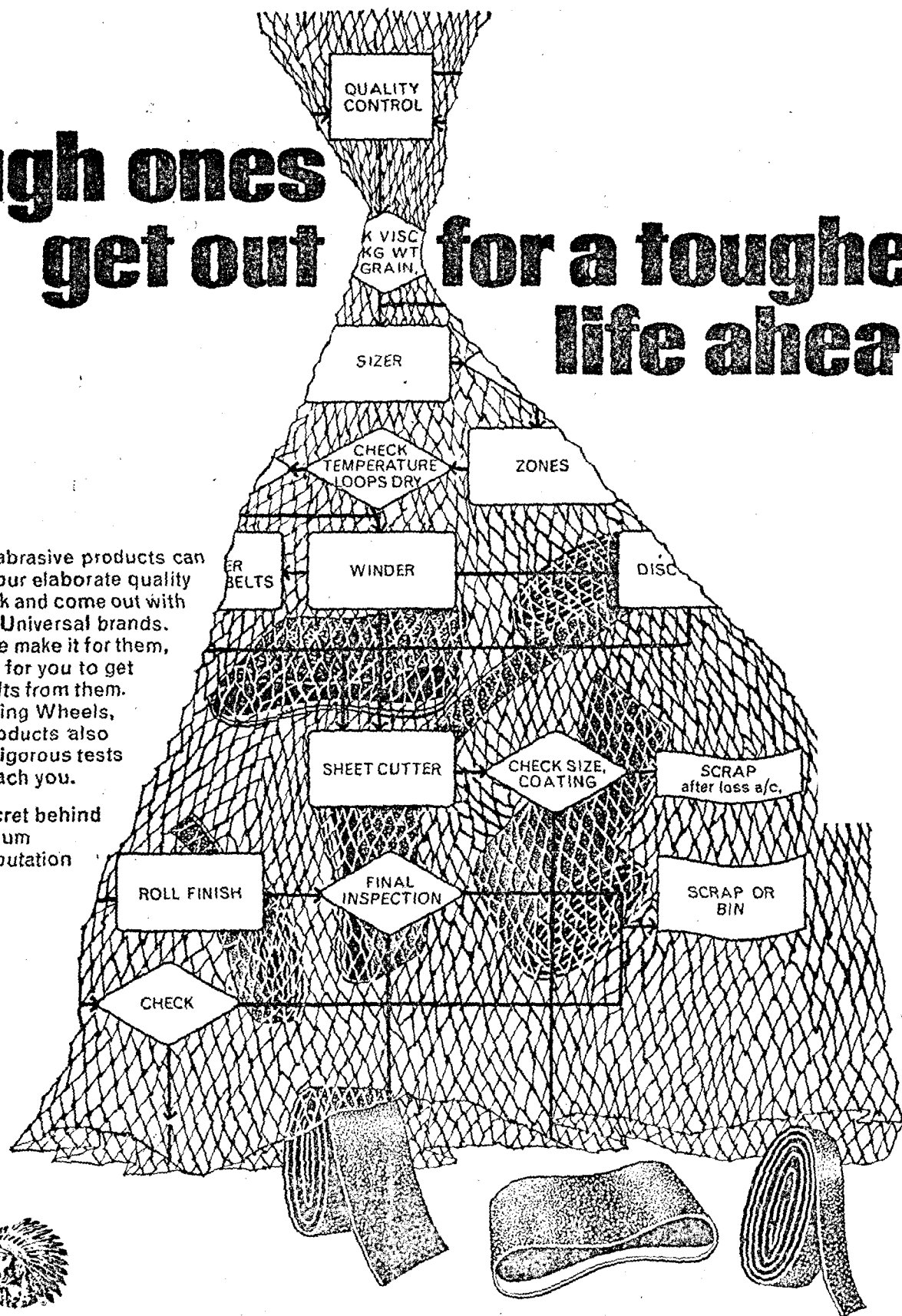
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VOL. III NO. 5

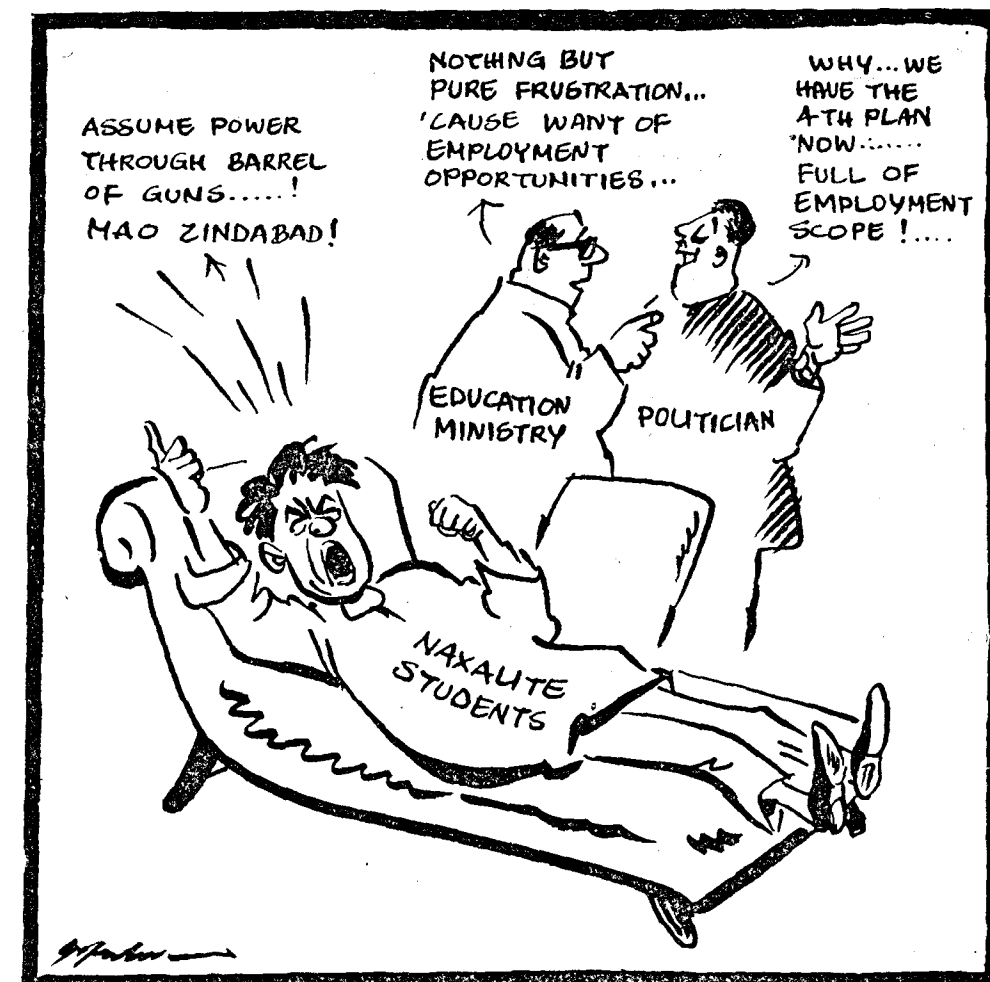
MAY 15, 1970

PRICE: 75 Paise

The Case of the Vanishing Privy Purse

We do not need any Perry Masonic wisdom to come to the right conclusion about the abolition of privy purses. A little bit of thinking over a cup of even weak tea or a beakerful of thin beer will yell in your wax-filled ears—these purses must go! In a democracy looking into every purse for 'growth with social justice', why should a few purses be allowed to fatten themselves? Nobody seriously believes the divine right theory today and if anyone has doubts about the privy purse affair, I strongly recommend him to read the book *Maharajah* published recently. Very racy indeed is the book which tells you how money was misused by the maharajahs of the Indian states. One prince spent a lakh of rupees to perfume the girl of the evening! One ruler burned over a million rupees to perform the marriage of his favourite dog! Fantastic? Ridiculous? Absurd? Arabian-nightish? Perhaps, but true, according to the writer of the book who had served the maharajahs years ago. After reading the book I felt that the only totally sane and normal maharajah was perhaps the Air-India Maharajah!

—Randor Guy



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uncommon test common to all files of Singapore, Czechoslovakia, Mom- tests cutting capability. By actually bessa, Uganda, Kuwait, U.S.A., Australia, Burma, Hongkong, W. pressing each file on a hard high- carbon steel standard piece, it is easy to see whether the file cuts the piece. Only if it does so is it approved for marketing. But testing by itself cannot ensure a good product. High quality materials must be used and sophisticated production methods. Where Hansa Tools have been particularly fortunate. Its files are made in collaboration with Austria's famous Schoeller Bleckmann, the company

Reasons for this unusual performance are not hard to find, explains Hansa Tool's Sharma, whose responsibility it is to see that every tenth file is tested for hardness characteristics between 61 and 64 Rockwell-C. (If it fails the test, the file is outright rejected. Also paying rich dividends in foreign markets. Hansa is fast becoming an industry synonym for files in parts

whose scientists INVENTED STAIN- LESS STEEL. And the steel used is the Austrian Company's equally famous chromium-containing high- carbon alloy Hansa steel, specially imported. The combination of factors has been paying rich dividends in foreign markets. Hansa is fast becoming an industry synonym for files in parts

Batliloi: An Industrial Newsletter

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Managing Water Resources without Waste...

The dispute over the sharing of waters of the Cauvery Basin among Mysore, Tamil Nadu and Kerala States appeared to be incapable of solution at a particular stage: While Mysore was insisting on the construction of some important projects on the Hemavathi and the Kabini rivers, the important tributaries of the Cauvery, Tamil Nadu, for its part, was apprehensive that the execution of these projects would deprive it of its share of waters. The Kerala Government has come out with its latest claim that it should be allowed to construct 10 major projects across the Bhavani and Kabini rivers and generate hydel power besides developing some important areas in the Malabar region. The Kabini river originates in Kerala while the Bhavani river starts in Tamil Nadu territory and passes through Kerala region before re-entering Tamil Nadu again.

For a long time Mysore State has not been giving attention to the development of its irrigation potential. Even now only 8 per cent of total cultivated area in the State has irrigation facilities. The upper Krishna, Kalinadhi, Ghataprabha and other projects are yet to be fully implemented. Meantime the dispute over sharing Cauvery waters has been raised. The Mysore Government has been insisting that the Hemavathi and Kabini river projects should be implemented without waiting for any settlement of the dispute with Tamil Nadu and that the Planning Commission should give the necessary clearance for these projects.

At the meeting of the three Chief Ministers held

recently in Madras a genuine attempt was made to arrive at a compromise. It has been stated by Dr. K. L. Rao, Union Minister for Irrigation and Power, that the differences have narrowed down and the chances of an amicable settlement have brightened. The engineers of the respective States have been asked to collect further data, presumably with a view to finding out the quantum of water flowing through the respective territories and to decide the quantum available for each if the proposed projects were implemented. Obviously there will have to be a staggering of the construction of different schemes as, in the past two decades, there were seasons with embarrassing surpluses acute shortages. There may be need for the construction of reservoirs which will act as flood control measures and conserve also the water available in abundance in some years. This is perhaps the reason why there are indications about an interim settlement and efforts might be made later to increase total availability through new schemes.

In this context the importance of the Hogenekal Project is forcefully brought out. Apart from the fact that this impressive project on the Tamil Nadu and Mysore border will generate large blocks of power at low cost, the storage of surplus waters during periods of heavy floods will be helpful to the Tamil Nadu Government for overcoming any difficulty that might be created by the use of waters by the Mysore and Kerala Governments. It should also be examined how the waters of rivers of the different southern States can be used more profitably by diversions

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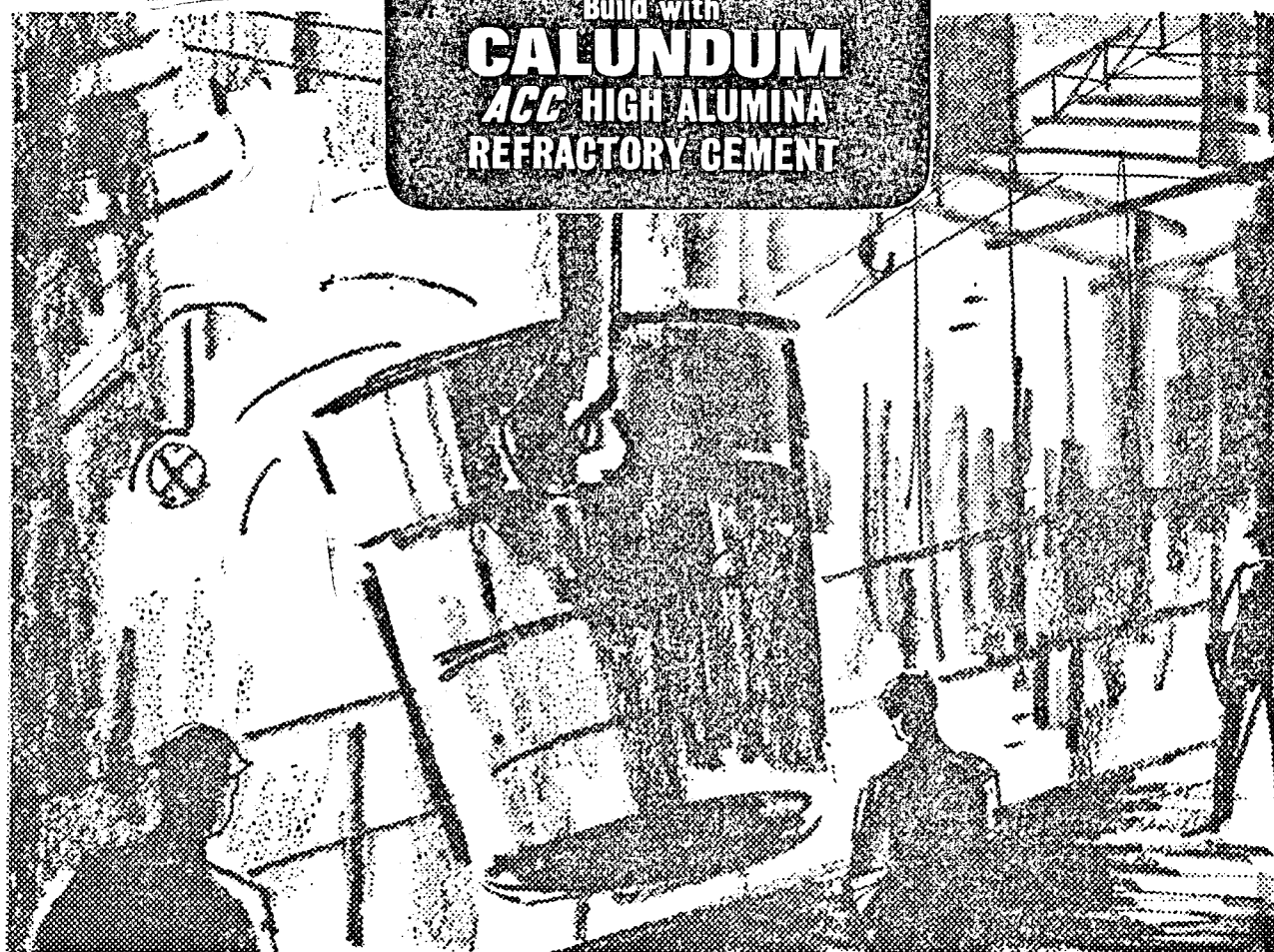
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as has been done when an agreement was reached between Kerala and Tamil Nadu over the sharing of waters in the Parambikulam-Aliyar Project.

The Tamil Nadu Government has been enterprising in fully utilising its resources. It must be said to the credit of the previous Congress Government that many schemes were implemented which resulted in the effective utilisation of the waters of Cauvery in its territory. The Bhavani

Public Sector and Profitability

The public sector undertakings are in a position to make a significant contribution to industrial production and earn large surpluses for the Government. It is not generally recognised that a vast industrial apparatus has been created over a period and the capital outlay at present day costs would probably be more than double the outlay of Rs. 3,902 crores in 73 undertakings at the end of 1968-69. In that year alone fresh investment was of the order of Rs. 569 crores. There was also a substantial improvement in the turnover to Rs. 2,657 crores from Rs. 1,588 crores. The Hindustan Steel, the Indian Oil Corporation, Bharat Electronics, Indian Telephone Industries, Fertiliser Corporation of India and the Cochin Refineries in particular acquitted themselves creditably. There was a sizeable saving through the displacement of imports of steel, petroleum products, machine tool, electrical equipment and other items. Large foreign exchange earnings also have been secured (Rs. 70 crores in 1968-69 against Rs. 50 crores in 1967-68). Besides, the Air and Shipping Corporations earned a gross amount of Rs. 72 crores in foreign exchange. This proved to be greatly helpful in servicing foreign debt obligations.

The Government, however, is yet to derive tangible benefit from its colossal investment and reduce the burden on the tax payer. There should be an intensive utilisation of the existing capacity. The output of steel ingots of Hindustan Steel, for example, was only 3.72 million tonnes, the installed capacity being 5.9 million tonnes. Even allowing for the fact that the expansion schemes had not been fully completed, the output of steel ingots could have been easily 5 million tonnes, which would have been greatly helpful in overcoming the steel shortage that is now being experienced and in displacing costly imports. What is more, the inflation in costs that is now taking place due to a sharp spurt in prices for steel could have been averted and exports of engineering goods stepped up substantially.

It is no wonder, therefore, that it has not been possible for 73 undertakings to report aggregate profits. The only consolation perhaps lies in the fact that net losses, after providing for depreciation, interest charges and taxation, for the 73 concerns was lower at Rs. 27.67 crores in 1968-69 against Rs. 37.89 crores for 67 units in 1967-68.

Sagar Project, the Amaravathy scheme and the Pullambadi Canal System are outstanding examples of effective use of Cauvery waters while a big scheme is under consideration for modernising the irrigation system in the deltaic area in the Thanjavur district at a cost of over Rs. 20 crores. With similar stress on management of water resources by the other southern States, there can be an impressive increase in the exploitation of the irrigation and hydel power potential of the region.

A net loss of Rs. 93.90 crores has been incurred on account of the heavier losses incurred by 31 undertakings against Rs. 86.84 crores in respect of 27 units. But for the increase in profits of 42 undertakings to Rs. 66.23 crores from Rs. 48.95 crores for 40 units, the net loss would have been even more pronounced. As in the previous year Hindustan Steel, Heavy Engineering Corporation, Mining and Allied Machinery, Heavy Electricals, and Bharat Heavy Electricals accounted for the bulk of the losses, their share being Rs. 69.17 crores. The remaining 26 units suffered a loss of Rs. 24.73 crores.

The data for 1968-69 are perhaps of academic interest as another financial year has ended and working results of many units for 1969-70 will be available shortly. It may be possible for the Government to avoid net losses as some of the units are reported to have fared better though Hindustan Steel has again suffered a loss. It is perhaps only in 1970-71 that the corner might be turned with a big rise in the output of common and alloy steels, fertilisers, petroleum products, engineering goods and the like. In that event huge surpluses may become available for financing Fourth Plan schemes. Even in 1968-69 the gross surplus before providing for depreciation and interest charges was Rs. 234 crores against Rs. 179 crores in the previous year while the net loss of Rs. 27.67 crores has been reached after providing Rs. 149 crores for depreciation, Rs. 95 crores for interest charges and Rs. 80 crores for taxation. The scope for generating internal resources of sizable dimensions is, therefore, not being properly exploited.

The public sector has come of age and a stage has been reached where even with sizable investment in expansion schemes and on new projects, the Government should be able to boast of fresh resources of Rs. 500 crores annually with Hindustan Steel alone contributing its share of Rs. 125 crores including provision towards depreciation charges. It should be possible for the investment in the public sector which should by now be over Rs. 4,500 crores to account for a turnover exceeding Rs. 3,000 crores. If this is done many of the problems would have been got over and the economy could proceed to function on a self-sustained basis.

Problems of Pricing Petroleum Products

The decision of the government over the recommendations of the Shantilal Shah Committee on the manner of fixation of prices for petroleum products and the import of crude oil may not be generally welcomed by consumers because the government tends to retain bulk of the gains accruing from the reduced prices rather than passing them on to the consumers. A major decision has, however, been taken in regard to ensuring fairly uniform prices for petroleum products all over the country with the Government's acceptance of the suggestion of the Committee that inland refineries should also be regarded as pricing points along with the eight major ports. Hitherto, only the landed charges of petroleum products at the eight major ports were considered the base for fixing prices in the interior areas after notionally making adjustments for expenses towards freight. On this basis, even though there were refineries at Koyali, Barauni and Nummati, consumers around these refineries had to pay much higher prices for their requirements of the petroleum products as their areas were far removed from the major ports. A clever procedure has been adopted by the government for overcoming the losses that will be sustained by a substantial reduction in selling prices in Gujarat, Bihar and Assam as it has been indicated that reduction in the case of motor spirit alone may be as much as Rs. 54 per kilolitre. Obviously, a policy of equalisation of prices in the area served by major ports has been attempted by the levy of a charge of 10 per cent on all petroleum products by the Government. The amount that will be recovered through the surcharge is estimated at Rs. 17 crores. The consumers served by the coastal refineries will not, therefore, benefit to a great extent as it has been indicated that there will be only marginal increases or decreases in the prices of all products.

Consumers Not Benefited

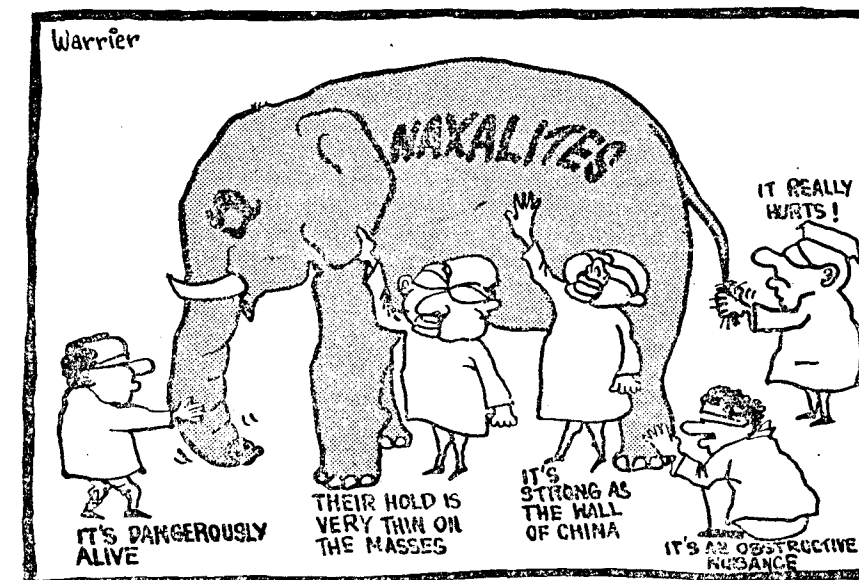
This is bound to cause some disappointment especially as the benefit arising out of the recent reduction in the prices of imported crude will be mopped up by the Government. The Government is obviously in a quandary as they have succeeded so far only in reducing the cost of imports of crude oil insofar as the private sector refineries are concerned. Even in regard to the Cochin Refineries the necessary adjustments have been made in import prices with the foreign collaborators but negotiations with Iran which supplies the crude requirements of the Madras Refineries have not succeeded upto now and the economics of working of this refinery will be affected if it has to sell its products on the basis of the import parity of \$ 1.28 per barrel and a discount of 4 per cent.

The government has also another problem to contend with. The exact cost of indigenous crude and how the adjustments should be effected in regard to requirements of crude oil of the inland refineries are not precisely known. If it is notionally assumed that crude will be supplied by Oil India and the Oil & Natural Gas Commission at

import parity, heavy losses may have to be sustained by the Government which will have to be compensated through revenue from additional excise duties and the surcharge now proposed to be levied.

Reduction in End-Prices Unlikely

Economics of oil refining is obviously getting more complicated and fresh difficulties may be encountered in the coming months if there was a further drop in imported crude prices, as it appears to be likely. On the other hand there is no prospect of indigenous crude becoming cheaper as the yield is not increased significantly. Indeed, there are apprehensions that the output from the oil fields in Gujarat will decline in the coming years and there may, therefore, be an increase in production costs. An expert committee will be enquiring into various aspects and determine the cost of production of indigenous crude oil. Pending this enquiry it is unlikely that the Government will take any step which will result in a substantial reduction in the end-prices of refined products. While this cautious approach is understandable it would be worthwhile to know how the adjustments are being



carried out and also the additional cost of petroleum products to the consumers as a result of the inclusion of new pricing policy. The difficulties in this regard can be overcome to a certain extent by rationalising transport of petroleum products and it is gratifying to note that the Indian Oil Corporation has made good progress in this field. But much remains to be done.

Imports Not Through Single Agency

The Government, however, has done well in not accepting the recommendation of the Committee for canalising the imports of crude oil through a single agency. It has also not accepted its suggestion for appointing a commission to tackle the problem relating to crude imports and renegotiation of

the refinery agreements. The Union Ministry of Petroleum and Chemicals has hitherto been looking after these questions while the canalisation of imports through official sources will be kept as an objective and the adjustments will be made gradually keeping in mind existing commitments. Eventually the Government may have to form a separate agency for handling its own crude imports; or the I.O.C. may have to form a separate wing. But in view of the difficulties involved in procuring imports of crude oil from various sources and the compulsion to change the types of crude oil for meeting changing situations the expertise at the disposal of the foreign oil companies will have to be utilised until such time the country is in a position to purchase huge quantities of crude

oil on a profitable basis. This problem will assume serious dimensions in the coming years, as with the prospect of big increase in internal consumption of refined products it may be necessary to import huge quantities of crude oil. On present indications internal production may not increase appreciably and imports will tend to increase. Pricing of refined products will, therefore, be a complicated job all the time. The Union Ministry will have to be very vigilant in securing for the country substantial savings in foreign exchange through further reductions in the prices of imported crude. With a glut of this product in the world market the gain can be substantial though it is problematic whether the consumer will derive any benefit thereby in the immediate future. —Meenam

Life Insurance and Rural Households

Spreading Life Insurance to rural areas is confronted with many problems. 'Small Savings' compete closely with Life Insurance in mopping up rural savings. 'Currency hoarding' and of gold, silver, etc. still have the biggest attraction for the rural households. Life Insurance represents 10.3 per cent of the total investment in financial assets by rural households, while it is 16.8 per cent of such investments for

urban households. However, when the small incomes and the low saving potential of the rural areas is taken into account, it must be recognised that Life Insurance has, in fact, developed to a considerable extent in rural areas also. The above is the conclusion arrived at by Mr. L. N. Murthy, Assistant Divisional Manager, L.I.C. of India and Mr. S. M. Gunavante, Assistant Secretary, L.I.C. of India in

a paper presented at the 15th Annual Conference of the Federation of Insurance Institutes held at Madras last month.

In an assessment of the potential in the rural areas it has been pointed out that only 20.2 per cent of the rural households can be worthwhile customers for L.I.C. Whatever potentiality that may exist, it is only through the drive and initiative of the Agent it can be translated into reality. In an estimate of the rural policies now in force, the paper presented at the conference points out that the total number of policies in force may be 190.42 lakhs and the sum assured Rs. 8343 crores. Of these, the rural policies would be 58 lakhs for a total sum assured of Rs. 2200 crores. In short it can be said that at present about 30 per cent of the total policies are rural and the total sum assured in them is 26 per cent of the total sum assured on all policies.

The 'green revolution' and the 'credit revolution' now taking shape are opening up vast opportunities for taking Life Insurance to each and every household in the rural areas. These opportunities should be made use of fully by making investment in Life Insurance attractive.

NEW BUSINESS IN RURAL INDIA

Year	Policies issued		Sum Assured (in crores of Rupees)	
	Number	% to total Policies issued in India	Amount	% to total Sum Assured in India
1961	5,33,576	36.51	182.59	30.5
1962/63	6,76,654	38.5	233.45	31.8
1963/64	5,85,143	35.7	209.40	30.2
1964/65	5,20,047	36.2	197.84	28.7
1965/66	5,57,535	35.9	220.62	28.0
1966/67	5,06,695	36.0	217.22	28.7
1967/68	5,09,607	35.8	235.46	28.2
1968/69	4,77,341	32.9	235.12	25.5

Glimpses . . .

Passing Through Fire . . .

The Supreme Court has acted in the best interests of the country in passing orders dismissing petitions on the Giri election case without postponing them to June 20 when it proposes to deliver the full judgment. It is in the best interests of the country because the public had begun to feel a grave sense of disquiet, since an invalidation of the election and the obvious implications of such invalidation would be a blow to the nation's self-esteem and aggravate the already distracted politics of the country. There is a genuine sense of relief that the President's fair name is not besmirched in any way and that the case which has dragged on for months and created a sensation among the public will not add to the existing chaos. The unanimity of the Judges who constituted the Bench is also reassuring. But the Court's findings on the specific issues framed in this case which will be known only when the judgment is delivered in full will be awaited with trepidation by some and great interest by all. Though the circulation of a scurrilous pamphlet against one of the candidates is presumably held to have had no effect on the result of the electoral contest, the question has to be answered whether such action on the part of its authors, whoever they may be, is to be regarded as a legitimate part of an electioneering campaign or whether it should be regarded as culpable. If such action affects the final result, can it be held as a good ground for invalidating the election of the successful candidate, even if he had nothing to do with it? These are obviously peripheral questions which are connected with the issues framed and might therefore be dealt with in the judgment. While the orders now

passed are a welcome balm, the executive and the legislature must be ready to remedy such defects in the existing legislation and current practices, as the judgment of the Supreme Court may in the course reveal.

Export Trade Needs Study

The contrast between the ideas dominating the minds of our ruling

class and the needs of industry and trade has been brought out strikingly by the recommendation of an officially sponsored study in the marketing of our exports that the top industrial houses should be exempted from the Monopolies Act so that they can expand production and meet the requirements of our sales overseas. It is pointed out by the study team that such an exemption is in force in Sweden and that India which is now pressed for expanding production should follow that example. It is stated as a simple fact that the very industrial houses which are most "likely to be brought under the freeze are the ones which control the major part of India's modern industry." To make

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the increase in industrial production await the counterpart of our land ceiling Acts in the sphere of industry is an act of blatant unwisdom which even the Young Turks might well shrink from. Reforms which are of a redistributive nature are best thought of after all possible increases in production and income, particularly from abroad, has been duly effected. The present system of compulsory exports, the compulsion being of both a negative and a positive kind is calculated to induce "distress sales" which will cause a loss to the nation as well as the private exporters concerned. The study recommends instead what it calls a "negotiated export target" worked out on the basis of imported raw materials, productive capacity and export potential, which may be limited in the first instance to the larger public sector corporations and private firms with a turnover of Rs. 15 lakhs and over in exports. There is special mention of young firms with the latest equipment and the technical know-how which have come up in the last decade or so by drawing liberally on national resources domestic as well as foreign exchange and have taken the utmost of a market sheltered by restrictions on imports. Such firms should make a fair return by doing their utmost for the nation's exports. As things are, the field is dominated by fair weather traders who wait for favourable opportunities and make quick products, but do not stay in the business to prop up the export trade when it tends to sag. Licensing and selectivity in the grant of licenses are clearly needed since opportunities of the kind referred to should not be facilitated. The reduction of the trade deficit from Rs. 800 crores to Rs. 100 crores should not be allowed to induce complacency about our exports, since there is bound to be further reduction with more and more of import substitution in respect of the petroleum products and food and fertilisers. Nor should the contraction of imports be regarded as necessarily an

unalloyed good, since imports are needed for the expansion of our export industries and our exports. The study of Indian marketing abroad should induce timely and suitable action in the sphere of our foreign trade.

Blessed are the Healers

Though the pharmaceutical industry has recorded its unanimous protest against the Government's orders, few will doubt the equity of a sizeable cut in the prices of drugs in common use. The Government's decision is based on the results of an enquiry by the Tariff Commission and cannot therefore be impugned as arbitrary and inconsiderate. There has in fact been no attempt to placate the consuming public which is apt to ignore the large scale expenditure on research and experimentation which lies at the back of the simple-looking tabloid which is bought from the drug stores. Beside such preliminary expenses, there is also the expenditure on packing, which has to be done with elaborate and scrupulous care in the case of the pharmaceutical products and on distribution. The public also owes a debt of gratitude to the reputed foreign firms which manufacture the drugs and have collaborated with Indian industrialists in producing them in this country. Nevertheless, the stage has been reached when the manufacturing firms can be justly called upon to cut their profits to conscionable limits. Even the poorest classes have resort to frequent use of various tabloids and the incidence of diabetes in this country makes the price of insulin a matter of great moment to large numbers. Since the Government have given a two months' time to the manufacturing firms to adjust their prices, it may be used for arriving at agreed prices.

Reputation at Stake

The failure of Mr. Limaye's Bill for abolishing the privileges of the I.C.S.

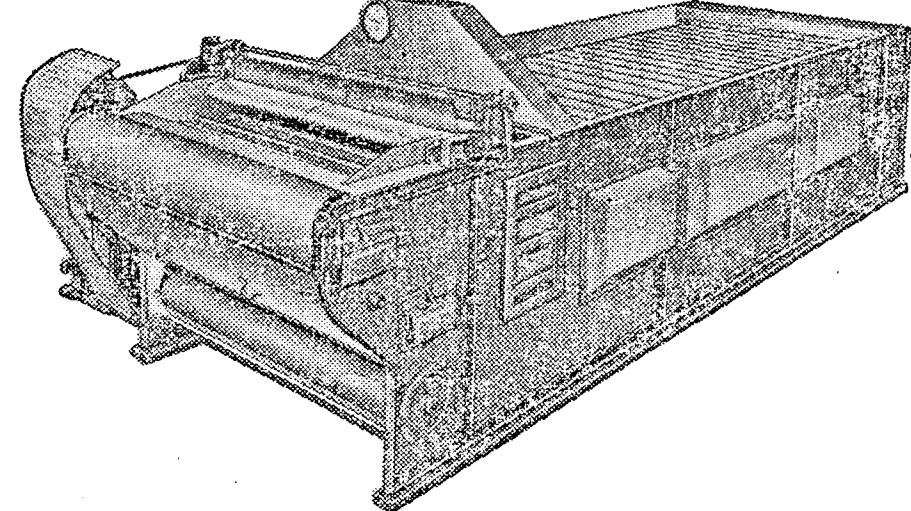
to pass through the Lok Sabha for lack of the majority required for an amendment of the Constitution is less important in itself than for its indication, however faint, of the possibility of a similar fate for the move to abolish the privileges of the Princes. Mr. Jagjivan Ram's confidence about the success of the latter when it comes before Parliament may or may not prove well-grounded. But it is hard to believe that the Mr. Limaye's Bill was thrown out because of misconception among some members about the time of the division. For it is obvious that the enthusiasm of many members for these two measures by no means equals the loudness of their protestations. It is well, indeed that it is so. For the fact stands out for all to see that in both these cases, the nation is in danger of having its reputation to keep its plighted word badly tarnished by unilateral repudiation of obligations which were incurred of its own free will, and not under duress. The contrast between the treatment accorded to the foreign members of the ICS at the time of the transfer of power and the one that the Indian members get is not flattering to the nation; for not only was fair treatment made a condition of the transfer of power, but an amount representing the possible pensions of the British members was handed to the British Government long before they accrued, thus avoiding unpleasant situations like the present arising at a later date. At one time, the British Government made no distinction between Indians and its own nationals in the I.C.S. If the distinction was overlooked, it was mainly because it did not expect an Indian Government to deny to its own compatriots what it had willingly accorded to the foreigner. The unexpected has happened. But the wavering or backsliding which is now apparent is, by no means, a matter for self-reproach. It is when the two proposals are passed into law that Indians must hold down their heads.

—P.R.S.



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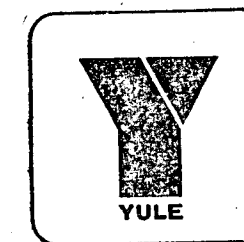


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Balance of Trade Well in Sight

Details relating to foreign trade for 1969-70 show that the earlier expectations of the gap between imports and exports being not more than Rs. 100 crores have not come true. This is because the crash programme for the last quarter of the year under reference did not succeed to the anticipated extent and the value of exports in February and March was disappointing while there was a spurt in imports. Thus it is now stated that the growth rate was only 4 per cent against the target of 7 per cent.

Contraction of Trade Gap . . .

The contraction in the trade gap by about Rs. 400 crores however, is certainly a favourable development. But doubts have been raised about the ability of exporters to record a growth of 7 per cent in their turnover. The engineering industries are experiencing considerable difficulty in stepping up output due to shortage of steel and components while iron ore exports may not improve as expected due to bottlenecks in transport. There has, of course, been a recovery in tea prices and the industry is hopeful of an increase in the quantum and value of its exports. The coffee estates, however, will have to reduce their shipment due to a shortfall in production while gunny exports are being adversely affected due to the adverse labour situation in West Bengal. Steel exports too cannot be maintained at the high levels of the past two years as internal consumption is rising and it is not sure whether Hindustan Steel will be able to increase its production to near rated capacity. This would clearly indicate that a serious effort will have to be made to increase exports of some commodities and prune also imports

so that even if there is an increase in imports of steel, non-ferrous metals and other maintenance items, the gap will not be allowed to increase significantly.

Balance of Trade

Actually there is not much justification for the view held in some quarters that with a higher level of economic activity there should be an increase in imports and it will be possible to achieve balanced trade only over a period.

Even now sizable expenditure is being incurred on food imports and the total for 1969-70 may well exceed Rs. 200 crores. The outlay on raw cotton can be reduced with liberal imports of staple fibre while there will be no serious harm if imports of fertilizers is suspended for some time because of the accumulation of heavy stocks, a higher level of internal production and a slowing down in the growth of internal consumption. There has no doubt been a slashing of imports of chemical fertilizers latterly. But these can be curtailed even more drastically. If there is a further rise in the output of wheat and rice in 1970-71 and the yield of the cotton crop also is better than the last two seasons there is no reason why there could not be a cut in imports under these heads by Rs. 100 crores which can be utilised for purchasing larger quantities of non-ferrous metals, alloy steels and other items which are in short supply. Exports too can be stepped up by at least Rs. 75 crores which would mean that the trade deficit could be brought down to Rs. 80 crores. If internal production of steel can be improved and a deter-

mined bid is made to raise the operating efficiency of the public sector undertakings, trading on a break-even basis is within our grasp.

Foreign Aid Prospects

It is necessary to have a firm grip on our foreign trade as any widening of the gap will seriously affect the implementation of Fourth Plan schemes. Foreign aid from members of the Consortium for 1969-70 excluding the U.S.A. is expected to be only \$ 657 million. Even if U.S.A. eventually gives \$ 200 million, net aid may not be more than \$ 300 million as it is estimated that repayment obligations will be of the order of \$ 575 million. This level of repayment is expected to be in evidence throughout the current Plan period. It will, therefore, not be possible to have a trade deficit of more than Rs. 200 crores at the outside limit even assuming that invisible exports prove to be helpful. But if a good part of aid from the western countries is tied to specific projects the financing of imports may not be easy and exports will have to be raised substantially with a better use of indigenous capacity and a change in the pattern of trade. Indeed it will be necessary to approach the World Bank or the International Monetary Fund for some manner of rediscounting export credits and secure a loan also for a revolving fund which can be administered for importing raw materials and components required for export purposes. Unless there is some kind of new thinking and dynamism, the healthy trends now in evidence in the internal economic situation cannot be allowed to have free play and the growth rates in exports cannot be maintained on the desired lines.

Export Prospects of Tamil Nadu

With a seven per cent p.a. growth target for exports over the Fourth Plan period, the Union Ministry of Foreign Trade is striving its best to locate additional export potential in a wide number of traditional and non-traditional products besides outlining the means to augment export surpluses in respect of those goods where the pick-up in domestic demand is too fast to allow of exportable surpluses (as available at present and as prospected for the future under normal production trends). In this task the Ministry has been ably assisted by special studies organised by the Indian Institute of Foreign Trade of export prospects of individual states. Its latest study covers export products of Tamil Nadu.

Scope for Doubling . . .

It is encouraging to learn from the study that over the current quinquennium, Tamil Nadu's export earnings could go up to Rs. 142 crores from Rs. 71 crores in 1967-68 provided the necessary preparatory work in this regard is completed early. Of particular interest is the point made in the study that, in respect of 72 selected items, exports could go up four-fold from Rs. 21 crores to Rs. 84 crores. The doubling of the aggregate export earnings depends mostly on achieving this four-fold increase in this select group. The products covered here are categorised under seven groups: agro-based products, animal products, marine products, minerals and mineral-based products, chemicals and allied products, handloom fabrics, ready made garments and engineering goods. The study has not included traditional items like tanned leather, textile yarn, tea and coffee, senna leaves and palm fibre because the boost in earnings

from these items is hampered by factors beyond our control, being decided as they are by the general hardening of buying abroad due to demand reaching near-saturation conditions.

Chances for Cashew

This does not apply to one of India's traditional export items, cashew which is supplied besides Kerala by Tamil Nadu also. The Institute of Foreign Trade says that any increase in despatches of this food item abroad depends on better processing. In its opinion, the facilities available for the purpose in the leading production centre in Tamil Nadu, namely Panruti, are too crude which has kept exports down to 856 tonnes. With the installation of suitably efficient modern equipment, this figure could go up to 3,000 tonnes. The necessary resources should be garnered and applied for setting up really modern processing units. The point cannot, however, be overlooked that cashew exports are fundamentally weak-based. Indian production is far too meagre to support the export effort and reliance has had to be there on East African supplies of raw nuts. As was indicated in this connection in an article in one of our earlier issues, this supply line has, of late, been becoming less and less reliable. East African producers have obtained Italian and other foreign collaboration to set up processing plants near their centres of production. That explains the closer attention being now paid by the Indian Government to implement a few packages for cashew cultivation. Experts have been saying that cashew can be raised on wasteland bordering on forests. Whatever be the technique, the need of the hour is to ensure that cashew packages in Tamil Nadu pay dividends as expected.

. . . and Salt

Another important export item listed in the study is salt. Japan has been among our leading buyers but its interest has been enfeebled by delayed loadings and deliveries and uncertain quality of the output supplied. Many study teams set up in the past have harped on this theme. The latest study goes a step further in highlighting that, without adequate mechanisation at Tuticorin, the leading producing centre, export demand cannot be met in the dimension that has been offering of late. It need hardly be stressed that since salt is the basic chemical for the production of heavy chemicals and since the world demand for such heavy chemicals has been taking a steep upturn, such modernisation at the production centre can be stalled only at great peril to our exports in this line.

The third group taken up in the study comprises a diverse assortment of engineering goods. It is disturbing to be told by the study that "the engineering industry in the State is not fully aware of the export prospects". It lists the following items as having good export prospects: transformers, electrical switchgears, relays, cotton textile machinery, sugar and cement mill machinery, commercial vehicles diesel engines, bicycles and domestic electric appliances. Of course, there have been some exports of textile, sugar, and cement machinery. While these can be further built up, a broad-based effort for enlarging exports of the other items needs to be taken early. There is one sphere where Tamil Nadu has a strong domestic base namely in the production of automobile and ancillary items. The export rub here lies in the inadequacy of available supply to meet even home demand. Any delay in licensing additional capacity and ensuring its quick utilisation will make Tamil Nadu lose a very valuable source of foreign exchange.

All Gloom & No Light ?

With regard to handlooms, the customary picture is one of "all gloom

and no light", while it is true that, without conversion of many of the handlooms, Tamil Nadu cannot catch up with what is happening in the rest of India where powerlooms are becoming the mainstay of this small-scale sector, it will be unwise to overlook the special place handlooms have attained to in this part of the country. Some of the sellers of Tamil Nadu's handloom products have begun building specialised custom for their products in some foreign markets in neighbouring Asia as well as in the near and far West like Europe and the United States respectively. The consumer preference here, is, as in the case of Swiss watches, enticed by individualised and specialised patterns which the looms have been weaving. One particular seller in Tamil Nadu was able recently to earn Rs. 75 lakhs out of a total turnover Rs. 120 lakhs

from foreign markets through such specialisation in production. This is a pointer to the possibilities in this field. This should not be taken to be an argument for perpetuating handlooms and *ipso facto* for postponing modernisation. On the contrary, while the scope for handlooms through specialised custom should be efficiently assessed and the requisite number of looms should be set apart for the purpose, every effort should be made to convert the rest of the looms, which would be the majority in the aggregate, into powerlooms as their very survival depends on this timely conversion.

The other articles listed in the Institute's study are ilmenite polished stones, insulators, refractories, cement, essential oils, paints and varnishes and cinchona. In view of the keen competition from Indonesia in cinchona

the study suggests import of semi-processed quinine from that country for re-export. The study recommends that a public limited company should be established to undertake plantation of geranium and jasmine on about 2,000 acres in the Nilgiris and Yercaud ranges in view of the booming export demand for their products. It has also suggested that a separate Directorate of Export Production, besides a Corporation, should be set up by the State Government to formulate guide-lines as well as follow up measures based on them. While all this should help boost Tamil Nadu's exports, the point cannot be missed that, being deficient in industrial raw materials, this State will have to obtain them from outside and fabricate them into the non-traditional export goods for which alone world demand is likely to grow in the years ahead. —S.R.

Facts and Fallacies about the Public Sector

Government spokesmen, particularly from the Treasury Benches have often resented and more so of late, any criticism of the performance of the public sector enterprises. Their argument is that this criticism is based mainly on the opposition to the socialistic ideology of the state. What is unpleasant is in effect construed to be so despite, in some cases, its being not so unpleasant. The subsidiary arguments that are pushed in to support the Government's thesis are that the critics fly in the face of facts and moreover fail to concede that the private sector did not venture into certain crucial fields (which have consequently been entered by the public sector) for lack of which enterprise, the nation would have been deficient in essential infrastructure facilities. Most of these points were reiterated by the Prime Minister while addressing a meeting of the Institute of Social Education recently in New Delhi.

It need hardly be stressed that such statements help only to obscure rather than clarify the issues in question. The socialistic ideology has been dinned into the ears of the nation so sedulously since the Congress split that most right thinking men have come to the irresistible conclusion that there is no point in resisting the change and that one had better resign oneself to the unalterable rather than brandishing fact and logic against it in vain. Even with all this, will it smack of prejudice if it is asserted that the public sector is yet to demonstrate its viability and usefulness to the economy in spite all the fanfare with which the socialist ideal embodied in it has been sought to be sold to a none-too-credulous public? This is not the opinion of the layman alone. On the contrary, the latest report of the committee on public sector undertakings has something more harsh to say about Government companies, their management and performance.

The main criticism of the committee is that these companies have disregarded all norms of profitability, and productivity. On the question of profitability, the reason adduced to vindicate continuing losses of these units is that the expectations and realities of the demand for their products have been at great variance. Referring to this, the committee says that "either there is something basically wrong in the mechanism of fixation of annual production targets, or arrangements for follow up of production are deplorably inadequate." This has particular validity in respect of the capacity installed at the Heavy Engineering Corporation, Mining and Allied Machinery Corporation, etc. Demand expectations have misfired here by a wide range indeed. Says the Committee: "If the projections of demand go wrong by a narrow margin, one could ignore it. But when the projections do not materialise to the extent of 90 per cent, it only indicates that either the existing machinery for demand assessment was not equal to the task expected of it or the techniques employed or the economic data relied upon for this purpose were totally wrong." If this drift from profitability were to continue it may not be too long before the mounting losses of public sector enterprises wipe out most or all of the gains of planned economic development.

Not Oriented to Productivity

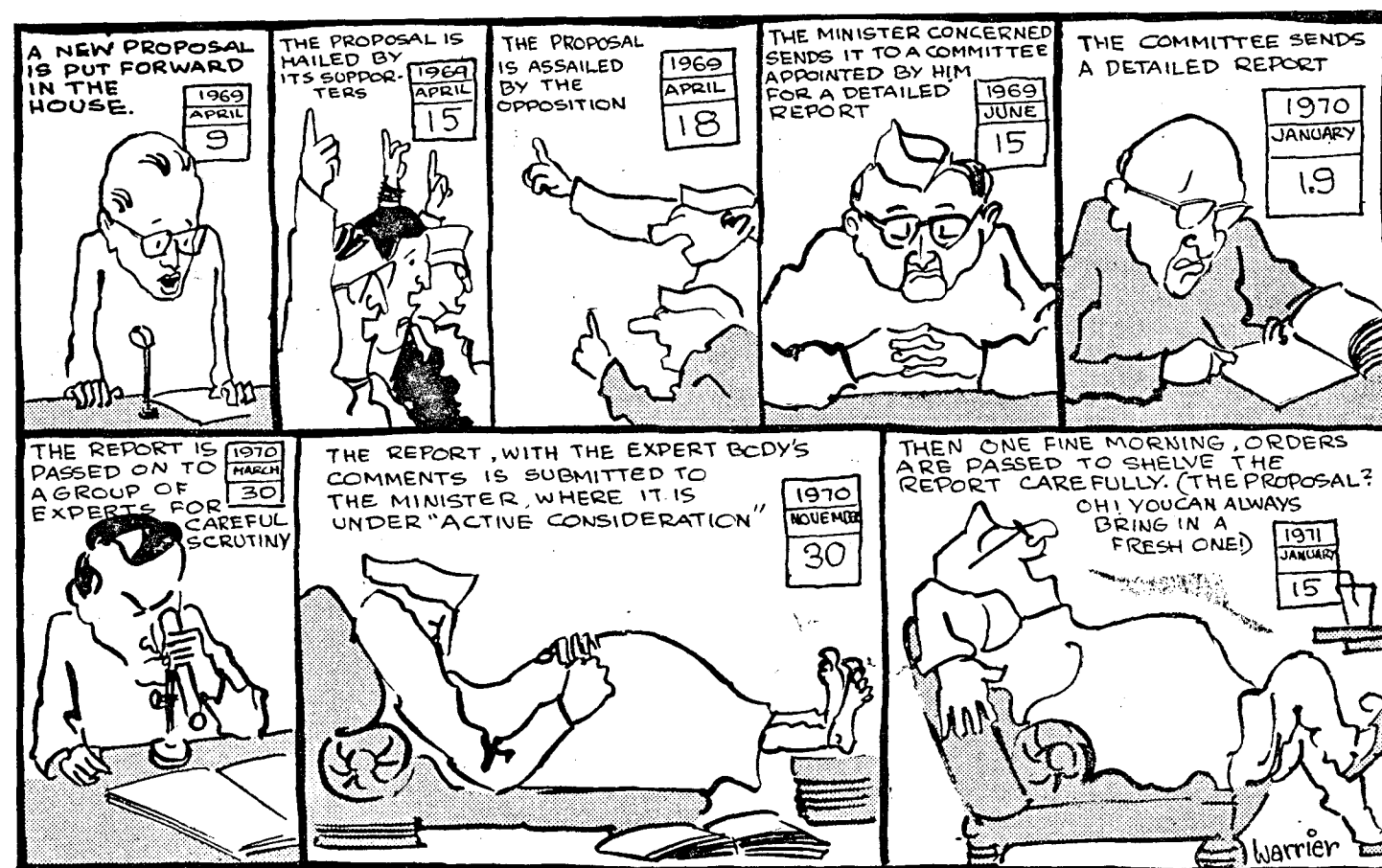
A chief cause of the unprofitable working of Government units is that their operations are not oriented aright to productivity. The Prime Minister blames this situation on the Government units copying the patterns of the private sector. To the extent the private sector has undertaken pioneering effort in many directions, the inclination to copy its models may not be unnatural. But still, have private enterprises in com-

parable lines of production even kept in the red as their counterparts in the public sector and that too for such a long time? It is common knowledge that private enterprises can never afford to run in to losses far too long but the Government companies can. This is because the losses of the latter are subsidised through taxes raised from the public. Indeed it is difficult to see how the Prime Minister could have overlooked this buffer available for Government companies in her address at the Delhi Institute of Social Education.

Even in respect of projects of long gestation, like infrastructure schemes relating to power, irrigation, atomic energy and the like, a poor country like India cannot afford to pour huge sums into the drain merely because private investment which is after quick returns will not enter this sphere. As the Committee has observed, the Government should have a clear picture about how long it will take to get dividends here. The period of gestation may be long but cannot certainly be indefinite and indeterminate. Hence the Committee says that when the Government finds that the project in question is unlikely to take shape within a reasonable period, efforts should be taken up to wind it up instead of seeking to keep it alive under some pretext or other.

Risk and Responsibility

The impression should not be there that public sector losses are due only to miscalculation of demand. For, in the case of Government enterprises like Hindustan Steel, demand estimates have been more or less correct but losses have been keeping on mounting. The reason is the negligence of productivity norms. For instance, in H.S.L., labour productivity in terms of ingot tonnes per man was 74 in Bhilai, 48 in Durgapur, and 58 in Rourkela against 200 tonnes in Japan and 150 tonnes in the U.S., West Germany and France. The



golden rule of profits is that risk should be associated with responsibility. This is otherwise known as the golden rule of capitalism. To the extent, risk and responsibility are diversily vested under socialism or State capitalism, the inducement to economy is conspicuous by its ab-

sence. This explains why in some cases cost of production has escalated to more than 200 to 375 per cent over the cost estimates stipulated in the detailed project reports. And in some others, heavier and yet heavier investments for expansion are ordered out in the vain hope that a larger

scale of production will automatically lower costs. Bokaro is a classic instance in point. It is time the Government recognised these hard truths and did something positive to set the house in order in its public sector companies.

—S.R.

Revolving Fund for Providing Shelter

The revolving fund for promoting the construction of residential accommodations, particularly in the metropolitan areas, should prove to be useful in easing congestion in principal cities. This fund of Rs. 200 crores created with earmarking of resources from the PL 480 funds should provide a good start as even if about Rs. 100 crores was allotted for construction of multi-storeyed buildings with flats, accommodation of 25 lakh square feet can be made available which can be utilised by atleast 60,000 families or 3 lakh members. It will not be surprising, however, if the occupants themselves in some cases offered to meet part of the cost, which may work out to 25 per cent of the total. It will, therefore, be justifiable to proceed on the assumption that there will be a good multiplier effect over a period and with the credit of Rs. 200 crores, an additional amount of Rs. 200 crores can be easily found.

Problem of Huge Magnitude

The problem, however, is of considerable magnitude as it has been estimated that over Rs. 33,000 crores will be required for meeting the needs of the population in regard to dwelling accommodation in both urban and rural areas. So far, no serious thought could be given to this basic need as until the Third Plan there was obsession with the development of heavy and other basic industries and except for the attempts made by the progressive State Governments like Tamil Nadu not much attention was paid to the construction of residential accommodation. The thinking of the

Central and State Governments has, however, changed considerably in the past one year and more and there is once again great emphasis on the importance of constructing houses particularly in the metropolitan centres. The question of housing has been brought into such sharp focus that there will be considerable disappointment if huts in slum areas were not converted into functional multi-storeyed small flats and if cheap accommodation was not made available to employees in the middle income groups.

Helping Policy Holders to Build

The Chairman of the Life Insurance Corporation also has latterly been expressing a desire to be of assistance to its policy-holders in the main cities. Direct loans may also be granted by the Corporation as at present to the State Governments for use by co-operative housing societies. With the likelihood of L.I.C. being in a position to allot Rs. 30 to Rs. 50 crores out of its resources and the banking system about Rs. 50 crores out of its own resources annually, there will be ample funds available for 1 or 2 years to finance construction programmes. Besides, the resources at the disposal of organisations engaged in the construction of residential houses or its promotion can be augmented by the contribution of the occupants themselves.

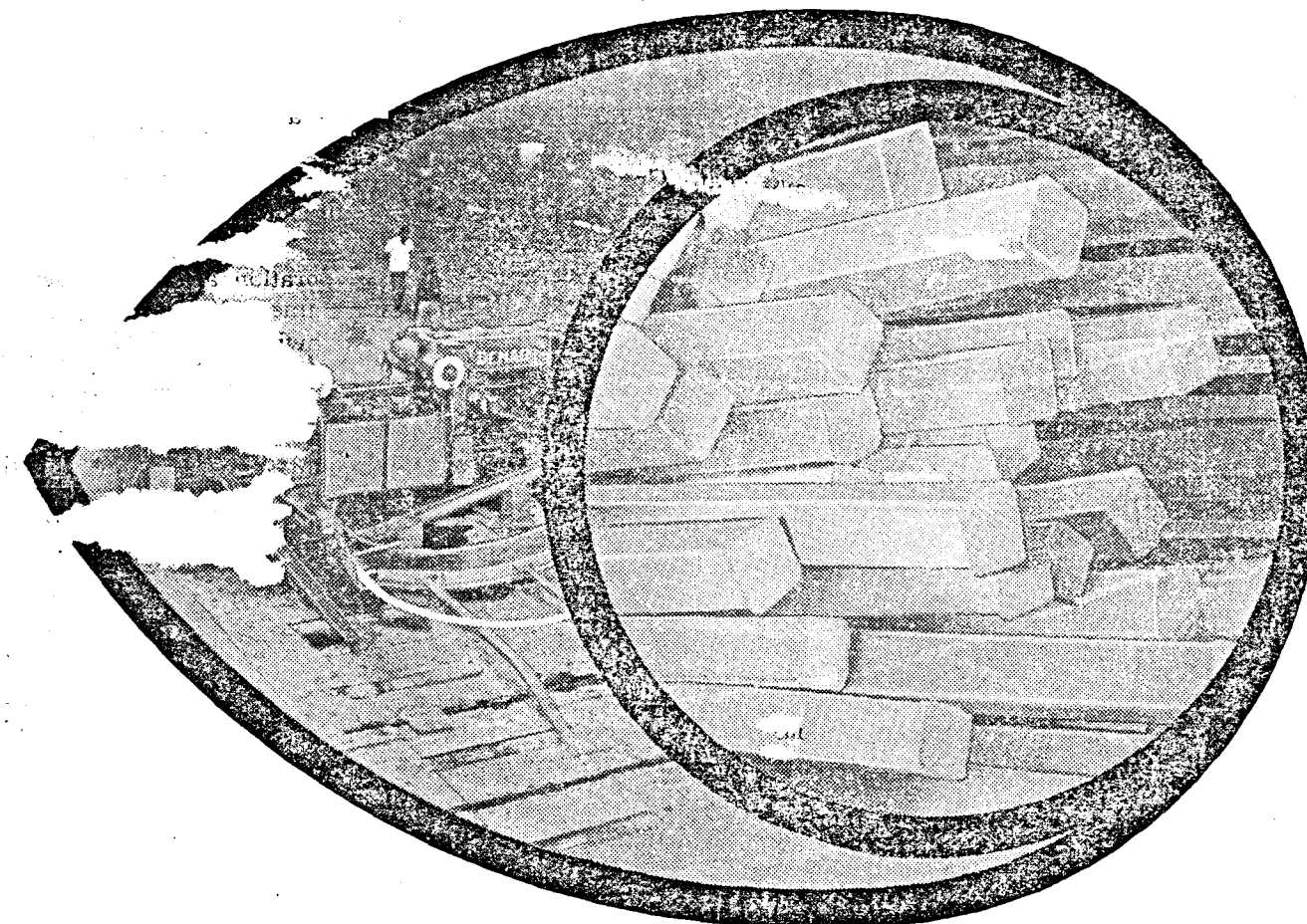
It is necessary to remember in this context that any subsidy element involved in fixing of rents for particular classes of employees should be borne by the concerned employers and the investment in housing should

yield a return of atleast 8 per cent, after providing for depreciation and maintenance charges. Only with this return it will be possible to service loans from the Life Insurance Corporation and other agencies. The investment in housing can be made only if through careful economies in construction available resources were not a long way.

No dearth of Cement, Bricks ...

Fortunatly there is no dearth of cement or brick for going ahead with housing programmes. The shortage of steel can be overcome after some time. But, as has been pointed out by experts, considerable economy in the use of steel can be effected if twisted bars were used for reinforced concrete structures. It is stated that there can be saving in steel consumption of about 25 per cent easily while with pre-stressed concrete slabs and structures the time taken for construction can be minimised apart from economising on the use of cement, steel and bricks. While the L.I.C. and State Housing Boards may engage themselves directly in a big way in constructing new houses and filling, to some extent, the vacuum created by the withdrawal of the private owners from the field due to lack of incentives, the desired progress can be made only if co-operative societies on the lines operating in Bombay City are formed in large numbers. It would be advisable to give special concessions to the societies as they will be able to secure atleast a third of the total resources needed for constructing multi-storeyed building with flats.

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Neyveli Must be Energised!

The disastrous strike by the employees of the Neyveli Lignite Corporation leading to a shut-down of the different units in the complex brought out clearly how the operations of a public utility organisation have great significance for the regional economy. The Tamil Nadu Electricity Board has no doubt done pioneering work in many directions by utilising effectively hydel resources and also creating thermal capacity in order to meet the growing consumption of power. The crash programme of rural electrification and energisation of pump-sets along with the rapid growth of industries have been responsible for a phenomenal growth sales of electricity. It has become necessary to generate as much as 18 million units daily against only 14 million units two years back.

Power Position at Present

It has not been possible however for the Tamil Nadu Electricity Board to meet all these demands and heavy purchases are being made from outside sources to the extent of 3.8 million units from Mysore and 2.2 million units from Kerala. Before the shut-down of the Neyveli Thermal Station the quantity fed by it into the Madras Grid was as much as 7 million units daily, the balance of 5 million units being accounted for by the Board's Hydel and Thermal Stations. Purchased power constitutes a sizeable proportion of total sales, as Neyveli is contributing annually about 1500 million units while Kerala and Mysore between them supply 500 million units. Thus out of a total consumption 5,500 million units, about 2,000 million units are secured from Kerala and Mysore. It was not therefore surprising that the Tamil Nadu Electricity Board were compelled to impose a cut of 40 per cent on the consumption of high tension supply when the Neyveli Thermal

Station shut down. There was near panic in the State in industrial circles as it was feared that a prolonged strike at Neyveli would result in a disastrous reduction in the output of cotton textiles, cement, heavy chemicals, aluminium and other products having a value of crores of rupees. It was also apprehended that workers would have to be laid off in large numbers creating a difficult labour situation.

Labour Misled

Fortunately, with the prompt intervention of the Chief Minister Mr. M. Karunanidhi and redressing of minor grievances the strike was called off and the cut in power consumption was lifted within a week. But the lesson of the strike is very important. The crucial role played by Neyveli in the regional economy has been forcefully brought out and steps should be taken to prevent a recurrence of the recent happenings. Unfortunately labour in the Neyveli areas has been misled and the strike took place in an irresponsible manner even after the workers had concluded an agreement with the Management through the good offices of the Tamil Nadu Government which resulted in addition to the wage bill by Rs. 92 lakhs annually, even when the Corporation was incurring losses. On the pretext there was anomalies in implementation, the workers adopted go-slow tactics and disturbed the working of the different departments culminating ultimately in the shut-down of all units.

The Aftermath

It is stated that valuable equipment has not been maintained properly. With the difficulties encountered in the mining of lignite due to the poor functioning of mining machinery the capacity of the different units has not been properly utilised. Actually, the thermal station can generate 500 MW during the summer months with its in-

stalled capacity of 600 MW but it has not been possible to generate 350 MW because of inadequacy of lignite. After the strike, the thermal station has been taking time to return to normalcy because of the failure of the workers to take the necessary precautionary measures before doing their duties. Besides the delay in resuming full generation of power, costly equipment has got damaged and the loss to the Corporation as a result of the strike and the earlier go-slow tactics is enormous. It is regrettable that in Tamil Nadu where workers show a greater sense of responsibility and have generally a high level of efficiency the sad developments in this important Central sector project should mar its fair name.

Expansion the Crying Need

Plans for further expansion should be formulated from now especially as the Salem Steel Project will come into being in the next few years and there will be need for large quantities of power and lignite for smelting purposes. The present mine-cut should be helped to increase its raising of lignite to the rated capacity by re-organising mining operations, improving the efficiency of mining equipment and acquiring if need be additional machinery. In that event only it will be possible to raise the output of lignite to a level which will meet the requirements of all three units—the thermal station, the fertiliser project and the briquetting plant. With a higher level of power generation and a larger output of fertilisers and briquets, the economics of the working of the Corporation will improve distinctly while others will be helped to raise the agricultural and industrial production. There is no justification for the Neyveli Corporation to function at a loss when there is no problem of selling power and briquettes. The fertiliser project too should be helped to raise its output at rated capacity as the difficulties involved in the gasification of lignites have been

understood and operating efficiency of this unit can be improved with the installation of balancing equipment.

Second Mine-cut Essential

While the outstanding issues are being tackled arrangements should be

made without delay for opening a second-mine cut at Neyveli. With the experience gained in operating the existing mine-cut, the work on the second mine-cut could be completed according to agreement schedule except for mining machinery which may

have to be imported and there will be no large foreign exchange content in expenditure. A super-thermal station capable of generating 1000 MW can be erected over a period and with the generating equipment obtained from indigenous sources. —(FOC)

I.D.S. Assails Export Policy

There can be nothing more embarrassing than to be told that a pet idea will not work. The Indian Government has all along been clinging to its prejudice against big industrial houses and seeking to exclude them from the field of production of secondary consumer goods through discriminatory licensing. At the same time the Government has been hoping that its export drive aiming at an annual 7 per cent growth in exports could be implemented successfully through the co-operation of smaller industrial units and particularly those operating in the small scale sector. To the chagrin of the Government, a study made by the Industrial Development Service (I.D.S.), a consultancy organisation of the Union Ministry of Foreign Trade has stated categorically that such a policy is likely to prove very unhelpful in the sphere of export promotion.

The I.D.S. says that the Monopolies and Restrictive Trade Practices Act should not be allowed to hamper the export effort of big industrial houses and that special exemption needs to be granted for the purpose in their case. It quotes the example of Sweden and says how Sweden's socialistic economic policy has recognised the pragmatism of having to allow those units with the highest export potential to be encouraged to participate in the nation's export effort as vigorously as possible. The I.D.S. indicated that the present export policy of the Government is basically misconceived. It may be recalled, that over the years, the Indian Government has been implementing an export-oriented industrial and import policy. The latest import policy

announcement carries this principle into sharper focus by specifically penalising industrial units which have not built up exports up to the expectations of the Government by cutting their import entitlements and by enlarging such entitlements in the case of those with the expected or above the average record in the export field.

In view of the very acute paucity of foreign exchange resources of the past, the Government is like a burnt cat, shunning the fire of more liberal imports even when the trade balance has been showing better than never before. Conservation of reserves has been the inducement to steep reduction in imports and the imposition of a compulsion on manufacturers to export a specific percentage of their total production. The I.D.S. has deplored this compulsion without mincing words. Such a compulsion, says the I.D.S. will not necessarily boost exports of the right type and in the right dimension: on the contrary it may lead to 'exports for the sake of exports' mentality. Obviously this mentality will be forced by the fear that if exports were below the target set, imports may be severely curtailed, rendering maintenance of production more and more difficult; and in the result, distress sales could become the rule rather than the exception. Such selling which may beat down prices merely to effect a sale will harm both the manufacturer and the export production effort itself.

Negotiated Export Target Needed

The I.D.S. study, therefore calls for a "negotiated export target." Since the stress has to be on encouraging

firms with the largest export potential, I.D.S. study calls for negotiating export targets on a firm-wise basis with the bigger industrial units in the public and private sectors whose imports are Rs. 15 lakhs and above. The study says that import needs of these companies should be sedulously met and every assistance provided for their export production effort. These are the firms which have achieved economies in costs through better management and sophisticated technology. To exclude them from the benefits of the export promotion schemes for whatever reason would prove disastrous especially because these units account for the bulk of the national output in their particular lines of production. That is why the I.D.S. study recommends their exemption from the provisions of the Monopolies act.

Productivity to be Played Up

This is a suggestion that is not likely to be very palatable for the Government in its present ideological mood when it sees concentration of economic power in these units alone. While such prejudice should be shed in the light of the fact that the biggest Indian firms are, as had been stressed ad nauseam in these columns international pigmies, there is another special reason why such a prejudice should have no place in Government policy at this stage. If bigger firms are excluded, the Government will have to depend on a multitude of small firms at varying levels of growth, cost efficiency and quality standards for the fulfilment of its export aspirations. To pick a thread in such a medley will not be worth a candle. For this reason alone, the Government would better play down equity and play up productivity.

Tight Situation in Tyre Industry

The tyre industry has been passing through a difficult period in the past few months and due to labour trouble, the output of automobile tyres and tubes has been seriously affected. Three units have been obliged to suspend production for several weeks due to labour strike while in some others there has been a slowing down of production on account of the go-slow tactics of labour. It is, therefore, estimated that the output for the current year may not be very much more than that for 1969 shortages may be experienced if exports are not curtailed. The situation, however, has been managed to some extent by the intensive working of units which were not affected by labour trouble and it would be possible to overcome all difficulties if the expansion schemes now being implemented are expeditiously completed.

Spurt in '71

All the existing units excepting Firestone have been allowed to increase their capacity and different projects are expected to take concrete shape by the middle of next year; but, as has been pointed out by the

Chairman of Ceat Tyres of India Limited, it will not be difficult to raise the output in the closing months of 1970 by over 20 per cent if there is no interruption to production due to labour unrest. Imported plant and machinery are expected to be received in the next few months in most cases and the output can be raised as and when the new equipment is being installed. There will thus be a big spurt in output in 1971.

Further development of the industry has, however, to be planned from now. The Chairman of Good Year India Limited Mr. R. E. O. Carey feels that the increase in demand for tyres and tubes will be at a much faster rate than now visualised and it will be necessary to proceed on the basis of an installed capacity of 8 million tyres and tubes, instead of 7 million sets of units as planned because there may be upsets on account of labour trouble. This additional capacity will also enable the country to meet any unexpected situation and at the same time meet also export commitments. Apart from the need for licensing large capacity it has also been emphasised that expansion schemes of the existing

units, those of the new entrants particularly, should be given greater priority as these schemes can be completed within two years from the date of approval while an entirely new factory will take at least 4 years to take shape. Also, except one project in the offing, entrepreneurs are not coming forward to promote entirely new projects due to the difficulties in securing collaboration agreements and mobilising financial resources. The capacity allocated for a new unit is Rs. 15 lakhs sets of tyres and tubes calling for the erection of at least three new units if not more.

Expansion to be Given Priority

The government should, therefore, indicate to the new entrants that it would be prepared to consider applications for fresh expansion after they had executed the schemes on hand. In that event the 4 units, Inchek Tyres, Ceat Tyres, Premier Tyres and Madras Rubber Factory can be allowed to increase their capacity by 2.5 lakhs sets of tyres and tubes each while the foreign-owned firms may increase their output for export purposes and meet also the needs of home market if for any reason their capacity allotted for entirely new units does not fructify. It is in any case necessary to ensure a continuous growth in production after 1973 which can take place only if fresh expansion schemes are processed without delay.

increased and difficult situations may arise with a short supply of any one of the three sweetening agents. Fortunately, the output for 1969-70 is expected to be 42 lakh tonnes of refined sugar and it has been possible to meet fully the needs of all class of consumers. The unexpected rise in consumption has also prevented a heavy accumulation of stocks. Yet it is even now expected that the carry-over into the next season may be at the fairly high level of 80 lakh tonnes as no serious effort is being made to export sugar.

Increase in Stocks Causes Worry ...

The industry carries normally stocks of about 5 lakh tonnes. Heavy interest charges are therefore being paid on the accumulated stocks. Many units were also experiencing difficulty in finding marginal amounts for securing bank finance apart from the deterioration in the quality of sugar due to bad storage. The talk of maintaining buffer-stocks by the government has therefore been revived, as the standing crop for 1970-71 is good and it will be possible for the industry to repeat the performance of the current season. Obviously, it is quite remunerative to cultivate this cash crop at the present minimum price as prices for wheat and rice which are the competing crops have remained stable. There is therefore the prospect of a further rise in stocks by the end of the next season to 2.23 lakh tonnes or more if efforts are not made in the mean time to step up exports.

Govt Should Bear the Loss

The opportunity for earning foreign

exchange through sugar exports by taking advantage of the improvement in international prices should be fully utilised and the government should not hesitate to bear the loss on exports on its own account. The Indian Sugar Mills Association has been urging the government to fulfil its quota of 3.2 lakh tonnes including sales to friendly countries on a preferential basis so that about Rs. 25 crores can be secured as foreign exchange. Efforts should also be made at the same time to increase the quota under the International agreement in view of the improved capability of the industry. As for buffer stock there will be no meaning in creating a separate machinery for this purpose. The best course would be to ask the industry to maintain these stocks on government account and relieve it of the burden of financing these stocks and bearing interest charges. This will mean that the government will have to immobilise about Rs. 120 crores on account of buffer-stocks of roughly one million tonne and bear also the interest charges of Rs. 10 crores. Since it is likely to

collect excise duties for more than Rs. 110 crores in 1970-71 it should not grudge to reimburse the sugar industry the loss sustained on account of interest charges as the net burden on the government will be only Rs. 5 crores allowing for recovery by way of direct taxes on the profits of the industry. Alternatively, there was a suggestion some time back that levy prices should be revised to help the industry bear higher interest charges. As there is already a heavy excise duty on the commodity there is no justification for adopting this procedure. The industry in any case should be helped to maintain the output at a higher level. There should be no interruption to operations in the next season on account of the paucity of funds for purchasing cane and maintaining output at a higher level. Many mills are already heavily in arrears of payments to cane growers and the situation in Bihar particularly is reported to be grave. As the sugar industry has gained new importance, its new problems deserve to be studied in the proper perspective. —(FOC)

MSA to Operate Through Madras

The Malaysia-Singapore Airlines will be introducing two flights every week between Madras and Singapore from June this year. While one of these will fly straight from Madras to Singapore, the other one will touch Kuala Lumpur en route.

The Malaysia-Singapore Airlines which has set up its regional office in Madras is owned by the Governments of Malaysia and Singapore, each of them having 42 per cent shares. The remaining 16 per cent of shares are owned by the Government of Brunei, BOAC, Quantas and the public.

In an exclusive interview to INDUSTRIAL ECONOMIST, Mr. Johnny A. W. Tan, Manager of the MSA for South India and Ceylon, explained the salient features of the aircrafts used by the Airline. MSA has three Boeing 707-Intercontinental aircrafts, five 737 smaller aircrafts, eight local friendship

planes, three DC3 and three Norman Islanders aircrafts.



Mr. Johnny A. W. Tan

Mr. Tan felt that there is enough passenger traffic in the South to warrant the introduction of these extra flights. Boeing 707-Intercontinental Aircrafts

to be used for these flights will also carry cargoes to the tune of 50-70 tonnes.

Explaining the special features of Boeing 707, Mr. Tan said that the aircrafts are fitted with 8-Hi-Fi channels to choose from, with individual ear phones. The passenger has thus the option of listening to any type of music he prefers. Free drinks are served in both first and economy classes aboard the aircrafts. The "sky lounge" is a unique feature in these aircrafts where formal discussions and business transactions could be made in a free and pleasant atmosphere.

The Malaysia-Singapore Airlines is operating flights from Singapore to Kuala Lumpur, Bangkok, Phnom Penh (Cambodia), Hongkong, Taipei, Tokyo, Manila, Djakarta, Bali, Perth, Sydney, etc., apart from flights to East and West Malaysian stations. The MSA offers all concessions to passengers (including a 25 per cent student's concession) applicable to all IATA carriers. —P.S.R.

Spurt in Consumption of Sugar

There has been a gratifying increase in the consumption of sugar in the current season which is a clear indication that new trends in the off-take of this sweet commodity are emerging. The industry will have to be prepared to raise its output consistently if serious shortages are to be avoided in the coming years. It is now estimated that consumption in 1969-70 may ex-

ceed 35 lakh tonnes which is nearly equal to the output for 1968-69. The previous record was 27 lakh tonnes while a decade back the total intake by the Indian population was less than 2 million tonnes. This big increase by 8 lakh tonnes in one season in the face of easy availability of gur is an indication that the total consumption of refined sugar, gur and khandasari has

Headaches in Coffee

In the face of rising internal consumption, the heavy fluctuation in the output of coffee has created a serious situation in which exports will have to be cut sharply if a big rise in internal prices is to be avoided. The country is in the awkward position of not being able to meet the demand for high grade coffee from overseas markets as well as the growing needs of the internal market. It would now appear that there will be a steep increase in consumption of various beverages because of a substantial improvement in the purchasing power of the agricultural income groups. There has already been a spurt in internal sales of tea while sugar consumption for 1969-70 may constitute an all time record. With the consump-

tion habit of Indian population being what it is, it can be safely assumed that the increase in the consumption of sugar by itself is the result of a larger offtake of tea, coffee and other items and the growth rate may be even more pronounced in the coming years if the output of foodgrain and other cash crops was maintained at a high level.

Unfortunately it has not been possible to establish a breakthrough in the yield of coffee due to slow progress in regard to replantation programmes and the extension of acreage. The vagaries of weather conditions have also affected the output of coffee and it is estimated that in 1969-70 the yield will be only 63,000 tonnes against the earlier estimate of

72,000 tonnes. With internal consumption estimated at over 40,000 tonnes the surplus left for export is only 23,000 tonnes while there is demand for 33,000 tonnes. In some quarters it is even emphasised that home demand can absorb easily 40,000 tonnes and that, if exports were not staggered in the coming months, there will be an uncontrollable rise in prices in the coming months and the situation can be managed only when the new crop starts coming in. Luckily the estimate for 1970-71 crop is encouraging and the yield is expected to be around 72,000 tonnes. But even if there was the anticipated improvement, what is now needed is an output of at least 80,000 tonnes. The Coffee Board has, therefore, initiated a programme under which the industry can proceed to increase its output on a targeted basis regularly. Otherwise it might not be long before internal consumption catches up with production leaving little surplus for export.

Foreign Exchange from Tourism

India earned from tourism Rs. 33.11 crores in foreign exchange as against Rs. 26.42 crores in 1968. The average expenditure of tourists was Rs. 1367.81 and their average stay 22.3 days. The highest spenders were tourists from USA, their average expenditure being Rs. 1714.06, according to a sample survey conducted for the Department of Tourism by the Indian Institute of Public Opinion.

Of the 2,45,000 foreign tourists visiting India in 1969, representing a 30 per cent increase on 1968 figure, the largest number came from USA followed by UK. Other West European countries like France and Germany also had a sizable share in the tourist traffic to India.

Only a Fifth Visited Madras . . .

Delhi was most popular with tourists.

Bombay was the next most popular point. The other places visited by most of tourists are: Agra 35.2 per cent, Calcutta 24.2 per cent, Madras 21.5 per cent, Varanasi 11.8 per cent and Jaipur 10.2 per cent. Asked about their complaints of tourist facilities 54.3 per cent of the tourists had no complaints. At customs difficulties were experienced by 3.9 per cent of the tourists, 5.7 per cent complained of air facilities being poor and unsatisfactory in India and 5.2 per cent about rail and bus facilities being poor.

The survey also indicates that among the specific complaints recorded by tourists, 6.7 per cent complained of nuisance of begging, 5.2 per cent of insanitary conditions, 6.7 per cent about dishonesty and unfriendliness among people in India. For others the

miscellaneous complaints they made related to irksome red-tape, poor tourists arrangements, food and hotel accommodation.

The tourists indicated a general preference for silk and handloom products and for handicrafts. These items accounted for 73 per cent of the total expenditure on shopping which is a very encouraging feature for the handloom and handicraft industry in the country.

The tourists were interviewed for the survey according to a rigorous sampling plan at the time of their leaving India at the airports at Delhi, Calcutta, Madras, Bombay, Amritsar and Tiruchirapalli, the sea-ports at Bombay, Madras and Rameswaram and land check posts at Hussainiwala and Haridaspur.

Yielding Place to New...

After quite sometime the capital market has been somewhat brisk with the floatation of a few entirely new issues apart from numerous additional capital issues by existing companies. It is a happy feature that many industrial units are implementing expansion schemes and wherever possible fresh capital is being raised in the form of preference shares and debentures. As there is already a large equity base it is also anticipated that there will be sizeable generation of internal resources. Units like J.K. Chemicals have offered for public subscription preference shares while Kesoram Industries is contemplating to raise loan capital for constructing its second kiln in the cement project in Andhra Pradesh. Hindustan Motors, for its part, is proposing to mobilise fresh resources in debentures and preference shares for expanding its activities in Tamil Nadu. The intention is to undertake the manufacture of earth-movers and dumpers on a large scale in its unit in the outskirts of Madras.

The Expanding 'Manali' Complex

The forthcoming capital issues also have special significance for Tamil Nadu as Indian Organic Chemicals Limited will be executing a scheme for manufacturing polyester fibre in the Manali petro-chemical complex at a cost of Rs. 11.69 crores. The company is already engaged in the manufacture of plasticizers at its units in Maharashtra. But the Madras project will result in a big increase in its turnover after three years. Only part of the money is proposed to be found through the issue of equity and preference shares. Only a few weeks back, Nagpal Ambadi Petro-chem Refining successfully issued its preference and equity shares and this unit for manufacturing transformer oil and specia-

lity products will go on stream in 1972. The Tamil Nadu Government is keen on developing further this petro-chemical complex in a short period in a big way. It is actually estimated that there will have to be an ultimate outlay of Rs. 200 crores and the Central Government will have to provide the necessary assistance to the State Government for achieving this objective.

Prize Project for Tamil Nadu

Having regard to the paucity of re-

I believe

I believe that the nation will heave a sigh of relief over the unanimous judgment of the Supreme Court upholding the validity of the election of Mr. V. V. Giri to the Presidency of this country. Only in July it will be known how the Court arrived at its judgment. It can hardly be gainsaid that it will be a matter of interest much more for the lawyers than the laymen. The deposition of witnesses, the trend of cross-examination, the arguments of learned counsels on either side and in short all the paraphernalia of court room exchanges have no doubt served but to blur the understanding of average minds. Most of us are left gaping at the element of truth underlying contradictory declarations, of witnesses, each of whom had sworn by whatever he holds holy to speak the truth, the whole truth and nothing but the truth.

Every ordinary citizen expresses his satisfaction over the way in which the Court has given a lead in the public interest. Some would even say:

sources and the competing claims of other States it will obviously be necessary to encourage the promotion of a number of units for producing different kinds of petro-chemicals by entrepreneurs in the private sector. There are already proposals for starting a unit for manufacturing carbon black and another for producing nylon tyre cord. These schemes are still in the preliminary stages, but with the known anxiety of the Government to implement these schemes without delay it can be surely expected that the Central Govt. will be prevailed upon to give its approval immediately. Meanwhile the fertilizer project costing Rs. 65 crores is being expeditiously constructed though there has been a delay in the schedule of commissioning by about a

Imagine for a moment the confusion that could have been caused if the judgment had gone against Mr. Giri, the opportunity that would then have arisen for the middlesome many who, not only like to fish in troubled waters but would have liked to keep the waters eternally troubled. Your mind would spontaneously utter a word of thanks to the Bench for not having upset the apple cart at a tenuous moment.

The Court having decided the issue in the manner it has, sobriety and national interest demands that the hatchet is buried by the disputants on either side and the high office of State represented by the President gets respected as it has always been. It is the innate peculiarity of a democracy to disturb skeletons in the cupboard, real or imaginary. But once the cause of such disturbance has been silenced as now, it becomes equally well the responsibility of the democrats concerned to seal the cupboard for ever.

—Horace

year. But with 70 per cent of the work nearly completed, it is now anticipated that the whole work will be completed early next year and full commercial production reached by 1970. This project will indeed be a great acquisition for Tamil Nadu as it will be producing 200,000 tonnes annually and utilising nearly fully the naphtha output of the adjacent oil refinery.

MRL Should Expand

It will probably be necessary to increase the capacity of Madras Refineries shortly to 4 million tonnes from 2½ million tonnes at present. This will be possible after the oil jetty has been fully constructed and larger imports of crude oils can be easily handled. An early decision in this regard is necessary notwithstanding the peculiar problems that are experienced regarding the disposal of high speed and light-diesel oils. The long term trend is essentially bullish and the in-built capacity of the refinery will have to be fully exploited.

Marginal Decline in Man-Days Lost

In spite of the disturbed labour situation in the country particularly in West Bengal, Kerala and Maharashtra among the States and mines and ports and docks among Central undertakings there was marginal improvement in the number of man-days lost. As against 17.15 million man-days lost in 1967 and 17.24 million in 1968 the figure of man-days lost during 1969 declined to 16.86 million. This is revealed in the Annual Report of the Labour Ministry. The number of man-days lost in West Bengal, Kerala and Maharashtra stood at 97,92,036, 14,26,596 and 12,07,119 respectively. In the Central sphere the coal mines, mines other than coal and ports and docks respectively accounted for

Naphtha Cracker in the Offing

Additional quantities of naphtha also will be required. Mr. S. Madhavan, Tamil Nadu Minister for Industries, has indicated that the Government had approached the Centre for establishing a naphtha cracker unit at a cost of Rs. 35 crores. This project will be state-owned, but the facility is being created because numerous petro-chemical units can then be promoted in the private sector. The project report for the naphtha cracker unit has been prepared by Imperial Chemical Industries Limited which incidentally will be establishing a pharmaceutical project in the same area for producing special drugs. The project will be owned by Alkali and Chemical Corporation of India Limited, which is a subsidiary of I.C.I. of U.K. It has been emphasised that apart from undertaking the manufacture of products like polythene, carbon black, transformer oil, numerous intermediate products can be successfully manufactured leading to the displacement of imports. The Koyali complex is being deve-

loped on an ambitious line while at Bombay there are already units for producing carbon black, different chemicals, polyvinyl chloride and other items. National Organic Chemical Industries Limited has actually established a naphtha cracker unit near Bombay with the assistance of Burmah Shell of U.K. The beginnings of another petro-chemical complex are also in evidence in Goa as Birlas will be establishing a large-sized fertilizer unit in collaboration with U.S. Steel Corporation. Zuari Agro Chemicals Limited, which will be responsible for this Rs. 56 crore project, has asked the Indian investing public to subscribe for nearly the whole of the preference issue and a part of the issued equity capital. As there is a general anxiety to develop petro-chemical complexes, the Tamil Nadu Government in particular is keen on utilising expeditiously the facilities available in Manali. It can be reasonably expected that many more petro-chemical units will come on the scene before long.

held on November 5, 1969 and the Indian Labour Conference held on November 12-13, 1969 considered the reports of the Bipartite Committee of the Standing Labour Committee and the National Commission on Labour which were submitted earlier. There was a consensus that unanimous recommendations of the wage boards should be made statutorily binding. There was also a general feeling that the system of wage board should continue subject to removal of defects and deficiencies noticed in their working.

During the year there was an upward revision of minimum wages in certain scheduled employments in Central spheres as recommended by the three joint committees set up in 1968. The concerned scheduled employments are construction and maintenance of roads, building operations, stone breaking or stone crushing, mines including manganese, gypsum, barytes, bauxite, and agriculture.

4,25,323, 8,52,257 and 3,99,320 man-days lost.

During the year 1969-70 the Government of India announced their acceptance of the recommendations of five Wage Boards i.e. Central Wage Board for Cotton Textile Industry (Second Wage Board), Central Wage Board for Leather and Leather Goods Industry, Central Wage Board for Road Transport Industry, Central Wage Board for Engineering Industry and Central Wage Board for Ports and Docks. The remaining two Wage Boards i.e. Central Wage Board for Electricity Undertakings and Central Wage Board for Sugar Industry also submitted their reports during the year.

The Labour Ministers' Conference

THE CITY CORNER:

The Big Jolt ...

The month of May opened for the industries in Tamil Nadu with a big jolt. The Government announced a 40 per cent power cut in high tension supplies following the sudden stoppage of work by the workers at the integrated Neyveli complex. The 600 MW power station at Neyveli (though only 500 MW are operated at any one time) has been feeding around 6 million units of energy to the State power grid, a third of the total consumption in the State. It was unfortunate that when the load was steadily increasing and was around 18 to 19 million units—an all time high—the Electricity Board had to resort to power cut, not as in earlier years due to non-availability of power but due to non-working of the power resources—a man-made affair. Happily it all ended like a drama. Within three or four days the cut was removed as the strike in Neyveli ended and power generation was given the highest priority among the lignite uses.

The strike which was declared by the NLC management as "illegal" was deplorable particularly because only on March 20 an agreement had been reached on wage increases. The very unions which had subscribed to the

agreement threw it to the winds and organised work stoppage for fresh demands. Observers attributed this to a number of factors including (1) inter-union rivalry with the union attached to the ruling party (DMK) trying to demonstrate its strength, (2) class war overtones with the workers demanding that engineers should not be paid above a certain level.

The strike ended after the Chief Minister Mr. M. Karunanidhi had made an appeal to the two parties to hurry towards a settlement and after the NLC management agreed to incur additional wage expenditure to the extent of a crore of rupees (including the March 20 agreement commitment) when it is already sustaining losses in crores of rupees.

The four day's power cut, as the industrialists themselves said, was not a major calamity and the loss of industrial production was not much.

Dock Workers' Strike

Another strike has crippled work in

a vital installation during the fortnight.

Since April 30, dock workers at the Madras harbour have been on strike affecting cargo operations at the port. The workers in the Communists (Right) and DMK Unions are pressing for more wages. The strike rendered idle at least a dozen ships. Dock Labour Board officials and Mr. K. Manoharan, M.P., were having discussions in Delhi with the Union Labour Minister Mr. D. Sanjeevayya on May 8 and 9 for resolving the strike.

"Mambalam" in Madras Port

The Madras port has acquired a new water boat. The 200-tonne *Mambalam* is a twin-engine diesel propelled boat, 99 feet long with a beam width of 25 feet, and has a speed of eight knots. It was built by the Rajbagan yard of the Central Water Transport Corporation (a Union Government undertaking) in Calcutta at a cost of Rs. 11.80 lakhs.

This new boat, which replaced the two old small boats *Kilpauk* and *Guindy*, can pump as much as 100 tonnes of water an hour with its two powerful pumps. *Mambalam* can meet the additional demand for fresh water from ships calling at the port easily. —V.M.

Growth of the Governing Class at a Glance

As on April 1, 1948, the total number of Central civilian employees was 14,45,050.

The number as on June 30, 1957 was 17,73,570 (excluding those serving under the Union Territories), showing an increase of 23 per cent over 9 years

or an average annual increase of 2.5 per cent. The expenditure incurred on staff in 1957-58 was Rs. 303.86 crores, excluding expenditure on pensions, gratuity, amenities, facilities, etc.

In 1957, there were in all 517 scales of pay or fixed rates of pay. Of these,

only 177 had more than 100 employees each. The cost of implementing all the recommendations of the Second Pay Commission was about Rs. 40 crores.

At the end of March 1967, the strength of Central civilian staff had gone up to 27.46 lakhs.

Drug Prices Slashed Under New Formula

The Union Government has decided to effect substantial reduction in the prices of 17 essential drugs by an average of 25 to 30 per cent and also bring all formulations except these essential drugs under a system of price control. A resolution on the Government's action on the recommendations of the Tariff Commission, which went into the price structure of 18 basic drugs and 49 formulations, was placed in Parliament on April 30 and a control order incorporating its decisions will be promulgated shortly. The Government has also decided to streamline the machinery dealing with the administration of price control. (Under the present system price lists were frozen at the 1963 levels and revisions were allowed only with the prior approval of Government). A special Price Review Board will be set up for this purpose by the Petroleum and Chemicals Ministry which will also study and fix prices for other essential drugs not covered in the above 17, so that prices of all essential bulk drugs are kept at reasonable levels. It has been thought that price fixation by the Tariff Commission takes a very long time. The new prices will be effective in four months.

The Tariff Commission actually studied 18 basic drugs but recommended prices only for 17 leaving out tetanus anti-toxin which is not sold in bulk by any of the six producers. But Government has accepted the Commission's prices only in these cases. This includes prices for drugs manufactured by public sector undertakings like Indian Drugs and Pharmaceuticals and Hindustan Antibiotics, like tetracycline, streptomycin and potassium penicillin to improve their profitability. In the case of two drugs—Vitamin B 12 and insulin—the Tariff Commission had recommended prices higher than current prices and the Government has rejected the new prices.

Listed Drugs

The new prices of the 17 drugs are: Vitamin A Rs. 391 per 1000 mu (against existing price of Rs. 593-75) Vitamin C Rs. 72.70 per kg. (Rs. 85); Sulphadiazine Rs. 58.89 per kg. (Rs. 72); tetracycline. Hcl Rs. 850 per kg. (Rs. 1,147); Chlorempemicol Rs. 357.66 per kg. (Rs. 410); Chloroquin phosphate Rs. 299.53 per kg. amodiaquin Rs. 106.91 per kg.; chlorpropamide Rs. 95.60 per kg. tolbutamide Rs. 74.16 per kg. prednisone Rs. 11, 946.21 per kg. (Rs. 14,900); I.N.H. Rs. 126.16 per kg. (if manufactured through indigenous picolines and Rs. 66.79 if manufactured through imported cyanopyridines); PAS Rs. 31.28 per kg.; PAS acid Rs. 41.83 per kg. iodochlorohydroxyquinoline Rs. 65.68 per kg. (for production from basic stage and Rs. 45.14 for others); penicillin potassium Rs. 0.40 per mu.; procaine Rs. 0.50 per mu.; sodium Rs. 0.50 per mu.; potassium—V Rs. 0.80 per mu.; tetanus anti-toxin not to be fixed for the present (price will be fixed when bulk supplies are made); Vitamin B 12 Rs. 100 per gm. insulin Rs. 4,900 per mu.

Change in Conditions

In rejecting the recommendations of the Tariff Commission in some cases, the Government has explained that there has been a change in the conditions between now and 1966 when the Commission was asked to study drug prices and manufacture started from different stages in the case of some drugs. No uniform prices have therefore been attempted.

As for formulations, there has been a drastic cut in the mark-up while fixing the retail prices. The retail price under the new formula will be calculated on the basis of ex-factory cost plus a mark-up not exceeding 75 per cent on this. However, a higher mark-up upto 100 per cent for three

years has been allowed in the case of new products, evolved as a result of appreciable product development work. An even higher mark-up of 150 per cent for five years is permitted for new drugs which are products of original research and which contain some therapeutic ingredients. There is also provision for a higher mark-up upto 150 per cent in respect of formulations of non-essential bulk drugs (not being products of original research) if the manufacturing units concerned maintain separate accounts to encourage marketing of selected products of importance to public health and promote exports while at the same time keeping the overall margin within the reasonable limits.

The ex-factory cost will be arrived at by adding the cost of raw materials, including the cost of the bulk drugs used and pharmaceutical aids, cost of formulation and packing materials and packing expenses. The mark-up is meant to cover expenditure on freight, sales promotion, after-sales services, commission to the trade and the manufacturer's profit. Excise duty and other taxes will be extra. The producers may fix prices in accordance with the above principles but they will have to furnish within a prescribed period detailed information to the Government for review and refixation if necessary, within a specified period. As an alternative, manufacturers may also submit a pricing scheme to Government fixing prices in such a way that the profits do not exceed 15 per cent of turnover. Even here a flexible policy will be adopted in allowing a higher mark-up in specified cases.

Pooling the Prices of Raw Materials

The resolution also allows the retailers to charge upto 12 per cent of the retail price and other intermediaries like distributors, wholesalers etc. upto 8 per cent in the case of ethical drugs (which are available only on doctor's prescription) and 10 per cent and 5 per cent respectively in the case of non-ethical drugs. The Government has also accepted the suggestion of the Tariff Commission for pooling the prices of raw materials so that all manufacturers get their requirements of raw materials and intermediates at the same rate.

and no one gets an unfair advantage over the others in regard to source of supply by increasing canalisation of imported raw materials through state agencies. At the same time the licensing procedures are being tightened with a view to removing existing anomalies. The circumstances under which excess capacity has come into being in certain directions will be studied and regularised and wherever possible, a reasonable proportion of the benefits of economies of scale will be made available to the society in the form of larger exports or lower prices. Efforts will also be made to evolve acceptable and convenient generic names to avoid confusion in the trade. Care will also be taken to see that patents given in India in respect of indigenous or foreign inventions are not abused by preventing further development.

Rational Criteria not Adopted

While it is generally agreed that prices for some of the life-saving drugs are exorbitantly high and beyond the reach of the common man, the drug industry has expressed the fear that the drastic cut in profit margins for most drugs might affect the working of units particularly in the small-scale sector which accounts for a large range of formulations though in terms of value they account for only 20 per cent of the turnover. The Government may be giving some relief to these units. While applying the new price formula while the pooling of raw materials prices will ensure uniform prices for the whole industry. However, the organisation of Pharmaceutical Producers has cautioned that the low prices fixed in a number of cases are uneconomic and can only result in decrease in production. It has been pointed out that no rational criteria have been adopted.

in fixing the prices as in many cases the Tariff Commission had taken the raw materials costs prevailing in 1965-66. The reduced mark-up has also been criticised as unrealistic as in the absence of control over costs, price control on ultimate products will hamper the industry's development efforts. It has also been pointed out that the reduced retailer's margins will lead to lower standards of service provided to the consumer. The industry will be sending its reaction to the Government after the full details are known from the need control order.

Minor Duty Reliefs

The minor reliefs for Rs. 1.8 crores have been announced by the Prime Minister Mr. Indira Gandhi who is also the Finance Minister, while moving the Finance Bill in Parliament. The reliefs are niggardly as an attempt was made to raise as much as Rs. 135 crores by way of indirect taxes alone. While the duty on TV sets has been reduced from 20 per cent to 10 per cent, low priced tea will pay a lesser excise duty and this will particularly benefit the large number of small gardens in Assam, Darjeeling and Nilgiris whose teas are sold mainly in the internal market. The incidence has now been limited to 70 paise per kg. in respect of tea cleared in the rest of this year which is sold at not more than Rs. 5 per kg. Also the 10 per cent reduction, in duty available to co-operative factories is being extended to the 'bought-leaf' factories.

Following representations that the incidence of the changed ad valorem duties on processed art silk fabrics is much higher than the earlier specific duties, tariff values will be fixed for the assessment of most

varieties of fabrics to simplify the procedure. At the same time, the initial slab of values on which the effective duty is 3 per cent is being raised from Rs. 2.50 to Rs. 3 per sq. metre besides a reduction of 5 per cent in the duty chargeable in fabrics processed by "independent processors" when the grey cloth brought to such processing unit is delivered after processing in an uncut condition.

Concessions have also been provided for commodities which have a sizable production in the small scale sector. The newly imposed duty of 10 per cent has been withdrawn from metal containers, safes and strong boxes produced by units which do not use power. Units which produce safes and strong boxes upto a value of Rs. 50,000 have also been exempted from the duty provided their total turnover does not exceed Rs. 2 lakhs. This exemption is also available to biscuit makers. In the case of metal containers the exemption limit is being fixed at a still higher level of Rs. one lakh as the value of such containers would include the component of duty paid on tinplate used as raw material. Mathematical boxes, geometry boxes and colour boxes have also been wholly exempted. Besides rectifying certain anomalies in respect of duties on plastics, the concessions given earlier to air-conditioning equipment installed in hospitals and cold-storage plants have also been given increased scope. But major beneficiaries will be the producers of sago, vermicelli and arrowroot which have been excluded from the purview of prepared and preserved foods. Similarly, only aerated waters produced with power and marketed with a brand name or trade mark will be liable to duty. Total exemption has also been given to hank yarn in plain straight reels upto 100 lbs.

cannot be brought down any further in the context of the generally hardening interest rate structure in the money market.

Diversion of Investors Interests

The slackening of activity in the markets has also been due to the diversion of investors' interest to some really attractive new floatations. While Nagpal Ambadi Petrochem Refining made a successful issue of equity capital, it is expected that there will be very good response to the issues of Zuari Agro-Chemicals, Indian Organic Chemicals and Rockitt and Colman, as there is already an appreciable premium on these shares in unofficial dealings. The investors' anxiety to put in the maximum subscriptions to avoid any disappointment at the time of allot-

STOCK MARKET:

Irregular Price Trends

The reactionary trend in stock markets which started becoming evident from the middle of April was extended further in the first week of May and share values declined further on a wide front in Dalal Street and Lyons Range. The corrective phase was more marked in counters where the post-budget spurt had been exaggerated to some extent though there was no aggressive bear pressure so far and there was considerable resistance at the lower levels. In fact there was even a significant recovery in later

sessions and the fortnight ended May 10 closed with only small net charges. It can be expected that prices will stabilise at their present levels and movements in the near future will be two-sided as the bullish factors behind the recent buoyancy have been fully discounted and any further recovery can come about only after it is known that agricultural production will be satisfactory and industrial production will not be hampered by critical shortage of raw materials. It is also felt that the yield basis

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ment has naturally led them withdraw from the stock markets for the present while institutional investors also would appear to book profits on their holdings of shares of companies which have reached or are about to reach the dividend-paying stage.

Even otherwise, there has been a reassessment of the profitability of working of the corporate sector and the outlook for particular industries. While the tax reliefs announced by the Prime Minister have disappointed marketmen as being negligible, there is genuine concern about maintaining disposable profits at a high level from the current year with the lapsing of some of the tax incentives like the tax credit certificates and rebates on excess production and the scaling down of development rebate rates. It is apprehended that unless manufacturing units are able to increase this turnover at an accelerated rate and at the same time improve their efficiency and keep down costs, a higher tax liability can eat into disposable profits. The facility to claim a larger depreciation allowance may to some extent offset the impact of the tax incidence but this may not materially alter the quantum of disposable profit.

Bonus Issue Curbs

A major damper to market sentiment of late has however been the decision of the Government to make bonus issue announcements less easy and less frequent. The spate of bonus issue decisions had been a powerful stimulus to activity in the markets where investors were avidly picking up shares of companies which had built sizable reserves over the years. This combined with

the confidence of most of these companies to at least maintain the quantum of distribution on the increased capital had sent share values soaring in particular cases. But the new guidelines prescribed by the Government for granting permission to bonus issue proposals finalised after April 1 this year will make such announcements rarer in future. According to the new directives bonus issues are not to be permitted in lieu of dividend (such cases have been quite common when directors decided to skip the dividend and instead announced a bonus issue with a view to conserving resources for expansion schemes on hand). There should be a time-lag of at least 18 months between two bonus issue announcements. It has also been stipulated that not more than two bonus issues should be allowed to a company over a period of five years. (This may shut out a number of leading companies from making a fresh proposal in the near future); Also, a bonus issue would be justified if 30 per cent of the average amount of the pre-tax profit of the company during the preceding three years yields a return of 8 per cent on the expanded capital or the average rate of dividend declared in the three preceeding years, whichever is lower. Besides these, the controller of capital issues will also see as hitherto that the residual reserves after capitalisation should not be less than 20 per cent of the increased paid up capital. Also, after the bonus issue, the company should not get over-capitalised and bonus application should be entertained only after the expiry of 12 months from the date of enlistment of the last issue of shares in a recognised stock exchange in the case of quoted shares. The effect of the new guide-

lines will be to slow down the flow of bonus issue announcements and may lead to more discerning support from investors to particular scrips, till it is known in the coming months that industrial performance in the current year will be more encouraging. But there need be no fear about a sharp, setback in corporate profits in the near future as the basic outlook for the economy continues to be hopeful. This perhaps explains the negligible impact of the slump in Wall Street and London stock market following fears of a depression in the wake of increased involvement of the U.S. in Indo-China war and rumours of a fresh devaluation of sterling.

Two-way Movements in Share Values

During the fortnight under review, there were two-way movements in share values in spite of encouraging corporate news. Cash scrips were particularly weak with the hitherto strong pharmaceutical section witnessing losses initially after Government's decision to drastically cut prices for basic drugs and formulations. The earnings of drug companies are expected to be lower in most cases where the scope for further increase in turnover is limited. And if the decision of Pfizer Limited to pay a lower interim dividend is any guide, others too may be following an extremely cautious dividend policy for the current year. Barring select engineering, shipping, insurance and bank shares, investment buying has been restricted in other sections. However, towards the close there was a smart rally on emergence of fresh buying.

BUSINESS BRIEFS:

Nationalised Banks' Option over Compensation

Now that the act of renationalising the fourteen major banks has been in force for some time, the former shareholders of these institutions are eager to know how the payment of compensation will be effected. The basis of compensation has been indicated in the act itself and fixed sums have been indicated against the various individual banks. Thus there can be no delay over valuation of assets and liabilities for calculating the quantum of compensation though the managements of the former banks have been given the option to choose between cash and two government bonds, one medium dated and another long dated. Most of the managements have preferred to receive the compensation amount in the form of 5½ per cent 1999 loan due to the higher interest, rate than on the medium term 4½ per cent loan and the likely delay in getting paid in cash. Payment in bonds will not create any strain on the resources of the Central Government as it will only involve creation of a debt. These bonds may have to be absorbed by the Reserve Bank and the banking system when the managements seek to cash them.

But it must be noted that if a majority of the banks try to unload their investments (for say Rs. 50 to 60 crores) on a market which may not be in a position to absorb all of them in a short period, the current premium available on the 5½ per cent loan may be turned into a discount. However, the advantage of early benefit of the compensation amount has weighed with most of the managements while expressing their choice to the Government. Already, Central Bank of India, Bank of India Ltd., Indian Bank Limited, and Dena Bank Limited are stated to have indicated their willingness to accept payment in long dated securities while Syndicate Bank Limited is said to have already received its share in the form of 5½ per cent loans. Indian Overseas Bank Ltd., is perhaps the first institution to have opted for cash payment. It is learnt that the shareholders will be asked for their decision on transacting any new business. As cash payment will be made only in instalments there can be no immediate winding up of the company.

Whether payment is made wholly in securities or in cash over a period, it is not clear when and how the payments will be distributed among the erstwhile shareholders. This is due to the uncertainty over the tax liability in respect of 'capital gains' or the absence of any liability if the affair is treat-

ed as a normal liquidation. It is also not known if some of the managements have other ideas of starting new business with the compensation sum, subject to the approval of the shareholders. The attitude of institutional investors like the L.I.C. and the Unit Trust may be a deciding factor in many cases. Meanwhile, bank shares have remained firm though in the absence of a definite indication on the tax liability of compensation, there has been no further rise in values after the recent spurt.

Century's Good Show

Century Spinning and Manufacturing Company Limited has maintained its impressive record of growth in turnover and earnings over the years and new records were set up during 1969 despite difficult conditions in rayon yarn trade where prices were less remunerative. Obviously the tyre cord section did well with an increased demand from tyre producers. But the decision to only maintain the equity dividend for the year at 40 per cent, taxable, with the announcement of a final distribution of 25 per cent, taxable has caused some disappointment in market circles. There is also no mention of a bonus issue which must be due to the new guidelines prescribed for sanction of bonus issues under which 18 months must elapse between two such issues. As the previous bonus issue was made in December 1968, the company can hope to get sanction for its proposed one-for-one issue not earlier than June.

The conservative dividend policy is perhaps due to the directors' anxiety over maintaining the present quantum of dividend on an increased capital if a bonus issue is made at a later rate. Even for 1969, the total distribution is slightly higher at Rs. 141.95 lakhs against Rs. 136.04 lakhs in 1968, as the interim was paid on a higher capital. In 1968, the final was paid on the increased capital. Sales have improved by over 6 per cent to Rs. 48.36 crores from Rs. 45.23 crores in 1968 but the net profit, before depreciation and taxation, rose by over 21 per cent to Rs. 12.51 crores from Rs. 10.33 crores. The charge in respect of depreciation is Rs. 339.52 lakhs (Rs. 381.47 lakhs). But development rebate claims only Rs. 43 lakhs (Rs. 30 lakhs). The provision for taxation is raised to Rs. 450 lakhs (Rs. 330 lakhs). At the same time the transfer to general reserve has been increased to Rs. 265.37 lakhs (Rs. 144.46 lakhs)

while dividend equalisation reserve gets Rs. 100 lakhs (same).

Indian Organic's New Issue

Indian Organic Chemicals Limited is, shortly raising fresh capital for Rs. 3.30 crores, in equity shares for Rs. 2.80 crores and in preference shares for Rs. one crore. The company has undertaken a project for the manufacture of 6,100 tonnes of polyester fibre in the Manali complex near Madras. Production is scheduled to commence in three years. The estimated cost of the project, which will be implemented with the collaboration of Chemtex Fibres of U.S.A., is Rs. 11.69 crores. Besides the new capital issue for Rs. 3.80 crores, the scheme will be financed by term loans from financial institutions for Rs. 5.39 crores and bank drafts for working capital purposes for Rs. 2.50 crores. Out of the proposed equity issue, the existing shareholders of Indian Organic will be taking up shares for Rs. 70 lakhs while 19,275 shares of Rs. 100 each will be allotted to the foreign collaborators and 6,645 shares to the directors, employees and others. The balance of 1,84,080 shares will be offered for public subscription as also the whole of the preference shares for Rs. one crore. The cumulative redeemable preference shares of Rs. 100 each will carry interest at 9.3 per cent gross. The new equity shares will be eligible for dividend only after March 31, 1972. The whole of the equity and preference issue is being underwritten. There is already a paid-up equity capital of Rs. 70 lakhs. Indian Organic is already operating on a highly profitable basis. It earned a profit of Rs. 43 lakhs, before taxation in 1968-69 on a turnover of Rs. 1.32 crores. In the nine months ended December, 31, 1969 sales were much higher at Rs. 1.67 crores while the net profit, before taxation slightly exceeded the previous year's total earnings at Rs. 43.76 lakhs. The public response to the equity issue is bound to be overwhelming. Already the Rs. 100 paid-up old shares are quoting around Rs. 270 in unofficial dealings, while there is an unofficial premium of Rs. 50 on the new shares.

Reckitt Colman

Another company which has come on the market to raise its requirements is Reckitt and Colman of India Limited. The company which is at present a wholly owned subsidiary of Reckitt and Colman of U.K. took over Atlantis (East) Limited, a trading company in the same U.K. group, in April 1969. The amalgamated company is engaged in the manufacture and marketing of a wide range of consumer products like polishes, toiletries and pharmaceuticals, barley and ultramarine

PRICE MOVEMENTS

The following were the closing quotations for selected scrips on April 24 and May 10

	Madras			Bombay			Calcutta	
	April 24	May 10		April 24	May 10		April 24	May 10
Mettur Chem.	11.15	11.10	Tata Steel	113.75	112.25	Indian Iron	17.00	17.00
India Cements	5.00	4.95	Indian Iron	17.36	16.92	Hind Motors	15.70	15.40
Madura Mills	14.20	14.10	Century	817.00	803.00	Birla Jute	19.25	18.65
S. I. Viscose	135.00	137.00	Nat. Rayon	512.00	471.00	Indian Alum.	31.15xd	30.80xd
Ashok Leyland	5.95	5.80	Telco	232.00	228.00	Dunlop India	34.70	34.30
Tr. Rayon	21.00	20.70	Hind Motor	15.80	15.32	Kesoram Ind.	16.85	17.10
FACT	8.00	7.75	Tata Chem.	35.00	35.50	G. K. W.	15.90	16.20
Seshasayee Paper	9.12	8.90	NOCIL	206.00	201.50	Alkali	28.87	28.50
Madras Alum.	162.00	155.00	Pfizer	38.00	39.25	CAFI	58.00	56.81
Lakshmi Machine	102.00	100.00	Polyolefins	210.00	215.00	Ind. Explosives 'A'	24.62	24.31
Chemicals & Plastics	60.00	72.00	Bayer	194.00	200.00	Union Carbide	40.12	39.12
Madras Rubber	19.50	19.00	Food Specialists	40.75	42.25	Hind Alum.	35.00	33.75

blue from its three factories in West Bengal. The company has some expansions and diversification plans on hand. It has received a letter of intent for the manufacture of 50 tonnes of para-chloro, meta-xyenol (Pcmx) soluble analgesics (60 tonnes) and chocolate laxatives (50) tonnes per annum. The estimated cost of the new schemes is Rs. 1.36 crores, including Rs. 56 lakhs for working capital. The company will be affording an opportunity to the Indian public for the first time to participate in its equity capital by offering, 7.5 lakh shares of Rs. 10 each at a premium of Rs. 3 each. Of this, 75,000 shares will be reserved for subscription by directors, friends and employees of the company and only the balance will be offered for public subscription. A sum of Rs. 7 per share (made up of Rs. 5 on capital account and Rs. 2 on premium account) will be payable on application and Rs. 6 (Rs. 5 on capital and Rs. one on premium account) on call later. The entire issue is being underwritten. Besides the proceeds of this issue of Rs. 97.50 lakhs (including premium), the U.K. parent firm will be taking up shares worth Rs. 4.40 lakhs for cash and retained earnings will provide Rs. 34.10 lakhs. There is already a paid up equity capital of Rs. 1.75 crores owned by the parent firm and after the new issue its share in the capital will be 70 per cent. The company has agreed to raise the Indian participation to 40 per cent in the next five years through fresh issues. Only a negligible portion of the new machinery will have to be imported and it is expected that all the plants will go into production by October 1971.

The combined sales of the amalgamated companies in the year ended October 1969 were Rs. 6.28 crores and the pre-tax profit amounted to Rs. 1.17 crores. The disposable profit amounted to Rs. 41 lakhs. The directors expect the earnings for 1969-70 to be around the previous year's level and on this basis would recommend in about July a special interim dividend 10 per cent on the existing capital of Rs. 1.75 crores and a final of not less than 7 per cent on the new capital to the extent paid up. A total distribution of Rs. 32 lakhs is thus contemplated for the current year which is sufficiently covered. Sales and earnings are expected to increase further in 1970-71 with the availability of expanded facilities and the directors are hopeful of paying a dividend of not less than 15 per cent on the increased capital.

Better Outlook for NOCIL

The Chairman of National Organic Chemical Industries Limited, Mr. Arvind N. Mafatlal, has been optimistic about the working of the company in the current year. He told the shareholders that the company has

turned the corner and will start wiping out its accumulated losses from current earnings. Even in 1970, sales will be rising to Rs. 24 crores from Rs. 16 crores in 1969 when it made a net profit of Rs. 2 crores, before depreciation. The turnover in the first quarter this year amounted to Rs. 4 crores but this is not strictly comparable with that in 1969 as there was a shut down of the plants for a biennial check up and a break down of some equipment for two weeks in March. All the plants are now working satisfactorily and it is hoped that there will be a sizable surplus after meeting the interest and depreciation charges, which will help to wipe out a part of the debit balance of Rs. 4.73 crores brought in from the 1969 accounts. Mr. Mafatlal however has expressed his inability to indicate when the company would be in a position to declare a maiden dividend on equity capital. There has been no difficulty in marketing the various products as imports of competitive goods have been restricted. The pricing policy has also been approved by Government and found reasonable by customers. It is felt that the capacity of various products can be increased significantly with modest additional capital expenditure. This would improve the profitability considerably though there may be no disposition on the part of the directors to issue fresh capital in the near future for this purpose till the existing facilities are utilised to their optimum capacity.

P.I.L. Does Well

NOCIL's investment in Polycyolefins Industries Limited is proving to be promising. Working results for 1969 were quite encouraging as there was a near doubling of output of high density polyethylene to 17,000 tonnes from 8,542 tonnes in 1968. However with an increase in internal offtake to 8,054 tonnes from 2,933 tonnes on which price realisations were more remunerative, the sales turnover rose more than proportionately to Rs. 7.03 crores from Rs. 2.46 crores in the previous year. But it was still necessary to step up exports to 10,295 tonnes from 2,814 tonnes and their value rose to Rs. 8.98 crores from Rs. 61 lakhs indicating much lower prices than internal levels. With a diversion of larger quantities to the internal market, profit margins can be improved sizably. There was a net profit in 1969 before depreciation, of as much as Rs. 88 lakhs against a loss of Rs. 95.54 lakhs in 1968. The provision for depreciation is Rs. 71.57 lakhs (Rs. 57.59 lakhs) and taxation relating to earlier years Rs. 37,000 (nil). The balance of Rs. 16.06 lakhs has been utilised to reduce the earlier losses from Rs. 168.32 lakhs to Rs. 152.24 lakhs. As the plant is already working at an annual rate of 20,000 tonnes

and larger sales may be effected within the country, there may be a further sharp rise in earnings in the next two years which may enable the company to wipe out the remaining losses completely and declare a maiden dividend if it is decided to claim the large development rebate only when there are taxable profits. If the proposed scheme to expand capacity to 30,000 tonnes materialises in a short period this may help the shareholders in getting a return even earlier. The turnover in the first quarter this year has been better than in the corresponding period last year despite the normal maintenance stoppage of the plant for a few days during the period.

Indian Tube Pays More

Indian Tube Company Limited a joint venture of Tatas and Stewards and Lloyds has been able to operate on a more profitable basis during 1969. Though sales were only marginally better at Rs. 24.91 crores against Rs. 24.31 crores in 1968, there was a big rise in the net profit before depreciation to Rs. 3.35 crores from Rs. 2.69 crores in 1968 and the directors have decided to raise the dividend on equity capital to 10 per cent taxable. The charge in respect of depreciation is Rs. 100.25 lakhs (Rs. 97.91 lakhs) and development rebate Rs. 75,000 (Rs. 11 lakhs). The provision for taxation is Rs. 102 lakhs (Rs. 83 lakhs). After making some adjustments the transfer to general reserve is Rs. 94.28 lakhs (Rs. 68.95 lakhs). The dividend is to be paid out of this reserve. The Chairman of the company Mr. Jehangir Ghandy has stated that the company will be stepping up its output to meet an increasing demand within the country and foreign markets though availability of adequate raw materials will pose a problem. There is a scheme to take up the manufacture of small diameter seamless tubes for which application has been made to Government.

Simon-Carves India

Simon-Carves India Limited could increase its earnings only by a small margin during 1969 though there was a big rise in the value of completed contracts to Rs. 4.20 crores from Rs. 2.62 crores in 1968. The net profit, before depreciation and taxation was only slightly better at Rs. 15.24 lakhs against Rs. 14.78 lakhs mainly due to a loss in executing work on the pyrites burnishing plant at Sindri. The amount set aside for depreciation in Rs. 4.13 lakhs (Rs. 4.55 lakhs) and development rebate Rs. 4,775 (Rs. 48,494). Taxation claims Rs. 6.55 lakhs (Rs. 5.68 lakhs) while general reserve gets Rs. 91,110 (Rs. 10,296). The equity dividend has been raised to 8 per cent taxable from 7 per cent taxable, previously.

Goodyear's Expansion Plans

Goodyear India Limited is proceeding with its programme to increase its capacity for auto tyres and tubes upto the licensed capacity and the new facilities will be in operation before the end of this year. The cycle tyre plant is also under construction and machinery obtained from indigenous and foreign sources will be installed in the new buildings that have been completed. The required foreign exchange has been provided by the Industrial Credit and Investment Corporation in the form of a loan. With the existing plant operating above rated capacity and the additional facilities also coming in handy the current year may witness a further rise in sales and earnings. Goodyear India has strengthened its internal resources considerably within a short period and against a paid-up equity capital of Rs. 2.54 crores, reserves and surplus amount to Rs. 5.87 crores after providing for the latest dividend. The company in thus able to announce an attractive bonus issue. The net block at the end last year, including capital work in progress, was worth Rs. 3.57 crores.

Dharamsi Morarji Pays Same

Dharamsi Morarji Chemicals Limited has maintained the ordinary dividend at 20 per cent, taxable, for 1969 on a capital increased by a right issue in the proportion of one-for-five. The bonus shares, issued in September 1969 in the ratio of one for four are entitled to dividend only from this year's earnings. A part of the latest payment will be exempt from tax at the hands of shareholders. The amount required for the distribution is thus higher at Rs. 20.39 lakhs against Rs. 16.02 lakhs in 1968. Even with difficult conditions in trade, sales of fertilizers improved to Rs. 4.56 crores from Rs. 3.96 crores while the turnover in chemicals was better at Rs. 3.49 crores against Rs. 3.13 crores. Thus, while the total sales income rose by 13.8 per cent to Rs. 8.21 crores, the net profit, before depreciation and taxation, showed a 40 per cent increase to Rs. 131.30 lakhs from Rs. 93.67 lakhs in 1968. The amount set aside for depreciation is Rs. 38.18 lakhs (Rs. 29.80 lakhs), and development rebate Rs. 5.65 lakhs (Rs. 7.31 lakhs). Taxation claims as much as Rs. 45 lakhs (Rs. 21 lakhs). General reserve No. 1 gets Rs. 41 lakhs (Rs. 21.02 lakhs) and general reserve No. 2 Rs. 1.47 lakhs (Rs. 10.55 lakhs). The Rs. 50 paid-up equity shares are quoting around Rs. 161, offering a gross yield of less than 7 per cent.

Blue Star Repeats

Blue Star Limited has increased its turnover during 1969 to Rs. 7.05 crores from

Rs. 4.16 crores in 1968. But the figure for the latest year includes the sales of Blue Star Engineering Company (Calcutta) Private Limited, Blue Star Engineering Co. (Madras) Private Limited and Blue Star Industries Private Limited which were merged with the company on Jan. 1 last year, and is not strictly comparable with the 1968 figure. However the latest figures compare favourably with those for 1968 published in the prospectus. The directors have decided to pay a dividend of 12 per cent taxable, on the increased equity capital of Rs. 56.6 lakhs. The new shares for Rs. 20 lakhs issued in July last are eligible for a proportionate dividend for 6 months. The total amount required for paying the dividend is higher at Rs. 5.23 lakhs (Rs. 3.66 lakhs). The net profit before depreciation and taxation, amounted to Rs. 22.12 lakhs (Rs. 14.12 lakhs). After setting aside Rs. 2.94 lakhs (Rs. 1.27 lakhs) for depreciation and Rs. 73,000 (Rs. 25,000) for development rebate, the provision for taxation is Rs. 10.60 lakhs (Rs. 7.73 lakhs). The transfer to general reserve is Rs. one lakh (Rs. 80,000). A sum of Rs. one lakh (nil), has been written off share issue expenses and Rs. 25,000 towards goodwill. The company's working in the current year so far is reported to be better than in the corresponding period last year.

Ceat's Confident Outlook

Ceat Tyres of India Limited will be able to significantly improve its output of automobile tyres and tubes in the second half of this year as part of the machinery under the expansion scheme to raise its capacity from 4 lakh sets to 6.5 lakh sets will have been installed. A licence for Rs. 172.49 lakhs has been received for importing plant and machinery for the auto tyre project while another licence for Rs. 26.29 lakhs is awaited for the cycle tyre project which will have an annual capacity of 2 million units. Orders for plant and machinery for the autotyre project have been placed with foreign suppliers and bulk deliveries are expected to arrive in the latter half of this year. The cost of imported machinery is being met by a foreign exchange loan of Rs. 207 lakhs from the Industrial Credit and Investment Corporation. Even in 1969 the company could increase its output and sales for the third year in succession with the installation of balancing equipment. Capital expenditure for Rs. 43.65 lakhs was incurred last year on construction of buildings and installation of indigenous machinery.

Indian Aluminium

Indian Aluminium Company Limited has been able to complete the Belgaum complex of its West Coast Project right on schedule

though there has been some delay in erecting the sheet mill at Talaja due to delayed issue of import licence for vital items of equipment. It is now expected that production at this mill will begin in the course of next year. When all the three potrooms of the Belgaum smelter are in full production, they will add 30,000 tonnes to Indal's existing capacity of over 40,000 tonnes. The total outlay on this first phase of the West coast project will be Rs. 43 crores and most of it has been financed by internal resources and issue of equity and debenture capital. The Chairman of the company Mr. H. V. R. Iengar, has told the shareholders that of the Rs. 50 crores invested in fixed and working capital over the past ten years, 44 per cent came from additional issue of capital and retained earnings, 30 per cent from net borrowing and the balance from depreciation provisions. During this period, over 55 per cent of the disposable profits was ploughed back after paying reasonable dividends. Mr. Iengar has also pointed to the fact that the per-tonne cost of fresh integrated capacity (inclusive of semi-fabricating facilities) has doubled in the past decade mainly due to the rupee devaluation and inflation in costs. In the absence of facilities to claim depreciation on replacement cost basis, it has been difficult to find sufficient internal resources to finance fresh capacity and replace existing plant and machinery after paying fair dividends and meeting loan repayment obligations. In this context, it has been stated that the producers have not been able to absorb a portion of the stiff excise duties levied in recent years. Accordingly, the management of Indian Aluminium also intimated a price rise for its products but Government imposed a statutory control on prices and the producers were asked to go back to the price levels prevailing before the latest budget less the duty then absorbed, pending investigation by a Government committee. The Chairman has said that the present Indian price is about Rs. 550 per tonne lower than the international price. Indian Aluminium's next phase of expansion of its Belgaum project to one lakh tonnes, will hence depend on the profitability of new investment through remunerative prices for its products.

Kesoram's Loan Issue

Kesoram Industries and Cotton Mills Limited has been diversifying its activities over the years to improve its profitability. Its activities now include manufacture of cotton fabrics, rayon yarn and cellulose film besides spun pipes and structurals. A refractory unit has been taken on lease. Kesoram is also the holding company for Bharat General and Textile Industries Limited and Hindustan Heavy Chemicals Limited.

There is also a cement unit at Palakurthy in Andhra Pradesh with a capacity of two lakh tonnes. This is to be expanded to four lakh tonnes by the middle of next year. To finance this scheme and to meet some other commitments, the company will be raising loan capital for Rs. 1.5 crores in debentures carrying interest at 7.75 per cent and redeemable in 10-12 years.

Jessop & Co.

In spite of a good order position, Jessop and Company Limited has not been able to achieve an economic level of production due to shortage of raw materials and components and in 1968-69 the company had to incur a loss of Rs. 49.87 lakhs, after some adjustments, even with a rise in sales by Rs. 1.86 crores to Rs. 17.02 crores. (There was only a small profit of Rs. 36,000 before depreciation against a loss of Rs. 36.86 lakhs in 1968-69). The chairman of Jessop, Mr. A. K. Chanda has stated that the wage bill alone has increased by 21 per cent or Rs. 66 lakhs per annum after the industrywide agreement with labour in September 1969. The company's finances have been put to severe strain in the past two years owing to uneconomic working and it was necessary to get a term loan for Rs. 3 crores from the IDBI to liquidate the cash credit account with the bankers and redeem debentures. Heavy interest charges on outstandings due to the company have eroded profit margins which has been accentuated by the inordinate delay in settlement of its various claims from Government. The structural works division is expected to improve its performance with the receipt of orders for three caissons for the Haldia Docks but the offtake of cranes continues to be poor. With the sluice gate projects at Farakka, Gandak and Nagarjunasagar nearing completion, efforts are being made to get more such orders. The company has been supplying EMU coaches to the Railways since May 1969 and is in a position to step up production to four units a month from the present three units provided electric traction equipment and wheel sets are available on an adequate scale. The Railway Board is likely to place an order for a further 36 units. Production of metre gauge coaches has also improved and it is proposed to increase the monthly rate from 35 coaches to 50 coaches though even here there is a problem of getting the raw materials and components. Domestic demand for road rollers has also shown a marked improvement recently and firm orders have been received for 152 units besides enquiries for more. The company is trying to go back to the original level of 40 rollers a month. A new towed vibratory road roller introduced in the Indian

market has been well received. The export effort is also being sustained at a high level. Two orders from UAR and Burma for road rollers have been executed and repeat orders are expected from UAR. There have been enquiries from other countries also for this item. The execution of the Polish order for 500 four-wheeler wagons is under way, while the East African order for 247 covered wagons was completed last year. There is also demand for other products like cranes, sluice gates, pressed steel tanks rolling stock etc. from Africa, East Europe and Far East countries. The capacity of the spring plant at Durgapur could not be fully commissioned due to shortage of spring steel billets and the balancing scheme to meet the demand of the automobile industry had to be postponed.

Borax Morarji

Borax Morarji Limited has also earned a much higher profit for 1969 and the equity dividend is being raised to 15 per cent gross from 12 per cent gross in 1968. The latest payment is on a capital increased by a one-for-three bonus issue and works out to 20 per cent, on the old capital. Also, 60 per cent of the dividend will be exempt from tax deduction at source. Sales rose by over 50 per cent to Rs. 1.66 crores during the year while the net profit before depreciation and taxation, improved to Rs. 34.39 lakhs from Rs. 28.99 lakhs in the previous year. The charge in respect of depreciation is Rs. 3.66 lakhs (Rs. 4.04 lakhs) and development rebate Rs. 16,000 (same) while taxation claims Rs. 16 lakhs (Rs. 13 lakhs). The disposable profit of Rs. 15.07 lakhs (Rs. 11.79 lakhs) has been transferred to general reserve. The dividend is to be paid out of this reserve.

Baroda Rayon Pays Same

The need for supplying yarn to weavers at concessional rates affected the profit margin of Baroda Rayon Corporation Limited during 1969 and even the concessional rates of excise duty could not prevent a slight drop in the net profit, before depreciation, to Rs. 189.59 lakhs from Rs. 197.20 lakhs in 1968 though sales improved to Rs. 6.73 crores from Rs. 6.57 crores. Even then, the profitability of operations must be considered quite appreciable, with the ratio of profit to sales at 28 per cent. However, the directors have only maintained the equity dividend at 8 per cent gross as depreciation claims Rs. 64.92 lakhs (Rs. 63.90 lakhs) and development rebate as much as Rs. 82 lakhs (Rs. 20 lakhs). General reserve gets Rs. 43 lakhs (Rs. 40 lakhs). In 1968, special depreciation reserve got Rs. 24 lakhs and deferred development rebate Rs. 49 lakhs. The dividend which will absorb Rs. 38.25 lakhs (same) is to be paid

out of general reserve and it has been indicated that 50 per cent of the amount will not be subject to tax deduction at source, being payable out of tax-exempt profits. It can be expected that the disposable earnings will be larger for this year which may enable an increase in the dividend. The Rs. 100 paid up equity shares are quoting around Rs. 136, offering a gross yield of over 6 per cent. The expansion programme of the viscose division was completed in July last year and the new machinery are operating at full capacity. There may be a much higher level of output in the current year though earnings may not show a proportionate improvement. There will also be full liability towards taxation from this year as the tax holiday has expired.

Gujarat Polyamides Limited, in which Baroda Rayon will be investing a substantial sum, is likely to come on the market with an issue of equity and preference shares by October. There has been some delay in proceeding with the project due to difficulty of the Government to allocate foreign exchange out of the Italian credit. The company is now arranging for the required foreign exchange from the International Finance Corporation and the Industrial Credit and Investment Corporation. The Foreign Investment Board has agreed to equity participation by the International Finance Corporation for Rs. 50 lakhs while Baroda Rayon will be subscribing upto Rs. 1.75 crores to the equity capital on the understanding that the new company will be issuing equity capital for Rs. 2.5 crores and preference capital for Rs. one crore.

Globe Auto Electricals

Globe Auto Electricals Limited has maintained the ordinary dividend for 1969 at 6 per cent taxable. There was a decline in sales to Rs. 1.06 crores from Rs. 1.12 crores in 1968 following labour trouble in its plant while the net profit, before depreciation, was lower at Rs. 5.62 lakhs against Rs. 5.91 lakhs. After provisions of Rs. 1.98 lakhs (Rs. 1.79 lakhs) for depreciation and Rs. 28,000 (Rs. 88,000) for development rebate, the equity and preference dividends will claim Rs. 3.24 lakhs. There has been an improvement in working this year, with sales in the first four months at over Rs. 40 lakhs. It is expected that the turnover for the whole year may be over Rs. 1.25 crores, with a corresponding rise in earnings. The company proposes to diversify its lines of production besides doubling the output of its existing products in the next four years. After the expansion scheme which will cost Rs. 50 lakhs, there will be a jump in turnover to Rs. 2.50 crores. There is also a plan to set up a plant at Vapi in Gujarat for making automobile spark plugs in technical colla-

horation will Prestolite International Corporation of U.S. The plant will have an annual capacity of 2 million units and the project will cost Rs. 20 lakhs. Production is expected to commence in a year and when in full operation, the annual turnover will be Rs. 60 lakhs. The total outlay of Rs. 70 lakhs for the two schemes is to be financed by a right issue of equity shares for Rs. 30 lakhs and assistance from financial institutions for Rs. 40 lakhs.

Coimbatore Pioneer Pays More

Another textile mill in Tamil Nadu which has reported encouraging results for 1969 is Coimbatore Pioneer Mills Limited. The Company's net profit, before depreciation and taxation, has jumped to Rs. 25.55 lakhs from Rs. 15.81 lakhs in 1968. The directors have raised the ordinary dividend sharply to 11 per cent taxable, from 5 per cent, taxable, in the previous year. The charge in respect of depreciation is Rs. 12.79 lakhs (Rs. 10.43 lakhs) and development rebate Rs. 4.26 lakhs (Rs. 3 lakhs). Taxation claims Rs. 4.67 lakhs (Rs. 90,782) while the transfer to general reserve is Rs. 75,000 (nil).

Binny & Co.

The balance-sheet of Binny and Company Limited for 1969 gives the comparative working of the various companies before and after the merger and the individual contributions to the earnings for the latest year. Both Buckingham and Carnatic Mills and Bangalore Woollen, Cotton and Silk Mills could increase their turnover to Rs. 22.11 crores and Rs. 11.19 crores from Rs. 19.30 crores and Rs. 10.25 crores respectively in 1968. The Madras unit raised its production with increased three-shift working in the spinning departments but productivity could not show any improvement due to heavy absenteeism and the need for adjustments with the new wide-width looms. However, a high degree of rationalisation of procurement of raw materials and production of cloth has been achieved after the amalgamation. This helped to offset the severe setback in the first half of the year in the subsequent months. Price and production controls without any price increases since May 1968 continued to offset profitability of particularly the Madras mill as only in November last year drills which constitute a large part of its output were removed from control. As there was also increase in the burden of excise duty, especially on man-made fibres, the profit of Madras mill was disappointing. Thus, B & C has earned a lower net profit, before deprecia-

tion, of Rs. 46.32 lakhs against Rs. 80.74 lakhs while Bangalore Woollen's earnings before depreciation, were slightly better at Rs. 79.67 lakhs (Rs. 74.06 lakhs). The garments unit also fared better, with total sales exceeding Rs. one crore of which exports accounted for Rs. 12.23 lakhs. With the installation of 378 BAZL looms in Madras mills and 112 in Bangalore mills last year, there are 505 such looms in Madras and 136 in Bangalore. The new weaving shed at Bangalore was opened in July 1969. It has been stated that the improved working of both textile units since the latter half of last year has been sustained in the current year so far and barring unforeseen circumstances this will be continued in the remaining months though the shortage and price of Indian Cotton may have a restricting effect on profit margins. The trading and agency divisions earned larger profits while the engineering works raised its turnover to Rs. 1.91 crores from Rs. 1.73 crores in 1968. The production of rice mills has made satisfactory progress while orders for sugar mill machinery are being executed jointly with Andrew Yule. Productivity of the foundry has been improved substantially and after modernisation and commissioning of the electric furnace shortly, this unit will be contributing even more to the total earnings.

The aggregate net profit, of the group, before depreciation and taxation amounted to Rs. 175 lakhs against Rs. 202.12 lakhs in 1968. If the dividends received by Binny Limited prior to the merger are excluded, the adjusted profits were Rs. 162.72 lakhs against Rs. 173.28 lakhs. After providing for depreciation, there is a loss of Rs. 22.54 lakhs transferred from B & C while the divisions contributed a net profit of Rs. 85.03 lakhs. As the merger became effective only last November, a strict comparison of the results of the group for the two years is not warranted. It can be expected that the working in the current year will be much more satisfactory—as the rationalisation and centralisation of various activities will improve efficiency significantly.

One More Luxury Hotel for Madras

Madras will soon have another posh luxury hotel in the heart of the city. The foundation stone for this new venture *Hotel Ganapat* sponsored by Mr. K. K. Varma, a prominent industrialist was laid on May 1.

The hotel will be constructed on the Nungambakkam High Road, and will come up in 18 months from now. The total cost of the project will be around Rs. 60 lakhs.

ACC Wins Foreign Contract

The Associated Cement Companies Limited has been awarded a contract for erecting a clinker grinding and cement packing plant to be installed in Kuwait against stiff competition, with 18 internationally reputed companies manufacturing cement-making machinery, from the U.K., West Germany, East European countries and Japan contending for the contract. The contract was signed in Kuwait early last month. The plant will have a capacity of 300,000 tonnes a year, and the erection work, which will commence in a couple of months, is expected to be completed within 18 months. Stated to be the biggest ever deal by a cement-making machinery manufacturer in India and the first of its kind by the ACC, the export contract will fetch the country over a crore of rupees in foreign exchange. A feature of the deal is that the earnings are freely convertible in U.S. dollars. This achievement signifies recognition of Indian technology in design, fabrication and installation of plants, and ACC can now look forward to global tenders. In addition to the Kuwait order, ACC have also succeeded at home with Letters of Intent received for two projects, one for 600-tonne-per-day cement plant at Bokajan, Assam for the Cement Corporation of India, and the other for a Slag Granulation and Slag Cement Grinding & Packing Plant at Durgapur for Birla Jute Company. This plant has a capacity of 1800-tonne-per-day.

Computers to Help Travel

The business volume of American Express Company and its subsidiaries has been growing and during 1969, the company's consolidated net earnings rose by 16.8 per cent. For the decade of the sixties the increase in earnings per share averaged 17.3 per cent. In view of the "considerable progress and development" of American Express Company and its subsidiaries during the past decade, Mr. Clark, the Chairman, told the shareholders at the annual meet held recently that the company was well positioned to participate in a number of growth industries—all of them related to its traditional fields of endeavour. Turning to changes in the market for travel and travel related financial services, the Chairman and Chief Executive Officer noted the long-term potential created by longer vacation entitlements, increased discretionary income, an older generation with more leisure and means to travel, the general downturn in air force, and the general increase in business travel internationally. This growing volume has prompted a major investment in a computerised reservation service, AMEX Express Reservation Services, Inc. This

wholly owned subsidiary already has about 375,000 hotel and hotel rooms under contract and is linked with reservation centres in twenty-four countries. Herts and Avis car rentals are now on line and the computer is currently being programmed to include reservations on BOAC as well as on other air carriers tied into BOAC's own computer.

! Growth for the "cornerstone" Travellers Cheque business continues to be excellent, shareholders were told. American Express Card membership, which last year chalked up its greatest increase, continues to grow even though its credit requirements remained as tight as ever. In 1970, three additional local currency cards are slated to join the nine already available, Mr. Clark said.

Siemens A.G. Sales up by 19 per cent

During the year ended 30th September 1969, Siemens A.G.'s world-wide turnover rose by 19 per cent to DM 10.4 billion (Rs. 2,031 crores). Siemens A.G. is one of the giants in the electrical industry, ranking sixth among the World's electric manufacturers. Its staff strength is 2,72,000. Its main divisions are Components, Data Systems, Power Engineering, Electrical Installations, Medical Engineering and Telecommunications. The volume of new orders received jumped 30 per cent over the previous year to DM 13.8 billion (Rs. 2,829 crores). The net profit for the year after providing for depreciation and taxes of the Siemens Group was DM 253 million (Rs. 52 crores).

A noteworthy feature disclosed by the Annual Report is that DM 718 million (Rs. 147 crores) representing as much as 7 per cent in value of its world-wide turnover was spent on research and development programmes. Capital expenditure during the year was DM 719 million (Rs. 147 crores) and the dividend declared for the year was 16 per cent.

Of particular interest is the fact that of the Siemens world-wide sales, 40 per cent were abroad. Moreover, the foreign business, over the past decade, has been growing more consistently than the domestic sales. Also, within the foreign business, the independent sales of foreign subsidiaries like Siemens India have grown faster than the exports from Siemens Germany.

Contraceptives for the Masses

Our population today is placed at 545 million of which there are atleast 100 million couples in the reproductive age group. Of this, 100 million persons require effective contraceptive services. It can be safely accepted that 10 million persons have already been covered by sterilization or loop. There is still a group of 90 million persons who need contraceptive services to reduce fertility rate. In order to achieve the target of reducing birth rate from 40 to 25 by 1978, it has been officially estimated that 50 per cent of the target group must actively practise family planning. On this basis 45 million persons are to be provided with contraceptives. Presently, the cafeteria approach is being adopted. But cafeteria cannot sell the right type of goods to the bulk consumers in rural areas for they are yet unable to decide the best buy for them. At best, the cafeteria approach could be expected to yield some results only amongst discriminating consumers in the urban population.

The problem, therefore, is to decide on the suitable birth control method

that can be sold' to the rural population easily. Sterilization and loop insertion very much depend on the medical facilities available. On the basis of present achievements, it might be possible to sterilize 20 million persons in the next 8 years. On the basis of present acceptability even 5 million insertions in 8 years if achieved, will considerably help in reducing the birth rate. Pill and conventional contraceptives for women may at best touch the fringe of the problem. Thus in effect, protectives or condoms are the contraceptives for the masses. To cater to the growing demand for these, the Government issued industrial licences for production of 335 million pieces in the private sector. But all these licences could not be utilised due to non-availability of technical know-how except one with a capacity of 37.5 million pieces.

The total production capacity of condoms in the country at present is 2 million gross and the immediate target should, therefore, be 4 million consumers who should be picked at random. Once 4 million persons start

consuming this mass contraceptive they will influence many others. Simultaneously arrangements for increasing capacity could be taken to meet the needs of 18 million consumers over a period of 7-8 years.

Need for Revision of Policy

To select and reach 4 million consumers present policy on free distribution needs to be reviewed. 50 per cent of the available supplies—if earmarked for commercial sale and 50 per cent allotted for Depot Holder Scheme will show results which could be compared and in the light of experience gained and the distribution mechanism re-arranged within a year.

The fact that the programme authorities could so far as to distribute only 110 million pieces in one year with stocks still lying with shop-keepers, Family Planning Institutions, with the help of giant commercial organisations and their numerous retail outlets, emphasises the need for a drastic revision of policy, planning, organization, direction and control in respect of contraceptive needs of the masses.

—From a paper presented by Mr. S. N. Wadhwa at the Conference on Population Policy & Programmes held at Madras recently.

Statistical Supplement....

INDEX NUMBERS OF WHOLESALE PRICES—NEW SERIES

	All Commodities	Food Articles	Liquor & Tobacco	Fuel, Power, etc.	Industrial Raw Materials	Chemicals	Machinery & Equipment	Manufactures
Feb. 7	173.5	197.6	184.6	156.0	182.6	186.8	139.1	147.4
Feb. 14	173.3	197.0	185.2	155.8	183.4	186.8	138.8	147.4
Feb. 21	173.7	196.9	184.9	156.0	185.2	186.8	139.3	148.0
Feb. 28	173.7	196.2	184.6	156.0	187.3	186.8	139.6	148.2
Mar. 7	175.3	198.8	190.7	159.4	188.1	187.0	139.6	148.2
Apr. 18	175.8	200.2	186.7	160.1	186.1	188.1	139.7	149.0

INDEX NUMBERS OF SECURITY PRICES—REVISED SERIES

	VDIS	Agri.	Mining	Processing	Other Ind.	Financial
January	87.9	84.1	54.7	85.8	113.9	91.0
February	89.3	83.7	52.8	87.3	114.6	93.6
Mar. 7	93.8	86.2	53.5	92.3	119.6	94.1
Mar. 14	93.5	86.5	53.5	91.7	121.1	94.2
Mar. 21	94.0	87.0	53.8	92.3	121.4	94.4
Mar. 28	95.1	87.0	54.6	93.5	122.5	94.7
Apr. 4	95.7	87.0	54.9	94.0	124.8	95.6
Apr. 11	97.6	87.6	55.4	95.8	128.2	96.7
Apr. 18	98.4	87.6	55.9	96.6	130.8	96.8
Apr. 25	98.6	87.4	56.2	96.8	130.8	96.5

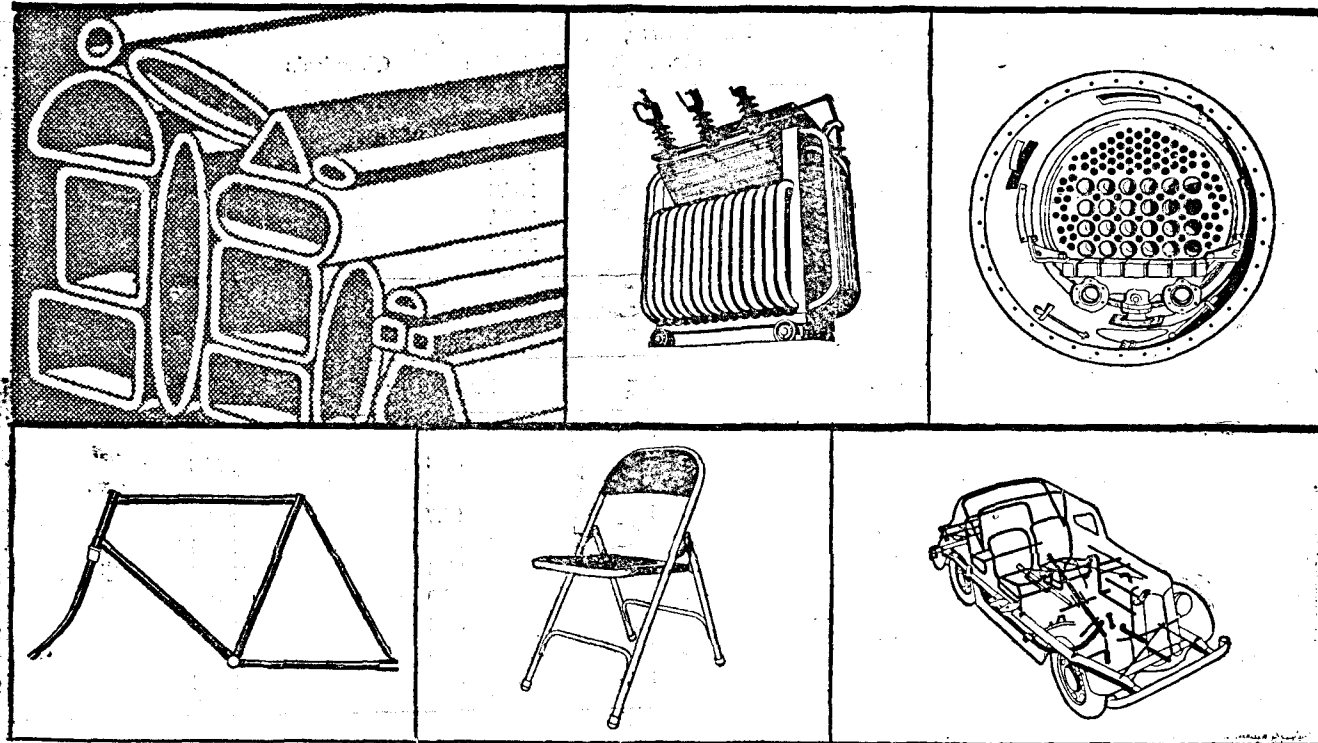
RESERVE BANK

	1-5-70	24-4-70	2-5-69
BANKING DEPT.			
Deposits			
Central Government	173.38	166.10	129.20
State Governments	3.32	5.12	12.18
Scheduled Banks	174.49	167.92	176.53
Other Liabilities	144.32	136.56	119.31
Treasury Bills	34.06	60.68	174.20
Balances Held Abroad	149.59	138.84	127.62
Investments	110.51	132.82	191.98
Loans and Advances			
to State Governments	181.55	182.74	150.62
„ to Schld. Commercial Banks	254.62	236.45	135.49
Other Assets	50.31	46.45	42.66
ISSUE DEPT.			
Notes Held in the Banking Dept.	18.53	12.75	20.02
Notes in Circulation	3,959.03	3,966.07	3,595.34
Gold Coins Held in India	182.53	182.53	182.53
Foreign Securities	336.42	361.42	216.42
Rupee Coins	61.11	62.38	69.27
Rupee Securities	3,397.50	3,372.50	3,147.15

SCHEDULED BANKS

	1-5-70	24-4-70	2-5-69
Aggregate Deposits			
Cash & Balances with RBI	320.65	309.45	295.27
Borrowings from RBI	293.90	230.04	135.49
Investments	1,167.30	1,163.81	1,065.01
Advances	4,051.80	4,020.43	3,485.63

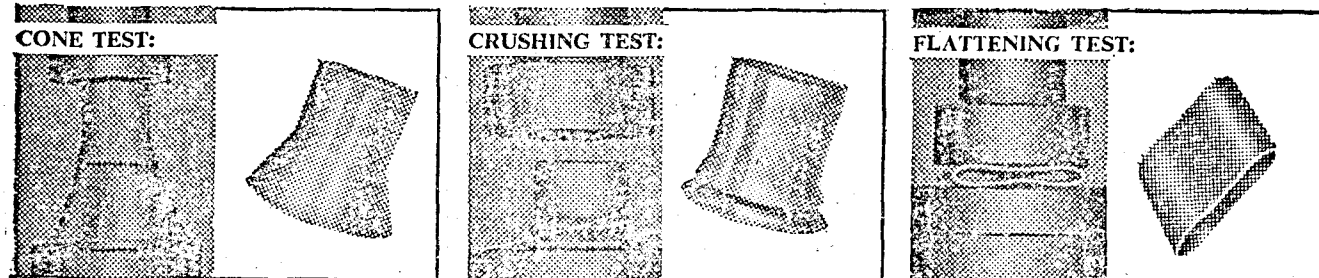
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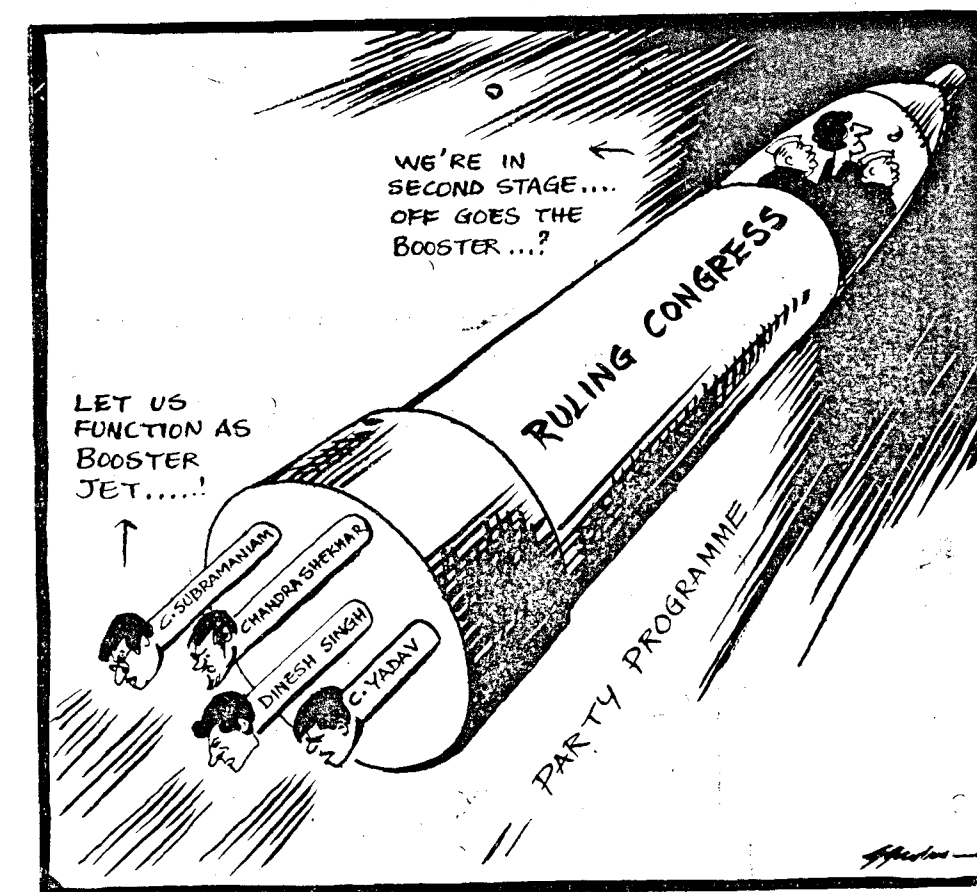
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More Flights Through Madras

The Malaysia Singapore Airlines will be operating for the first time in India, through Madras, from June 1. MSA will be the third international airline to operate through Madras, besides Air Ceylon and Air India. A few more airlines, it is understood, are interested in touching Madras, which is ideally suited for international operations for more reasons than one. Its proximity to South East Asia and Japan and its being in a straight line with Middle East ports are points in favour of Madras.

Madras Airport, like Madras Egmore railway station, is busy only for a few hours during the day. Its fair weather prevailing round the year and a free sky-scape are suited much better to airlines operations than the mountainous and monsoonish Bombay or the misty Calcutta. There is vast room for expanding airport facilities at Meenambakkam. With the completion of terminal buildings, work on which is now in progress, better facilities will be available.

South India accounts only for about a third of foreign tourist jaunts. With more airlines operating through Madras, there is bound to be a greater volume of tourist traffic in the South. The Centre and the State Government should help make Madras truly an international airport.



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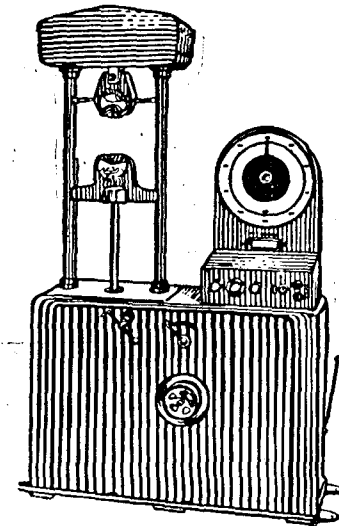
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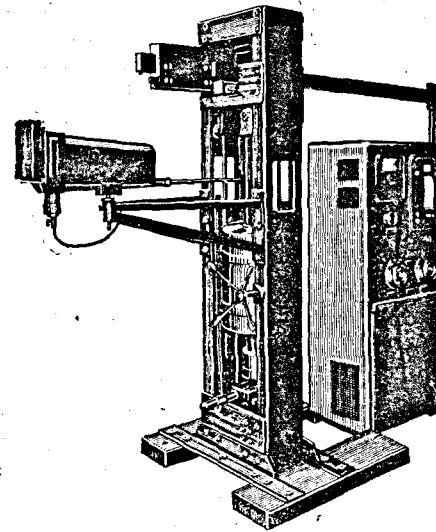


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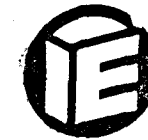
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Ensuring the Success of the Fourth Plan

The finalisation of the Fourth Plan more than a year after the Plan period started may not prove to be a handicap though it is a clear indication of the vacillation of the planners and the difficulty of the Central and State Governments in deciding the size of the Plan. But for the capability of the economy to absorb a heavier dose of investment and the new abilities displayed by our technical experts to meet new challenges it will be difficult for the government machinery to step up expenditure to the desired extent in the remaining three years.

The Fourth Plan promises many things—considerable improvement in national and *per capita* incomes, complete self-reliance on the food front, accelerated industrial growth, better living standards for the weaker sections of the society and more employment opportunities. The current tempo of economic activity, as has been pin-pointed in the Fourth Plan document itself, is insufficient to provide productive employment to all, extend the base of social services and bring about a significant improvement in living standards. But the question now looming large is whether in the next four years adequate impetus to the economy can be given.

A total outlay of Rs. 24,882 crores including a public sector investment of Rs. 15,902 crores is bound to activate the economy faster than now. The revival of economic activity seen in recent months and the achievements on

the farm front will be of great help in successfully implementing the Plan. The increase in the outlay in the public sector by Rs. 1504 crores over the estimates of the draft plan is mainly on account of agricultural schemes which account for Rs. 510.68 crores, irrigation and flood control projects accounting for Rs. 122.77 crores, power schemes Rs. 363.07 crores and industry and minerals Rs. 247.81 crores. It has not been possible to allocate larger amounts for development of road transport facilities, social services, etc. Even in regard to power, which is responsible for the biggest increase in outlay next only to agriculture, the emphasis will be on creating transmission facilities and implementing rural electrification programmes while the target for generating capacity has been fixed only at 22.07 million kw.

Population growth is another important factor which might impair gains accruing through economic development. It is good that the Family Planning Programme has been given the highest priority in the Fourth Plan. As against an expenditure of Rs. 24.86 crores in Third Plan, Rs. 315 crores have been allocated for family planning in the Fourth Plan. The target is to reduce birth rate to about 32 per thousand of population from the present rate of 40 per thousand. Economic growth depends very much on the success of the birth control programme.

The Fourth Plan aims at providing the conditions necessary for a sustained increase in agricultural produc-

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tion. Major portion of the farm economy is still monsoon-biased and there is always the danger of drought conditions hitting the farm sector. The present success in the farm sector is principally due to high yielding varieties and multiple cropping programmes. Out of an increase of 31 million tonnes of foodgrains projected for the Fourth Plan, 21 million tonnes is attributed to this programme.

The shortage of certain essential raw materials like steel, the recurrence of labour trouble leading to stoppage of work for days together and deterioration of law and order in certain parts of the country are causing concern about the prospects for Indian industry. The Fourth Plan envisages a 8 to 12 per cent annual rate of growth in various sectors of industry. To achieve this, not only should the public sector units function more efficiently but also sufficient encouragement and incentives should be given to the private sector to do their job well. As it is, the prospects for the private sector, especially with regard to mobilisation of resources to the tune of about Rs. 8980 crores is not very bright. However, with bank nationalisation and buoyancy of Central revenues the Government may not find it difficult to mobilise the resources for implementing the public sector plan of Rs. 15,902 crores. Additional internal resources to be mobilised for the Fourth Plan are now placed at Rs. 3198 crores. Of this the State Government may raise Rs. 1098 crores and the

Sugar—Problems Amidst Plenty

The sugar industry will be establishing an all-time record in 1969-70 with an output of 43 lakh tonnes and new trends in consumption are emerging. Even so many sugar mills are worried about making satisfactory profits. As a result of heavy accumulation of stocks and in the absence of any large generation of internal resources, the payment to cane growers are in heavy arrears. The governments of Uttar Pradesh and Bihar have taken the unusual step of appointing receivers for the affected factories and are taking over their administration.

Contrary to expectations no announcement has been made by the government regarding creation of buffer-stocks out of the huge surplus of 19 lakh tonnes of sugar that will be left with the industry at the end of the season notwithstanding the expectations of a big spurt in internal consumption to 34 lakh tonnes. Some efforts are also being made to export sizeable quantities of sugar but it is very doubtful whether these efforts will yield any tangible result.

Mr. Jagjivan Ram, Union Minister for Food, told the sugar mill owners at the Annual Meeting of Indian Sugar Mills Association held in New Delhi recently that any loss incurred on exports over and above 50,000 tonnes will have to be borne by the industry. Under international

balance of Rs. 2100 crores will have to be mobilised by the Centre. This means additional fiscal effort, with its attending disadvantages. As for external resources, all hopes are pinned on a boom in exports. Exports are linked with industrial production which in turn depends on adequate availability of raw materials, cooperation from labour and incentives from Government.

Contrary to earlier expectations the revival in economic activity following the revolution in wheat and other crops has absorbed the surpluses that were believed to exist in many directions. The planners must be feeling a little confused about deciding the rate of growth of industrial production and its content for an economy which is becoming agriculturally prosperous. The increase in the purchasing power of the population by over 12½ per cent in two years as compared to 1967-68 has by itself resulted in a larger demand for a number of goods. The demand from government departments has also tended to improve. Shortages have emerged in many directions and there is a real conflict now about the quantum of allocation of available resources for meeting the needs of the home market and for sustaining the export drive. The earlier expectations that the Fourth Plan, like the First Plan was starting under propitious circumstances with considerable idle capacity and export surpluses, have therefore, to be modified to some extent.

agreement. India can export upto 3 lakh tonnes annually. But not more than 85,000 tonnes could be sold abroad unless some satisfactory arrangements are made for export. The loss on these sales, even with the recent improvement in world market prices, will be at least Rs. 12.5 crores. The industry cannot bear even 50 per cent of this loss. As some mills are incurring losses even on domestic sales, it is far-fetched to think that they can bear any losses sustained on exports.

ISMA, President, Mr. Dalmia has observed that higher prices should be fixed for supplies of cane in areas where yields are low and lower prices for cane growers in tropical tracts where the cost of cultivation is much less. Since there will be differing costs of production for the end-product an equalisation proposal has been mooted. But this step will increase the sugar bill of the consumer and perpetuate high cost sugar. A more correct approach will be to reduce the minimum prices for cane for all-India on the basis of a recovery of 8.5 per cent and give incentives for increasing the sucrose content of the cane. The very fact that sugarcane has been grown in abundance all over the country even with a slump in gur and khandasari prices clearly shows that cane cultivation is still quite profitable because of stable prices for the competing crops, wheat and rice.

Raising Resources for Fourth Plan

After three annual plans, following the end of the Third Plan, the Fourth Plan has got off to a good start and promises to lay the foundations firmly for a strident growth in future. The Central and State Governments are indeed in a happy position of being able to mobilise the required resources thanks to an increase in the purchasing power of the rural population and the great success that has attended the efforts to institutionalise savings. Indeed, but for the reluctance, and inability of some State Governments to raise additional resources there is no danger of the estimates in the resources budget not being realised. However even if there is to be a shortfall in the resources of the States, there will not be any handicap as the growth of bank deposits which will be more impressive than has been assumed by the Planning Commission and the expansion of business of Life Insurance Corporation and other credit institutions are bound to help.

Profits from Public Sector

The public sector has to raise additionally Rs. 150 crores under the final estimate—its share of outlay has been increased to Rs. 15,902 crores from Rs. 14,398 crores. This extra amount is expected to be found by an increase in the resources of public sector enterprises and from allocations out of counter-part funds for the implementation of rural electrification schemes.

There is the prospect of the public sector undertakings generating larger internal resources as there will be a compulsion to utilise existing capacity and raise output for meeting the increasing needs of industrial consumers

and for sustaining the export effort. The very process of effective utilisation of existing capacity should be reflected in larger profits unless labour is recalcitrant and top management is ineffective and inefficient. As indicated by the Union Minister of State for Finance, Mr. P. C. Sethi, the average investment in public sector undertakings in the current plan period should be Rs. 1000 crores excluding the investment on the Bokaro Steel Project and the mining schemes. It should be possible to secure a surplus of at least Rs. 500 crores on an average in the next three years, Rs. 300 crores more than what was achieved in 1969-70. This opportunity should not be missed for augment-

Credit Facilities to The "Small Man"

The 'retail' credit character of the indigenous banks' operations and the indigenous bankers' local knowledge and low cost of operation are advantages which, if properly utilised, could serve the objectives of the government to make credit facilities available to the 'small man', said Mr. B. N. Adarkar, Reserve Bank Governor. He was addressing the Shikarpuri Shroffs' Association at Bombay on May 25 on the occasion of the Silver Jubilee Celebrations of the Association. He said that steps for fusing indigenous banks' operations with those of the organised sector should be considered. Mr. Adarkar said: "The indigenous banker and his hundi have had a successful past but they can look forward to an even brighter future by adapting themselves to changing times".

ing the resources of the Central Government.

It has also been proposed to raise a much larger amount of Rs. 1415 crores against Rs. 1166 crores through open market loans. It can be hoped that the provident funds and trusts will be in a position to lend greater support to the borrowing programme of the government. Besides, the banking system will be providing credit for the government-owned financial institutions and to the Food Corporation of India, for Rs. 405 crores. This kind of resource mobilisation was not thought of before.

Bigger Tax Effort . . .

In regard to the mobilisation of additional resources the Centre is obliged to make a bigger tax effort on account of the transfer of large revenues to the State Governments and the re-scheduling of debt repayment. It has also been decided to restrict deficit financing to the former figure of Rs. 350 crores. But the Centre will not have any difficulty in gathering Rs. 2100 crores in the aggregate against Rs. 1600 crores previously. Because in the last two years alone heavy taxes have been imposed which between themselves will yield Rs. 1750 crores additionally thanks to buoyancy in tax revenues and a rising output of excised commodities. The receipt from direct taxes may also be more than the estimates. Only the State Governments may not realise even their reduced allocation of Rs. 1098 crores against Rs. 1109 crores because they have levied taxes only for about Rs. 500 crores so far and in the next three years they may not be successful in raising the required amount because of the approaching elections and the unwillingness of the agricultural income groups to bear direct extra burdens. However, as stated earlier the estimates are likely to be exceeded under other heads by at least Rs. 1000 crores. Even if the States do not impose fresh taxes the required financial resources may be available.

PATTERN OF INVESTMENT: THIRD AND FOURTH PLANS

(Rs. Crores)

No. Sl.	Head of Development	Third Plan				Fourth Plan			
		Public Sector	Private Sector	Total	Percentage distribution of Col. 4	Public Sector	Private Sector	Total	Percentage distribution of Col. 8
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Agriculture and allied sectors	660	800	1,460	14.0	2,118	1,600	3,718	16.4
2.	Irrigation and flood control	650	—	650	6.3	1,073	—	1,073	4.7
3.	Power	10,12	50	1,062	10.2	2,448	75	2,523	11.2
4.	Village and small industries	150	275	425	4.1	186	560	746	3.3
5.	Industry and minerals	1,520	1,050	2,570	24.7	3,298	2,000	5,298	23.4
6.	Transport and communications	1,486	250	1,736	16.7	3,197	920	4,117	18.2
7.	Social services and other programmes	622	1,075	1,697	16.3	1,335	2,225	3,560	15.7
8.	Inventories	200	600	800	7.7	—	1,600	1,600	7.1
9.	Total	6,300	4,100	10,400	100.0	13,655	8,980	22,635	100.0

FOURTH PLAN OUTLAY AND INVESTMENT: PUBLIC AND PRIVATE SECTORS

(Rs. Crores)

Sl. No.	Head of Development	Public Sector			Private Sector		Public and Private Sector		
		Total Outlay	Current Outlay	Investment	% distribution of total outlay (Col. 2)	Investment	% distribution of investment (Col. 6)	Total Investment (4+6)	Total Outlay (2+6)
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Agriculture and Allied Sectors	2,728	610	2,118	17.1	1,600	17.8	3,718	4,323
2.	Irrigation and Flood Control	1,087	14	1,073	6.8	—	—	1,073	1,087
3.	Power	2,448	—	2,448	15.4	75	0.8	2,523	2,523
4.	Village and Small Industries	2,913	107	186	1.8	560	6.2	746	853
5.	Industry and Minerals	3,338	40	3,298	21.0	2,000	22.3	5,298	5,338
6.	Transport and Communications	3,237	40	3,197	20.3	920	10.2	4,117	4,157
7.	Education	823	545	278	5.2	50	0.6	328	873
8.	Scientific Research	140	45	95	0.9	—	—	95	140
9.	Health	435	303	132	2.7	—	—	132	435
10.	Family Planning	315	262	53	2.0	—	—	53	315
11.	Water Supply and Sanitation	406	2	404	2.6	—	—	404	406
12.	Housing, Urban and Regional Development	237	2	235	1.5	2,175	24.3	2,410	2,412
13.	Welfare & Backward Classes	142	142	—	0.9	—	—	—	142
14.	Social Welfare	41	41	—	0.3	—	—	—	41
15.	Labour Welfare and Craftsmen Training	40	20	20	0.3	—	—	20	40
16.	Other Programmes	192	74	118	1.2	—	—	118	192
17.	Inventories	—	—	—	—	1,600	17.8	1,600	1,600
18.	Total	15,902	2,247	13,655	100.0	8,980	100.0	22,635	24,882

Lull on the Monetary Front

The address of Mr. Peirre Paul Schweitzer, Managing Director of the International Monetary Fund, at the recent Geneva meet of the International Financial Conference exudes considerable optimism about continued stability in West European money markets for quite some years ahead. Indeed the closing years of the 'sixties marked a type of instability which some critics deemed to be portentous of the decline of gold *pari passu* with the absence of assured strength for the reserve currencies—the British pound and the U.S. dollar which were expected to make—do for gold in effecting residual payments in international trade. To some extent, the pressures to which the British pound and the French franc were victims and which led to their subsequent devaluation in a marked dimension had been eased by the upward revaluation of the West German mark. But the roots of monetary stability seem yet to be a bit unsteady, though Mr. Schweitzer builds up an entirely different, and *ipso facto* bright picture of the emerging monetary situation.

The Schweitzer Thesis

His thesis is simply this: Most of the speculation in the world money market is due to the belief that the expansion in the base of world reserves necessary to support the growth in the world economy would not be achieved on the basis of the existing gold price. It is common knowledge that South Africa had been asking for an upward revision of the gold price in the light of the increasing costs of gold mining and had been expecting that the increase would come about especially because the flow of gold into monetary reserves had become less than a trickle. Mr. Schweitzer's argument is that the special measures since taken by the I.M.F. had allayed fears of gold shortage and disproved the beliefs of

speculators. These measures comprised the introduction of Special Drawing Rights (paper gold), the revision of I.M.F. quotas of member countries, the activation of the compensatory financing facility for taking care of drops in export earnings of developing countries due to factors unforeseen and beyond their control and the new arrangements organised for the flow of gold at the international price into monetary reserves—a scheme which has been accepted by South Africa.

Gold Reserves Decline

It is not that these have had no significance at all. For in the five years, from the end of 1964 to the end of 1969, world reserves grew only by one per cent annually while reserves held in the form of gold actually declined. Hence credits provided through conditional drawings from the I.M.F., which accounted for 50 per cent of the in-

Unutilised Water Resources

The total surface water resources of the country is 1,675,000 million cu.m (1356 million acre ft.), of which the utilisable quantity is said to be about 5,55,000 million cu.m (450 million acre ft.). Against this, only about 1,93,000 million cu.m. (156 million acre ft.) of waters would have been utilised up to the end of the Third Five Year Plan, creating an irrigation potential of 36.5 million hectares (90.8 million acres). The ultimate area which can be irrigated by major, medium and minor schemes is estimated at 75 million ha. (185 million acre). There are, thus, considerable land and water resources yet to be developed for irrigation, navigation, flood control and hydro-electric power.

crease in the reserves during this period, cannot be discounted of their importance. But, as Mr. Schweitzer himself concedes, "the reserves becoming available in this way are neither a reliable nor a wholly satisfactory primary source for additions to global reserves." This addition to reserves was, by its nature, associated with an increase in repayment commitments by the countries making the drawings, and in this sense did not constitute a long term addition to reserves on a net basis. If still the gold shortage is deemed to have been taken care of, it should be only through the activation of the Special Drawing Rights Scheme under which 70 per cent of the paper gold allotted to each country is not intended to be reconstituted and has, therefore, to be regarded as a net addition of the member's reserves.

The Fallacy in Percentages

The S.D.R. scheme deserves kudos on this score, but not certainly in the dimension lavished on it by Mr. Schweitzer. The principle of its allocation is related to the proportionate shares of member countries in the aggregate of I.M.F. quotas. This itself has introduced an element of distortion. Of the initial S. D. R. allocation of \$3.5 billion, the U.S. gets \$850 million and the United Kingdom \$400 million making a total of \$1.25 billion—36 per cent of the total. The developing countries of Asia and Africa get altogether less than \$1 billion on the aggregate; and Asian nations, excluding Japan, will get a total of \$400 million. The bulk of the new paper gold gets allotted to the richer nations only. It is difficult to see how Mr. Schweitzer could say that the scheme benefits the poorer nations more than the rich. The fallacy lies in his percentages. He says that the initial allocation of S.D.R. has increased the reserves of 81 less developed countries by an average of 6.7 per cent annually, while the corresponding benefit for the more developed countries is only 4.4 per cent. What he has overlooked is the fact that the

réserve base of the developing countries is so small that a 6.7 per cent addition to it does not make for a significant increase in absolute terms, while the absolute increase even at the lower percentage of 4.4 for the richer nations means a sizeable enlargement in the same absolute terms (like adding 5 marks after 55 and 5 marks after 2, out of one hundred).

So long as this disparity lasts, shortage of cash for world trade will afflict a very large number of countries to whom such constraint will be a dampener on economic progress. It is, no doubt, true that, in the absence of other definable criteria for making the allocations, the I.M.F. quota of members is a better working hypothesis. But it cannot be the only one. Justice demands that the creation of more cash for world trade has to be correlated with the balance of payments or development needs of the countries concerned. Professor Robert Tiffin of Yale University U.S.A. calls

the bluff in the quota principle by querying whether a new bank should allot credits to its customers according to their height and waist-line "so as not to have to bother the management about deciding on the comparative usefulness of alternative uses of the bank's lending capacity." In fact, sooner rather than later, other criteria will be pushed in besides quota shares. Insofar as a revision of the criterion of S.D.R. allocation is inescapable and it had better be agreed to earlier than later, would it not be pragmatic to include "development needs as reflected in the foreign exchange budget" of the growing regions as one of the new criteria?

Disequilibrium in Individual Economies

The world monetary system cannot have become completely free of upsets so long as the countries like the U.S., accounting for a dominant part of

international transactions, are not able to set right the disequilibrium in their economies. This is not to overlook the fact that "the problem", as averred by Mr. Schweitzer, "of reconciling reasonable stability in the domestic price level with economic growth, full employment and other desiderata of economic policy has been far from solved. The fact that some countries have had more success than some others in tackling this problem undoubtedly increases the divergent tendencies that add to the pressures for adjustment of exchange rates".

Of course, Dr. Schweitzer's address is harsh, by implication, on the fiscal-monetary policies of U.S. and Britain. The developing countries can, however, take a lesson from their experience. It is that inflation-prone policies will only create the condition for constant pressures towards devaluation of their currencies which, at some point or other, will be too difficult to resist.

—R.S.

Preparing for the Hague Meeting

In 1960, Dr. B. R. Sen, the then Director General of the Food and Agriculture Organisation of the United Nations, launched the Freedom from Hunger Campaign with the following observation: "Hunger was more than a technical problem. It was also a moral and social problem and one that could not be solved without drawing upon the ideas, skills and energies of whole societies." In 1963 the First World Food Congress met in Washington consisting of statesmen, scientists, farmers, economists, representatives of churches, universities, women's organisations, national Freedom from Hunger Campaign committees and many other bodies numbering in all 1200 persons. The Second World Food Congress is to meet in Hague in June this year and the National Food Congress that was convened recently in New Delhi was intended to clarify India's long term food plan as an integral part of the global food plan to be beaten into shape at the Hague meeting.

Five Areas of Special Concentration

Even as early as 1968, the F.A.O. had tentatively selected five areas of special concentration, to serve as focal points for its action. These were the extended use of high yielding cereal varieties; a drive to close the protein gap; a war on waste; better mobilisation of human resources; and the promotion of foreign exchange earnings and savings. Among these, the mobilisation of human resources is the most serious problem. The F.A.O. says: "Not only are these resources ill-used and badly organised but, more serious still, there has been little attempt so far to involve people in the process of development of which they are to be the beneficiaries. Nor has there yet been much success in enlisting mass

support for development in those countries which have skills and the resources so urgently needed. Furthermore, the rapid growth of population in the rural areas continues to create grave employment problems." It should be noted that in many developing countries, as much as half the population is now under 25 years of age and the population continues to grow. Discussions in the New Delhi Congress have highlighted the fact that estimates of labour force, additional employment generated and unemployment at the beginning or end of the plan period presented in one dimensional magnitude are neither meaningful nor useful indicators of the economic situation. Hence the need to organise information on the different segments of the labour force taking into account such important characteristics as religion, sex, rural-urban residence, status or class of worker, educational attainment, etc. It should be noted that the major headache will be to find jobs for those who are illiterate only nominally educated, though the peculiarities of educated unemployment are such as would force a concentration of policy measures towards the solution of it alone.

The More Tractable

The other aspects of the fight against hunger are indeed more tractable. The growing use of high yielding varieties of cereals and of fertilizers, insecticides and other inputs has helped place Indian farming on a more viable basis than what had obtained at the time of the First World Food Congress. Over the last three years, India's foodgrains output has risen to 100 million tonnes from 74.2 million tonnes in 1966-67. On present sights, an annual production of 107 million tonnes will be automatic, though the

maintenance of a 35 per cent growth rate cannot always be assured. Even then it may not be difficult to build up the targeted 129 million tonnes by the end of the Fourth Plan. The catch is likely to be the monsoon. The irrigated tracts have not all been covered with the improved farm packages. The small farmers' development agencies which are to involve this numerous class of cultivators in the 'grow-more-food' campaign are in the pioneering stage. Besides, since the major cultivated areas are in the semi-arid, dry-farming belt, there is every need to transfer dry-farming techniques already evolved in the laboratories to the cultivated and cultivable plots. This programme has indeed been long delayed, but there is no escape from it because, otherwise, Indian agriculture will not have ceased to gamble with the rains and farm output will not be free from the ups and downs to which the vagaries of the monsoon render it a prey.

On the question of nutrition requirements, the National Food Congress has been frank enough to confess that the supplies are inadequate qualitatively and quantitatively. It has, therefore, recommended the expeditious closing of the protein gap by stepping up production of pulses, soyabean, milk, poultry and other animal products with particular emphasis on piggery and fish. The immediate need of the hour is to fortify the cereal diet by more balanced food with the stress on pulses, fish and fruits as the case may be. Obviously, any recommendation for enlarging the per capita consumption of fruits and vegetables will be but an academic exercise so long as per capita incomes are, as now, too low to afford anything except basic subsistence requirements. Already because of protein hunger, addled brains and lack of resistance to disease and infection have begun afflicting a large number of poor children, the hope of the future. One cannot therefore, afford anything to wait until *per capita* incomes grew sizeable enough. On the contrary, the price of subsidiary

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food has got to be cheapened by rationalising their cost of production. The milk and meat raising programmes, which have invited foreign collaboration, should concentrate on economies in their costs of production. At the same time, protein-rich food, based on groundnut flour, which the Banga-

lore Institute of Food Technology has placed on the market, requires to be popularised more vigorously and should be made into a commercial proposition that it is intended to be. As for improving foreign exchange earnings from primary products, the major hurdle is that the shares of de-

veloping countries in world trade in these products is too small in many cases and the trade policies of the rich have not thawed in their favour either. That explains the recent talk about the poorer nations setting up consortia for these items to make their impact felt.

A £1.2 Million Story!

The story of the £1.2 million missing from the books of the London Office of the Central Bank of India is being unfolded in highly intriguing bits which even are hard to be put together. It started with a telex enquiry from the Slowman Bank of Hamburg seeking confirmation of the guarantee purported to have been given by the Central Bank to bills offered to them by Mr. Mario Di Racca of Messrs. L. Behrens und Sohne of Hamburg. When the Central Bank failed to give the confirmation, the Slowman Bank told Di Racca that they were not interested in the transactions. A small Hamburg Bank, L. Behrens und Sohne, are claiming that since December 1968 they have bought 10.5 million D.M. of bills of exchange on the strength of successive letters of guarantee from the Central Bank signed by Mr. Patel and one by Mr. Hanna named as 'Accountant'. They further claim they have receipts stamped "received" by the Central Bank to show that the money involved on these bills passed through the London Office of the Central Bank.

The Manager of the Bank's Bombay Headquarters who proceeded to London to conduct the enquiry has said that there is no such Accountant as Mr. Hannah and that the Bank's books have no record of these transactions. The guarantees, to all appearances, are fake. What is noteworthy is that there are other banks in Germany who are also making the same enquiries as the Slowman Bank of

Hamburg. The London office of the Hong Kong Shipping Company also received a letter from another Bank the Global of Hamburg, saying that the Bank has just bought a one million D.M. bill of theirs. It turned out that the company named on the bill was in fact a certain World Wide Shipping Company of Gibraltar and not London. Mr. Chandu Lal Shah and two companies which he is running are named in bills worth a total of 2 million D.M. The two bills were drawn by World Wide Shipping Company and accepted by G. E. Howrie and Sons Limited, Mr. Howrie being the London Agent of the World Wide Shipping Company and the acceptor of a big slice of the mysterious bills. It is however Mr. Mario Di Racca, the President of the Central Board of Behrens who came to London, and insisted on an interview with the Economic Adviser to the Indian High Commission at dead of night that action is taken by the Government controlled Central Bank. The answer is obvious, that none of these bills has yet fallen due and that the bridge need not be crossed until one comes to it.

Far-Reaching Conspiracy

The important facts at this stage are that Di Racca says he bought these bills and paid the amounts into the accounts of the Central Bank of those named in the bills, whilst the Central Bank have no record of these payments. Mr. Howrie claims that substantial amounts are missing from

his account with the Central Bank. At the suggestion of the Bank of England Mr. Di Racca has sent a pile of documents in support of his claim but they do not contain the receipts essential as proof of payment. The latest of the intriguing developments is that Mr. Somi J. Patel, the former Manager of the London office of the Central Bank, is missing and that, inspite of an emissary claiming to represent him and offering to bring Mr. Patel on the assurance that there would be no proceedings against him, the London Police fear that the former Manager of the Branch may be dead either by his own hand or as the victim of murder.

While there can be no doubt that this is a case of a vast conspiracy, with ramifications over more than one country and including a number of institutions, it is clear that there has been as yet no loss to the Central Bank or misappropriation of its funds as was first assumed. The Central Bank would, of course, has to pay if the alleged guarantee of the Central Bank of the bills is found to be valid. Judicial proceedings can come about only after June 12, the earliest date of the maturity of these bills. It is hinted in some quarters that the claims against the Central Bank may not be pressed after all but Scotland Yard and the Bank of England, not to speak of the Central Bank of India, would still have the job of finding out how these transactions were actually effected. —PRS

Economics Behind An Election

Mr. Wilson's choice of June 18 as the date of elections to the British Parliament has induced many a commentator to caption his write-up, "Whose Waterloo?" Because that was the date 155 years ago when Napoleon, the Great, lost to the Duke of Wellington shattering the dreams about a Napoleonic era based on code Napoleon. The choice of the date by Mr. Wilson exudes his optimism about his victory. This, along with an analysis of the shift in British opinion in his favour in recent months, makes for an interesting prognosis.

Choice of Date

First about the date itself. It is reported that the choice was made on April 13, the day before Mr. Jenkins presented his mildly reflationary budget. Balance of opinion seemed by then to have tilted in favour of the Government in office. What is more, a June election will mean that the new Government will be in office just early enough for the meeting at the end of the month when the British application for membership in the

Common Market will be considered. And none can gainsay Mr. Wilson's desire that Europe had better know early enough with which Government it should deal when it seeks to open its doors for new members in its economic union.

Opinion Polls Favour Labour

The more important thing is the verdict of the opinion polls. According to a Marplan opinion survey completed for the *London Times*, Labour is opening the election with a 2.7 per cent lead over the Conservatives, indicative of a 60 seat overall majority in Parliament. The survey made clear their position as shown below.

This verdict has been confirmed by all the other opinion polls. And if certain London comments from reliable quarters are to be given their worth Conservatives have been totally taken aback by this sudden shift in public opinion polls against them.

The Claim of Conservatives

The grounds for their surprise are briefly as follows: First, take the ques-

VOTING INTENTION EXCLUDING 'DON'T KNOWS'

Q. If there were a general election tomorrow which party would you vote for if a candidate were standing in this constituency?

	Gen. Elec. 1966 %	Jan. 1970 %	April 1970 %	May 1970 %
Labour	47.9	38.6	46.0	47.2
Conservative	41.9	51.3	45.2	44.5
Liberals	8.6	8.7	6.8	6.6
Others	1.6	1.4	2.0	1.7
Labour Lead	6.0	—	0.8	2.7
Conser. Lead	—	12.7	—	—

PARTY EXPECTED TO WIN THE GENERAL ELECTIONS

Q. Which party do you think will win the next general election when it is eventually held?

	Jan. 1970 %	April 1970 %	May 1970 %
Labour	27	36	64
Conservatives	57	47	21
Liberals	—	—	—
Don't Know	16	17	15

tion of economic growth. The rate during the first five years of Labour Government has been less than two-thirds the rate of growth achieved during the last five years of the Conservative government. (Mr. Heath would have it that his warning about economic difficulties in 1966-67, which had been ridiculed by Mr. Wilson, were proved true by the devaluation of the British pound in 1967). Besides even in the early 'Seventies, any growth rate, however modest, cannot be taken for granted because industrial investment is not picking up as fast as it should and the wage inflation seems to be getting more and more intractable, while the price level and the volume of unemployment have both been going up. The major victory that Labour has scored is on the foreign trade front where the balance of payments has been at its best as never before. In 1969 the surplus was £ 524 million. Of course the Conservatives have been saying: "This favourable balance of invisible trade, which includes the earnings of the City, as well as the net earnings of our (British) oil companies, was fostered and built up by Conservative economic policy and has been and is likely to be harassed and weakened by the economic policy of the Labour Government. The discouragement of overseas investment, the restrictions put on lending, the taxes put on individuals and on trusts, the taxation of capital, the terms of the capital gains taxation, the burden of Selective Employment Tax on companies making invisible exports, are all hostile to the future development of this invisible trade." While most of this accusation is reflective of the familiar veneer of party stances, the point cannot be overlooked that, unless Mr. Wilson takes courage in both hands and reins in wage inflation without succumbing to the continuing pressure of trade unions, he will meet his Waterloo far too sooner, than he expects. As for the immediate present, his party's lead over its rival seems strong enough to assure easy victory. —S.R.

Glimpses . .

by P. R. SRINIVAS

Preserving Communal Harmony

The breezy exchange between Prime Minister Indira Gandhi and Mr. Vajpayee, the leader of the Jan Sangh party, in the Lok Sabha on the problems of communal riots may be said to hold the key to the real and ultimate solution of the communal problem in the country. While the Jan Sangh leader blandly stated that 90 per cent of the riots were really started by the minority community, the Prime Minister showed herself concerned more to condemn such statements as calculated to increase the insecurity of the minorities than to refute the Hindu leader's allegation or to ponder over its implications. Such extremes of view have held the field far too long to ensure an effective, practical approach to the problem of preserving peace.

The prime requisite is one of creating confidence among the public in the ability and willingness of the authorities to bring the offenders to book and to ensure the safety of people even if they do not arm themselves for their own defence or for sorties into the other camp. Generally speaking, the concern of the custodians of law and order should be to preserve law and order and inspire confidence in the public. Far too often has this confidence been impaired either because of the insufficiency of resources or because of working partialities in the power that be or sympathy with the side which is supposed to have suffered more violence or are prone to it. National integration calls for a far more sober, dispassionate and circumspect action than violent reactions to outbreaks of rioting on a large scale. It will not do to sing panegyrics in praise of the secular state. It requires the weaning of large masses from their wistful longings of a separate state all to themselves. Success depends in

the last resort on rousing genuine enthusiasm among all sections for the grand ideal of an Indian Nation, united and indubitably able and willing to throw itself on the side of right in all affairs, national as well as international. That this ideal has been allowed to grow dim in the last two years is the worst of our recent mishaps.

Unemployment: No Room for Despair

Unemployment among engineers has long been lamented by both Government and public, not to speak of the engineers themselves as an unflattering feature of the country's economic situation. It is no surprise, therefore, that a study conducted by the Institute of Applied Manpower Research estimates the number of jobless engineers by the end of the Fourth Plan at about one lakh. This estimate is based on the assumption that on the one hand, the growth rate of 5.5 per cent per annum will be achieved during the Fourth Plan period and that on the other, admission to engineering institutions would be maintained at the 1968 level. Some scepticism in regard to both is permissible. Though the engineering course has not had of late the first priority among the student population, it is not unlikely that the authorities might feel the pressure to increase the number of admissions a year or two later.

At present, one has to take note of the steep rise in the unemployment of engineers during the last four years as a result of the unfortunate coincidence of the economic recession along with the increase in the admissions to technical institutions well above the original Third Plan targets. 53 per cent of the present unemployment is said to be due to the recession, the balance being blamed on increased admissions.

Though the hardships caused by un-

employment, particularly among technicians whose education has been obtained at a high cost, are indeed deplorable, it would be wrong to despair over the problem. One of the visiting foreigners made a telling remark that India is unique among the various countries of the world to complain of an excess of trained technicians. While other countries cannot find enough engineers for the projects on hand, India should regard her problem as one of creating sufficient work for the products of her engineering colleges and other technical institutions. The possibilities of finding new avenues of work in small, but more or less sophisticated industries spread all over the land have not been touched even on fringes.

The engineers themselves have not been induced to turn their thoughts from mere employment to the conduct or direction of productive activity in a quasi-proprietorial status. That phase of our national economic development still lies ahead of us. The resources of our national banks are yet to irrigate the broad fields of such entrepreneurial endeavour. At the same time, the projects that have been held up for lack of funds or because of inter-State disputes or for other reasons will soon be taken up for execution. Whatever that may be, it would do little good either to the engineers or the national economy to set up a wail over the present plight of engineers which, with a little luck, can turn favourable almost overnight. One may think in this connection of the fortunes of the brilliant engineers who had the bleakest outlook when they left college in the early 'thirties and retired in late 'sixties loaded with honours.

Calcutta Needs Cleansing

The Union Government's approval of the scheme for the development of the metropolitan area of Calcutta will be hailed as the first sign of the Government's awareness of the grave problem of proliferation of our big cities, and the urgent need to do something

effective about the improvement of the conditions of Calcutta. The present plight of the city causes a pang to the heart of every old Ditcher. Gone are the days of spruce cleanliness of even the aristocratic residential areas round Chowringhee while the older parts of the City and even the later additions in Alipore and around the lake look like squalid slums in spite of the high quality of the houses in the area. The reason for this rapid deterioration is not far to seek. Apart from the normal growth of population to which all cities are subject, Calcutta has to absorb almost a perennial stream of immigrants from East Pakistan. The pressure of traffic has grown at such a rapid rate that conditions in the evening hours in and about the Howrah Bridge are many times worse than those of the narrow floating bridge of olden days. More than slum clearance or any other similar measure, Calcutta's prime need is the building

I BELIEVE:

Does Secularism Mean Appeasement

I believe that it is time a concerted attempt is made to check the spread of the virus of communalism. The setting up of a Joint Committee by the National Integration Committee as decided at the all-party meeting in New Delhi recently will, no doubt, provide an instrument for probing the canker; but the more important thing is to ensure that the approach to the problem sheds some of its sacrosanct stances and sacred cows in the ideological sense.

It is nobody's case that India with a majority of Hindus should be a Hindu State, yet another theocratic State like Pakistan, holding to a rival faith as its basic politico-social and religio-economic platform. The very principle of Hinduism is secularism *par excellence*, because its faith asserts belief in the one God who is formless

of another bridge nearer to the present one than the Bally bridge and a provision of a circular underground railway to facilitate movement within the city and in the suburban areas. The Union Government's approval may for sometime be a little more than a gesture. But even at that its significance is unmistakable. The problems of other cities will be taken up in due course and perhaps in a more leisurely way.

Signal Still Amber

There is perhaps more than what meets the eye in the failure of the talks between Mr. Stoph, the Prime Minister of the German Democratic Republic and Mr. Willy Brandt, Chancellor of the Federal Republic of Germany on the relations between the two halves of Germany. The basic idea with which the West German Chancellor entered the talks was that, short of diplomatic recognition of East Ger-

many, the two German States should have all the close and cordial relations which their common nationhood of the past would not only call for but also facilitate. Bonn, for instance, has made it known that it will not be averse to the membership of the G.D.R. in the U.N.O. But, the main difficulty arises from the membership of the two German states in the two opposed power blocs. If such difficulties are overlooked for the time being, much can be done not only to improve the official relations between the two states, but also to make the life of large masses of Germans in both the countries happier. There is, no doubt, that the tension of the days in which the Berlin Wall was built has relaxed to a great extent. If in spite of this there was only a deadlock in Kassel, it only means that the amber signal from Moscow on the strength of which Mr. Stoph proceeded to Kassel must turn greenish, red being clearly out of question.

be legitimately going around with a sense of wrong done to it; and if it happens to be the majority community, communal parties will have little difficulty in inciting passions to the extent necessary to cause a carnage which will keep the communities apart for quite some time and *ipso facto* enable the communal politicians to keep themselves alive.

Opportunism is not Equity

No doubt, being the majority imposes a responsibility on a particular community which is at times heavier than what its emotions can bear. It will be extremely unwise in the circumstances to whip up these emotions further by sermonising on its failure to do justice to its weaker brethren of the other faith, worse still to ban religious observances, processions or the broadcasting of religious music merely to oblige the weaker community. In the name of egalitarianism, the Government has been

enthusiastically amending religious and other laws of the majority community, without even a whimper of its displeasure against the similar quantum of egalitarianism in the religious and civil code of the other community. That may be excellent opportunism, but not equity in any sense of the term.

Once the suspicion gains ground that justice is disproportionate in its application among the diverse communities, there can be little surprise at all sorts of motives being attributed to the Government. Some could say that unless the Government is less than charitable to the majority community, Pakistan can easily tilt world opinion

against us. Yet others could argue that the continuing Sino-Pakistan *entente* has created a climate in which unless India renders more than ample justice to the minority community, tensions round the border could mount all on a sudden.

There are two reasons why all this has got to be set down as frenzied gibberish. One is that world opinion has never been in India's favour *vis-à-vis* its dispute with Pakistan so that even succumbing to Pakistan's intransigence to the maximum limit is not going to help. The other reason is that the policy of appeasement has so far helped deepen extra-national loyalties

of the persons concerned as in the case of political groups like Naxalities. It was an evil day when the Indian National Congress espoused such a policy as a counter move to Britain's divide and rule tactics; for it had enabled the late Mr. Jinnah to get Pakistan as he desired without disturbing the crease of his suit. In any case, the policy cannot afford to be carried to the extent to which the majority community could deem it as its only privilege after independence to heap on itself all the vicarious suffering possible for the sake of some brethren who swear loyalty to outsiders and trample rival rights in great glee and contempt. —Horace

Profitability and Performance

By K. T. CHANDY
Chairman, Hindustan Steel Ltd.

The desirability of maximisation of profits should be the objective of any industrial enterprise since the accruing surplus not only provides for a rightful remuneration for the risks taken, but is also designed to be ploughed back into the enterprise for further expansion and growth of the enterprise. The size of such surplus is determined by the size of the income over the costs of production and sales. How much is an undertaking able to keep the costs down and to attract the best price available in the market is a sure measure of success. Admittedly, this is an important determinant of the performance of any industrial enterprise from the point of both short and long-term gains.

Profit not Sole Criterion

The size of surplus alone will lead one to a wrong conclusion, if the important distinction between the capital-related and operating costs, is ignored. This becomes very important in the case of Government undertakings particularly in heavy industries where initial investment decisions have not always been guided by profitability consideration but towards achieving certain definite social and economic objectives as conceived in the Industrial Policy Resolution of 1956. A case in point is the public sector investment in the long gestation period industries like steel and heavy engineering or in the infra-structural investments like transport, irrigation, telecommunication, etc. No private entrepreneur would normally venture into such areas when opportunities for maximising returns on his investments over short periods are open in other areas. That in the interest of national economy the Government had to step in to accelerate the rate of capital formation

of such basic industries is itself a proof that profit is not the sole criterion of the Government investment decisions. Being so dovetailed to the national goals of a planned economy aimed towards a faster rate of economic growth, the size of the investments had to be massive. Our abject dependence on foreign technical consultants and suppliers, the almost complete absence of indigenous technical know-how and the extremely limited sources of supply of indigenous plant and equipment had further swollen the initial investments. Again, the nature and content of initial investment decisions determined the size and composition of the capital structure, the location and the product-mix of the public sector industries.

High Debt Equity Ratio

An instance is the debt-equity ratio in the capital of industries, like steel and heavy engineering where 1:1 ratio was adopted instead of 1:2 which should normally have been adopted in such cases. In a highly profitable concern, however, the proportion of loans could be geared high to return a fat dividend to the shareholders. But this does not simply happen with basic industries, like, steel, particularly in India where the pricing policy of the Government does not provide for an adequate return on this massive investment. The telling effect of this disproportionate loan component in capital structure is clear in the case of Hindustan Steel where a loss of Rs. 40 crores was incurred in 1968-69 after providing for interest of about Rs. 30 crores on a loan capital as large as the equity block. Since this loan has also been entirely provided by the Government, what has been lost to the Government in dividends was gained

in the form of interest. Hindustan Steel has paid so far an amount of Rs. 165 crores of interest back to public coffers.

In the case of product-mix in the two Hindustan Steel Plants, Durgapur and Bhilai Steel Plants, the installed capacity of saleable steel was earmarked to the extent of 44 per cent and 28 per cent respectively for the production of pig iron and semis supplied mainly to the numerous foundries and rerolling mills. These are unremunerative products from Hindustan Steel's point of view, under the present pricing policy of the Government. But from the overall national economic point of view the Government can ill-afford to increase prices of these products as various Government Departments and public undertakings account for the major portion of the off-take of these products either directly from main producers or in a processed form from foundry and rerolling industries.

A similar case in point is the production of railway wheel sets, pressed steel sleepers, for both of which the monopoly consumers are the Indian Railways.

The production of ERW pipes at Rourkela Pipe Plant could meet the needs of the public sector oil industry alone. Similarly, HEC's production of steel plant equipments is tied to the planned expansion of steel plant capacities. The revenues earned by these products and the fluctuations in the capacities worked in respect of these products do not, therefore, entirely depend on the efficacy of the day-to-day management.

Difficulty in Controlling Costs

Even operating costs are difficult to control entirely against the incidence of a large range of indirect taxes, and the impact of deficit financing on the national economy. Normally manageable cost elements like raw materials, labour, repair and maintenance, etc. have also proved elusive due to the poor quality of coal and iron ores that our steel plants receive from outside sources and from own captive mines.

LIC's Strategic Role in Financing the Plan

The management of the Life Insurance Corporation has proudly claimed that the Rs. 1,000 crore mark in respect of new business was surpassed in 1969-70 and many branches and agents had created new records in Maharashtra and Gujarat. This is indeed welcome news. On a closer analysis, however, it will be found that the progress made by the Corporation in the past year was not so spectacular as it has been described. Indeed, the increase in new business is only slightly over Rs. 72 crores as compared to 1968-69 while the growth in the previous year was much higher at Rs. 84.40 crores. It is also interesting to recall in this connection that a former Chairman of the Corporation evolved a five year plan under which it was postulated that a target of Rs. 1,000 crores should be reached by 1973. It was assumed that there would be a growth rate of around 25 per cent but it has not been of the order of even 10 per cent. The scope for expanding new business and the possibility of having per capita insurance of at least Rs. 2,000 for those in employment in some form or other are the problems faced by the LIC.

Premium Poses Problem

There has been undoubtedly a growth in the insurance habit but with the general desire to have minimum cover the field workers have not tapped fully the potential. In rural areas some form of easy payments of premiums should be evolved. For, the agriculturists can make only two or three payments in a year and that too not in equal instalments. The cost of insurance is also heavy. There is no anxiety to increase insurance cover beyond a particular point owing to heavy losses as a result of bonuses reducing the amount of accrued income. The Corporation's approach to the question of adjustments in premium rate has not been imaginative. With a declining mortality rate and scope for increasing income from investment, there can be a reduction in premium rate by 7½ to 10 per cent in all classes of policies. The new Chairman of the Corporation, Mr. T. A. Pai, is aware of these possibilities. But his main difficulty may be the translation of ideas into practice and the overcoming of rigidities of established procedures.

Increase in Business is Vital

If L.I.C. can make good use of the vast facilities at its disposal, a 20 per cent increase in new business is possible. This will result in more than doubling new business in five years. The Rs. 2,000 crore mark could be exceeded before 1975 if there is a determined bid to spread the message of insurance over a wide area. Even with the issue of a large number of policies in recent years it has been roughly computed that not more than 1.5 million families have been covered so far. This clearly shows that a vast area is yet uncovered. If there can be an increase in the existing business by Rs. 4,000 crores at the end of five years, premium income will be higher by about Rs. 175 crores and investment income by more than Rs. 75 crores. This suggests that the gross income of the Corporation can be even doubled to Rs. 700 crores and the annual additions to assets much higher at Rs. 400 crores. The Life Insurance Corporation has thus a strategic role to play in mobilising resources for financing plan schemes with doubling the growth rate of new business using the available resources on a long-term basis and on a much larger-scale than now visualised. —(FOC)

As raw material costs account for nearly 30 per cent in Hindustan Steel's total revenue, this poses a severe limitation to cut down operation costs. Limitations also appear in respect of cost reduction efforts in labour surplus areas.

Instances of limitations as described above, therefore, affect adversely the management operations in the public sector. The correct yardstick should be gross margin of a public sector unit as compared with that of sister units in a similar industry in the private sector. Such a comparison between Hindustan Steel units with those of Tata Iron & Steel Company based on financial result of 1968-69, is given below:

It will be seen that the combined gross margin of Rourkela and Bhilai Steel Plants is about 18.2 per cent of income which compares favourably with TISCO's figure of 17.7 per cent of income. Adding Durgapur's figure which is considerably crippled by continuing labour unrest, the gross margin of Hindustan Steel is 15.5 per cent and even this does not fall much below that of TISCO.

The considerable difference between gross margin and net margin in the case of TISCO and the three steel plants is mostly due to the impact of heavy incidence of depreciation which is a capital-related cost and calculated

at 7 per cent on the value of the plant and equipment. Hindustan Steel's incidence is about 18 per cent as compared with TISCO's 9 per cent, i.e. TISCO's incidence is about half of Hindustan Steel's.

In 1969-70, which has ended with a loss of about Rs. 30 crores after provision of depreciation and interest, Hindustan Steel has been able to pay back to the Government Rs. 35.8 crores in the form of loan repayments (after making adequate provisions for further capital additions, modifications and replacements) which will reduce the interest burden of the company and thereby increase the profitability.

Prospects for Profits

There is a reasonable prospect of Hindustan Steel reaching the break-even level during the financial year 1970-71. With further such loan repayments scheduled for future, it should be possible to envisage, after five or six years, a substantial net profit accruing to Hindustan Steel.

Built in Element of Loss ...

Talking about profit/loss as revealed by the published accounts, a special reference to the steel pricing policy may be worthwhile. The average

existing steel price is linked to the gross block of Rs. 1176 per tonne of saleable steel, which roughly equalled that of the TISCO for the two-million tonnes ingot capacity or 1.5 million tonnes of saleable steel capacity with certain adjustments as prevailing in 1962. An element of loss was, therefore, built into the pricing system in respect of public sector plants, whose block of Rs. 2000 per tonne of saleable steel at the million tonne plant stage was ignored by the Government at that time. Although with subsequent expansion the gross block of Hindustan Steel units has come down to Rs. 2400 per tonne of saleable steel, it is still much higher as compared to TISCO's block built-up over a period of 50 years. Even with the recent price increase of Rs. 75 per tonne on an average, granted with effect from 1st January 1970, the price does not fully cover increases in costs that have taken place in the last two years, let alone fetching any return on capital.

In the past when export realisations were considerably lower than internal realisations, HSL, in the larger national interests, had to develop export markets in order to earn valuable foreign exchange. Over the years, the company has earned foreign exchange exceeding Rs. 125 crores and has been successful in building up an export market. Now when the export market is established and export prices are becoming remunerative in spite of the withdrawal of Government subsidy, HSL is to limit exports in order to cater to the internal demand which has recently picked up.

May be that the Government cannot increase steel prices to the extent which Hindustan Steel's capital block would justify because of national considerations. This, therefore, benefits the steel consuming industries and the consumers in general, by keeping the cost of capital goods relatively low. In other words, it may well be considered that the loss sustained by the steel plants under the present pricing framework is a gain to the nation at large.

Performance of Public Sector Units

During 1968-69 the public sector enterprises have shown a steady increase in production, according to the annual report on the performance of public undertakings for 1968-69 presented to Parliament on May 11.

Overall Performance

Eleven undertakings were under construction in 1968-69. Excluding these and the Life Insurance Corporation, the performance of the remaining 73 enterprises showed improvement during the year. Of these, 42 made a profit of Rs. 66.23 crores as against a profit of Rs. 48.95 crores made by 40 undertakings in the preceding year. A net loss of Rs. 93.90 crores was incurred by 31 undertakings, whereas in 1967-68, 27 public enterprises incurred a net loss of Rs. 86.84 crores. The overall position shows a reduction of Rs. 10.22 crores in the net loss, from Rs. 37.89 crores in 1967-68 to Rs. 27.67 crores during the year under review.

The net loss of Rs. 27.67 crores has been arrived at after allowing Rs. 149 crores for depreciation and amortisation, Rs. 95 crores for interest payments and Rs. 18 crores for taxation. The gross surplus, however, amounted to Rs. 234 crores as against Rs. 179 crores in the previous year. These figures have been arrived at after allowing for the township and maintenance costs and other social overheads, which amount to about Rs. 25 crores.

Foreign Exchange Earnings

Earnings from exports by public sector undertakings in 1968-69 amounted to Rs. 70 crores as against 50 crores in the previous year. In addition to this, Air and Shipping Corporations, through their services, brought in Rs. 72 crores in foreign exchange.

A 28 per cent rise in the export of iron and steel products enabled the Hindustan Steel Ltd. to earn Rs. 41.55 crores in foreign exchange as against Rs. 30.96 crores in 1967-68. Iron ore exports through the National Mineral Development Corporation netted

Rs. 22.26 crores. Petroleum products by Indian Oil Corporation telephone exchange equipment by ITI, machine tools and wrist watches by HMT were the other major items of export by public enterprises. Besides earning foreign exchange, production in these enterprises resulted in cut down of imports and hence saving of foreign exchange.

The year also saw an increase of Rs. 569 crores in public sector investment. Total investment in 85 undertakings stood at Rs. 3,902 crores as on March, 31, 1969.

Performance of HSL

The turn over of Hindustan Steel Ltd. increased from Rs. 251.8 crores in 1967-68 to Rs. 320.4 crores in 1968-69. The enterprises made a gross profit of Rs. 47.48 crores which was Rs. 9.50 crores higher than the previous year. However, after allowing for depreciation (Rs. 59.44 crores), interest (Rs. 27.46 crores) HSL showed a net loss of Rs. 39.42 crores.

Performance of 60 Running Concerns

Excluding the HSL, there were 60 running concerns in the public sector during the year. Of these, 42 were engaged in industrial and manufacturing activities and the other 18 were engaged in trading, aviation, shipping, hotels and other miscellaneous activities. The turn-over of these 60 enterprises registered an increase of Rs. 469 crores, that is, Rs. 2,057 crores in 1968-69 as against Rs. 1,588 crores in the preceding year. Indian Oil Corporation, ONGC, Fertiliser Corporation, Cochin Refineries, STC, Bharat Electronics and Hindustan Aeronautics substantially improved their profits. The Indian Airlines and National Coal Development Corporation, which had incurred losses in 1967-68, earned profits in 1968-69.

A major portion of the losses came from undertakings engaged in the manufacture of technological equipments such as Heavy Engineering Corporation (Rs. 14.12 crores), Mining

and Allied Machinery Corporation (Rs. 6.39 crores), Heavy Electricals (Rs. 5.87 crores) and Bharat Heavy Electricals (Rs. 3.37 crores). All the four undertakings are in initial years of their production and are engaged in the manufacture of technological equipment and generally it takes many years before the production of such plants are stabilised and they are able to breakeven. The Neyveli Lignite Corporation, however, reduced its losses from Rs. 6.11 crores in 1967-68 to Rs. 2.39 crores.

Financial Institutions & Undertakings

The Film Finance Corporation of India and Export Credit & Insurance Corporation, the two financial institutions, made a net profit of Rs. 30 lakhs.

Ten undertakings set up with the objective of promoting and developing certain specific activities, such as National Small Scale Industries Corporation incurred a net loss of Rs. 1.1 crores. Five of these, Central Warehousing Corporation, India Tourism Development Corporation, Indian Motion Pictures Export Corporation, Handicrafts and Handloom Export Corporation and Rehabilitation Housing Corporation earned a modest profit of Rs. 57 lakhs. The other five, which incurred a net loss of Rs. 1.67 crores were: National Small Scale Industries Corporation, Rehabilitation Industries Corporation, National Seeds Corporation, National Textile Corporation and National Research Developmental Corporation.

Dividends amounting to Rs. 11.65 crores were declared by 23 undertakings during the year. The rate of dividend varied between 3 and 21 per cent. Public Sector undertakings, during the year, had 5.98 lakh employees or an increase of 44,000 employees or 8 per cent over that of 1967-68. They spent Rs. 255 crores on salaries, wages and other benefits to employees. The average annual pay per employee was Rs. 4,264 a rise of 11 per cent (per employee) over the previous year's figure.

A COMPARISON WITH PRIVATE SECTOR

Expressed as percentage of income

	Net Expenses	Gross Contribution	Depreciation	Interest	Net Margin
TISCO	82.3	17.7	9.0	1.9	6.8
Rourkela	77.9	22.1	10.1	7.6	(-) 3.6
Bhilai	85.1	14.9	15.8	7.7	(-) 8.6
Total of Rourkela & Bhilai	81.8	18.2	16.8	7.7	(-) 6.3
Durgapur	94.1	5.9	21.5	10.4	(-) 26.0
Total of Rourkela, Bhilai and Durgapur	84.5	15.5	17.9	8.2	(-) 10.6

Buffer Stocks to Sustain Export of Engineering Goods

Engineering goods now constitute a sizeable part of the total Indian exports and a level of Rs. 106.52 crores was touched in 1969-70, representing an increase of Rs. 22 crores over the previous year. This will be considered a creditable achievement as many units were unable to step up production to the desired extent on account of the shortage of raw materials and components.

It is encouraging to be told by the Chairman of the Engineering Export Promotion Council, Mr. K. L. Chowdhary, that orders for Rs. 100 crores have already been secured from overseas countries and the target of Rs. 140 crores for engineering exports can be easily fulfilled. But the catch relates to the availability of raw materials and components. Many engineering firms are not even able to meet internal demand. There is still no proper assessment of the needs of the economy and a continuance of exports of steel in the face of rising demand has created complications.

Valuable Markets Abroad

It is indeed a good tribute to the enterprise of Indian exporters that our engineering goods are in great demand in the Middle East and South East Asian countries; even Western Europe, U.K. and U.S.A. are interested in buying machine tools, automobile components, aluminium conductors, steel tubes. The Chairman of the State Trading Corporation, Mr. P. L. Tandon has indicated that there is good scope for exporting automobile components. A large contract is expected to be concluded with Renaults of France. A team is to arrive shortly in India for completing this deal. It is felt that with a successful conclusion of this order the way for expanding trade in other directions would have been opened. The problem now is not one of securing orders. Even turn-key jobs can be secured from the neighbouring countries on a large-scale. Many British and West German firms expressed a desire to establish joint-ventures for export purposes and also conclude arrangements for buying engineering goods on a long term basis.

Buffer Stocks to Maintain Exports

Exports of engineering goods in April 1970 amounted to only Rs. 8.5 crores. If the target of Rs. 140 crores for the current financial year is to be reached, average exports will have to be Rs. 12 crores every month. The steel shortage will have to be eliminated with a sharp cut in exports of steel and an increase in imports of scarce categories for meeting fully the needs of the units which have large export orders on hand. The export of aluminium will also have to be banned as larger foreign exchange earnings can be secured through the export of finished products. There will also have to be imports of zinc, lead and copper in liberal quantities. The authorities should create even buffer stocks of many items as then only the flow of exports of engineering goods can be regular and the volume increased. If need be the World Bank or the leading banks in U.S.A., U.K. and W.Germany should be approached for special credits in order to finance imports of critical raw materials. —(FOC)

Aid Consortium Gives Good Chit

The good chit given by the members of the Aid Consortium at their recent meeting held in Paris is ample confirmation that following the agricultural revolution the economy has regained its poise. The Fourth Plan can make good progress if agricultural production is maintained at a high level and industrial capacity is utilised intelligently. It is heartening that the Aid India Consortium has been appreciative of the progress made in 1969-70 and feels that foreign aid can be helpful in accelerating the rate of economic growth. The prospect of a larger net aid in the current year should be helpful in continuing the policy of liberalising imports, so essential for maintaining the tempo of industrial production.

Imports to be Pruned

Though the Consortium promised a gross aid of \$1.1 billion in 1969-70, actual commitments amounted to \$825 million against which debt repayments accounted for over \$575 million. Net aid was thus \$250 million or Rs. 187.5 crores. A serious situation would have arisen regarding balance of payments, but for the fact that there is a large unutilised non-project aid in the pipeline and there was a sharp contraction in the trade gap with a big decline in imports and a moderate rise in exports. As it is also necessary to meet repayment obligations and reduce the stand-by credit from the International Monetary Fund on the stipulated basis, the position could be managed only with the pruning of imports. Fortunately, invisible exports have been satisfactory and remittances on capital account have not also been large because many foreign owned companies utilise their profits for implementing expansion schemes.

Widening Trade Gap

With a decline in aid in the pipeline to \$705 million at the end of 1969-70 and with the rigidity regarding utilisation of aid with an increase in the proportion of commitments for specific projects, there was naturally anxiety in government circles that fresh aid for the current year should even be \$1.4 billion. It is now agreed that gross aid should be \$1.1 billion—the same as for 1969-70. But Mr. Peter Cargill, Director of the South Asia Department of the World Bank, has observed that there are bright prospects of aid commitments being higher than those of last year though it is not possible to envisage at present the extent of aid by each member. If at least \$1 million can be obtained the difficult position may be got over. But surprisingly there is no disposition to increase net aid with a re-scheduling of debt repayment in a crucial phase of the development of the Indian economy, even though the World Bank has indicated that the foreign exchange budget of the Fourth Plan has underestimated the requirements in foreign currencies for implementing new schemes. With a fairly high level of foreign exchange reserve at the disposal of the government, the immediate difficulties can be overcome. If there is no large scale rescheduling of debt repayments, net aid will not be more than \$400 million even assuming that the gross aid is in the order of \$1 million. If there is an increase in imports by Rs. 250 crores and exports increase by only Rs. 100 crores, the gap might increase to Rs. 300 crores. This would mean that with a large element of project aid which might be unutilised there will have to be a net reduction in non-project aid in the pipeline and in our own foreign exchange reserves.

The World Bank is right in saying that the foreign exchange content of the Fourth Plan has been grossly under-estimated and might pose serious problems for the planners if their calculations went wrong. It is necessary to have a margin of safety in this field as fresh doses of foreign-aid have a multiplier effect which is now much higher than in earlier years. It will actually be possible to ensure eight times the investment with one part of foreign-aid and there will not be much difficulty in accelerating the rate of economic growth by half a per cent if there is the required flow of foreign aid and investment. The government should also explore the possibilities of encouraging foreign investment in select sectors, by creating confidence in foreign entrepreneurs in the ability of India to achieve progress on the economic front.

What India needs is availability of physical resources and adequate foreign aid. The Aid Consortium would not be backing up its appreciation of India's efforts if net aid is not at least \$500 million. The pool of foreign exchange resources can also be increased if new measures are adopted for securing short-term credits for export purposes. At the same time efforts should be made to improve the investment climate for expanding the output of fertilisers, alloy steel, electronic equipment and other items with the help of foreign investment. The rate of economic growth can be stepped up to 6 per cent from 5.5 per cent now assumed. The World Bank too is of the opinion that a 6 per cent growth will result in a more pronounced increase in the general standard of living, besides improving the strength of the economy. The opportunity afforded for consolidating the gains secured in the last three years should not be missed. The foreign exchange budget can be prevented from being a major bottleneck if there was greater goodwill from the developed countries, a better management of our foreign trade and the weaknesses in the agricultural and industrial economy here overcome. —Meenam

More Meat, Milk and Eggs—Consumption Up in Soviet Union

The year 1970 is the last year of the Eighth Five Year Economic Plan of the Soviet Union. The Five Year Plan envisaged an average annual growth by 6.7 to 7.1 per cent. In point of fact, however, the average annual pace of its growth in 1966-1968 was 7.2 per cent; in 1969 it went up by another 6 per cent. The gross industrial output was to increase annually by 8-8.4 per cent on the average in the course of the five-year period. In the first two years of the five-year period the volume of industrial output in the USSR went up by 9.4 per cent a year.

The Eighth Economic Plan devoted special attention to promotion of agricultural production. In the course of the four years of the five-year period the deliveries of mineral fertilizers to cooperatives and state farms increased

by 12,700,000 tons. By special decrees the government introduced a new system of purchases of farm products, more convenient for farmers, and with considerably increased economic incentives in production. These measures have yielded fine results: the average annual agricultural output increased by 18 per cent in the course of four years which means an average annual pace of growth of approximately 4.3 per cent. In 1968 the per capita consumption of meat in the Soviet Union was 8 kilograms over and above that in 1964, consumption of milk went up by 50 kilograms and eggs by 36 on the 1964 level.

Under the Five Year Plan wages were to grow at least by 20 per cent to reach 115 roubles by the end of the period. In 1969 the annual monthly wages of workers and employees'

salaries were 117 roubles and with the addition of benefits from public consumption funds they were 157 roubles.

Practical results have, however, surpassed theoretical estimates. In the first three years under the programme the real per capita income was growing by 6.4 per cent annually, as against 5.3 per cent envisaged by the programme; the average wages of workers and employees' salaries were growing by 5.2 per cent as against 3.7 per cent and remuneration of collective farmers' with cash and productions grew by 9.2 per cent as against 6.7. Particularly much was done for rural population. Within the first three years of the five-year period collective farmers' earnings went up by 9.2 per cent. Housing and living conditions in the countryside were noticeably improved.

INDUSTRIAL ECONOMIST

INDUSTRIAL ECONOMIST

Nuclear Visions for Decade Ahead

Dr. Vikram Sarabhai, Chairman, Atomic Energy Commission, has announced an ambitious nuclear power programme for the decade ahead. Its highlights are: The production of 2,700 MW of nuclear power by 1980, the launching of an Indian made 40 kg. science and technology satellite and of a communication satellite and the introduction of faster breeder reactors than those in use now. While the total outlay on this scheme has not been indicated, the A.E.C. Chairman has asked for a restoration of all the investments envisaged in the Fourth Plan which had been cut out because of the paucity of resources. Which in effect means a Fourth Plan outlay of Rs. 398.10 crores as targeted by the A.E.C. against Rs. 268.93 crores indicated in the Plan.

Emerging Pattern . . .

The details of the programme are such as will throw some interesting sidelights on the emerging nuclear pattern in the country. Taking first generation of nuclear power, the proposal is to produce an additional 1,700 MW from four new stations in addition to the 1,000 MW expected from Tarapur, Rana Pratap Sagar and Kalpakkam. Of these, only Tarapur is already on commission while Rana Pratap Sagar and Kalpakkam are in construction and formative stages. Except for one nuclear power station scheduled to be set up in Uttar Pradesh the location of the other three stations is yet to be decided. Perhaps one may be located in the Punjab. Of the three stations, besides the one proposed for Uttar Pradesh one at least should be located in Tamil Nadu, in Tuticorin or some other coastal site. This is because in Dr. Sarabhai's scheme, Kalpakkam is intended for certain special technical programmes and a site on the same coastline and

in the same state may help integrated implementation of the technical schemes. To the extent the nuclear programme has assumed a firm production of 1,000 MW of power, every effort should be made to commission in full Rana Pratap Sagar and Kalpakkam before the end of the Fourth Plan. The effort, of course, will be very much helped by a firm commitment of resources by the Government. Kalpakkam is to have the Reactor Research Centre with a staff complement of 3,000 to 4,000 by the end of the decade. This would be independent of the research establishment at Trombay.

Equally Ambitious Space Programme

The Sarabhai scheme includes an equally ambitious space programme. It seeks to improve the facilities available at the Space Science and Technology Research Centre to enable the development of inertial guidance system, missile tracking radars and communication aids. It seeks the completion of a rocket fabrication facility at Trivandrum for manufacturing large-sized rocket castings and hardware for rocket motors including the development of special material for rocket motor systems. An inflight guidance system for rockets is also to be developed; as also the development, by 1973-74, of a 'Scout' type launcher which would be of four stages burning solid propellant capable of putting into orbit a satellite of about 40 kg. payload, besides fabrication of communication satellites by 1975 capable of providing high-quality point-to-point service between metropolitan areas and direct broadcast of television. Dr. Sarabhai stresses that "the constraints on the development of space technology are related to the development of men and teams familiar with the new sophisticated tech-

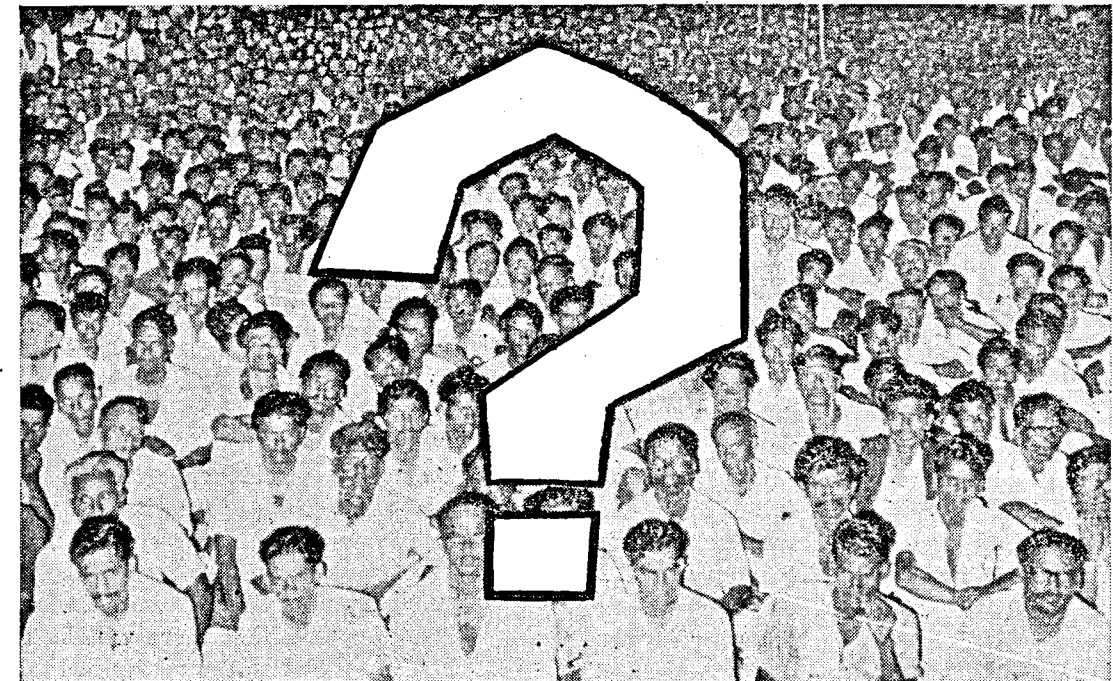
nology and that, with a growth rate of about 50 to 100 per cent per year, it still needs about three years before we can reach the minimum critical size for successfully implementing large scale projects of space technology."

Power at any Cost . . .

Two important questions remain to be answered so far as the layman is concerned. One is whether, in view of the high cost of nuclear power, the country can afford to go ahead with this programme. The answer should be 'yes'. The pace of industrialisation is likely to pick up so fast in the years ahead that, in view of the need to tap all sources of energy, nuclear power has also to be harnessed.

Nuclear Military Capacity

The second question is: In view of the launching of a communication satellite by China and its nuclear weapon potential, is it not time that India abandoned its ostrich-like policy of refusing to develop nuclear military capacity? The answer to this is provided by the organisation of a study by an expert group set up under the high-power committee on science and technology functioning in the cabinet secretariat about the technological and cost aspects of India developing nuclear weapons. The experts are drawn from the A.E.C., the Indian Space Research Organisation, the Council of Scientific and Industrial Research and the Ministries of Defence, Industrial Development and Finance. Even if the excessively pacifist policy of the Government would prevent it from acting up to whatever recommendations are made by the expert group, the atomic energy programme combined with space research as chalked out for the decade ahead will assure a capability which can be utilised for meeting civil as well as military requirements as the occasion may demand. This should be sufficient consolation even for the bomb lobby in the country. —S.R.



560,000,000 PROBLEMS?

Yes...as many as there are people

Each individual is a problem. His food, health, education, employment...all become the concern of a welfare state.

Of course, problems do exist the world over. But efforts to solve them reveal the potential....leading to progress.

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Agonising Closure of a Car Plant

Quite a stir has been created by the decision of the management of Standard Motor Products of India Limited to close its factory, thus resulting in a significant decline in the output of passenger cars and light trucks at a time when there are signs of increasing demand for automobiles. The case of the Standard Motors dispute is a sordid story of heavy losses. Constant labour trouble, rising prices for raw materials and an unimaginative pricing policy of the Central Government had been plaguing this unit for many years. Standard Motors could hope to recover its overhead charges only if its capacity for producing 3,500 cars and 1,500 trucks was fully utilised.

Unfortunately even in the seller's market there was no long waiting list for the Standard Herald. The two-door Herald, suited to British conditions, contributed to the unpopularity of Standard cars. It was hoped that the four-door model would help in a pick up in demand but the expectations in this regard had been belied. Now the management is insisting that there should be a larger off-take for sustaining an output of 12 cars daily. What is needed, however, is a much higher level of output—at least 12,000 units annually. It is learnt that with the installation of balancing equipment the output can be raised to 6,000 cars annually and that 1,000 one-ton trucks can be easily sold. The management has grasped the problem confronting it and had proposals for re-organising its operations, improving productivity and re-modelling the car. If up-to-date equipment is installed and if some re-tooling done the existing model can be made more popular.

The closure of the factory at a time when there was distinct signs of recovery has been most unfortunate. An expert from the British Leyland Motor

Corporation has arrived in Madras. But he is not in a position to carry out his work expeditiously due to the suspension of operations. The expert will probably be having his discussion with top officials and directors of the company whose corporate entity still exists.

The State Government has naturally reacted sharply to the developments that have culminated in the closure of this factory employing 1,700 workers. The payment of compensation to all of them along with their other dues has lent a sense of urgency to the problem of re-opening the factory.

Mounting Losses . . .

The dispute over prices of cars is pending before the Supreme Court. A Commission appointed for this purpose will give its findings only after four months. In the mean time it has been estimated by the management that a loss of Rs. 2,000 per car is being incurred. The company has already an accumulated loss of over Rs. 40 lakhs.

Bailadila—Earnings will Cross Rs. 100 Crores

The direct contribution of Bailadila to the national economy makes startling reading. Its total production will be 18 million tonnes per annum which is slightly higher than the total export of the country in 1969-70. Starting with Deposit 14 which in 1969-70 contributed Rs. 20.77 crores by way of foreign exchange to the national coffers, with Deposit No. 5 Project these earnings will near the Rs. 60 crores mark and when the total complex comes into being will cross the Rs. 100-crores mark.

In fact, car-manufacture in general ceased to be profitable long ago. All the three automobile units in India are incurring losses which can be reduced only with higher productivity.

A Different Approach by the State Govt.

With an effective intervention by the State Government as it did in the disputes in Neyveli Lignite Project and the Tamil Nadu Electricity Board the closure of the factory could have been avoided. Instead of thinking of a negotiated settlement and efforts to re-start the factory without delay as was done in the case of a unit manufacturing insulators, a peculiar approach has been adopted by the State Government. There has been talk of take-over of the factory by the State Government. It was also reported that there will be an investigation into the affairs of the company as a preliminary to this step. In modern concepts of car production an output of less than 50,000 per annum, with assembly-line techniques will not be profitable. It will be incorrect to believe that by merely changing the ownership the losses can be converted into profits.

The Central and State Governments should strive to revive this major unit of Tamil Nadu by having a tri-partite conference in the light of its peculiar problems. As the Supreme Court would also have given its verdict on the question of fair selling prices for cars after four months, the uncertainty about this vital factor would have also been removed. If labour can adopt a co-operative attitude and if the management can take steps for improving its viability with a strategic expansion of manufacturing facilities and to re-style the Herald, more workers can be employed by this factory on a better paid basis in return for higher productivity. Standard Motors is also in the happy position of being able to draw on the vast resources of its collaborators, the giant British Leyland Motor Corporation.

INDUSTRIAL ECONOMIST

THE CITY CORNER:

Standard Motors Closed

The Standard Motor Products of India Limited closed down its production of Herald cars and one-ton trucks on and with effect from May 22. With the exit of Standard Car production, Madras, rightly described as the "Detroit of South India" with its large auto ancillary complex, is rendered poorer.

The closure of production of one of the three Indian car makers is described by the management as "inevitable on economic grounds". Mr. K. V. Srinivasan, a Director of the company said that with losses mounting year after year there was no point in continuing production. In 1968, the loss was Rs. 4 lakhs; in 1969 it was Rs. 26 lakhs and in the first 4 months of the current year it was Rs. 10 lakhs. He attributed the losses to the persistent labour agitation—"illegal strikes extending to months in succession and insidious go-slow"—and to the unimaginative price policy of the Government of India. The Government price, according to the management, involves the company in a loss of Rs. 2000 per vehicle.

While the management calls the closure decision "irrevocable" attempts are still made by the Chief Minister to get the whole matter reconsidered. Of course, Mr. Karunanidhi's first reaction, intended for labour's consumption, was that the factory would be re-opened, if necessary, by running it as a Government concern. Obviously, he had not given any thought to the legal and financial implications of a Government take-over. He seems to feel that reopening of the factory by the same management need not be ruled out.

Updating An Old Report

Messrs. Dastur & Co. of Calcutta (technical consultants) who prepared the project report for an alloy steel

plant using Salem magnetite and Neyveli lignite in 1964, has been commissioned to make alterations in its report to suit the present conditions. Though the report is six years old, it is still regarded as essentially relevant to to-day's conditions as no changes either in the end-product or in the methods and techniques of production are under consideration. The alterations will therefore be in the nature of updating of an old report with reference to costs and some other superficial aspects. Reduction of the iron ore will be by using lignite and the smelting effected by electricity.

Mr. K. C. Pant, Union Minister in charge of the Steel Ministry, will be discussing with the Chief and other Ministers, Dr. Dastur and officials of the Tamil Nadu Industrial Development Corporation (who are in charge of the project investigation pending the creation of a separate organization to build and run the plant) on June 1 at Madras, various details like the structure of this organisation which will own the plant, the capital base, the plant capacity, its location, etc.

As at present envisaged, the capacity will be 5 lakh tonnes a year.

The original cost of Rs. 100 crores is expected to be exceeded considerably. In the meantime, the Chairman of the Neyveli Lignite Corporation has written to the Tamil Nadu Industrial Development Corporation that though a second mine cut at Neyveli would be necessary, the present mine could look after the fuel needs of the projected steel plant at least during the initial years of operation.

Formal inauguration of work on the project is expected to take place some time in June 1970.

SISI Information Exchange

The Small Industries Service Institute is to provide an additional facility

in the form of a sub-contract exchange. This will function as a library of information producing answers to queries for any type of engineering work. It will have on its punched card files detailed data about a large number of firms covering many specialities like automatic lathes, press work, castings, heat treatment, electroplating, etc. as well as the extent of available spare capacity offered by small units so that the large units will know in a matter of minutes where to indent for their bought out components for which the small industry is best suited.

Mr. E. Edwards, the British expert whose services have been loaned by the United Nations Industrial Development Organisation, has been in the city since May 3 setting up this Information Exchange. He has trained two members on the staff of the Institute who will take over the Exchange on his leaving, on completion of his 4 month assignment. Mr. Edwards is also helping the establishment of a similar exchange for Bombay.

The 'Small Man's Bank'

"Banking of the 1970's is a new concept; an instrument for social service, a guide and helper of the small man, the small trader, the artisan, the small industrialist, and the self-employed. It is our desire to be the small man's bank, to promote him in every way we can".

Mr. K. Gopal Rao, Chairman of the Andhra Bank, was outlining the new philosophy of the Bank at a "Meet Your Banker" caucus of small industrialists and technocrats got up by the Small Industries Management Association at Madras recently.

The Andhra Bank is India's largest banking network outside the nationalised banks. It has 3,32,000 depositors, most of them in Andhra Pradesh. The Andhra Bank became the self-avowed champion of the small man, seeking the deposits of farmers, artisans, traders and others to whom banks

had been forbidden places. For 42 communities in Andhra Pradesh, it is the only bank. In 6 districts, it is the lead bank. For 28 villages, it has pioneered the Cluster Branch Service.

Last year, the Andhra Bank financed India's priority sectors—agriculture, small industry and exports—to the extent of Rs. 13 crores. Over 34,300 agriculturists, many of them tenant

farmers, received timely assistance for their crops. The Bank advanced Rs. 3.69 crores to 628 small industries, and in the first quarter of 1970, further advances totalled Rs. 2.24 crores. Road transport operators accounted for Rs. 18 lakhs. Exporters received Rs. 1.69 crores and retail traders Rs. 64 lakhs.

The Bank's Technical Cell at

Hyderabad assists entrepreneurs in choosing industries, preparing factory sites, selecting machinery. It advises on steps to boost productivity and effect economies in production. In collaboration with the Andhra Pradesh Industrial Finance Corporation, the Bank has evolved a scheme to finance artisans' guilds. The Bank has 167 branches. —(FOC)

COMMODITIES:

Larger Sugar Releases

The repeated pleas of the sugar industry for a reduction in the recently enhanced excise duty of 37½ per cent *ad valorem* on open market sales have been ignored by the Government though the incidence of the levy has been lessened by changing the tariff value for purposes of duty assessment to Rs. 120 from Rs. 140 per quintal. This will provide a relief of Rs. 7.50 per quintal but still, in the absence of a premium price in the free market over levy prices, the realisation on open market sales continues to be much lower than on levy quotas with the duty on the latter being only 25 per cent. There is also no prospect of a rise in free sale sugar prices in the remaining months of the current season as, with an expected record output of over 42 lakh tonnes, the Government has been releasing much larger quantities for controlled distribution to the State Governments. For April-May and May-June there was a release of 2.60 lakh tonnes each of levy sugar against the earlier quotas of 2.36 lakh tonnes besides the one lakh tonnes for open market sales as before. The additional release is intended for industrial and other canteens and the balance for defence and other purposes. There has also been an extra release of 1.40 lakh tonnes for May, June, made up of 40,000 tonnes of levy sugar and one lakh tonnes of free sale sugar to meet the marriage season demand. But sugar units have no problem of disposing of their levy quota as the State Governments have been promptly lifting their quotas. However, mills in South India have been asking for higher levy prices than fixed in the recent price order with a view to offsetting the effect of lower recoveries from a longer crush and the unremunerative open market prices. The Centre has already conceded the demands of the industry in Central and East U.P., North and South Bihar, Gujarat and Maharashtra and has allowed a rise in the ex-factory price ranging from Rs. 4 to Rs. 10 per quintal. It is learnt that the South India Sugar Mills Association has been asked to send details of cost and recovery in this regard and it is expected that a more realistic set of prices will be announced for the various southern States which will remove the anomalies in the present prices.

Sugar production in the first six months of the current season (till March end) has

totalled 30.90 lakh tonnes against 26.15 lakh tonnes in the same period last season while despatches aggregated to 15.75 lakh tonnes (11.16 lakh tonnes). It is estimated that the output upto April will be 38 lakh tonnes and with much larger releases and a fall in monthly additions to output the stocks which amounted to 28.23 lakh tonnes at the end of March may be brought down to more manageable levels and may be only 4 to 5 lakh tonnes more at the end of the season as compared to the opening level. The monetary authorities have also taken a helpful view of the needs of the industry and have liberalised the restrictions on credit to the sugar trade to enable it to handle the larger releases made since April.

Billet Allocations Cut

The Central Government has announced a new policy for allocation of billets. Under the new scheme, allocation to rerollers has been slashed by nearly 50 per cent while priority has been given to re-roller exporters, manufacturers of special products and exporters of billets. It has been calculated that the monthly availability of billets will be about 58,000 tonnes of which 33,000 tonnes will be allotted to exporters and manufacturers of special products. The balance of 25,000 tonnes will be distributed as domestic quota to rerollers pro rata in accordance with the capacities as assessed by the technical committee or specified in any subsequent industrial licences or approved by the Iron and Steel Controller. In calculating the domestic quota, credit will, however, be taken for production of electric furnace billets and ingots to the extent of 40 per cent and the quantity excluded from the total rerolling capacity eligible for billet allocation. Special allocations will be made to rerollers for twisted deformed bars, baling hoops and difficult sections. Export rerollers will be entitled to domestic quota if their export allocation falls short of the figure equivalent to 1.26 times their theoretical domestic quota in which case their domestic quota will be equal to the difference between the two. He is, however, entitled to receive upto 50 per cent of this theoretical quota if he agrees to forego the equivalent quantum of the export allocation. It has been pointed out that

while the new policy has placed due emphasis on priority uses, rerollers in the southern region will be particularly hit as 50 per cent of the available supplies is allocated to West Bengal and Maharashtra. The Chairman of Indian Steel Rolling Mills Mr. C. R. Ramaswami has complained that established rerollers have been affected by the upgrading of nearly 39 scrap rerollers as billet rerollers by the technical committee appointed to assess the capacity of different rerollers.

Nylon Imports Through S.T.C.

The Union Government has decided to import through the State Trading Corporation additional quantities of nylon yarn to maintain the price at a reasonable level. There has been a flare up in prices in recent weeks following a shortfall in indigenous production and negligible supplies by the S.T.C. while there was also a decline in contraband supplies due to stricter vigilance. The Foreign Trade Minister recently told Parliament that imported nylon would be distributed to consumers' associations registered with the S.T.C. on a lousage basis and individual units will get their requirements from their associations. In 1969 the S.T.C. distributed 8.19 lakh kg. to the powerloom sector and 1.19 lakh kg. to the hosiery sector while in the first four months of this year, 2.68 lakh kg. were supplied to the powerloom units and 15,000 kg. to hosiery units. The corporation's imports of nylon yarn in 1969-70 were worth Rs. 90 lakhs while there were no imports in 1968-69; but in 1967-68, STC imported yarn valued at Rs. 4.50 crores. The Government is also consulting producers and actual users with a view to improving the present method of distribution.

Trade Gap for 1969-70

The trade gap was the lowest in 14 years in 1969-70 at Rs. 157 crores and there was a trade surplus in five months. According to the provisional figures available, the sizable improvement in trade balance was due mainly to a precipitous fall in the import bill to Rs. 1,567 crores from Rs. 1,910 crores in 1968-69 and a marginal rise in exports to Rs. 1,410 crores from Rs. 1,357 crores in 1968-69. The lower level of imports was due to the Government's deliberate policy of keeping down foodgrain imports following a satisfactory crop position within the country. But the growth in exports has fallen short of the Fourth Plan target of 7 per cent per year and was less than 4 per cent as compared to 13 per cent in the previous year. The setback was principally due to the lower unit price of tea and jute, the traditional exchange earners.

MFL's Water Treatment Plant Commissioned

The Water Treatment Plant in the Madras Fertilizer Project at Manali was inaugurated on May 14, by the Tamil Nadu Industries Minister, Mr. S. Madhavan.

The Water Treatment Plant represents the first taking over by the Madras Fertilizers Ltd., of a section of the complex for operation. Programmes have been drawn up for bringing into operation the other sections during the next six months. The next section to be commissioned will be the two steam boilers being erected by Bharat Heavy Electricals. According to present expectations, first process operations will commence during the first

quarter of 1971 and the full commissioning will be by July 1971.

The Water Treatment Plant has a capacity to treat five million gallons of water a day. This is provided by the Tamil Nadu Government from wells drilled in a 12 mile square area around Ponneri. All the water needed is ready. Likewise, with the power station in nearby Ennore nearing completion, the power needs also are ready for supply.

Madras Fertilizers Limited was incorporated on December 9, 1966 as a joint venture between the Government of India and Amoco India Incorporated. The ground breaking

ceremony for the project was held in January 1967.

Today the project stands at 70 per cent complete, based on equipment installed and man-hours spent. The project authorities express confidence that the construction will be completed by the revised official date, viz March 15, 1971. The plant is designed to produce 750 metric tonnes of ammonia, 885 m. tonnes of urea and 1100 m.t. of complex (NPK) fertilizers per day. The total cost of the project is estimated to exceed Rs. 65 crores.

MFL's annual production will have a retail value of Rs. 60 crores (based on current prices). The project is primarily intended to serve Tamil Nadu and the rest of the southern region. Already a seeding programme to test the market for the type of fertilizers to be produced by MFL is in operation in this region. The Food Corporation of India, which has also been entrusted with similar imported fertilizers, supplies MFL's own marketers including the Tamil Nadu Marketing Federation, Thanjavur Co-operative Marketing Federation and Mysore Agro Industries Corporation. MFL is conducting a very comprehensive fertilizer promotion and market development programme.

The manufacture, transport and warehousing of the huge quantity of fertilizers (to be produced by MFL) are bound to affect beneficially the people of this region. Their economic impact on the area is going to be very significant. The proper use of MFL's products by the Indian farmer is expected to result in an additional food production of two million tonnes. —V.M.



Mr. V. R. Nedunchezhiyan, Tamil Nadu Minister for Education, is seen addressing the gathering. To his left is Mr. S. Madhavan, Tamil Nadu Minister for Industries.

STOCK MARKET:

Three Big New Issues Divert Attention

The impressive rally witnessed in stock markets in the first week of May could not be sustained in subsequent weeks and after a further small initial rise equities turned subdued towards the close of the fortnight ended May 21, with prices moving in a narrow range. A dominant factor behind the withdrawal of both operators and investors temporarily from the market was the flotation of three attractive new issues by reputed companies which between them would syphon off about Rs. 10 crores. There was naturally a tendency to conserve resources for subscribing to these issues which are already commanding a sizable premium on their issue prices. Zuari Agro Chemicals came on the market on May 19 for raising Rs. 6.71 crores, Rs. 2.58 crores in equity and Rs. 4.12 crores in preference shares. Indian Organic Chemicals sought to raise Rs. 3.80 crores, in equity for Rs. 2.80 crores and in preference shares for Rs. 1 crore. Reckitt and Colman approached the public for subscription to its Rs. 67.50 lakh equity issues at a premium of Rs. 3 per share. Though there was only partial payment with application in all the cases, the actual drain on the capital market would have been Rs. 15 to Rs. 20 crores as the response to the issues was stated to be overwhelming and all of them were heavily over-subscribed. Obviously there must have been liquidation of existing holdings to some extent for finding the money to subscribe to the new issues which accounts for the dull conditions in the stock markets.

Good Corporate Results

However, there has been no aggressive selling and the general disposition continues to favour a resumption of the upward trend

after the recent consolidation of earlier gains. The final draft of the Plan has been introduced in Parliament and the higher level of public sector outlay is bound to create additional demand for goods and services and the private sector will have to assess the likely future needs to create fresh capacity in the immediate future. Corporate news has been quite encouraging with many companies reporting larger turnover and earnings. Textile units in Bombay, Ahmedabad and Coimbatore have got over the recessionary phase and have been able to earn larger profits and pay more on equity capital for 1969 though in the current year high cotton costs and continuance of control on certain cloth varieties have curtailed profit margins. But spinning mills in Coimbatore and elsewhere in the south have had no problem of marketing their increasing yarn output following improved off-take by powerloom and handloom sectors. Coimbatore Cotton, Coimbatore Pioneer, Palani Andavar Mills and other company shares have been firm features in Madras. Another prominent group that has attracted investors' attention is general insurance in the wake of the encouraging results for 1969 announced by Hercules Insurance, United India Fire and others. The maiden dividends declared by Gujarat State Fertilizers and Southern Asbestos have been well-received while the sizable improvement in the working of Alkali and Chemical in the half year ended March 1970 and the expansion proposal to double the capacity for rubber chemicals has imparted additional strength to Lyons Range. General Electric Company of India has declared an interim of 10 per cent on the increased capital and the Rs. 10 shares have been ruling firm around Rs. 58. Belapur and Phaltan Sugar have announced

bonus issues besides reporting fairly satisfactory working for the latest year. Cement shares have returned to favour after the improved results of companies like Dalmia Cements, Orissa Cement and Digvijay. Among steel shares, Tata Steel has remained steady around Rs. 113.00. One hopes that the company would be showing better working results for 1969-70 and that the new schemes to maximise production with the installation of balancing equipment and adoption of improved techniques would make for higher profitability. Indian Iron has, however, been weak due to the lower production levels following continued labour unrest at its plants. Indian Copper has maintained the dividend at 8.89 per cent for 1969. Engineering shares have, however, been more active after the encouraging statements by many Chairmen. The improved working of Mahindra UGINE, and reports of better off-take of products from Guest, Keen, Williams, Sankey Wheels, Jessop, India Forge and others, despite shortage of raw materials, have revived interest in the shares of these companies. Shares of tyre companies and units engaged in the manufacture of consumer goods like food products, soaps, electrical appliances, motor cycles and scooters have remained in favour as their future prospects are rated very high. Chemical and dyestuff scrips have also been fancied for their attractive growth potential but pharmaceuticals have lost their glamour after the announcement of the slashing of drug prices. Profits for 1970 in most cases are expected to be lower than their previous levels and already there are indications of a conservative dividend policy being adopted even by well-known firms noted for their generous decisions on dividend. Banks have been quietly steady and it is learnt that the former management of ten out of the 14 nationalised banks have opted for compensation in the form of long-dated securities and only four have preferred cash payment in instalments.

BUSINESS BRIEFS:

General Insurers Have a Good Year

The imposition of social control on the general insurance industry would seem to have had no adverse effect on this business and the check on expenses ratio has obviously resulted in higher profitability. The general recovery in the economic situation has also been a helpful factor with almost all the major companies writing a larger business during 1969. There has been a substantial increase in gross and net premium incomes during the year which has been reflected in higher dividend payments on equity capital in most cases and in attractive bonus issue proposals in others. The apprehension in regard to nationalisation of general insurance has obviously influenced the liberal decisions of the management in many cases though there has been at the same time a vast improvement in earnings. It may however appear that the Government will not be too eager to take over the industry in the near future though there has been mounting pressure from the radical elements within and outside the ruling party. But the general concern of the industry would seem to be over the decreasing profitability of motor and miscellaneous insurance and loss in marine business. The downward revision of fire insurance premium rates has added to the squeeze on profit margins and only a much higher level of business has prevented a sizable reduction in profits of many insurers. Mr. H. V. R. Iengar, Chairman of Hercules Insurance, has cautioned against any further cut in fire premium rates as fire insurance provides the margin for building up the reserves in insurance companies and covering the deficits in the marine and motor departments. There has latterly been a rapid rise in claims on motor and marine insurance business. The latest amendments to Motor Vehicles Act has meant extra liabilities on insurance companies and increase in third party claims. The exemption from stamp duty on claim application has led to exaggerated claims and it has been pointed out that courts and tribunals also tend to award larger compensations. At the same time, marine and motor premium rates cannot be raised to more remunerative levels due to stiff competition in the field and resistance from clients. With the higher premium rates for marine insurance and improved economic activity the insurers may be able to report a further improvement in their working this year. The President of the Indian Insurance

Companies Association Mr. A. B. Sheth said at the recent annual meeting of the association in Calcutta that the industry was adjusting itself to the new situation of the social control. He pointed out the vast scope for growth for general insurers as the share of non-life premium to total premium income was only 27.4 per cent in India against over 60 per cent in most of the advanced countries and the percentage increase in non-life premium income in India between 1951 and 1965 was only 184.5 whereas it ranged from 250 to 2313 in many developed countries. Obviously the full benefit of the planned economic development has not been derived by the general insurers. However the Indian industry has been operating in a highly efficient manner offering very reasonable premium rates. There has however been a disturbing tendency on the part of the public sector agencies and financial institutions to shut out private sector insurers and prefer the L.I.C. which will affect the future of these companies in the context of the growing role of the public sector.

Hercules Insurance Pays More

Hercules Insurance Company Limited has raised the total dividend on equity capital for the year 1969 to 21 per cent, taxable, from 18 per cent, taxable, for 1968, with the decision to pay a final dividend of 13 per cent taxable. The company was able to underwrite a larger business during the year and the net premium income rising to Rs. 1.65 crores from Rs. 1.54 crores in the previous year in spite of a reduction in fire insurance premium rates. At the same time, the net profit, before taxation, improved to Rs. 26.30 lakhs from Rs. 23.47 lakhs in 1968 though the marine department continued to work at considerable loss due to claims relating to earlier years, contrary to earlier expectations of better working. The provision for taxation is Rs. 12.09 lakhs. (Rs. 9.72 lakhs) and depreciation on investments Rs. 79,255 (Rs. 1.69 lakhs). The transfer to general reserve is Rs. 2.10 lakhs (Rs. 2.32 lakhs). Total assets at the end of the year amounted to Rs. 3.42 crores while departmental reserves totalled Rs. 107.20 lakhs and general reserve Rs. 30.20 lakhs against a paidup equity capital of Rs. 54 lakhs. While with a better claims ratio and higher premium rates, the marine department may be able to start operating on a profitable basis the chairman of the company Mr. H. V. R. Iyengar in his statement to

the shareholders, stated that there may be need for greater circumspection while revising fire premium rates as reinsurance treaties can be concluded more easily if, these can include fire business also.

United India's Bonus

United India Fire and General Insurance Company Limited is also reported to have earned a much larger profit in 1969. However, the directors instead of raising the distribution an equity capital, have decided to capitalise a portion of the reserves and make the existing partly paid shares of Rs. 7.50 each into fully paid shares of Rs. 10 each. This amounts to a bonus issue in the proportion of one for three. The equity dividend has been maintained at 13½ per cent taxable, as the interim dividend of 13½ per cent which has already been paid is also to be final dividend and there will be no further payment on the equity capital.

MMGI Raises Dividend

Madras Motor and General Insurance Company Limited has reported another year of satisfactory working during 1969. There was an appreciable rise in the gross premium income to Rs. 322 lakhs from Rs. 272.75 lakhs in 1968 while the net premium income increased to Rs. 301.85 lakhs from Rs. 258.57 lakhs. The miscellaneous department accounted for a major portion of the improvement as its net income improved to Rs. 192.53 lakhs from Rs. 164.37 lakhs. The fire department also increased its turnover with its net premium income higher at Rs. 91.52 lakhs against Rs. 80.30 lakhs. But the marine department's net premium income was only slightly better at Rs. 17.80 lakhs against Rs. 13.90 lakhs. The claims ratio of the miscellaneous department was less favourable during the year but due to larger investment and other income of Rs. 21.79 lakhs (Rs. 17.95 lakhs) and a profit of Rs. 5.62 lakhs (Rs. 1.24 lakhs) on sale of investments, the net profit, before depreciation and taxation, was fairly higher at Rs. 78.58 lakhs against Rs. 68.05 lakhs in 1968. The provision for depreciation on investments, loss on realisation of investments, etc., is Rs. 1.61 lakhs (Rs. 8.70 lakhs) and taxation Rs. 50.68 lakhs (Rs. 34.15 lakhs). The balance of Rs. 26.29 lakhs (Rs. 25.20 lakhs) has been taken to general reserve. The directors have raised the total dividend on equity capital to 22 per cent taxable, from 21 per cent taxable, in the previous year. The higher distribution is at the same time on a capital increased by a one for five bonus issue. A final dividend of 12 per cent taxable, is to be paid. The total dividend amount will thus be much higher at Rs. 19.80 lakhs (Rs. 15.75 lakhs).

PRICE MOVEMENTS
The following were the closing quotations for select scrips on May 10 and 21

Madras			Bombay			Calcutta		
	May 10	May 21		May 10	May 21		May 10	May 21
India Cements	4.95	5.05	Tata Steel	112.00	112.75	Indian Iron	17.00	16.60
Mettur Chem.	11.10	11.10	Indian Iron	15.36	16.44	Hind. Motors	15.40	15.46
Ashok Leyland	5.80	5.85	Telco	227.50	231.00	Birla Jute	18.65	18.60
S.I. Viscose	137.00	133.00	Hind. Motors	15.32	15.12	G.K.W.	16.40	16.70
Tr. Rayons	20.70	21.12	Century	802.00	805.00	Kesoram Ind.	17.10	17.15
Madura Mills	14.10	14.15	National Rayon	470.00	476.00	Dunlop India	34.30	34.40
Madras Alum.	155.00	160.50	Tata Chemical	35.75	33.75	Indian Aluminium	30.80	30.00
Engine Valves	24.50	23.00	United Carbon	372.50	375.00	CAFI	56.50	55.00
United India Fire	7.95	9.30	Pfizer	39.25 cd	36.50 xd	Alkali & Chem.	28.50	29.75
Seshasayee Paper	8.90	9.15	Gujarat Fertilizer	280.00	271.25	Union Carbide	39.37	39.61

Total assets at the end of 1969 stood at Rs. 535.89 lakhs against Rs. 462.48 lakhs while departmental reserves improved to Rs. 159.83 lakhs from Rs. 136.24 lakhs in 1968.

Pandyan Insurance

Pandyan Insurance Company Limited has adopted a rather very generous dividend policy for 1969 by deciding to double the distribution on equity capital to 30 per cent, taxable. A final payment of 15 per cent taxable, is to be made. The company's fire and marine departments worked better during the year but the miscellaneous department incurred a small loss. The total net premium income increased to Rs. 40.03 lakhs from Rs. 34.85 lakhs. However, there was a larger dividend and other income besides a larger profit on sale of investments of Rs. 3.69 lakhs. (Rs. 1.10 lakhs). Even then, the net profit, before depreciation was only modestly higher at Rs. 11.82 lakhs against Rs. 10.72 lakhs in 1968. After providing Rs. 3.57 lakhs (Rs. 3.18 lakhs) for taxation the transfer to general reserve is Rs. 90,000 (Rs. 7.50 lakhs). Thus the liberal dividend payment will be at the cost of reserves.

Hind. Ideal Pays More

Hindustan Ideal Insurance Company Limited has also decided to pay a higher dividend on equity capital for 1969 following a further improvement in working results. With the final dividend of 7½ per cent, taxable, declared the total distribution amounts to 20 per cent, taxable, against 17½ per cent, taxable for 1968.

Mahindra and Mahindra

The Chairman of Mahindra & Mahindra Limited, Mr. Keshub Mahindra has assured the shareholders that the company's overall performance in the current year would be much better than last year. The demand for vehicles is increasing and in the first five months ended March 1970, 3,800 jeeps were sold against 3,300 vehicles in the same period in 1968-69. As the company has export orders for nearly 2,000 vehicles, production is likely to be 10,000 to 10,500 in the current year. The company proposes to increase its capacity in stages and the first phase may take it to 18,000 vehicles if Government agrees to this expansion. Supplies to Government at present account for 50 per cent of the company's sales and it is expected that an agreement will be reached soon on the terms and conditions of a rate contract which will be satisfactory to the company.

Brighter Outlook for Herdillia

Herdillia Chemicals Limited hopes to make

a reasonable profit this year after providing for depreciation and it is encouraging to be told by the Chairman Mr. H. V. R. Iengar that the Directors would not necessarily wait to declare a dividend on equity dividend till the entire arrears of development rebate are claimed. There is already a profit on its working in the first four months this year, with sales amounting to Rs. 2.27 crores. The turnover for the whose year may reach Rs. 7 crores against Rs. 5.5 crores last year, as there is no difficulty in getting the raw materials and imports of similar products have been restricted. There is further scope for raising turnover to Rs. 9 to 10 crores as the present utilisation of capacity on the overage is only 78 per cent, if all the plants work well without breakdowns. At the same time, the capacity of the phthalates plant is to be increased from 3,000 tonnes to 5,000 tonnes annually and of phthalic anhydride from 6,000 tonnes to 12,000 tonnes. Thus the company can look forward to a period of assured growth.

Southern Asbestos' Maiden

With larger demand for asbestos cement sheets, pipes and other fittings, Southern Asbestos Cements Limited has been able to utilise its capacity quite effectively even in 1969 the second year of full working, and it has been considered desirable to resort to three-shift working to meet a further increase in demand. With a sharp rise in turnover and earnings, the directors have decided to pay a maiden equity dividend of 6 per cent gross. The entire distribution may be tax-exempt at the hands of the shareholders. The output of various products in 1969 was higher at 17,888 tonnes against 15,724 tonnes in 1968 while, with a more profitable product pattern, sales rose more impressively to Rs. 113.95 lakhs from Rs. 75.20 lakhs. The net profit before depreciation also improved to Rs. 11.93 lakhs from Rs. 7.35 lakhs. Depreciation however, claims as much as Rs. 6.45 lakhs (Rs. 5.72 lakhs) and development rebate Rs. 3.97 lakhs (Rs. 70,013). In 1968 there was need to wipe out earlier losses for Rs. 1.12 lakhs with the disposable profits and a refund of Rs. 21,586 from the Electricity Board. The outlook for 1970 is considered even more encouraging as there may be a further sharp rise in output and earnings.

Sudarsan Trading

Sudarsan Trading Company Limited is perhaps the first company conducting chit funds to open its share capital for public participation. The Company has come on the market with an offer of 14,896 equity shares of Rs. 100 each at par for public subscription. There is already an issued

equity capital of Rs. 25 lakhs, paid-up to the extent of Rs. 7.60 lakhs. The present issue has been necessitated by the Madras Chit Funds Act, 1961, which makes it obligatory for the chit companies to deposit in any approved bank an amount of cash not less than half of the chit amount before applying for certificates for commencement of any chit series. The proceeds of the proposed issue will be utilised for expanding the company's chit fund business and for providing working capital for timber, plywood and allied business. The terms of payment are Rs. 50 per share with application, Rs. 25 on allotment and the balance of Rs. 25 on periodical calls. The new shares will rank for a proportionate dividend for the current year ending July 31, 1970. The company has been paying a dividend of 9 per cent, taxable, from 1965-66 and the directors hope to at least maintain it on the increased capital.

Widia India

Widia India Limited has been able to reduce its accumulated losses from the disposable profits for 1969. With a jump in its turnover to Rs. 77.47 lakhs from Rs. 27.33 lakhs in 1968, there was a sizable net profit of Rs. 17.99 lakhs before depreciation against a loss of Rs. 6.21 lakhs in 1968. After setting aside Rs. 8.26 lakhs (Rs. 4.38 lakhs) for depreciation and providing Rs. 1.06 lakhs (Rs. 17,000) for expenses of previous years, the disposable profit of Rs. 8.89 lakhs has been used to reduce the debit balance brought in to Rs. 32.70 lakhs. It is quite likely that with a further diversification of output, both turnover and earnings for the current year will rise again though it is too early to expect a maiden dividend.

HINDALCO's Record

Hindustan Aluminium Corporation Limited is in the happy position of being able to produce 1.65 lakh tonnes of alumina and 80,000 tonnes of aluminium in the current year with the expanded facilities in full operation and there being no difficulty in getting the required power supplies from its own sources. Even in 1969, there was a big rise in the output of virgin metal to 72,231 tonnes from 59,707 tonnes in 1968 while sales rose even more impressively to Rs. 34.25 crores from Rs. 26.34 crores due to brisk demand and higher selling prices. The gross earnings also jumped to Rs. 10.30 crores from Rs. 6.61 crores, enabling a large plough-back after maintaining the dividend on equity capital at 10 per cent taxable. The company is thus in a position to finance a sizable portion of the cost of a further expansion in capacity to 1.2 lakh tonnes in a short period but unfortunately has been asked to suspend work

on the expansion scheme, pending a reassessment of the future demand. Meanwhile the company is examining new techniques to optimise output even with the present capacity.

Gujarat Fertilizer's Maiden

The announcement of a maiden dividend of 8 per cent gross following excellent working results of Gujarat State Fertiliser Company Limited in a short period after commencement of operations must be considered doubly gratifying in the context of the glut conditions in the trade and the low profitability of working of many public sector units. This obviously suggests that with a highly efficient management and a vigorous marketing agency, fertilizer manufacture can be taken up on a highly profitable basis. In the case of Gujarat Fertilisers, weather conditions were also favourable to help a larger offtake in the Western region. Thus sales during the year ended March, 31, 1970 increased by about 58 per cent to Rs. 26.48 crores from Rs. 16.78 crores in 1968-69. Gross earnings also improved substantially to Rs. 10.23 crores from Rs. 7.57 crores though the profit margin was reduced by higher working expenses. Even then, the profitability of working must be considered quite attractive, with the ratio of gross profit to turnover at 39 per cent against 45 per cent in the previous year. After providing Rs. 2.75 crores (Rs. 2.15 crores) for interest charges, and Rs. 4.95 crores (Rs. 3.25 crores) for depreciation, there is a disposable profit of Rs. 2.52 crores (Rs. 2.16 crores). The arrears of preference dividend along with that for the latest year will absorb Rs. 1.08 crores while the maiden equity dividend will require Rs. 72 lakhs. As there will be a further rise in sales and earnings in the current year with the completion of the expansion schemes and only a small sum will have to be paid on preference dividends, it can be expected that there will be a significant increase in the ordinary dividend for 1970-71. The Rs. 100 paid-up equity share of the company are quoting around Rs. 275.

Alkali's Smart Recovery

Equity shares of Alkali & Chemicals Corporation Limited have been a firm feature in Calcutta after the publication of encouraging results for the half year ended March 31, 1970 and the quotation has appreciated from Rs. 28 to over 30. With easier availability of cheap indigenous alcohol for its polythene plant and brisk demand for paints and rubber chemicals, sales in the first six months of the current year jumped to Rs. 9.30 crores from Rs. 5.91 crores in the corresponding period of 1968-69, while the net profit after depreciation and taxation, also recorded a

big rise to Rs. 42 lakhs from Rs. 5 lakhs. The earnings for the whole of 1968-69 were only Rs. 45 lakhs. An interim dividend of 5 per cent taxable, has been announced on the equity capital. The payment for the whole of 1968-69 was also 5 per cent taxable. The interim payment is being resumed after a lapse of two years. It has been indicated that the improvement noticeable since March 1969 has been sustained while efforts have also been made to improve management efficiency and achieve economies in working expenses.

The company intends to double its capacity for rubber chemicals to 6,000 tonnes at its Rishra Plant and an application has been made for an industrial licence. The expansion will cost about Rs. 1.50 crores of which foreign exchange expenditure will be only Rs. 15 lakhs. The whole design and construction of the new project is expected to be carried out by the company's own project department. It is pointed out that an entirely new project for a similar capacity will cost four times as much and the additional capacity will help reduce costs substantially and improve profitability. There will be no problem of marketing the increased output as the demand to rubber for chemicals has been increasing steadily at an annual rate of 12 per cent and the requirement is estimated to be 11,000 tonnes by 1978. Even now, Alkali and Chemicals has been saving annually Rs. 3 crores for the country by way of displacement of imports besides building up a sizable export trade. However, in spite of export incentives, there is a substantial loss on such shipments due to the high cost of raw materials and the small volume of production. After the expansion, ACCI's capacity will be on par with international levels and will enable competitive sales in the export markets. The scheme also includes the manufacture of essential intermediates.

G.E.C.'s Interim

General Electric Company of India Limited has declared an interim dividend of 10 per cent taxable, on the equity capital for the year ended March 31, 1970. This distribution is on all equity shares including the new shares issued to the previous shareholders of Associated Electrical Industries (India) Limited under the scheme of amalgamation which took effect last year. A final dividend is expected to be paid after the general body meeting of shareholders in August this year.

TISCO'S Loan Issue

Tata Iron and Steel Company Limited is at present engaged in implementing its modernisation scheme. This will help the

company raise its output through latest techniques and installation of balancing equipment. As all available resources have been fully utilised on this, it has been thought advisable to raise loan capital for Rs. 20 crores in 7¼ per cent debentures. When the issue is approved by the shareholders, it will be the largest single issue of loan capital in the private sector. The company will be having discussions shortly with the financial institutions to get the issue underwritten. Details of the modernisation scheme and the financing of it will be spelt out at the annual general meeting.

Belapur's Bonus Issue

A much higher level of operations enabled Belapur Company Limited to offset the effect of a sharp decline in open market prices during the year ended September 30, 1969. It was thus possible to prevent a sharp drop in sales which was only slightly lower at Rs. 4.49 crores against Rs. 4.52 crores in 1967-68. Sugar output was as much as 29,616 tonnes against 20,458 tonnes, with the quantity of cane handled jumping to 2.52 lakh tonnes from 1.86 lakh tonnes. There was however, a marginal improvement in earnings as the net profit before depreciation and taxation was better at Rs. 69.11 lakhs against Rs. 64.91 lakhs in 1967-68. The dividend on equity capital has been maintained at 18 per cent taxable, and bonus at 4 per cent taxable, making a total distribution of 22 per cent taxable. But the latest distribution is on a capital increased by a one-for-four bonus issue and amounts to 27.5 per cent on the old capital. The directors have at the same time decided to capitalise, Rs. 17 lakhs from reserves and make a fresh bonus issue in the proportion of one for ten, subject to the approval of the Controller of Capital Issues. The charge in respect of depreciation is Rs. 12.26 lakhs (Rs. 11.58 lakhs) and development rebate Rs. 14,521, (Rs. 26,697). The provision for taxation is Rs. 29.41 lakhs (Rs. 30.53 lakhs) while general reserve gets Rs. 30.63 lakhs (Rs. 25.97 lakhs). The equity dividend will be paid out of this reserve.

Chemo-Pharma Pays Same

Chemo-Pharma Laboratories Limited has only maintained its ordinary dividend for 1969 at 12 per cent, taxable, though there was a sizable rise in the net profit, before depreciation and taxation, to Rs. 10.44 lakhs from Rs. 6.52 lakhs in 1968 following a jump in sales to Rs. 107.42 lakhs from Rs. 72.29 lakhs. The claim in respect of depreciation is Rs. 2.59 lakhs (Rs. 2.39 lakhs) and taxation Rs. 2 lakhs (nil). The transfer to development rebate reserve is Rs. 4,587

(Rs. 53,170) and general reserve Rs. 6.28 lakhs (Rs. 3.58 lakhs). The dividend is to be paid out of the latter reserve. The chairman of the company Mr. G. D. Somani has expressed the view that the company's operations will not be unduly affected by the new drug policy of Government as the company had been adopting a reasonable price structure till now. The actual impact of the new drug prices has yet to be assessed. Mr. Somani is however, confident that sales of both the divisions would show a marked improvement in the second half of current year. The supply position in regard to imported raw materials, particularly for manufacture of fine chemicals, is extremely difficult. It has been decided to shift some sections of the chemical division to a suitable new site in Maharashtra where it will be eligible for the various fiscal incentives offered by the State Government.

Finlay Mills

The Finlay group of textile mills has reported gratifying results for 1969. Finlay Mills Limited has recorded a big jump in the net profit, before depreciation and taxation to Rs. 59.72 lakhs from Rs. 22.19 lakhs in 1968. The charge in respect of depreciation is Rs. 20.23 lakhs (Rs. 21.94 lakhs) and development rebate Rs. 5.77 lakhs (nil). Taxation claims as much as Rs. 16.33 lakhs (nil). The transfer to general reserve is Rs. 8.50 lakhs (nil). The equity dividend has been raised to 11 per cent taxable, from 10 per cent taxable, but is equivalent to 13½ per cent on the old capital due to the issue of bonus shares. In 1968, there was a transfer of Rs. 6 lakhs from general reserve to pay the dividend.

Swan Mills

Swan Mills Limited of the group has also earned a much larger profit, before depreciation and taxation, of Rs. 52.37 lakhs for the same year against Rs. 31.69 lakhs. The directors have decided to pay a dividend of 12 per cent taxable, on an equity capital increased by a bonus issue. This works out to 16 per cent taxable, on the old capital against 15 per cent, taxable, in 1968. The provision for depreciation is Rs. 15.60 lakhs (Rs. 15.27 lakhs) and development rebate Rs. 2.60 lakhs (Rs. 67,000) while taxation claims Rs. 17.23 lakhs (Rs. 8.12 lakhs). General reserve gets Rs. 8.50 lakhs (nil) while in the previous year there was a transfer from it of Rs. 75,000 to complete the appropriations.

Gold Mohur

The third company in the Finlay group, Gold Mohur Mills Limited has reported a

bigger rise in earnings than its sister companies with the net profit, before depreciation and taxation, jumping to Rs. 56.66 lakhs from Rs. 19.50 lakhs in 1968. After setting aside Rs. 18.33 lakhs (Rs. 18.05 lakhs) for depreciation and Rs. 6.97 lakhs (nil) for development rebate the provision for taxation is Rs. 13.59 lakhs (nil). The transfer to general reserve is Rs. 9.50 lakhs (nil) against a transfer of Rs. 8 lakhs from that reserve on the last occasion. The dividend has been raised to 11 per cent taxable, on the equity capital raised by a bonus issue and works out to 12.57 per cent, taxable, on the old capital against 10 per cent taxable for 1968.

Tribeni Tissues Earns Less

The working results of Tribeni Tissues Limited for 1969 have been affected by prolonged labour trouble and the Company has earned a smaller net profit before taxation, of Rs. 1.08 crores against Rs. 1.35 crores in 1968. The directors have declared a final dividend of 7 per cent taxable, on the equity capital increased last November by a public issue of 11.39 lakh shares of Rs. 10 each at a premium of Rs. 4 per share. An interim of 11 per cent taxable has already been paid at the time of the public issue on the old capital of Rs. 3.24 crores.

Mysore Lamp Skips Again

Even with a substantial increase in sales by 22 per cent to Rs. 81.06 lakhs, Mysore Lamp Works Limited has reported only a small improvement in its net profit before depreciation, for 1969 to Rs. 3.72 lakhs from Rs. 3.21 lakhs in 1968. The provision for depreciation is Rs. 2.64 lakhs (Rs. 1.93 lakhs). The equity dividend has again been omitted as it has been thought advisable to conserve available resources to finance the expansion schemes which include manufacture of fluorescent lamps. This project has been completed and the company will derive some benefit out of the new facilities in the current year.

Coimbatore Cotton

Coimbatore Cotton Mills Limited is another spinning unit in the Coimbatore area, to have improved its performance during 1969. The directors have doubled the ordinary dividend to 10 per cent, taxable, with a jump in the net profit after depreciation and taxation, to Rs. 18.33 lakhs from only Rs. 4 lakhs in 1968. After transferring Rs. 1.10 lakhs (Rs. one lakh) for development rebate and providing Rs. 10 lakhs (Rs. 47,660), general reserve is credited with Rs. 7.72 lakhs (nil).

Digvijay Pays More

Digvijay Cement Company Limited has had a very satisfactory year during 1969, with a big rise in production and earnings. The directors have decided to raise the equity dividend to 9 per cent, taxable, from 6 per cent taxable. Cement output increased to 6.76 lakh tonnes from 5.40 lakh tonnes due to the availability of a larger capacity, while production of asbestos cement products jumped to 34,534 tonnes from 19,332 tonnes. Sales of cement were higher at Rs. 9.01 crores against Rs. 6.85 crores in 1968 due to higher prices while turnover in asbestos cement products was even more marked owing to more remunerative prices at Rs. 2.98 crores against Rs. 1.25 crores. The net profit, before depreciation and taxation, has risen to Rs. 130.22 lakhs from Rs. 82.55 lakhs in spite of higher working expenses. The provision for depreciation is Rs. 58.04 lakhs (Rs. 53.96 lakhs) but development rebate claims only Rs. 7 lakhs (Rs. 13 lakhs). The charge in respect of taxation is Rs. 9.47 lakhs (nil). The transfer to debenture redemption reserve is Rs. 25 lakhs (nil), expansion reserve Rs. 18.93 lakhs (Rs. 15.43 lakhs) and general reserve Rs. 11.90 lakhs (nil). Exports during the year totalled 69,654 tonnes against 70,414 tonnes in 1968 and in the first five months of the current year they amounted to 32,995 tonnes.

Jagatjit Industries

Jagatjit Industries Limited has reported new records in sales and earnings during 1969 and the dividend on equity capital has been raised to 12 per cent, taxable, from 10 per cent taxable, in 1968. The bonus shares recently issued in the ratio of two for five are not eligible for the latest dividend. Sales improved further to Rs. 3.57 crores from Rs. 3.10 crores while with better profitability, the net profit, before depreciation and taxation, jumped to Rs. 57.95 lakhs from Rs. 39.68 lakhs previously. After setting aside Rs. 6.85 lakhs (Rs. 5.48 lakhs) for depreciation and Rs. 1.70 lakhs (Rs. 1.12 lakhs) for development rebate, the provision for taxation is Rs. 28.20 lakhs (Rs. 16.76 lakhs). General reserve gets a larger sum of Rs. 20.87 lakhs (Rs. 13.07 lakhs) and the dividend of Rs. 3.95 lakhs will be paid out of this reserve. The company has acquired substantial interests in Hyderabad Distilleries and Wineries Limited and it has become a subsidiary in the process. Jagatjit Industries has also got a letter of intent for making glass bottles and miscellaneous wares. Steps are being taken to implement this project which will cost about Rs. 1.25 crores. It is proposed to issue preference capital for Rs. 20 lakhs to meet working capital expenses.

Zuari Agro Chemicals

Zuari Agro Chemicals Limited, a new company promoted by the Birla group in collaboration with U.S. Steel Corporation, for setting up a huge fertilizer plant at Goa, came on the market recently to raise Rs. 6.71 crores, in equity shares for Rs. 258.25 lakhs and in preference shares for Rs. 412.38 lakhs. The American firm has taken over U.S. Agricultural Chemicals and Armour and Company. The total project cost is estimated at Rs. 56.55 crores. This will be financed by equity and preference capital for Rs. 16.55 crores and loans from U.S.AID, International Finance Corporation and other sources for Rs. 39.02 crores.

There is already a subscribed equity capital of Rs. 5.56 crores paid up to the extent of Rs. 4.17 crores (Rs. 75 out of Rs. 100). The share of U.S. Steel in the present paid-up capital is Rs. 2.83 crores and of eight Birla firms Rs. 1.34 crores. The present issue is for Rs. 11 crores, made up of Rs. 6.87 crores in equity shares and Rs. 4.13 crores in preference shares. Of this U.S. Steel will be allotted equity shares for Rs. 72.75 lakhs as consideration for supply of know-how. The International Finance Corporation will take up equity shares for Rs. 239.25 lakhs while Armour and company has been allotted shares for Rs. 22.5 lakhs Bank of America for Rs. 75 lakhs, First Chicago International Finance Corporation for Rs. 18.75 lakhs and Comunidade de Sancoale Goa, for Rs. 62,500. The balance of Rs. 258.25 lakhs in equity and the whole of preference capital for Rs. 412.38 lakhs has been offered for public subscription. An amount of Rs. 2.50 per share was payable along with application and a similar sum on allotment, the balance being payable on one call on or before August 20, 1970. The fertilizer unit will have a capacity of 2.20 lakh tonnes of ammonia, 3.40 lakh tonnes of urea and 1.50 lakh tonnes of compound fertilizers. The Indian Oil Corporation will be supplying the naphtha requirements. The project is expected to be completed by July 1972 and a prominent Japanese firm, Toyo Engineering Co. has been entrusted with the supervision of the designing and engineering work. The total foreign exchange requirements will be Rs. 26.17 crores.

Amalgamations-Reppo

Another new company, Amalgamations Reppo Limited, in the Amalgamations group, has come on the market for raising about Rs. 12.5 lakhs in equity shares. The company formed in collaboration with the Australian firm of Reppo proposes to manufacture automotive clutch driven

plates, clutch cover assembly, carbon release bearing assembly and complete clutch assembly for motorcycles and scooters. The estimated project cost is Rs. 75 lakhs including working capital and share issue expenses for Rs. 21.61 lakhs. This is to be financed by an equity issue for Rs. 50 lakhs and bank finance for the balance amount. There is already a paid up equity capital of Rs. 36.25 lakhs, of which the Australian interests have taken up Rs. 24.50 lakhs and some companies of the Amalgamations group Rs. 11.75 lakhs. The new issue will thus be for Rs. 13.75 lakhs. Of this, 1.25 lakh shares of Rs. 10 each have been reserved for Bimetal Bearings Limited of the Indian group and the balance of 1,24,965 shares will be offered for public subscription. The whole issue is underwritten by Central Bank of India. The factory has been very nearly completed and commercial production is expected to commence in the last quarter of the year.

Palani Andavar Pays More

Palani Andavar Mills Limited has recorded a big rise in its earnings, before depreciation and taxation, for 1969 to Rs. 27.63 lakhs from Rs. 11.30 lakhs in 1968 following improved conditions in the yarn trade and brisk export demand. The directors have

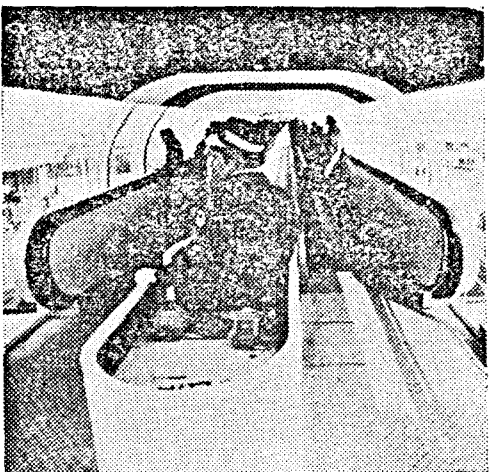
naturally taken a generous attitude in regard to dividend payment and have recommended a distribution of 16 per cent, taxable, against only 6 per cent, taxable, for the previous year. Depreciation claims Rs. 9.43 lakhs (Rs. 7.65 lakhs) and development rebate Rs. 3.30 lakhs (Rs. 1.10 lakhs). The provision for taxation is as much as Rs. 9.70 lakhs (78,000) while general reserve gets Rs. 79,391 (nil).

Lower Profits for MICO

The directors of Motor Industries Company Limited, Bangalore, have proposed a final dividend for 1969 of Rs. 7.50 per ordinary share of Rs. 100, subject to statutory deductions. An interim dividend of Rs. 10 per share was paid to shareholders in October 1969. Thus the total dividend for 1969 is Rs. 17.50 per share. The net profit for the year is Rs. 2.08 crores (Rs. 3.22 for 1968). The decline in profits was due to substantial increase in the cost of raw materials in the second half of 1969, a higher incidence of depreciation in 1969 than in the previous year and to the inclusion of the bonus paid for 1968 as well as the bonus accrued for 1969 in the accounts for 1969. The tax liability for 1969 is estimated at Rs. 1.05 crores against Rs. 1.85 crores for 1968.

ONE MILLION PEOPLE PER DAY THROUGH DUNLOP CONVEYORS

The world's longest passenger conveyor installation, using nearly two miles of Dunlop "Starglide" belting, is currently transporting



A view of the Dunlop 'Starglide' conveyor beltings which carry one million people per day at Expo 70 in Osaka, Japan

one million people per day at Expo 70 in Osaka. It is estimated that by the time Expo 70 closes in the autumn, the conveyors will have completed between 200 and 300 million passenger movements.

Each of the 14 Dunlop "Starglide" conveyor belts at Expo 70 carries on an average 27,500 people per day, with a maximum peak recording of 7,188 passengers per hour. The beltings run at 120 feet per minute through air conditioned tubes. According to official statistics, each visitor to the Exhibition makes five and a half conveyor trips per day.

Passenger conveyors incorporating Dunlop "Starglide" belting are in use all over the world in airports, shopping precincts, shipping terminals and transport interchanges.

CAPACITY & PRODUCTION TARGETS IN SELECT INDUSTRIES IN FOURTH PLAN

Sl. No.	Industry	Unit	1960-61	1965-66	1968-69		FINAL 1973-74		DRAFT 1973-74	
			(Production)	(Production)	Capacity	Production	Capacity	Production	Capacity	Production
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<i>Iron and Steel</i>										
1.	Steel ingots	mill. tonnes	3.42	6.53	9	6.5	12	10.8	12	10.8
2.	Finished Steel	do.	2.39	4.51	6.9	4.7	9	8.1	9	8.1
3.	Pig Iron for Sale	do.	1.1	1.2	1.3	1.3	4.2	3.8	4.2	3.8
4.	Alloy & Spl. Steel	000 tonnes	—	40	135	43	250	220	294	270
<i>Non-ferrous metals</i>										
5.	Aluminium	do.	18.3	62.1	117	125.3	230	220	230	220
6.	Copper	do.	8.5	9.4	9.6	9.4	47.5	31.0	47.5	35.5
7.	Zinc	do.	—	—	38	26.3	76	70.0	76	70
<i>Industrial Machinery</i>										
8.	Chemical Machinery	Rs. million	—	—	—	—	300	275	300	275
9.	Printing Machinery	do.	—	—	4.8	1.0	100	80.0	—	—
10.	Rubber Machinery	do.	—	1.4	2.0	1.7	150	120.0	—	—
11.	Paper and Pulp Machinery	do.	neg.	16.8	64	27	150	135.0	—	—
12.	Selected Machine Tools	do.	70	294	610	247	760	650	—	—
13.	Ship Building	No. of ships	2	3	3	2	6	6	—	—
<i>Fertilisers</i>										
14.	Nitrogenous (in terms of N)	000 tonnes	101.0	232.0	1024.0	541.0	3000.0	2500.0	3700	3000
15.	Phosphatic (in terms of P ₂ O ₅)	000 tonnes	53.0	123.0	421.0	210.0	1200.0	900.0	1800.0	1500.0
16.	Pesticides	do.	8.0	13.0	34.0	19.0	69.0	65.0	—	—
<i>(basic chemicals only)</i>										
17.	Rock Phosphates and Pyrites	mill. tonnes	—	—	—	—	—	1.25	—	—
18.	Agricultural Tractors	000 Nos.	neg.	6.3	20.0	15.4	68.0	50.0	68	50
19.	Power Tillers	do.	—	—	1.5	0.5	135.0	125.0	—	—
20.	Newsprint	do.	23.0	30.3	31.5	31.0	165.0	150.0	165	150
21.	Iron Ore	mill. tonnes	11.0	24.5	—	28.1	—	51.4	—	53.4
22.	Coking Coal	do.	15.98	16.96	—	17.1	—	25.4	—	—
<i>Petroleum</i>										
23.	Oil Exploration and production	do.	0.41	3.02	—	6.06	—	8.5	—	9.7
<i>(Production of crude)</i>										
24.	Refinery products	do.	5.8	9.4	16.25	15.4	28.0	26.0	28 to 29	26
<i>(capacity in terms of crude throughput)</i>										
<i>Petro-chemicals</i>										
25.	D.M.T.	000 tonnes	—	—	—	—	23.0	20.0	23	20
26.	Caprolactam	do.	—	—	—	—	23.0	23.0	23	23
27.	Acrylonitrile	do.	—	—	—	—	16.0	16.0	16	16
28.	Synthetic rubber	do.	—	14.3	30.0	26.0	70.0	70.0	70	70
<i>Electronics</i>										
30.	Components									
31.	Resistances (fixed and variable)	mill. Nos.	N.A.	25	N.A.	50	600	600	—	—
32.	Condensors or Capacitors	"	N.A.	30	N.A.	66	700	700	—	—
<i>(fixed and variable)</i>										
33.	Semi-Conductors including Diodes, thick film, thin film and integrated circuits	"	N.A.	5	N.A.	20	200	200	—	—
34.	Transmitting and receiving tubes including cathode ray tubes	"	N.A.	3	N.A.	5	8	8	—	—
35.	Connectors, Switches and Relays	"	N.A.	—	—	—	5	5	—	—
36.	Sophisticated Micro-wave components and Antennas	Rs. million	N.A.	—	—	—	50	50	—	—
37.	Ferrites and Magnets	Tonnes	N.A.	50	N.A.	400	1500	1500	—	—
38.	Thermistors and Varistors	mill. Nos.	—	—	—	1	6	6	—	—
39.	Testing and Control equipment	Rs. million	N.A.	30	N.A.	100	500	500	—	—
40.	Wireless and micro-wave equipment	Rs. million	N.A.	96	N.A.	260	670	670	—	—

HOW THE FINAL FOURTH PLAN IS FINANCED ?

(Rs. in Crores)

Sl. No.	Item	Final	Draft	Difference
1.	Balance from current revenues at 68-69	1625 (C)	2355	-730
	rates of taxation	48 (S)	100	-52
	2. Contribution of public sector enterprises at 68-69	1673 (T)	2455	-782
	fares, freight and tariffs	1534 (C)	1175	+359
	3. Retained profits of Reserve Bank	495 (S)	555	-60
		2029 (T)	1730	+299
		165 (C)	133	+32
		37 (S)	32	+5
		202 (T)	165	+37
4.	Market borrowings of central and state govts. (net)	900 (C)	750	+150
		515 (S)	416	+99
		1415 (T)	1166	+249
5.	Borrowings by financial institutions including FCI	405 (C)	—	+405
		— (S)	—	—
		405 (T)	—	+405
6.	Small Savings	274 (C)	274	—
		495 (S)	526	-31
		769 (T)	800	-31
7.	Annuity Deposits compulsory deposits, prize bonds and gold bonds	-104 (C)	-104	—
		— (S)	—	—
8.	State Provident Funds	-104 (T)	-104	—
		343 (C)	343	—
		317 (S)	297	+20
		660 (T)	640	+20
9.	Misc. capital receipts	2090 (C)	1942	+148
		-405 (S)	-812	+407
		1685 (T)	1130	+555
9.	Additional resources mobilisation	8734	7982	+752
		2100 (C)	1600	+500
		1098 (S)	1109	-11
		3198 (T)	2709	+489
10.	Loans from LIC etc. and state enterprisers' market borrowings (gross)	— (C)	—	—
		506 (S)	343	163
		506 (T)	343	+163
11.	Foreign assistance*	2614 (C)	2514	+100
		— (S)	—	—
		2614 (T)	2514	+100
12.	Deficit financing	850	850	—
	Grand Total	15902	14398	1504

* Includes Rs. 380 crores of PL-480 assistance
C—Central; S—State; T—Total

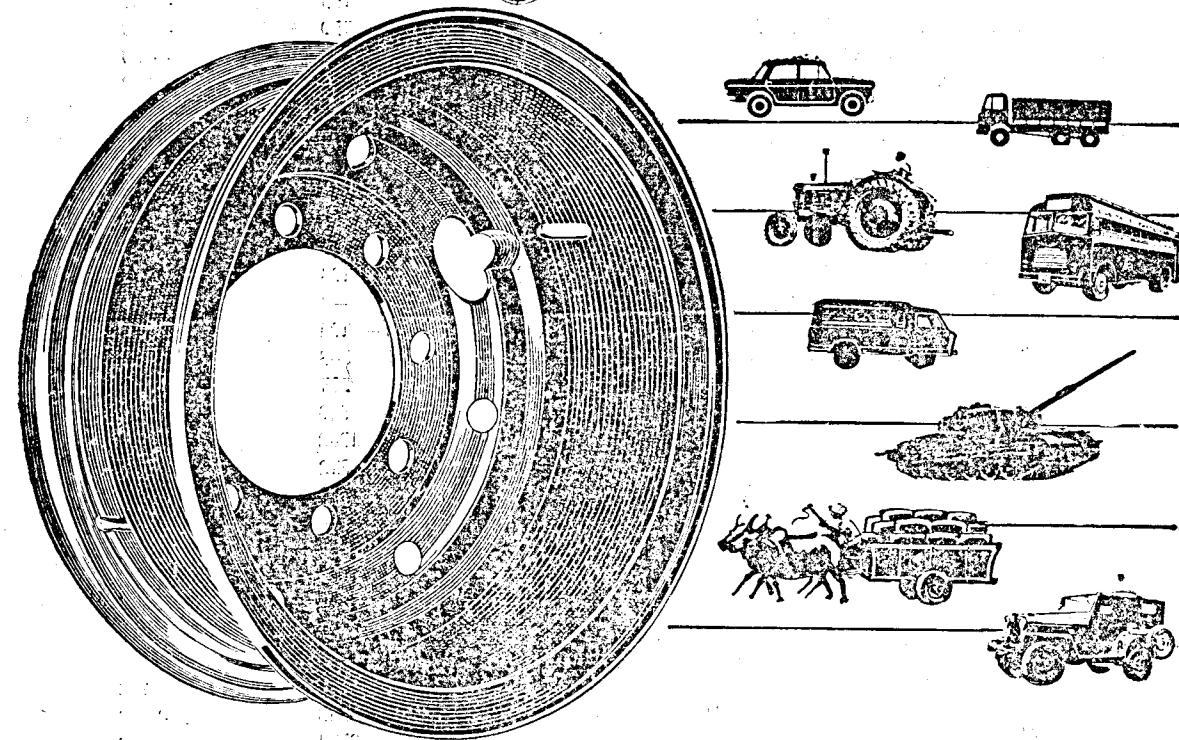
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INDUSTRIAL ECONOMIST

A FORTNIGHTLY ON INDUSTRY & FINANCE, MADRAS

RECENT LABOUR UNREST

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VOL. III NO. 7

JUNE 15, 1970

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as his Department has been successfully extending to a host of small and large Indian manufacturers, (helping many of them become as famous abroad as they already are in India) it should bring clearly home to any would-be exporter what he may be missing. (More details in the next issue of the Industrial Economist, July 1st 1970).

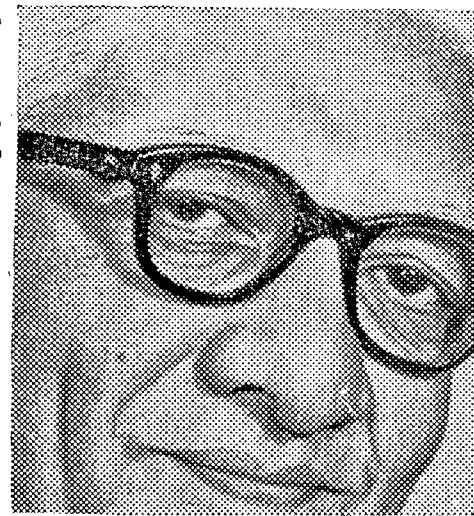
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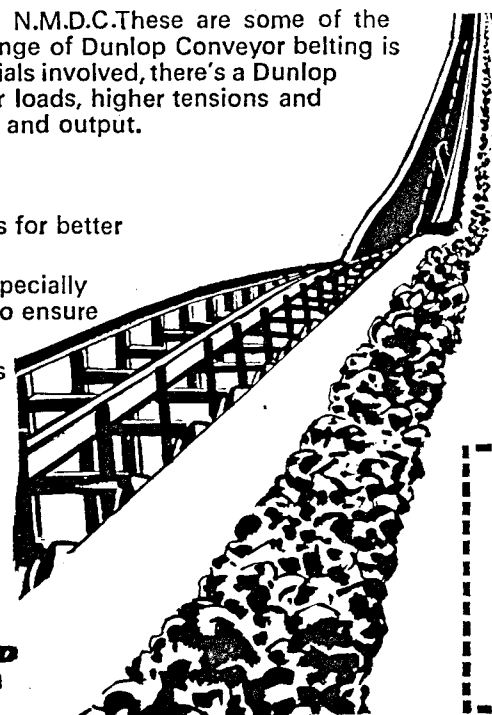
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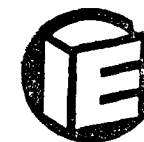
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Pettifogging Lacunae in Planning

The time has arrived for ensuring that decisions on planning taken through a consensus of State Governments and ratified by the Legislature are pushed through at the proper speed necessary for achieving the targets set. That such a trait has to be stressed is itself proof of the continuing lacunae in the details and the implementation of Plan programmes. There can be no more severe stricture on the lapses in this regard than what is confessed in the introductory chapter of the Fourth Plan where it is unambiguously stated that the tempo on economic activity is insufficient to achieve the desired goals.

To some extent, the blame for this can be laid squarely on the ambiguity in policy stances themselves. Talking of social justice and equality, the Fourth Plan says that the process of development might lead, in the absence of purposive intervention by the State, to greater concentration of wealth and income and that the remedy lies in proliferation of enterprise over larger and larger areas of production, distribution and exchange. The shades of the Dutt Committee report on licensing, seeking to exclude big business from spheres where it has been most useful and has displayed very great capacity for initiative and innovation, can be seen here. Almost in the same breath, the Plan document says, that in toning down income disparities, there can be no overlooking of the need to treat the richer incomes with considerable discrimination in taxation, taking into consideration the fact that much of the investment, on which future growth of production in the community

depends, has to come from these incomes alone. It looks as if there is an attempt, albeit unconscious, to run with the hare and hunt with the hound.

As if such ambiguity were not sufficient in itself, the Centre has been dragging its feet in dealing firmly with the financial requests of State governments and thus aggravate the lack of direction in the developmental effort. The Deputy Chairman of the Planning Commission, D. R. Gadgil told a Bangalore audience recently that assuring autonomy for the States as desired by them was fraught with serious financial handicaps. As pointed out by him as well, there can be no water-tight demarcation of State and Central jurisdiction in policy and fiscal responsibilities. What is worse, the proclivity of State Governments to overreach their financial capacity has landed them in a condition of indebtedness. The malaise here can be clearly understood if it is recognised how, without a very liberal rescheduling of their debts to the Centre, net assistance from the latter will prove negligible even with a large stepping up of the gross amounts of Central aid. When Dr. Gadgil asks for a minimum of decorum on the part of State Governments in respect of their fiscal management and particularly their weakness for indulging in heavy overdrafts with the Reserve Bank, he is speaking not for himself but for the entire body of informed public opinion in the country which has long been anxious over this trend.

Added to all this, there is the equivocation in policy

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in respect of private enterprise. The illusion has been sedulously nurtured that the industrialists are not pulling their weight aright in implementing their expansion schemes. Even Dr. Gadgil has thought it fit to say, that they should lay emphasis less on production-orientation and more on welfare-orientation. What he has failed to see is the fact that the degree of freedom in decision-making which is available to private entrepreneurs is pretty precarious: A few crores of investment will make them dominant industrialists requiring to be watched by the Monopolies Commission. Likewise their attempt at economising costs will be defeated even at the inception by the

Why Not Nuclear Weapons?

The Prime Minister's categorical statement at a Press Conference in Mauritius that a firm decision had been taken by the Government of India against making atomic weapons must be deemed as unwise from more than one point of view. For one thing, it is extremely inopportune, as there is a growing volume of public opinion in this country against this dangerous distortion of Indian pacifism and the Leader of the Opposition in the Lok Sabha and the Leader of the Jan Sangh party have both called for a reconsideration of our old ideas on this vital question. The Chinese threat is growing; and whatever may be the importance of conventional weapons, we shall never have enough of them to act as a deterrent on Chinese aggression. It is true that there are quite a number of ticklish questions to be settled before India can proceed with the manufacture of bombs. But little weight can be attached to the argument that India cannot afford to increase her con-

high price of raw materials and of indigenous components of uncertain quality. When the baker is allowed to make bread on his own, he generally succeeds in producing on a large enough scale to the satisfaction of a growing mass of consumers. When, on the contrary, he is asked to adopt ways and means to be inflicted by an overseer, much of his output will have blackened too repulsively to attract or to maintain any custom. Somehow this elementary principle of home science, which means a great deal for the maintenance of efficiency, has been carefully ignored by our Government. Its loaves of planning cannot but be blacker in consequence than they need be.

ventional armaments and have a nuclear stock pile at the same time. For, if both should prove to be necessary, there would be no reason for not proceeding with both alike. There is no economic cause or ideal which can have priority over national survival and if neither conventional nor nuclear weapons can be dispensed with, the Government must be prepared to have both on the necessary scale. So far as atomic weapons are concerned, both Mr. Bhabha in his time and Mr. Sarabhai since then, have affirmed India's ability to manufacture the atom bomb, and that too at short notice. And nobody has yet contended that the manufacture of the bomb will adversely affect our efforts to increase the peacefulness of atomic power. China's arrogance is to be attributed, in the main, to our self-denial of atomic power. Whatever we may decide to do or not to do, the Prime Minister's talk about a firm decision is wholly unwise and indefensible.

Absolute Ceiling on Urban Property

According to latest reports, an absolute ceiling of Rs. 5 lakhs in respect of urban property irrespective of location has been proposed and any excess might be compulsorily acquired. How it is proposed to acquire property in excess of the ceiling has not been explained. Some time back, there was a suggestion that the owners may be paid in non-negotiable bonds and the resources raised by the Governments through the subsequent sale of such property can be used for Plan purposes. Nothing can be more drastic or harmful. Besides, the virtual expropriation of property may not be possible under the existing constitution. If it is felt that concentration of urban property has led to social evils with the accrual of sizable capital gains to the owners there should be a ban on further acquisition or construction of building where there is already a heavy concentration in ownership. The government can also help the owners to form public limited companies and the property conveyed to them after reasonable valuation.

The procedure adopted for eliminating concentration

in ownership of urban property is not being conceived correctly. No serious thought has been given to the impact of the tax measures or on the fixation of ceilings on market values and transfers. In the last budget the Central Government levied penal wealth tax rates on property worth above Rs. 5 lakhs and the continued payment of this tax would mean either an increase in rents or compulsory disposal of buildings. There was no violent reaction to this levy, presumably because it was thought that sooner or later the property in question would have to be disposed of.

But one thing is clear. This will affect further building activity creating serious problems in metropolitan centres, unless the Life Insurance Corporation and Housing Boards step in to fill the vacuum. There will also be the problem of canalising funds for the construction of residential buildings and business premises as the funds accruing to the private sector may not be wholly available for other purposes a good portion of it would be tax-evaded money.

Ceylon—A Turn to the Left

The return of Mrs. Srimavo Bandaranaike to power with a landslide victory in recent general elections has given rise to speculation about the new policies that would be pursued by her government. There will naturally be a swing to the left. Pursuit of radical policies with a view to retrieving the country's economic position, now said to be in a state of bankruptcy, is inevitable. The reports that the new government might nationalise foreign-owned plantations, impose severe restrictions on foreign exchange remittances, step up taxation and slash down imports have caused a flutter in money market circles and in foreign countries.

The new Finance Minister Mr. Perera has accused the former government of profligacy and recklessness as the budgetary deficit is said to be as much as Rs. 107 crores. Foreign trade deficit also is alarmingly high at Rs. 80 crores. In relation to the size of the budgetary receipts and volume of foreign trade these deficits are appalling but what is curious about the whole thing is the absence of any serious discussion about this sad state of financial affairs. The deteriorating balance of payments position was of course evident to any one who had an understanding of the special problems of Ceylon. Ceylon's currency had to be devalued and new methods have to be devised with the concurrence of the International Mone-

tary Fund for preventing unauthorised use of foreign exchange and discouraging non-essential imports. With the slump in the value of tea exports there should have been more serious restrictions on imports. But the economy is dependent on certain imports because of the lack of an industrial base; so imports could not be drastically restricted during periods of violent fluctuations in the value of staple exports.

The budgetary position can be improved with the levy of additional taxation, heavier borrowing and a considerable reduction in expenditure that is now being incurred on subsidised sales of rice. An effective collaboration with her neighbour, India, which has always been adopting a friendly attitude, will be of considerable help. Since tea exports constitute nearly 80 per cent of the total value of all Ceylon's exports some arrangement, more effective than those recently proposed, should be conceived for securing fair prices for tea. There is no doubt that tea producing countries have been exploited by the world's biggest consumers because of the absence of a unified approach among the major producers. Luckily, there has been an upturn in tea prices in recent weeks and Mr. Perera may well succeed in reducing the trade deficit because of higher tea prices and larger volume, and bigger shipments of copra,

rubber and other items. The process of recovery of Ceylon's economy will be greatly facilitated if during the period of the recovery in tea prices long-term arrangements for brisker marketing of tea could be concluded between India, Ceylon and Indonesia in the first instance and with all other countries later.

Need for Closer Ties with India

Also, the trade between India and Ceylon should be developed on new lines and the relations that now exists between India and Nepal should be forged in the case of Ceylon. This would result in massive aid being given by India for the development of industry, construction of irrigation and power projects and improvement of agriculture. Some progress has already been made in the industrial field while Dr. K. L. Rao suggested some time back that the hydel potential of Ceylon can be harnessed for exporting power to South India. Immediately India is in a position to meet more than adequately supplies of sugar needed by Ceylon as it has a large exportable surplus. In return larger Indian imports of copra, rubber, arecanut, and spices can be arranged on a long term basis. If Russia and China could rush in to help Ceylon, India could render similar help more effectively, without any strings attached, but on the basis of an integrated approach to mutual problems.

—(FOC)

Adequate Refinance to Meet Credit Needs

The developments in the last busy season have come about in an unexpected manner. Even with the restrictions relating to borrowing from the central banking institution, advances rose sharply and there is as yet no suggestion of an easing of pressure in the money market. The banking system is actually called upon to undertake new responsibilities and since the advent of the green revolution the financing of procurement ope-

rations has called for a big expansion of credit. Indeed, with the admission by the Union Minister for Food and Agriculture, Mr. Jagjivan Ram, that buffer stocks have increased to 5 million tonnes of wheat there is reason to believe that a large amount is tied up in advances against foodgrains even allowing for the adjustments carried out by the Central Government and the building up of some portion of buffer stocks with imported foodgrains.

These new developments have been responsible for the easy utilisation of an increasing volume of funds at the disposal of banks.

Easy Absorption of Credit

During the twelve-month period ending May 22, 1970 deposits of scheduled commercial banks increased by as much as Rs. 647.98 crores. During the same period advances increased by

Rs. 575.05 crores and investments by Rs. 88.41 crores. Cash balances too were better by Rs. 39.47 crores. It became, therefore, necessary to increase borrowings from the central banking institution by Rs. 127.20 crores, taking the total of borrowings to Rs. 260.49 crores. With the likelihood of a further expansion of credit for procurement operations, the banking system is unlikely to be in a position to increase loans in a big way to small borrowers. During a period of revival in economic activity, it is undesirable to restrict credit to industry and trade and at the same time it is necessary to inject credit into the rural areas. The Government has to agree to a policy of over-lending for some time, for on the basis of experience of the past one year, those in the agri-

cultural and small scale industries sectors may absorb Rs. 200 crores in a year while procurement operations with a continuance of the green revolution may result in a net increase in advances under this head by Rs. 50 crores. As the Government is also eager that banks should extend liberal support to new loans besides helping liberally State Electricity Boards and public bodies, the tightness in the money market can be relieved and an undesirable rationing of credit avoided only if refinance facilities could be additionally provided for Rs. 300 crores. As large quantities of fertilizers and pesticides are available and high-yielding seeds also are being multiplied on a commercial scale, the grant of credit for these purposes will not have any inflationary effect. On

the contrary if the small farmers were helped to use large doses of agricultural inputs the output of food-grains may increase substantially and inflationary pressures on account of heavy expansion of credit can be easily checked.

If along with liberal refinance, banks also made a successful effort to mobilise deposits of over Rs. 800 crores in the current year and Rs. 1,000 crores in 1971, the special assistance to the money market from the central banking institution need not be available beyond the middle of next year. If the peculiar problems arising out of a change in the pattern of lending are borne in mind there will be no disposition to complain that follow-up action had not been taken by banks after nationalisation. —(FOC)

I believe...

Nothing worries right thinking men in Tamil Nadu more than the recent decision of its Government to thrust the Tamil medium on unwilling students. A recent Government order seeks to "restrict the entry of children into the English medium sections of middle schools and high schools unless they had their primary education in English or were the children of Central Government servants or of persons whose mother tongue was not Tamil." Apart from the fact that such a restriction is discriminatory against the "excluded children", it will, in effect, shut out rural children from the benefits of the English medium even if they are eager to learn through it.

Much of the ire of the Government seems to be because of the unpopularity of the Tamil medium in private colleges. Fewer students have opted for it because their parents or perhaps the candidates themselves are convinced that, without English, they will have been kept out of an effective and growing stream of knowledge. The Tamil Nadu Government, on the other hand, seems to believe that Tamil and English can grow at the right

speed concomitantly and thus enable an enrichment of both the languages. Theoretically, their position is unassailable. But, in actual practice, things are unlikely to shape that fine.

A Midsummer Madness...

The Tamil medium has been with us for sometime. But can it be claimed that efficient translations have come out in every discipline of at least the minimum English masterpieces in each. The attempt at regimented translation and book writing through a group of academics working on a tight schedule over a short vacation period may, no doubt, have enriched them marginally through the payments for value of service rendered; it has not certainly enriched knowledge in Tamil of the originals in foreign tongue. While all other countries are seeking to expand their knowledge of English as their only window on what is happening in the world of knowledge outside and that too when they had previously no connection with that language—we are striving to throw overboard a valuable medium which is one of the most useful legacies of British rule. It may

look intemperate to say that this is midsummer madness; but a better term is, indeed, difficult to find.

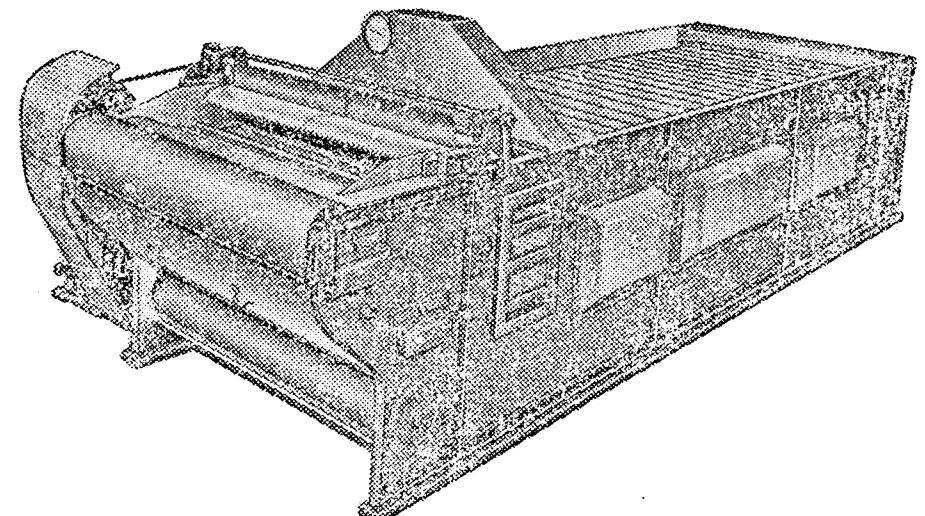
Besides, at a time when unemployment is mounting, the Tamil Nadu Government seems convinced that it can find employment for all its young men within the State itself. With Tamil medium, the engineer-graduate, the medical men and lawyers of Tamil Nadu cannot practise at any place outside their home State. Are job opportunities for them likely to be available in the expected dimension in the years ahead? The Education Minister of Tamil Nadu has ridiculed his opponents by asking how many of those already educated through the English medium are going abroad. He has clearly missed the point that this medium is sought for not merely for going abroad but for keeping men more usefully and efficiently at home as well. When English has already been with us and a large group of scholars in diverse disciplines are already there to receive and pass on contemporary knowledge acquired through foreign books in that medium, the pragmatic and discreet among us would not like to throw away these services in favour of translated junk in the mother tongue. —Horace

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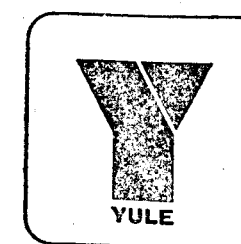


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The Wall Street Quiz

The recent slump in prices at Wall Street has given rise to a good deal of speculation about its causes and prospective course. To the extent that prices, after dipping by 35 per cent, had at last recovered there is no doubt now about the future course. But, since the price fall had lasted for nearly 18 months (since December last, to be accurate) there is considerable anxiety even now about whether the experience would not be repeated, if not now, at least some time in the near future when the "imponderables" would have begun to impact the market as heavily as they did recently.

Republicans, Bid for Business, Good for Wall Street

It is against this background that an enquiry into the nature of the "imponderables" has to be made as a matter of pragmatic necessity. The most plausible explanation is of course psychological. The science of economics, being on last analysis, the study of man and his motivation, the stock market should necessarily reflect like a sensitive precision instrument the tremulous nature of the working of the human mind, particularly in a period of crisis. The argument cannot afford to be taken too far. This is because the steepest price-fall of the kind witnessed at Wall Street is the consequence of panic and, in that state of mind, assessment of the reactions becomes well nigh impossible. Indeed, psychology, which is the bedrock of economic motivation, becomes an immeasurable variable and becomes as useless as a computer in the hands of neolithic or paleolithic man. That explains, however, the riddle why, despite the belief that Republicans are bad for business but good for Wall Street, the market had behaved so queer.

Yet it should not be difficult to find some explanation because panic is not the only guiding force. Taking panic

itself as the effect of certain causes, some market commentators have offered the explanation that the price fall is the result of a credibility gap, a lack of confidence in the ability of the Nixon administration to deliver the goods, at home or abroad. On the basis of this stance, the pick-up in prices is postulated as the result of some of the 'ifs' coming true and on schedule too. As one critic put it: "If the long hot summer is passed without serious trouble in the ghettos, if the summer vacation keeps the university campuses out of the news for a few months, if unemployment does not rise much above 5 per cent (it was 4.8 per cent in April), and if the Republicans do well in the November election, if the Middle East situation does not develop into a "class one" cold war confrontation between the superpowers, as some in Washington now fear"—everything should get all right soon.

An Escapist Explanation

This is a clever explanation, but there can be no denying that it is essentially escapist. The issue requiring clarification which it escapes from explaining is simply the gap between the market and the economy. It is here that a few comparisons have been instituted between the present recession and similar long-duration down swings of the past. It is pointed out in this connection that in the eight months between the peak and trough of the 1958 recession, industrial production fell by 14.2 per cent. Yet in the eight months since July 1969 industrial production fell by only 2.5 per cent. The price-fall being by 35 per cent, there has been a big gap between the market and the economy which, in all reason should be explicable in economic and not purely psychological terms of reaction.

The most credible explanation of this kind is that company liquidity has been eroded steadily over the

decade. In the five years upto and including 1969, companies spent \$193,000 million on new capital investment against \$110,000 million in the five years upto 1964. All the while the gap between retained profits and spending grew to about one-third in 1965-69. There was no increase in the cash assets of the companies. If there had been shortage of cash—according to one Wall Street comment, it would have taken \$25,000 million cash in 1969 to restore the liquid current assets situation to its 1964 level—the gap had to be bridged by new issues. New issues (long term) are reported to be topping to \$20,000 million in 1970 against \$8,000 million a year in 1964-65. Equity issues, which concern Wall Street, jumped to \$7,700 million from \$1,000 (\$2,000 million in 1966-67). The buying prop for the new issues had come from outside,—East Europe, Middle East and Far East. And it is these overseas buyers who had been responsible for most of the selling and, therefore, of the price fall in Wall Street.

Politics Dilly-Dallying into Economics

This seems to be nearer to reality than other explanations. But one cannot underestimate the influence of the anti-Nixon lobby in the U.S. In fact it will not be far wrong to say that Wall Street has been reflecting the anti-Nixon lobby in its own way. Steadier market will then depend on Mr. Nixon scoring some decisive success in Cambodia or in tilting the balance in the South East Asian Region sufficiently in favour of the United States to enable quicker and larger withdrawals of U.S. troops from Vietnam. Politics cannot long dilly-dally with economics. Which means that, if in the meanwhile, U.S. fiscal-monetary policy is able to achieve economic expansion without aggravating sectoral price-inflation, the economy will have begun to sail on an even keel, in the teeth of influential political lobbies, assuring a permanent or almost long-term return to sanity and sobriety. —S.R.

Recent Labour Unrest: How Expensive has Assuagement Been?

By S. NARAYANASWAMY

Two major strikes were staged in the State of Tamil Nadu in recent weeks. The first was in Neyveli Lignite Corporation, a Central Government undertaking and the second was in the State Electricity Board. In the case of Neyveli, over a period exceeding a year, indiscipline and continuous defiance of authority, deliberate humiliation of supervisory staff by workers without the former getting any support from the highest level of the administration, have been disconcerting features that had affected production and in turn, costs and in the overall picture, morale at the middle level. Leftist forces have been making substantial inroads and created many minor law and order problems in Neyveli that have eroded the sanctity of authority for some time. The agitation for an increase in wages or dearness allowances in Neyveli is a process of introducing horse-trading in which the management might be expected not to show too much resistance—they having shown little resistance to systematic defiance of orders by workers.

The increase in prices of articles of day-to-day consumption came in as a handy peg on which the Leftist Unions of Neyveli could conveniently hang their hats. The result was strike, violence and indeed intimidation of wavering workers; and unless environmental accounts of happenings are wholly untrue, a degree of terrorism prevailed in the area surrounding Neyveli. There is, therefore, an element of Sophoclean irony in the demand for an enquiry into Police excesses in handling the explosive Neyveli situation and in such an enquiry being conceded by the Madras Chief Minister, which we trust will bring out the truth about the exact extent of provocation provided for the action which Police did take.

Can the Centre Subsidise Neyveli for Ever?

What has been conceded in wages in Neyveli is no inconsiderable amount and will have to be reflected in the future cost of electric power contributed to the Madras Electricity grid system, the cost of urea fertilizer and the manufactured cost of Leco which is briquetted there and the cost of lignite to be supplied to the Salem Steel plant when that comes along. There is no escape from building the higher cost of Neyveli operations into the energy it generates or the goods it manufactures, unless Central Government decides to subsidize Neyveli's operations and throw a fresh burden on the tax-payer.

More and More Persons Doing Less and Less Work

The State Electricity Board strike has been staged and terminated. Increments granted to a salariat of 70,000 persons, who might easily constitute the aggregate strength of the Secretariat of a country in Continental Europe, has so far exceeded Rs. 4 crores. The Tamil Nadu Electricity Board has not exactly been dripping with prosperity. Its finances, like those of several sister Electricity Boards, have been in disarray for some years. Such companionship, in distress has instilled a lot of courage to bodies that have suffered from steady deterioration in their finances. The reasons are simple. Cost of new hydel installations have been high. Cost of new thermal stations and operating costs thereof, are a twin headache—particularly for coal-distant States. Maintenance and replacement costs have escalated substantially. There has been proliferation of staff beyond economic requirements. It is the old disheartening tale of more and more persons doing less and less work.

Power Tariff & Rural Votes—An Intimate Link

More than all these, we have the subsidy on rural electrification and agricultural pump-sets by the Board. It is absolutely true that agriculture has prospered through supply of electric energy, which helps ground water to be pumped to the surface and used for irrigating otherwise parched land. The quantum of foodgrains and cash crops produced by pumping of underground water to the surface, has been colossal and in the so-called dry districts like Coimbatore, Salem, Ramnad and North Arcot, this has been a tremendous stimulus to agricultural activity.

But today, the supply rates of power to agriculture, because of the political overtones they have acquired, have become a topic you cannot discuss with Government. Agricultural power rates and rural votes are linked up intimately and those who run governments at State level, do not believe that the former can be monkeyed with, without losing the latter. Indeed Tamil Nadu took the courage recently to make a change and we had some kind of organized Satyagraha sponsored by District Agricultural Associations. How long can State subsidize the agriculturist? Perhaps, so long as agricultural prices are low. Are they low presently? Can the cane-grower, the groundnut grower, the cotton or tobacco grower or the castor seed grower maintain that his price recoveries are such as to warrant his demanding subsidized electric power for a further indefinite period? There are cash crop growers who make more money in agriculture than their brothers make in industry. I have seen this phenomenon testified to by persons who were both in agriculture and in industry, though I do not believe this has pervasive appli-

cation. Every Electricity Board Member or Chairman in the country I have met has told me that agricultural power has been and continues to be the Achilles heel of power economics; and this source of all Power Board losses and has incidentally prevented the Boards from having a more rationally conceived tariff for power supply to industries in the States.

A High-Rate of Industrial Tariff

The Tamil Nadu Board will have to do a re-hash to their tariffs in order to increase their revenue and to balance their budget which has increased their expenditure commitments by over Rs. 4 crores. Their industrial power supply tariff is the highest in India already and is acting as a deterrent on industrial promoters from outside. Indeed many West

Bengal entrepreneurs who want to start substitute industries outside their troubled State, have preferred Mysore—where the tariff of power rates is advantageous to them, apart from having some odd advantages. Indeed Tamil Nadu Government is already thinking of a lower table of industrial power rates, that would act as an incentive to non-State entrepreneurs and have appointed an expert panel to make recommendations. It is doubtful if anything will be done to reduce rates after the additions recently made to the overall outgoing in wages. But it would be disastrous for Madras to raise industrial power rates, merely because they are unable to make the agricultural user pay more for their farm power. Indeed it is on the cards that the Electricity Board is caught like the Classical Greek ship between the Scylla of an agrarian community that declines to pay more

Reducing Railway Losses ...

In a conference of the General Managers' of the Zonal Railways and Railway production units, Mr. G. L. Nanda, the Union Minister for Railways, Mr. B. C. Ganguly, the Chairman of the Railway Board and Mr. G. S. Sundararajan, the Financial Commissioner, all brought out the high costs of operations which limited the scope for economy and made annual losses virtually unavoidable. Mr. Nanda pointed out that, as against an annual loss of Rs. 36 crores on an average during the last 4 years, his Ministry is aiming at a saving of Rs. 13 crores by the end of the current financial year. Economy will be sought through the prevention of ticketless travel, of pilferage and theft and prompt settlement of claims. The main difficulty of the railway administration lies in the fact that as much as 58 per cent of the railway expendi-

ture is on staff and the prices of coal and iron and steel have gone up steeply during the last 20 years. While the average per capita emoluments of railway employees had increased by 132 per cent and the price of coal and iron and steel by 145 per cent and 167 per cent respectively, the average rate charged per passenger-kilometre and the rate per tonne-kilometre of goods have risen only by 68 per cent and 60 per cent respectively. While thus the labour policy and the pricing policy of the Government have created an enormous rigidity in the railway budget, the railways are also sustaining large scale losses on account of pilferage in station yards and carriages and large scale rioting in support of some allegedly popular cause or other. In this respect, the State Governments' share of the blame is far greater than that of the centre's. —PRS

for pumpset power and against whom the political party in power in the State dare not lift their hand, for fear of losing votes and the Charybdis of an industrial tariff that is already high enough to frighten new industrial promoters. Raising this tariff will only drive entrepreneurs into the arms of neighbouring States that have the good luck to have 100 per cent hydel power generated at naturally lower cost and the further good luck to have a surplus from out of which they make sales to Tamil Nadu presently.

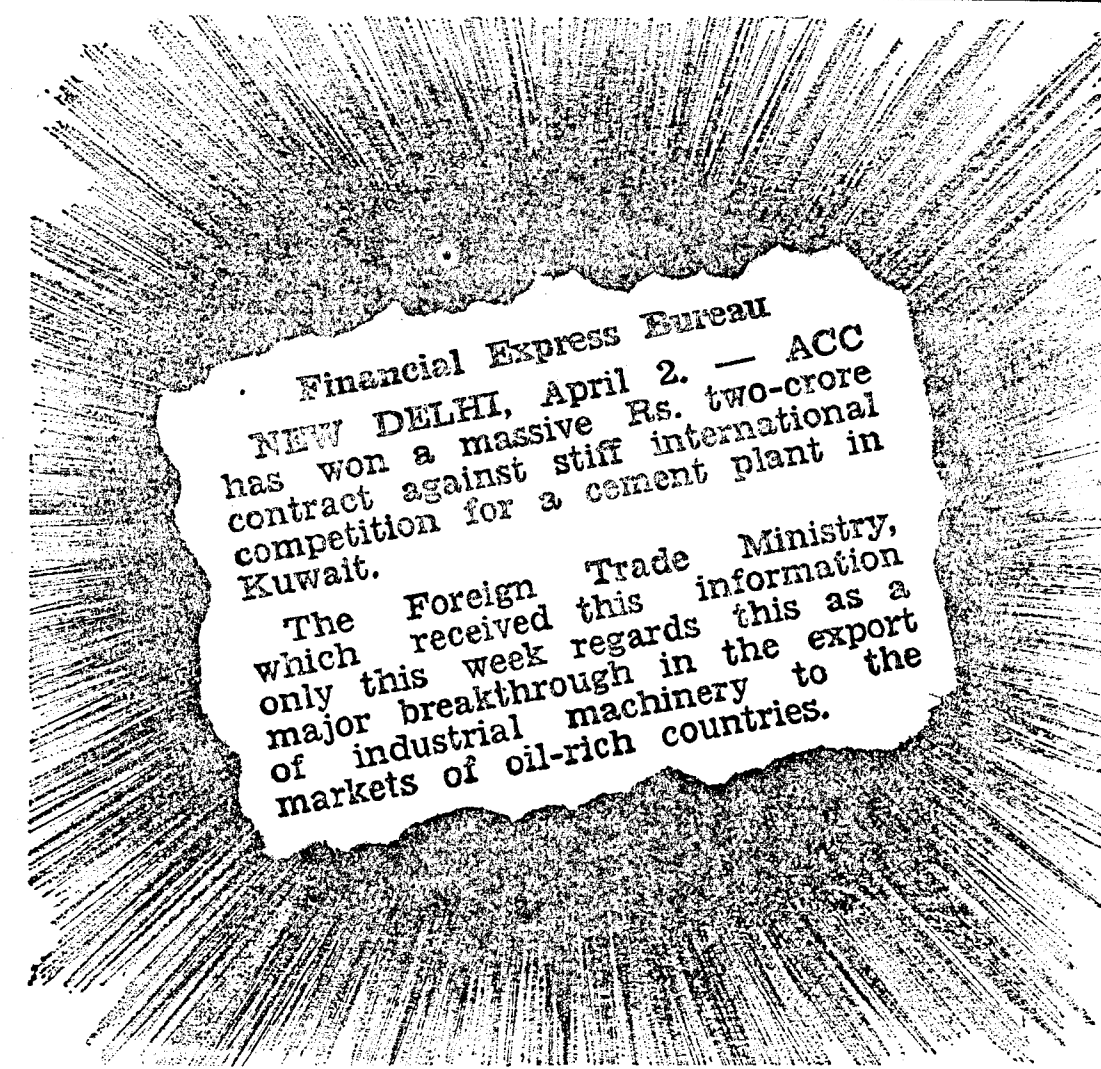
Why Should the Boards Not Work on Commercial Lines?

The very object with which Electricity Boards were created were to isolate them from political pressures of State Governments and to ensure their operating on commercial lines; that is to say that they bring a return on the colossal investment made and help the State Budgets with their surpluses and help to pay interest on loans and repay loans taken from the public. The first object went with the wind long ago and the Electricity Boards are the parlour maids of State Governments and there is little point in discussing it. But why should Boards not work on commercial lines, in the long-term interests of the State and its electrical development? Should they become supplicants for subsidies, grants and loans year after year? Somebody must, therefore, have a good look at the economics of electricity generation and distribution—beyond the level of Secretaries and their understudies, if we are not to slip down the precipice of basic solvency.

There is reason to suspect that there was inadequate appreciation of the already-straitened finances and state of budgetary imbalance of the State Electricity Board, by those who made a magnanimous gesture towards the striking Board employees, which has the effect of punching further holes in a ship that is already suffering seepage through its hull.

INDUSTRIAL ECONOMIST

ACC WINS KUWAIT CONTRACT



- ★ Rs 1 crore foreign exchange will accrue to India out of the Rs 2 crore project.
- ★ Eighteen other internationally reputed Companies competed.
- ★ International recognition of Indian technology in design, fabrication and installation of plants.

THE ASSOCIATED CEMENT COMPANIES LIMITED

everest/946 r/ACC

Net Cost of Bank Acquisition only Rs. 65 Crores

The Central Government has distributed expeditiously the compensation due to the banks whose business was taken over by the Government. Ten banks have received their compensation in the form of 5½ per cent 2,000 long-dated securities while two banks, Allahabad Bank Limited and Indian Overseas Bank Ltd., have got the first instalment in cash, having opted to receive the compensation wholly in cash. The first mentioned institution has perhaps decided to receive payment in cash in order to help the Government to stagger the repatriation of foreign exchange as the equity capital is held by Chartered Bank and other overseas institutions. Indian Overseas Bank Limited has thought it advisable to get paid in cash to avoid the problem of cashing securities and it was also felt that there might be some advantage from the point of view of taxation. The remaining two banks, Punjab National Bank Limited and Union Bank of India Ltd. have elected to receive payment in cash to the extent of 75 per cent of the equity capital and the balance in securities. The cash amount was Rs. 1.50 crores in the case of Punjab National and Rs. 93.75 lakhs in respect of Union Bank of India.

Cash Payment Negligible

The Government has thus been obliged to pay only a small part of the compensation in cash and the remaining portion of over Rs. 80 crores has been disbursed with the issue of securities which meant for the time being, only an addition to the public debt. No serious strain has therefore, been felt on the ways and means position. Besides, even if all the institutions decided to encash their holdings of securities, about 30 per cent will go to the Life Insurance Corporation and Unit Trust of India. These two institutions have expressed a desire to receive

their share of compensation in long-dated securities and there would be, therefore, encashment at the outside limit for only a little over Rs. 60 crores. Besides the net amount of compensation may be considerably less as it has been roughly estimated that about 15 per cent of the total compensation will have to be paid to the Government as tax on capital gain. It is not also known what will be the tax liability of individual shareholders and when they receive payments from banks. It is likely that the shareholders too will be assessed in respect of their capital gain though the position in regard to the distribution of tax reserves is not clear, and whether the companies concerned would be obliged to deduct tax at source on this portion of compensation. Since the shareholders can claim refund it would not be incorrect to assume that about 20 per cent of the total amount will go back to the Government in the form of taxes and net cost of acquisition for the latter will be only about Rs. 65 crores. The investment will indeed be worthwhile and the nationalised banks were having a net profit of over Rs. 7 crores, after taxation and bonuses. It is needless to say that these earnings will increase with the growth of deposits and advances.

Shareholders Anxiety

While the Government is in possession of the assets of the nationalised banks and since the date of acquisition deposits have risen by Rs. 600 crores and available resources have been fully employed, the shareholders of the erstwhile banks are wondering what will be the procedure adopted by these institutions and how soon they can hope to get their share of compensation. Apart from the delays that will be caused by the need to observe formalities and anxiety of the managements to understand the im-

plications relating to tax liability, some institutions are proposing to undertake other forms of activity.

A New Venture

It has been disclosed that Central Bank of India Limited is anxious to undertake merchant banking besides other forms of activity including shipping and catering. A new company styled Central Industrial Development and Financial Corporation of India has been formed for this purpose. The shareholders of the Central Bank will be offered the option to convert their holding of equity shares into those of CIDFC at par. It has also been stated that dissenting shareholders could sell their holdings to a special agency which will be created for acquiring them at Rs. 75 per share of Rs. 25 fully paid. The agency will be allowed to convert its holdings acquired at Rs. 75 per share in the equity shares in the ratio 1 share for every equity share of CIDFC. This scheme will have to be approved by the shareholders before being implemented. The Life Insurance Corporation and Unit Trust of India hold between themselves 26 per cent of the equity capital. Any scheme cannot, therefore, be put through without the consent of these two institutions. The Unit Trust of India may probably decide against selling its holdings to the special agency as it is not liable for any taxation. But the L.I.C. may find it advantageous to accept the offer. If the latter agrees to receive payment at the rate of Rs. 75 per share and all other shareholders accepted the scheme or sold their shares to the special agency the proposals can be implemented notwithstanding the dissent of Unit Trust of India. This is because any scheme can be implemented only if 90 per cent of the shareholders signify their consent. The position will

become clear after some weeks, but the management is very keen that the company should continue to function although carrying on other forms of business. In order that the shareholders should not be obliged to wait for a long time to get their dividends it has also been proposed that the interest income derived from the compensation amount should be distributed as dividend, the amount suggested being Rs. 5.50 per share.

Only in the case of Central Bank has any scheme for undertaking new activities been proposed and it is not

known whether other institutions will decide to remain in business or going into voluntary liquidation. From present indications it appears that the shareholders will have to wait for a long time to get their share of compensation even though the Government has discharged its obligations with commendable expedition. When the ordinance was first promulgated in July last year the intention was to make sure that the small shareholders were not affected by delays in valuation of assets or other procedures and that they should even be paid directly

their share of compensation. The happenings in the past few months are common knowledge and now only the affected institutions can receive the compensation as their corporate entities exist and they are free to transact and enter any business including banking. Many enterprising directors are keen to take up some form of business. There should however be quick decision in this respect as small shareholders will be unnecessarily penalised. The Government can help the institutions to arrive at quick decisions. —(FOC)

Bottlenecks in the Farm Equipment Industry

The green revolution has enhanced the importance of the role of the farm equipment industry. The situation on various items of farm equipment varies considerably. There are tractors which are in short supply. As for harvesting machinery like combines and reapers, they are yet to be introduced and for which manufacturing capacity is yet to be established. The Indian farmers are now aware of the power tillers but such an item calls for considerable pioneering efforts and specifications have to be developed for conditions here. And there are pumps and engines which are readily available and for which competition is severe.

A committee, set up by the Indian Society of Agricultural Engineers under the Chairmanship of Mr. B. K. S. Jain has made a study of the various problems facing the farm equipment industry in a bid to identify the bottlenecks in the industry. As has been pointed out in the Report of the Committee, by 1973-74, the Indian farmer is expected to invest over Rs. 500 crores every year in farm equipment in-

puts. The industry should, therefore, be viewed in this perspective.

The study, based on personal interviews and a limited survey, points out that the supply position of ancillary items has not been satisfactory. For instance, though there are three manufacturers for fuel injection equipment the entire industry depends on one major manufacturer. There are reports about difficulties in the further expansion of this manufacturer. If this is to be so, increase in production of tractors and engines will be greatly hampered.

Manufacturers of pistons, rings and liners have problems of procurement of vital raw material such as pig iron, aluminium alloy, gudgeon pin steel, circlip steel and steel for duaflex ring. In fact most of the other manufacturers have some difficulties in procuring the necessary raw material.

The report has drawn particular attention to shortages in steel. Farm equipment industry should be given priority in the allocation of indigenous

steel and pig iron, which have become scarce.

The report also carries extracts of criticism and suggestions offered by some of the manufacturers. A telling comment of a small scale manufacturer of implements is worth noting. He says: "In spite of so many agricultural universities, research stations and other facilities available with Government, no designs or blue-prints on modern implements are released for mass production. No check on the quality of goods; quality deteriorates every day due to competition. Payments due from government departments are abnormally over-delayed upsetting entire working. Because of this, working capital gets blocked. Banks do not advance further working capital and production cost goes high. Much energy and money are wasted in contacting government departments for getting quotas fixed for short supply items. On top of all this, the supply of material is most uncertain."

Though, the problems of the farm equipment industry are generally known, the report has brought to light the specific difficulties of this sector.

Glimpses . . .

Linen Washing in Ripon Buildings

The frank confession of the Commissioner of the Madras Corporation about his helplessness in the face of the unprincipled interference of the Central Committee of the Council with his administrative control over the subordinates must serve to wake up the Government and the public, not to speak of the more responsible elements in the Municipal Council, to one of the major causes of inefficiency in the management of our civic affairs. There had probably been no other instances of such blatant invasion of the rights and powers of the Chief Executive Officer of a Municipal Council. But it is well-known that, not only in Madras, but in many cities as well, the political party or other group which enjoys a majority in the Council always tries to throw its weight about and disable the executive from enforcing discipline on the staff and raising its integrity and efficiency. In spite of small differences in that relevant legislation, the executive power for carrying on the administration is invariably vested in the Chief Officer. But almost equally invariably, the Chief Officer has his task cut out in resisting the pressure groups and vested interests well entrenched behind monopolies of various kinds. The nature of work that the majority of municipal employees have to do is also such as to give the greatest facility for the employees engaging themselves in other lucrative work while drawing their wages from the municipality. Where these evils are old and deep rooted, the task of mitigating them will leave little energy in the administrative head for doing positive good. While all this is only too familiar, it is something new that the central Council should reinstate in service men who have been dismissed by the Chief Executive Officer after they have been found guilty

of serious offences. It was not long ago that such shortcomings of the municipal administration were aired in the Legislative Council by Dr. Lakshmanaswami Mudaliar. And it is time that the strength of public opinion is unmistakably lent to the Chief Executive Officer in this normally unequal contest with the Central Committee of the Council.

Ceilings on Urban Holdings

The pressure which the ardent leftists in her following has been exerting all along on the Prime Minister for more and more measures aimed at the propertied classes has apparently forced her to take up the problem of imposing ceilings on urban holdings. It is well known that a Committee which went into this question some time ago found it bristling with so many practical difficulties that its report had for some time a sobering effect on the advocates of such ceilings. What seemed to that Committee the most serious of these difficulties was that a large proportion of the urban property which would come under the scope of the contemplated legislation was owned by big companies and business corporations which had an undeniable need for such holdings that the necessary exemption would deprive the Act of much of its practical importance. Something similar may be said of the holdings of joint families, since the treatment of all the members as one for the purpose of the ceiling would be a palpable injustice. The Government has also to think of the effect of the proposed ceiling on building construction, if those with large capital should shy away from this activity. When all the exemptions are made, the Government have to consider the uniformity of conditions in the different urban areas in the country. Official circles seem to hold the view that the

centre has no powers under the constitution to impose ceilings on urban property, though it may be within its rights to tax such property or regulate transfer for it. It is more than doubtful whether model legislation drawn up by the Union Ministry for the State Governments will be sufficient to secure the quality of conditions necessary for healthy growth. The obvious alternative is for the Union Government to secure from the State Governments a specific delegation of powers in this regard. But the States are inclined to cut the powers of the Centre, not to add to them.

The Language Muddle

The pursuit of incompatible objectives has long been the bane of public policy in this country. It has led to premature measures of reform in the economic, political, educational and even social spheres of life. They not only hold up progress but even cause positive set backs. But in no sphere is such a policy more detestable and dangerous than in the education, since it stunts the mental growth of the rising generation. The fall in educational standards and attainments, which as all have readily admitted, must be attributed, largely to the conflicts and contradictions of the steps taken in the language policy of Central and State Governments alike, and particularly in regard to the medium of education in schools and colleges. Out of unquestionably political motives, the Government of Tamil Nadu recently issued directives to the heads of educational institutions to deny English medium to a preponderant majority of pupils in the State. At the same time, ironically enough, the Vice-Chancellor of the University of Madras, publicly stated that the University Library did not, in spite of a liberal financial grant of Rs. 3000/- for the purpose, add a single volume of Tamil publication during the last one year. He also stated the reason, that the authorities did not find a single work in Tamil worthy of purchase to

the University library. The implications of this damaging fact seem to have been altogether lost on the Minister for Education. But other popular leaders have woke up to this fact and Dr. A. Krishnaswami demanded an immediate rescinding of this order. Apart from other considerations his main objection to the Government order is that it is flagrantly discriminatory, since the order imposed the Tamil medium on thousands of college students, while parents and students should have freedom of choice in regard to the medium of instruction. There is no doubt that if the option were given to them, more than 90% of them would have chosen the English medium which, in spite of its apparent unsuitability in the earlier stages, is indispensable for providing adequate mental nutrition, for the pupils. Whether it was in anticipation of this reasonable public demand or by the disclosure regarding the purchase of Tamil books by the University Library, the Department of Education has revised its instructions to secondary schools on the admission of pupils to English medium classes. The children of parents, whose mother tongue is not Tamil, or who are liable to transfer to other States, and pupils who have already been taught in the English medium are the first to be put outside the scope of the earlier order. For the admissions, it would appear, are to be dependent on the vacancies available and in such cases the prior approval of the District Educational Officers has to be obtained. The discriminatory nature of the order and the refusal to admit its essential unreasonableness still remain unaffected. One hopes that the Government would soon overlook the indignity of a complete, though orderly, retreat from previous stand. One argument at least should appeal to them, that every reduction in the importance of English will be an yielding of fresh ground to the Hindi fanatics.

The Alphabet of Life

With the announcement by the

Indian Scientist Dr. Har Govind Ghorana, that he has accomplished the first total synthesis of a gene, the genetic revolution which began in the 'forties with the discovery of what is called D.N.A., has taken a significant step forward. It is only last year that Dr. Khorana along with Dr. Robert Holley of Salk Institute won the 1968 Nobel Prize for deciphering the genetic code. The production of a gene in a test tube by artificial means by combining simple organic chemicals may make it possible to correct inherited diseases like diabetes, though practical application of the new discovery may still be a long way off. Genes, which are molecules of D.N.A. and which are found in a cluster of 150,000 in chromosomees in the nucleus of every human cell, are said to be the chemical letters of the alphabet of life, suggesting the possibility of a press that can print out people and other forms of life. The D.N.A. contains the 4 chemicals that hold the instructions to the cell for the shape of the nose, the sex, in fact, everything that makes for the individuality of the individual of each species. It is still a mystery, as to what makes a brain cell or eye colour. In spite of an understandable hesitancy to predict the developments which his discovery may lead to, Dr. Khorana has said that it might eventually permit scientists to manipulate the biology of a living system. It is possible therefore that genetic engineering may more than catch up with the social engineering attempted with such faltering steps, by the collectivist nations.

Dr. Alexis Carrel in his *Man the Unknown* raised doubts about the wisdom, even more than the practicability of selective breeding. With social engineering beset by doubts and difficulties of various kinds and the survival of the race threatened by the nuclear bombs, it may be said that the high hopes raised during the last one century about the human race entering into effective control of its social destinies have suffered a decline in the minds of thinking men. But the breaking of the genetic code and the artificial

production of genes might well mean that in some not-too-distant future genetic engineering and social engineering might combine forces to produce astounding results.

Perverse Application of Monopolies Act

With the coming into force of the Monopolies Act, the Government would be eager to implement its principal provision for preventing the growth of economic power in the hands of industrial houses. The chief instrument of this warfare against big business is the denial of licences for new units to the large industrial houses, the term being defined in relation to the total assets of each house. Under the Government's industrial licensing policy announced last February, these licences are to be denied to those groups of industrial units whose total assets exceed Rs. 35 crores. At the time of the Monopolies Inquiries Commission, only 20 houses were estimated to have assets over the stipulated border line of Rs. 35 crores. Since then, eight other houses, amongst whom are found such reputed names as Kasturbhai Lalbhai, Macneill, Barry, Binnys, T.V.S., Mahindra and Mahindra, Kirloskar and Parrys, are said to have qualified for the ban on fresh licences, since their total assets are now said to have exceeded the Rs. 50 crores mark. Obviously, it would be extremely discriminatory to overlook the growth of these industrial units and to treat them as if they are eligible for new licences in common with unknown small units. Whether the Government should carry out a frequent revision of this list or stick to the original one, there is no doubt that the policy of shutting out the leading industrial houses from the sphere of new enterprise will cost the country dearly in this unquestionably critical phase of our industrial development. Sooner or later, the Government must wake up to the fact that the policy of stunting the growth of just those houses which have the greatest potentialities for it would be indefensible and that the policy will

call for considerable modifications. Already, a study carried out by a U.S. Team into the prospects of our foreign trade has stressed the need for exempting the big industrial houses from the scope of the Monopolies Act at least for the purposes of our export trade. These industrial units have to be credited with so large a percentage of our exports that to impose restrictions on them would mean a wanton waste of the opportunities of expansion that have opened out in recent years.

Phenomenal Progress of Philips

The story of progress of Philips India Limited in the past decade reads like a romantic tale as it has been increasing its turnover at a phenomenal rate besides diversifying its range of production in an amazing manner. The growth in sales of radios, transistors, incandescent lamps, fluorescent tubes, lighting fittings, electronic equipment and special equipment for the Defence Services and the telephone systems provides an indication of the appetite that the economy can develop under new circumstances. There has been a virtual explosion in demand for many pro-

ducts and in 1969 it was possible for Philips India to raise sales of its own manufactured products by 20 per cent. The factory at Kalwa for producing lamps worked at full capacity while a new unit is under construction in the Pimpri industrial estate. After its completion, the manufacture of radios and transistors will be concentrated at Pimpri. The existing factory at Loni in the same area will devote itself mainly to the production of electronic components. The new Pimpri factory will also take up the assembly of T.V. receivers at the appropriate stage. The Government has approved an increase in the capacity for manufacturing radios. Also, glass-shells will be produced in larger volume in the latter half of this year, leading to a considerable saving in foreign exchange expenditure. The process of import substitution is also being completed in respect of piece parts so that indigenous production can be stepped at will.

The management is not resting on its laurels as a new unit for turning out electrodes was commissioned during the year. It is also proposed to turn-out record players and tape re-

corders and in the years ahead many new schemes may be taken up.

The sustained increase in output and sales has enabled the company to absorb a good portion of the increase in costs on account of dearer raw materials and components and a higher wage bill. The shareholders should be particularly gratified over the working results for 1969 as the dividend on the equity capital has been raised to 23 per cent gross from 20 per cent gross for 1968. What is more, about 35 per cent of the dividend will not be subject to deduction of tax at source. The payment of a higher dividend, in the face of the decision to issue bonus shares in the ratio of one share for every two shares held has special significance. There may not be a proportionate reduction in the percentage of dividend on the increased capital. The Controller of Capital Issues has given his consent to the issue of bonus shares by the company and the shareholders also have ratified the decision of the Directors. The spectacular growth of Philips in the post-independence period has thus been of great benefit to the country's economy besides being highly rewarding to its shareholders.

Price of the Green Revolution

Among the latest assessments of the green revolution, Mr. Lester Brown's deserves close perusal. Mr. Brown was appointed head of the United States Department of Agriculture at the age of 32 and played a key role in the implementation of U.S. policy relating to the development of the new farm strategy in developing regions. He is now the Senior Fellow of the Overseas Development Council of which Mr. Eugene Black, former president of the World Bank, is the chairman. In his recent book "Seeds of Change—The Green Revolution and Development in the 1970's," he has analysed some of the critical problems that have been thrown up in the course of the adoption of improved farming practices by developing nations.

A Cornucopia or a Pandora's Box ?

There is considerable room for scepticism about whether the green revolution is cornucopia (the horn of plenty) or Pandora's Box. That the latter may be a correct description is indicated by some of the difficulties associated with the pick-up in farm production. On the one side, there is the widening gap between the prosperous farm belts (adopting the new techniques) and the other, vast cultivated tracts outside that periphery. This is not a peculiarity of India alone. In Mexico, for instance a third of the rural population lives in areas where farm mechanisation is negligible, fertiliser is still a novelty, farm wages lower and literacy equally lower. In

Turkey, with the introduction of dwarf wheat in the high rainfall coastal lowlands, production has doubled leaving the dryland farmer in Awatolia in even worse circumstances than he is now. In India, this disparity is sought to be corrected through organising small farmers' development agencies in over a hundred pilot districts scattered all over the country, with a view to encourage this large group of farmers to take to new methods of cultivation.

The Rift Between Town & Country

The more serious problem is the rift that develops between the town and the country. Since the days of Lenin, the Russian Government has been anxious to keep good relations between town and country, the urban worker and the rural farmhand. This head-

ache becomes more oppressive in India under the compulsions of the revised agricultural price policy which is needed to meet the needs of the evolving farm situation. As new technologies heighten expectations among farmers and city dwellers alike, food prices are likely to become a tendentious issue. "If price supports are set too high" says Mr. Brown, "they may provide production incentives and higher incomes to farmers, but at the same time they will create social discontent among city dwellers whose food costs will rise. If supports are set at a lower level, most of the cost benefits of new technologies will be passed on to the consumer, but the farmer may be unable to afford the inputs needed to exploit the seeds." This dilemma has got to be solved, however difficult the exercise. There is no gainsaying that so long as food shortages persist, rural areas will be the principal beneficiaries, but the time is not far off when the shortages will be eliminated; and bounteous harvests could be deemed to be a blessing only if export channels are viable. To the extent there are mental reservations among the developed countries, world prices for primary products may continue to dip.

Is Buffer Stocking Costly ?

This is a point which can bear any amount of reiteration, particularly because, even in usually knowledgeable quarters, there is some amount of very facile thinking on this question. For instance, addressing the Golden Jubilee meeting of the Associated Chambers of Commerce and Industry, Mr. L. K. Jha, former Governor of the Reserve Bank, referred to the advantage of building a buffer-stock in foreign exchange taking advantage of bumper harvests. Mr. Jha observed: "Buffer stocking operation is a costly one. It locks up resources and there is a carrying cost without any rate of return. It requires storage space and there is the risk of losses due to various factors, if shortage is prolonged. A possible alternative is to export the surplus and keep a buffer stock in the

shape of foreign exchange for meeting sudden and temporary shortages." His argument was that foreign exchange constraint has caused postponement of imports until the time when they have to be allowed and at higher prices too. A ready fund of foreign exchange could avoid these costs. But the difficulty with a buffer stock in grains is that it will fetch lower prices and induce a depression of world prices when countries with heavy surplus to sell (like India and Japan) begin to unload their stocks. The loss will be double when need arises, in the future to buy from the world market to meet a casual grain deficit at home, for buying prices have always been higher than selling prices (not to mention that the selling prices are lower by 30 per cent when compared with home prices). The benefits of plenty have therefore to be canalised in buffer stocks in such a way that the stocks are not too heavy because the flow from them is too small. Mr. Brown does not discuss this issue; but the points discussed above have to be treated as *obiter dicta* valid in the Indian background.

Farm Mechanisation & Marketing

The other questions touched by Mr. Brown relate to farm mechanisation and marketing. While speaking of mechanisation, he disabuses the impression that the process will render farm labour surplus when computerisation in industries will be belching out surplus labour. He says that the intensive agricultural practices will themselves call for more workers—for preparing the seed bed, applying fertilizers, spraying pesticides, etc. He points how in northern India and West Pakistan, where the high yielding wheats are catching up quickly, seasonal labour shortages have been aggravated. A 1969 survey cited in a report of the U.S. Agency for International Development shows that "the cash outlays for hired labour needed to produce the new rices are roughly double the outlays required for local rices. A scattering of data from several countries indicates that

total labour requirements, both family and hired labour, are from 10 per cent to as much as 60 per cent greater with the new seeds, depending on local growing conditions and labour costs." And with the prospective development of agricultural business associated with the production and servicing of farm implements, there will be a net increase rather than decrease in job opportunities in rural areas. Of course the Indian Government, in its present ideological mood, may not like to encourage the formation of multinational corporations, as in U.S. and Europe, for easing availability of farm machines and tools. But the reluctance will go automatically when bumper harvests in quick succession involve more and more farmers in the green revolution.

Even if decisions on mechanisation can bear some postponement, there can be no delay in reorienting our outward marketing procedures. One way of measuring the gap between India and U.S. in grain marketing is to compare the techniques adopted in the two countries. Both countries have the same area of cropland, roughly 340 million acres. On this land, India has 60 million farmers, nearly all of them producing grain. The U.S. has three million farmers, of whom perhaps two millions are grain producers. In India grain changes hands in small quantities, with the buyers feeling, smelling and sometimes tasting the grain. In the U.S. quality is scientifically graded and frequently those who are buying the grain do not even know where it is located, only where it is to be delivered. Above all, Indian marketing is mostly attuned to canalising imported grain. The channels for distribution through a network traversing every part of the country is only slowly being built up. A quickening of the pace here with improved facilities for bulk handling, grading and quality control can alone ensure that the plenty arising out of the green revolution does not become a costly embarrassment. All these are part of the price which has to be paid to keep the green revolution useful and enduring. —R.S.

Let Trade Grow on a Multi-lateral Basis

There has been a phenomenal growth in Indo-Soviet trade and even in 1969-70 when it was found difficult to step up exports due to a decline in the value of exports of traditional items and a shortage of engineering goods, exports from India to the Soviet Union rose by Rs. 22 crores against the increase of Rs. 52 crores in aggregate exports. Other countries in the East-European block accounted for another Rs. 12 crores indicating that only Rs. 18 crores was the share of the rest of the world. A larger volume of exports of steel products, storage batteries and other non-traditional items were responsible for the rise in the value of exports to the East-European countries by 15 per cent when the growth in all exports was less than 4 per cent. Indeed, in the case of Russia the target of Rs. 169 crores was comfortably exceeded, the estimate being Rs. 118 crores. For 1970-71 trade will be at a new high level of Rs. 300 crores and there are indications that this goal will be easily reached as a team of Soviet experts will be visiting this country in the next few weeks to explore the possibilities of closer collaboration.

But what is the significance of all these developments at a time when it is becoming clear that the growth rate of 7 per cent in exports can be sustained only if there was a higher level of indigenous production and export-oriented industries were deliberately started? In this context the suggestion that Russia might modernise the Government-owned large-sized shoe-making factory at Kanpur for meeting its requirements may contribute to an increase in exports. Several new ventures will have to be started apart from stepping the output of steel in the public sector to rated capacity if the bottlenecks in the way of engineering goods export are to be eliminated. The Union Minister for Foreign Trade, Mr. B. R. Bhagat is aware of the serious handicaps of enterprising exporters and has even

been suggesting that consumption within the country should be restricted for maintaining the tempo of exports. On the other hand the Union Ministry of Steel and Heavy Engineering has been insisting that there should be a curtailment of exports of steel for preventing an undue rise in prices in the open market and enabling the engineering industries to fulfil their orders without hindrance. It has been suggested that there should be liberal imports of scarce categories of steel not only for export purposes but also for meeting the needs of the automobile and other industries. The adjustments can be easily carried out if fertilizer imports were drastically reduced and there was also a buffer stock of raw materials and components for executing export orders by acquiring short-term credit in foreign exchange.

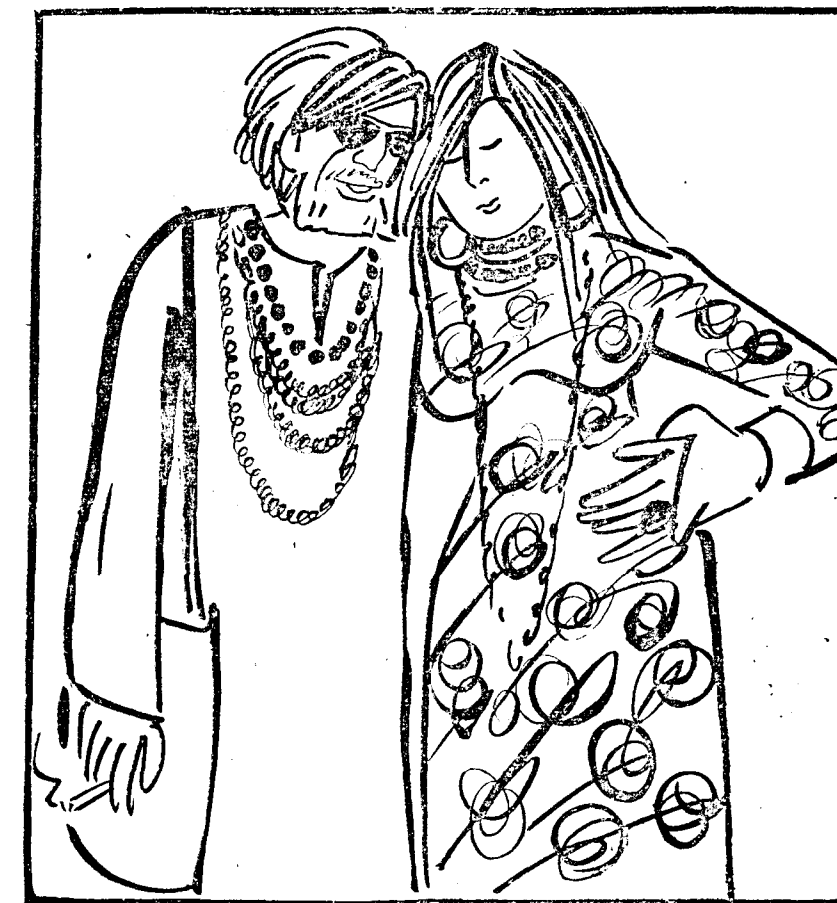
Lucunae in Bilateral Agreements

These developments would clearly indicate that exports can be increased to the desired level only if there was an increase in internal production and surpluses were created. It can, therefore, be very well asked whether at the present moment it would be worthwhile to develop more intimate bilateral relationship when there are good opportunities for earning sizeable sums in free foreign exchange and effect our purchases of critical raw materials and components from cheaper sources. There is, no justification in bringing about a forced change in the pattern of foreign trade as it may well happen that the export surpluses may not be available after meeting bilateral commitments when efforts are being made to develop closer trade relations with Western Europe, Japan, U.S.A. and the Latin American countries. If the wagon deal with Russia is also finalised there will be the compulsion to buy more from their source. Since there has been a significant revival in engineering industries and even the idle capacity of the wagon

builders can be utilised with larger orders from railways and exports to other countries, it should be made sure that orders from Russia for supply of special types of wagons were accepted only on a commercial basis and it should be agreed that the foreign exchange required for purchase of steel and components from third sources would be made available by the buyer. As the developed countries are anxious to promote joint ventures and Indian goods are being accepted in larger quantities in the African and South-East Asian countries the time has arrived for promoting exports on the most advantageous basis. It is not now necessary to transact business on a rupee payment basis to the same extent as before and it would pay good dividends if the new problems were tackled intelligently and expeditiously. If the trends noticed in 1969-70 are allowed to persist, the share of the East-European block in total trade may increase to such an extent that it may result in a contraction in trade with other countries. There is also the complaint that increased exports to the Communists block have been reflected in re-export of the same goods from that block to other countries resulting in a denial of free foreign exchange to India. Serious notice must be taken of these developments in the present context and a careful analysis should be also made of the cost of purchases from various sources. There is reason to believe that sizable imports from U.S.A. and Russia are made on a costly basis, in the former case with the compulsion to use U.S. aid and in the latter case on account of the growth of total trade, as well as the use of Ruble credit. The lesson of the developments of the past two years should be carefully understood and the opportunities for conducting trade on a multi-lateral basis without specific commitments should be exploited as far as possible to maximise foreign exchange earnings and also their utility. —(FOC)

INDUSTRIAL ECONOMIST

BUT WE BELIEVE IN EXPOSING!



A life of gay abandon. The hippies like it that way. Cleaning and brushing isn't their way of life. Neither is blushing. For them no rules, no fences. Pity it is, all are not hippies. We have our rules and bounds. The rules and bounds of economic behaviour are what concern us. In the exposition of these and other facets of finance and industry are we engaged - We at

INDUSTRIAL ECONOMIST

11-B, Ramachandra Iyer Street,
MADRAS-17

State Borrowing on Sizable Scale

The schedule for borrowing by the Central and State Governments for 1970-71 will have to be changed because of the need for issuing State Loans earlier than usual and the maturing of a fairly large-sized general loan in October. Normally the Central Government goes through its borrowing programme and the States raise their requirement later every year in August or September. The loans of 10 State Governments to the extent of Rs. 47.26 crores call for repayment on July 15. It will, therefore, be necessary for the Reserve Bank to make an announcement about the terms of these loans before the end of this month as the lists will have to be opened on July 15 or slightly earlier in order to enable the holders of maturing loan to take advantage of the conversion term that might be offered to them.

Programme in 1969

In 1969, fifteen State Governments came on the market for raising Rs. 155 crores in 5½ per cent loans maturing after 12 years. Two loans, those of Maharashtra and Gujarat were offered at par while all other loans were issued at a discount of ½ per cent. The response was overwhelming as the Reserve Bank gave instructions that the nationalised banks should lend good support to the different loans besides converting existing holdings. The Life Insurance Corporation and other institutions also sent in subscriptions liberally and all the lists were over-subscribed. Total receipts were Rs. 184 crores. The government, therefore, decided to accept subscriptions upto 10 per cent in excess of the notified amount and there was even partial allotment in many cases in spite of this decision. The total amount accepted was thus about Rs. 170 crores while there were maturing loans for Rs. 89.63 crores. Net borrowing was thus of the order of Rs. 80 crores.

Brighter Prospects in Current Year

A similar procedure will naturally

be adopted on the present occasion as well and the State Governments need not be worried about raising their requirements or be compelled to adopt practices which were pursued in earlier years when there were forced subscriptions by individual investors and the loans were voted substantially lower in the open market due to distress selling. The conditions in the money market are, however, now slightly different from those prevailing at this time last year. Since there are maturing loans for only Rs. 47.26 crores the notified amount may be around Rs. 140 crores. The banking system and other investors will any case be called upon to invest additionally about Rs. 90 crores though many State Governments would like

Expanding Farm Credit

The demand for short term agricultural credit has been estimated at Rs. 2,000 crores by the end of the Fourth Plan period and medium term credit during the period at Rs. 500 crores. Of these, the co-operative credit agencies may, at best, meet only about Rs. 750 crores. The Reserve Bank of India has proposed a scheme for financing primary credit co-operative societies by commercial banks to fill up the gap and meet the credit requirements. All the nationalised banks and the State Bank of India, its subsidiaries and some other non-nationalised banks have been called upon to finance the co-operative societies under the scheme.

It is gathered, one of the Nationalised banks, Syndicate Bank, has taken over 170 societies (90 in Mysore and 80 in Andhra Pradesh) for financing through its branches. The Bank has already started sanctioning loans to these primary co-operative societies. Upto June 2, sanctioned had been made to the tune of Rs. 10.31 lakhs to 1007 members through 28 societies in Mysore State, and Rs. 11.16 lakhs to 580 members through 21 societies in Andhra Pradesh.

to borrow on a much larger-scale and increase their resources. The terms also may be more favourable from the point of view as there are reports that the issue prices in all cases will be fixed at par. The interest rate may of course be unchanged at 5.75 per cent and the term of the loan at 12 years. The market quotations for similar loans are quoting well-above par, and the State Governments can hope to raise larger sums for the same notified amount by eliminating discounts. The holders of maturing loans will also be benefited as the new loan will be carrying a higher rate of interest, the loans being converted bearing an interest rate of 4¼ per cent.

Need to Postpone Second Phase of Borrowing

The State Governments' borrowing programme can therefore, be successfully pushed through, though it will mean the siphoning away of funds for about Rs. 75 crores from the scheduled commercial banks. This will make it difficult for them to reduce their loans from the Reserve Bank. And improvement in conditions in the money market is dependent on fresh additions to deposits in the next few weeks and the expansion of credit that will have to be effected for financing procurement operations. The tightness in the money market can be relieved only if the Centre defers its second phase of borrowing programme for 1970-71. The 3 per cent 1970-75 loans outstanding to the extent of Rs. 115.05 crores is due to be redeemed on October 15. The list for the new loan may therefore, be opened in the first week of October. There will probably be an attempt to raise large amounts in cash.

The borrowing programme of all the governments and public bodies will have to be so arranged that the issues are completed by the end of October. The credit institutions will thus have to be busy in one way or other and it is unlikely that the pressure on the money market will ease unless there is an unexpected growth in deposits in the next few months. —Meenam

INDUSTRIAL ECONOMIST

THE CITY CORNER:

Why Industry—Costs Higher in India?

A seminar on Cost Structure in Industry organised by the Indian Society of Industrial and Fiscal Economics held in Madras on June 6 and 7, surveyed the whole economic scene and identified the major factors that had contributed to the excessively high cost of India's industrialisation. The problem of costs has gained added significance on account of the tremendous sophistication and diversification that had taken place in Indian industry.

The seminar, in which the leading industrialist Mr H. V. R. Iengar and senior economist Dr. P. S. Lokanathan participated, expressed concern at the unduly high cost of industrialisation. In terms of inputs we use more scarce raw materials, more labour, more power more transport, more human resources to produce a given quantity of output than in industrialised countries.

Costs in industry were discussed under several groupings: Economic and fiscal policy, raw material costs, power and transport costs, labour costs, management deficiencies, know-how and technology costs and so on. The special problems and difficulties in regard to each one of these were discussed.

The fiscal and economic policies were under fire. Mr. Iengar saw in every policy of Government "a common thread of a certain thinking dictated by political considerations and social preoccupations." The social, angle, it was felt, had been over played. Excessive inventories, low volume of production, massive taxes preventing savings, the fad to produce everything at home regardless of costs in

an unnecessary bid to save foreign exchange, Indian industry's indifference to develop indigenous know-how and technology were some of the reasons for the high industrialisation costs. Dr. V. Shanmugasundaram, Professor of Economics, Madras University, acted as the Rapporteur.

High Power Tugs from Yule



Andrew Yule & Co. Ltd., recently concluded an agreement with Madras Port Trust for the manufacture and supply of high powered tugs. Picture shows Mr. T. K. P. Nambiar, officiating Chairman of Madras Port Trust signing the agreement. To his right is Brig. B. M. Chakravarti, Director of Andrew Yule & Co., Mr. T. H. Iyer, Branch Manager of the company in Madras is looking on. It is gathered this is the first time the order for such tugs is being supplied in India.

Selecting Site for Salem Plant

The Union Minister of State for Steel, Mr. K. C. Pant, held discussions with the State Chief Minister on June 1 on steps to quicken the setting up of the Salem Steel Plant. The talks in which the officials of the Tamil Nadu and State Industrial Development Corporation (a State Government undertaking) also took part, concluded with a decision to constitute a panel soon to select a suitable site for locating the plant.

The Union Minister took note of the tremendous amount of work already done in regard to the Salem steel project in contrast to the other two proposed South Indian steel plants. Mr. Pant told pressmen and a City Chamber of Commerce meet later that the Salem Plant would have a flying start. Work on this would not wait for the other two projected plants which might take eight or nine years considering both their size and capacity.

The Salem Plant, with a capacity of half a million tonnes of alloy steel, will use the magnetite ore of Salem and the lignite of Neyveli for steel production. The smelting will be done using electricity. It is also stated that though a second mine cut at Neyveli would be necessary the initial years of working of the steel plant can be comfortably looked after by the present mine.

In the mean time the State Government is making arrangements for inauguration of work on the plant. The inauguration is likely to take place as soon the Chief Minister returns from his foreign trip towards July end.

—V.M.

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Improving Cash Crops Production

The maintenance of agricultural production at a high level for three seasons in succession should not lead to a sense of complacency as the real increase in output in three years is only 12 million tonnes in respect of food output. The achievement in the past three seasons appears very impressive as, during the severe drought, the output dropped to as low as 72 million tonnes. However, the breakthrough achieved in respect of wheat cannot be under-estimated as the yield in 1969-70 is estimated to be 20 million tonnes against 12 million tonnes in 1964-65; with the use of exotic varieties over a larger area and heavier inputs the goal of 24 million tonnes by 1973-74 can be easily reached.

But the success of the programme for achieving self-sufficiency in food, continuing to avoid imports, will depend upon the results of the efforts to raise rice production. It has been assumed that the yield of rice will increase by 13 million tonnes to 52

million tonnes. This surely will be a challenging task. Given satisfactory weather conditions and the creation of lift irrigation facilities in the dry areas used for cultivating coarse-cereals it may not be difficult to increase the production of maize, jowar, bajra and other cereals by 9.5 million tonnes. There will, however, be the difficult problem of stabilising agriculture in these areas and cultivating hybrid varieties. With the success attending on the raising of the jowar crop, the increase in total yield might take place with a constant watch over the response of hybrid varieties to intensive treatment. It may probably be necessary to make available large quantities of pulses as new trends have been noticed and shortages might persist if there is no big increase in internal availability.

The programme for improving cash crop cultivation, however, will call for the greatest co-operation between the Central and State Governments and

industrial consumers. If there is stability in prices of wheat and rice, the targets for raw jute and cane may be easily touched as it has amply been demonstrated during the current season that cane can be in surfeit under favourable circumstances. But it is hard to visualise how the yield of cotton per acre can be improved as 2 million bales of cotton have to be additionally produced which by no means is an easy job. Agricultural experts and chairman of leading textile mills have stated that it would be possible to raise the yield per acre by 50 per cent in irrigated areas which alone will secure an additional twelve lakh bales. If this increase can be assured it may not be difficult to raise the output in the remaining areas by 8 lakh bales. Oilseeds also have to be produced in much larger quantities than has been proposed by the Planners as there has been an explosion in demand for edible oils latterly. However, the difficult question of raising the yield per acre has to be solved.

—(FOC)

PROGRESS ON THE INDUSTRIAL FRONT

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- * Interest free loans upto Rs. 5,000 for Harijans starting Small Industries.

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INDUSTRIAL ECONOMIST

Cement Industry Through Six Decades

By T. DORAISWAMY

Project Manager, Tamilnad Cements

In India, Portland Cement was first manufactured in 1904 in Tamil Nadu by the South India Industrial Limited, in a small 30 tonne Plant but this venture failed. The India Cement Company Ltd. established at Porbandar (Gujarat) was able to deliver 1000 tonnes in 1914. With the filip given by the First World War, 2 more factories were set up at Katni (Madhya Pradesh) and Lakheri (Rajasthan) and the three together produced some 85,000 tonnes per year, by 1918. Between 1919 and 1924 six more factories were installed and the total production in all the nine plants rose to about 3,00,000 tonnes in 1924. But even this modest production outstripped demand leading to a rate-war and the formation of the Indian Cement Manufacturers Association in 1925 to regulate cement prices, followed by the formation in 1927 of the Concrete Association of India to popularise the use of Indian cement and of the Cement Marketing Co., of India in 1930 to strengthen the marketing arrangements.

Strengthened through Amalgamation

With the sustained efforts of these organisations like the Cement Marketing Co. of India, cement sales registered a remarkable increase and the installed capacity reached 10,89,000 tonnes by 1934. Thanks to the merger of all the factories except one into the Associated Cement Companies Ltd., in 1936, the actual production also crossed the million tonne mark in 1937 through 11 factories. With the addition of 4 more factories of the Dalmia-Jain group the production reached 1.87 million tonnes in 1941 from which however there was a drop in production to 1.57 million tonnes through 17

factories in 1946. With the impetus given to this capital intensive industry by our Independence new industrialists turned their attention to cement between 1947 to 1951. The formulation during this period by the Indian Standards Institution of the first India Specifications for Portland cement raising the permissible limit of magnesia content from 4% to 5% in line with the specifications of most countries of the world, made available to the industry millions of tonnes of raw materials which would otherwise have had to be rejected. The production in 1951 through 22 units was 3.22 million tonnes. The progress since then through our Five Year Plans has been as follows:

Year	No. of Units	Installed Capacity (million tonnes)	Production (million tonnes)
1961	34	9.20	7.30
1966	38	12.40	11.30
1969	43	15.97	13.58

million tonnes. As against this demand, the anticipated capacity to be built up by 1974 with some six more new factories on the anvil and the expansion of existing units is only 21 million tonnes. This is a clear indication that supply will not outstrip the over-all demand. But as far as the southern region is concerned, at the peak level of production in 1972, there may be a surplus of about 4 million tonnes, which has to be transported to marketing centres in West Bengal and Assam in North-East and Punjab and Haryana in the North-West.

The break-up of the estimated capital cost of the Tamilnad Cements is :

	Rs. in Crores
Machinery	4.01
Civil and Electrical Works	1.97
Railway Siding	0.41
Land	0.20
Miscellaneous assets	0.18
Total:	6.67

But it is expected to complete the project well within the Estimate at a total cost of Rs. 6.40 crores which will work out to Rs. 160 per tonne of annual capacity.

The foundation stone for the factory was laid on November 30, 1966. Only construction of Quarters in the Colony and the piers for the kilns could be taken up in 1967. The construction of all the major civil structures for the factory could commence only between May and October, 1968. The entire work of the value of about Rs. 160 lakhs involving the use of 14,000 tonnes of cement and 4,500 tonnes of steel was completed by October, 1969.

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New Scheme for Steel Distribution

It has been thought necessary to overhaul the present system of distributing steel items to the various classes of consumers in the context of prolonged shortage of many categories. The new system announced by the Government seeks to cut down procedural delays at the indenting stage besides evolving a priority list of all steel consuming units. There will be no distinction between scarce and non-scarce categories and the Steel Priority Committee, consisting of officials of the various economic ministries at the Centre, which was till now concerned largely with the distribution of scarce categories of steel to priority consumers, has been upgraded. All consumers will now have to place their requirements before this committee for allocation of despatch priority. The committee is also being strengthened by including besides the Secretaries of the economic ministries, representatives of producers as also of authorities sponsoring the requirements of important steel consuming sectors. To cut down the delays at the Joint Plant Committee level (this body consisting of the main steel producers in the public and private sector, was till now regulating the orders on the various plants and exercising an informal control on prices), the new system allows all indentors requiring iron and steel for genuine purposes to place orders, without any ceiling, on the steel plants through the J.P.C. The J.P.C. will forward the indents after scrutiny to the plants nominated by the indentors for booking of orders.

The official resolution on the new distribution policy has stated that the object was to overcome the shortcomings in the present system, which has been in force since 1964, after considering the spurt in demand for steel as a result of the recent recovery in economic activity. Distribution and price control on steel had been gradually lifted since 1964 and at present there is no statutory control on this primary raw material.

Larger Say for Priority Committee

Under the new system, the Steel Priority Committee will meet at least once in a quarter and allocate priority of despatch to consumers. It will also review the over all position of steel distribution and availability as also the working of the J.P.C. which has now been a given a subsidiary role. The J.P.C. will, however, meet at least once a month and will be entrusted with the work

of evolving suitable organisations, methods and procedures to review market conditions, fluctuations in free market prices, production trends and despatches from different steel plants to ensure compliance with the priorities fixed by the Steel Priority Committee. A notable change in the execution of orders is that sale orders will hereafter be valid for only two years from the booking of orders and will automatically lapse unless despatches are effected within that period or the sale orders are included by the Steel Priority Committee for rolling and despatch prior to the date of expiry. Stricter measures have also been taken to prevent resale by actual consumers while the needs of small scale units, which have had a raw deal in the matter of steel supplies till now, will be met by giving weightage to requirements routed through the Small Scale Industries Corporation or raw material depots set up by some State administrations. The distribution and sale of defectives, cuttings, re-rollable and other scrap and materials from stock yards of the main producers will also be regulated by the J.P.C. on a uniform basis for all the producers.

The Steel Priority Committee will also be fixing the production pattern of the producers keeping in view the changing pattern of consumption from time to time. But the main problem at present relates not so much to defective distribution as to the failure of effective utilisation of existing steel capacity, particularly of Hindustan Steel. While H.S.L. is hopeful of increasing its finished steel output by over 6 lakh tonnes this year, the new distribution scheme, it is feared by consumers, will only bureaucratised the present system. The fixing of priorities also bristles with difficulties in the face of competing demands from the different ministries for industries under their control while non-priority units will have to wait for a more comfortable situation. But there is some relief that the decision to do away with intermediaries will enable a more equitable supply of requirements to the consumers at reasonable prices. The steel trade will naturally be hit as its turnover will dwindle considerably. It would appear that the suggestion for a dual price system for supply to priority and non-priority sectors, of the Luthar Committee of government officials has not been accepted as practicable as it might distort the production and price structure of various steel items.

Engineering Industry Does It

It is encouraging to find that while total exports, in 1969-70 have fallen short of the targeted growth, rising only by 3.8 per cent over the previous year against the Plan average of 7 per cent per annum, the performance of the engineering industry has come very near expectations, despite acute shortage of critical steel items. It was recently indicated by the Chairman of the Engineering Export Promotion Council, Mr. K. L. Chowdhary, in Madras that engineering exports last year amounted to Rs. 106.52 crores which was Rs. 22 crores more than in 1968-69 and was only slightly less than the targeted Rs. 110 crores. A creditable record indeed against heavy odds and much of the credit must go to the Government which initiated a crash programme even from last November to arrange for improved raw material supplies through imports and reallocation of indigenous output on an urgent basis to make larger quantities of steel available to the export units. The industry also deserves the nation's gratitude for securing orders of this magnitude and executing them in time. In fact, the EEPC is confident of achieving the target of Rs. 140 crores for 1970-71 as orders on hand even now are worth Rs. 100 crores though shortage of steel can come in the way of fulfilling these orders. The crash programme in this regard will have to be a continuous one. The diversification of exports will be evident from the fact that in the current year they may include, as from the orders on hand and likely to be secured, commercial vehicles and auto parts (Rs. 18 crores) industrial plant and machinery (Rs. 15 crores), railway wagons coaches and track material (Rs. 13 crores) and electric wires and cables (Rs. 9 crores). Engineering exports in April 1970 totalled Rs. 8.5 crores.

It has, however, been pointed out that for sustaining the export effort at a high level it would be necessary besides ensuring timely supplies of the right grades of steel to settle cash assistance and drawback claims promptly and make available required shipping space (a bottleneck) particularly in the case of exporters in Tamil Nadu). At the same time, the existing indigenous capacity must be fully utilised to throw up a large surplus for export at competitive prices and even fresh capacity will have to be created if export demand warrants it.

More Cotton Imports

The acute shortage of cotton felt by the mills in the current season has been unrelieved and the prices for various categories of indigenous cotton have shown no tendency to recede from the peak levels touched some-

time back. It is even feared that mills may have to resort to voluntary curbs on cotton consumption through block closure or increased weekly holidays if there was no improvement in the raw material situation in the next few weeks. It is now reckoned that the cotton crop for 1969-70 may be much lower than even the revised estimate of 58 lakh bales while imports of about 6.5 lakh bales of cotton and over one lakh bales of staple fibre have not had any sobering effect on prices. The recent announcement of an additional 2.40 lakh bales of P.L. 480 cotton to be shipped by August may go to prevent a critical situation towards the close of the season but in the meantime the supply position will remain tight, especially as there has been a steady pick up in sales of yarn and cloth and even with increased use of manmade and synthetic fibres for blending purposes, cotton consumption is expected to be higher than that of last year. It is thus likely that, stocks brought in from last season may have to be used up to a significant extent and the closing stocks for this season may not be more than 14 lakh bales against over 20 lakh bales at the end of last season. It may be necessary to arrange for even larger imports on an urgent basis so that the recovery of the country's biggest organised industry after continued stagnation for a number of years does not receive a setback. An imaginative policy in this regard gains added importance as exports of cotton yarn and cloth can be stepped up sizably.

In response to the complaints from weavers about the high price of yarn, spinning mills in Tamil Nadu have been urged to ensure supplies to handloom exporters and recognised handloom associations at fixed rates. A special committee of the State Government which went into the problem of lowering yarn prices has also suggested a fixed margin of one per cent on the price for mills' dealers.

Drug Price Control

In pursuance of the Drug Prices Control Order, the Central Government has specified norms for conversion costs and packing charges to enable the drug industry to fix new retail prices of formulations based on a revised formula. Manufacturers, importers and distributors have been directed to furnish the retail price lists of their formulations by the middle of July obviously to give sufficient time to the trade to clear its existing stocks at the old prices. Suitable adjustments will be allowed in fixing retail prices for formulations requiring special processing techniques or involving expenditure on warehousing and other charges. At the same time, Government has been alive to the possibility of a crisis in the industry

in the wake of the new price control order and has taken steps to meet any shortage of life-saving drugs in case some of the drug units decide to stop production of certain drugs due to low profitability. A special committee of officials from the Petroleum Ministry, Directorate-General of Technical Development, Office of the Controller of Imports, S.T.C. and the Health and Finance Ministries has been set up to report on arrangements to import essential drugs at short notice.

Soaring Oil Prices

The oil and oilseeds market has suddenly turned buoyant and in hectic trading, prices for various edible oils have soared to new peak levels at different centres. Groundnut oil appreciated in value considerably, the rate crossing the Rs. 500 mark (per quintal without sales tax) in Madras and touching Rs. 530 in Bombay on keen internal demand. Though indigenous output of oilseeds 1969-70 is stated to be higher than in the previous year, there is a wider gap now between

consumption and available supplies, particularly as imports of substitute oils have not been adequate and timely. The vanaspati interest has also been increasing its requirements following the creation of fresh capacity in recent years. The decision to import 20,000 tonnes of soyabean oil in the next few weeks has already had a sobering effect on prices which have subsequently receded from their peak levels but there can be no sizable fall in the near future till the size of the next year's crop is known. Till then large imports will have to be arranged. Including supplies arranged under PL 480 purchases already made and orders recently placed, a quantity of 60,000 tonnes of soyabean oil is expected to arrive in the coming weeks while arrangements are being made to get 25,000 tonnes of rapeseed from Canada. There is also a sharp rise in prices for other oils, particularly coconut oil which has touched an all time high level of Rs. 730 per quintal due to non-availability of imported copra and poor indigenous production. Latterly the price has come down slightly.

Out of the Inkwell

By RANDOR GUY

NOT SO INNOCENT ABROAD:

India spends millions of rupees which she can ill afford every year in maintaining her embassies, consulates and what have you. Besides, she throws quite a bit of largesse in promoting tourism. Yet the results are far below par. The other day my better-threefourths (an improvement on the whicker-grown cliché, better-half!) got a letter from one of her friends in Australia, a young lady who had gone 'down under' recently. The letter makes interesting and yet dismal reading. One Australian asked her if in India people still worshipped rats and snakes and ate them afterwards! How do the Indian men look like in sarees, was another question! If this is the image we have in Australia—a fellow-nation in the British Commonwealth, I wonder what people think of India in Latin American countries! Again, a friend of mine on a business trip to Rome, wanted some info. He called at the Indian embassy and was asked to see an officer who was too busy to see him, being engaged in chasing a well-stacked Italian blonde, Mangano style. Vexed, my friend walked out and got the information he wanted from a blind beggar standing near the Basilica Promotion of tourism indeed

ALL ABOARD ABOARD!

The name of the game today is going abroad. Everybody is doing it. Ministers, mini stars, businessmen, busybodies of both sexes, Profumos and their perfumed ones, and of course, politicians. Many go to Expo 70 and some go exploring for seven-teens (the sweet and charitable variety!) and I hear from friends it is all grand fun. One chap up in Osaka, is busy collecting cameras, transistors, tape-recorders, electronic shavers, phew—quite a long list, that; and he swears he will be able to bring the stuff into India intact. He says, once he took fifteen girls on a catamaran. When he was asked how on earth he could get so many girls on, he replied he had influence!

* * *

QUIZ TIME!

- Q: Sleeveless blouses,
what next?
A: Blousless sleeves!

* * *

STOCK MARKET:

Spirited Recovery on Renewed Hopes

There has been a distinct improvement in sentiment on the stock markets since the last week of May and many counters in both cleared and cash lists have recouped most of their recent losses and some of them have even closed with sizable net gains. The reassertion of bullish fervour, after a period of caution is not surprising as the basic outlook for equity investment continues to be encouraging. The stream of good corporate results has been a powerful stimulant and most of the industries except one or two like sugar look forward to another year of improved working in 1970.

It would also appear that a favourable decision would be taken by Government on resumption of forward trading shortly with suitable safeguards. The prospect of larger aid from the Consortium for the current year is also bright and if export earnings can be kept at a high level, it will be possible to meet the increasing requirements of imported raw materials and components of various industries without difficulty after meeting the loan repayment obligations due this year. There can also be a further drastic cut in imports of foodgrains and fertilizers, particularly the latter, as there is a large idle capacity with indigenous producers and fresh capacity will be added in the next one year. As the offtake of various consumer and durable goods has been picking up at a rapid rate, it has been thought advisable to plan continuous creation of additional capacity for many of these items. And if the 1970-71 Kharif season proves to be equally satisfactory, the surge in consumer demand will be unprecedented and there is even the possibility of critical shortages developing to the detriment of the export effort. If the output of steel can be raised significantly to near rated capacity and the production of cash crops like cotton

and oilseeds improved in a short period, the industrial sector can really look forward to a period of sustained growth, financing major part of their expansion plans from internal resources.

Few New Issues

In this context, the observations of the outgoing president of the Madras Stock Exchange have considerable significance. Mr. E. V. Rajagopalan while welcoming the sense of optimism in stock market circles and among investors since March this year, has drawn attention to the need for creating a congenial climate to enable stock exchanges canalise an increasing proportion of individual savings to industrial securities. It has been pointed out with justification that even with the improved prospects for many industries, new floatations have been few and far between and only existing units have found it advantageous to expand or diversify their production. The overwhelming response to the recent capital issues of Zuari Agro Chemicals, Indian Organic, Reckitt and Colman and Amalgamation Repco cannot be taken to indicate the general attitude of the investing public to new issues owing to the special attraction of these floatations.

Fresh entrepreneurship is still hesitant and the growing antipathy to big industrial houses and the legislation to curb monopolies and restrictive trade practices along with the new slant in licensing policy in favour of medium and small units have not been hopeful factors for launching on entirely new ventures. Also, the pricing policies of Government in particular cases, though understandable in view of its anxiety to keep down prices, are not found conducive to fresh investment. The Government can help capital formation in a big way if only

it can offer more attractive fiscal and monetary incentives to new companies for an initial period till the units begin to operate on a break-even basis. At the same time it must be remembered that the investible resources of the community are not unlimited as with competing claims from various public sectors and private institutions, special efforts may be needed to mobilise the savings, particularly in the rural areas where the investment habit is yet to take strong roots. Mr. Rajagopalan's call to the stock-broking community to foster the investment habit by extending their activities to new classes of savers is timely and it can be expected that a promotional campaign directed at potential savers in rural areas and among salaried classes in the urban areas can bring about heartening results over a period. Meanwhile, existing investors could be helped with liberal credit for enlarging their investments in equities gradually but continuously by employing a fixed proportion of their income for the purpose regularly.

Corporate results have remained encouraging as stated earlier. Hindustan Aluminium shares have firmed up on the Company's decision to issue bonus shares in the ratio of one for four. Tata Steel has evoked support upto Rs. 116 on hopes of higher dividend. The resumption of dividend by Guest-Keens after two years has been welcomed while Alkali and Chemical has reported a sharp rise in earnings. Indian Explosives has announced an interim of 7½ per cent for the year. New India Assurance has earned a much larger profit though it has only maintained the dividend for 1969. Britannia Biscuits has raised the dividend to 22 per cent from 18 per cent. More textile mills have announced improved results for last year and have enhanced their payment to shareholders. Other share groups also have put up a better performance on hopes of higher earnings for the current year. Notable among individual scrips have been United Carbon, Gujarat Fertilizers, Goodlass Nerolac, Pfizer, Alkali and Britannia Biscuit.

BUSINESS BRIEFS:

Uneven Recovery of Engineering Industry

While a major sector of the engineering industry has recovered from the recessionary phase following a sharp pick-up in internal and export demand, there are still pockets of unprofitable working where the units depend mainly on Government agencies for orders. Thus manufacturers of automobiles, scooters, motor cycles, tractors, fans, sewing machines, electrical appliances, radios, etc. have had no problem of disposing of a rising level of output and their problem now relates only to uninterrupted supplies of the required categories of steel and a co-operative labour, particularly in West Bengal. While sincere efforts are being made to increase indigenous steel output and also arrange for liberal imports to help export units to meet their commitments, there is still difficulty in meeting the needs of units catering to internal demand. There are even differences between the Steel and Foreign Trade Ministries over the continuance of steel exports, the former wanting to restrict the diversion of steel and steel goods to external markets at a time of internal shortages and the later insisting on building up exports further due to the very favourable conditions in international markets. There is a different category of units whose difficulty lies in securing remunerative prices for their orders mainly from Railways and other Government departments.

Units like Texmaco, Braithwaite and Jessop which have large capacity for railway wagons, are yet to recover fully from the ill effects of the cutback in Government outlays and continue to depend on sizable orders on a regular basis while, trying to diversify their lines of production. But steel shortage is a common problem for all engineering units and diversification offers only limited scope in the short run. It is encouraging that the Railways have decided to maintain their orders for wagons at a high level of 14,000 units annually while there is a backlog of orders for over 14,500 wagons. Producers of diesel engines and pumpsets as also of transmission line towers and other structurals are also not in a happy position due to a slack in demand but is expected that the proposed large outlay on rural electrification will have a favourable effect on these units by way of larger demand for their products. The Government will thus have to watch the developing situation and take prompt measures to solve the twin problems of raw materials shortage and lack of orders faced by the industry in the near future. The longterm outlook, however, remains

quite promising and many units will soon have to them of phased expansion of their capacities.

Texmaco Skips Again

Textile Machinery Corporation Limited has been slowly getting over the problem of underutilisation of its capacity in various divisions and was able to increase the output of textile and sugar machinery, steel castings, wagons and stationary boilers etc. during 1969. However, sales were only marginally higher at Rs. 8.03 crores against Rs. 8 crores in 1968, owing to the unremunerative prices realised for the large backlog of metre gauge wagons while there was a slight reduction in the loss, before depreciation, to Rs. 61.81 lakhs from Rs. 71.83 lakhs in the previous year. There is no provision for depreciation which amounts to Rs. 48.65 lakhs (Rs. 42.98 lakhs) and arrears under this head amount to Rs. 91.63 lakhs. The loss has been adjusted against general reserve. The company is expected to put up a better show as the order books are in good shape and labour in a co-operative mood. The equity dividend for 1969 has again been skipped but the preference dividend will be paid out of general reserve. The plants manufacture high pressure boilers in collaboration with foreign interests and has not made any progress as Government approval has not been obtained so far.

Braithwaite Omits

Labour trouble, steel shortage and higher wages have resulted in a heavier loss for Braithwaite and Company (India) Limited during 1969, and it has been necessary to skip the equity dividend again. The Chairman of the company Mr. D. Fordwood has stated that inspite of the considerable success in the export field, the engineering industry has generally remained depressed. The Clive works suffered a setback due to a drastic cut and delay in orders for wagons from the Railway Board while the prices offered were uneconomic. The Angus works has however, shown a marked improvement after reorganisation of the lines of production and there are substantial orders on hand now for some sophisticated goods. Even then, there was a heavier loss of as much as Rs. 1.25 crores for the year against Rs. 54.41 lakhs for 1968. The loss has been adjusted to some extent

by utilising Rs. 54,554 from general reserve, Rs. 72,859 from development rebate reserve and Rs. 24 lakhs out of loan redemption reserve and the debit balance of Rs. 99.58 lakhs has been carried forward. In 1968 there was a credit balance of Rs. 3.60 lakhs after adjusting the loss with a transfer of Rs. 37.01 lakhs from general reserve and Rs. 21 lakhs from loan redemption reserve. The preference dividend for last year has however, been paid but there will be no interim payment for 1970.

Guest Keen Resumes

Shareholders of Guest Keen Williams Limited will welcome the decision of the directors to resume payment of dividend on equity capital after two years, by declaring a distribution of 8 per cent, taxable, for the 53 weeks ended January 3, 1970. (The company paid 12 per cent taxable for 1966). There has been a smart recovery in the fortunes of the company last year after two years of unsatisfactory working, due to the recession. The improvement in working will be evident from the fact that despite shortage of raw materials, the net profit, before depreciation and after taxation, has jumped to Rs. 173.95 lakhs from Rs. 8.39 lakhs in 1968. Taxation claims as much as Rs. 84 lakhs (nil). After transferring Rs. 39.29 lakhs (Rs. 98/73 lakhs) from reserves, there is an allocation of Rs. 32 lakhs (Rs. 47.14 lakhs) to depreciation reserve and Rs. 19.45 lakhs (Rs. 11.46 lakhs) to tax reserve. Debenture sinking fund gets Rs. 5 lakhs (same) and general reserve Rs. 22.21 lakhs (nil) while in the previous year development rebate reserve got Rs. 66 lakhs. The Rs. 10 shares of Guest Keens have been fancied after the results were known and there has been a spurt in the quotation from Rs. 16 to Rs. 18.70.

S.I. Shipping Pays Same

The setback in the results of South India Shipping Corporation Limited for 1969 has been rather unexpected as earlier the Rs. 50, paid up, equity shares of the company had firmed up to Rs. 192 on hopes of another year of encouraging results. The difficult condition in the tramp trade and smaller number of days in 1969 were responsible for the sharp decline in freight income to Rs. 4.73 crores from Rs. 6.14 crores in 1968. With reduced income and higher expenses the profit margin was eroded considerably, the net profit, before depreciation, falling to Rs. 163.94 lakhs from Rs. 279.72 lakhs in the previous year. It has again been necessary to set apart as much as Rs. 112.28 lakhs (Rs. 106.70 lakhs) for depreciation but development rebate claims only Rs. 36.60 lakhs (Rs. 132.19 lakhs). The transfer to General reserve is Rs. 25 lakhs (Rs. 40 lakhs) after taking credit for excess provisions no longer requir-

PRICE MOVEMENTS

The following were the latest quotations for selected scrips on May 21 and June 7:

Madras			Bombay			Calcutta		
	May 21	June 7		May 21	June 7		May 21	June 7
Mettur Chem.	11.10	11.05	Tata Steel	112.75	115.25	Indian Iron	16.60	16.50
S. I. Viscose	133.00	133.50	Indian Iron	16.44	16.60	Hind. Motors	15.46	15.80
Tr. Rayons	21.12	20.75	TELCO	231.00	232.00	Birla Jute	18.60	19.50
Ashok Leyland	5.85	5.30	Hind. Motors	15.12	15.64	Kesoram Ind.	17.15	17.40
Madura Mills	14.15	14.40	Century	805.00	835.00	Guest Keens	16.70	18.90
Indian Overseas	162.00	154.00	National Rayon	476.00	470.00	Dunlop India	34.40	35.70
United India	9.30	8.99	United Carbon	375.00	413.75	Alkali & Chem.	29.75	29.62
Madras Aluminium	160.50	160.00	Pfizer	36.50	36.25	Indian Explosives 'A'	24.25	25.62
Radhakrishna	16.50	17.10	Gujarat Fertilizer	271.25	281.25	Britannia Biscuit	45.50	46.50
Enfield India	8.65	9.25	Herdillia	16.16	16.24	Hind Aluminium	33.75	37.56
Coimbatore Cotton	140.00	125.00	Bayer	200.50	209.00	India Steamship	12.75	13.44
Standard Motor	7.65	6.15	New India	50.20	45.50	Tribeni Tissues	13.62	14.19

ed and adjusting expenses relating to previous years. The equity dividend has been maintained at 7½ per cent, gross and it is learnt that the entire amount will be exempt from tax deduction at source being payable out of tax exempt profits. The dividend is payable out of general reserve and will absorb Rs. 7.50 lakhs.

It has been explained by the directors that the slump in freight rates, higher demurrage charges and long delays at ports reduced profit margins considerably during 1969. There was also a fall in international trade in dry cargo and only in the closing of the year there was some recovery in the tramp trade which helped to prevent a more pronounced drop in freight income and earnings. There has, however, been a vast improvement in working in the current year with a sharp rise in freight rates and if the present, levels of freight rates are maintained for the rest of the year the profit for 1970 "would exceed that of 1968" (which was a record year). And from the volume of forward business concluded and the sustained demand it is quite likely that the profitable, rates would continue at least until the year end, if not longer. However, the company's indebtedness has increased to some extent as the cost of the fleet is estimated to have increased by Rs. 1.34 crores as a result of the revaluation of the West German mark. This will call for additional provision for depreciation in the coming years. Some buildings have been acquired at a cost of Rs. 47.75 lakhs to own the office premises and provide accommodation for the officers.

Kohinoor Resumes

Another major composite textile mill to have got over a critical phase is Kohinoor Mills Limited which has been able to resume its dividend after wiping out the losses for 1968. There has been such an improvement in its fortunes that the directors are even considering a modest bonus issue in the ratio of one for ten in response to shareholders' request at the last general meeting to mark the 75th anniversary. The better performance of the company in 1969 is attributed to a change in the pattern of production, higher selling prices and economies in cotton purchases. Thus, through sales improved to Rs. 11.52 crores from Rs. 10.05 crores in 1968 there was a sizable net profit, before depreciation, of Rs. 89.07 lakhs against a loss of Rs. 31.21 lakhs in 1968. After providing Rs. 26.43 lakhs (Rs. 26.62 lakhs) for depreciation and Rs. 3.98 lakhs (Rs. 3.08 lakhs) for development rebate and after making some adjustment a dividend of 12 per cent, taxable, is to be paid while the debit balance of Rs. 58.48 lakhs brought in has been completely wiped out. The company paid 6 per cent, taxable, for 1967 but

skipped payment last year. There may be a bigger profit for 1970 in spite of the sharp rise in cotton costs.

Calico Mills Bonus

Shareholders of Ahmedabad Manufacturing and Calico Printing Company Limited (Calico Mills) have been rewarded by the management with a sumptuous bonus issue proposal besides a larger dividend distribution for the year ended March 31, 1970. It is proposed to capitalise, with the consent of the Controller of Capital Issues, Rs. 2.50 crores out of reserves and make a one-for-two bonus issue. The proposal comes so soon after the bonus issue in the proportion of one-for-seven in 1969. The company's authorised capital is to be raised from Rs. 6.80 crores to Rs. 10.55 crores to facilitate the new issue. The directors have however, indicated that the latest decision should not be taken to mean that they would be able to pay a larger sum as dividend. But it is felt that there should be no difficulty in avoiding a proportionate cut in dividend rate as the company's turnover and profits will be increasing continuously as a result of new activities.

The working of the company in 1969-70 has been quite impressive and the directors have proposed a final dividend of Rs. 11 on the Rs. 125 paid up equity share which with the interim, makes a total of Rs. 18 per share at 14.4 per cent, taxable. This however, amounts to 16.46 per cent on the old capital against 15.8 per cent for 1968-69 as the latest dividend is on a higher capital as increased by the bonus issue. The dividend amount is thus higher at Rs. 72 lakhs (Rs. 69.13 lakhs). Sales during the year rose further to Rs. 32.12 crores from Rs. 28.23 crores in 1968-69 while the net profit, before depreciation and taxation, was proportionately higher at Rs. 359.71 lakhs against Rs. 311.34 lakhs. The provisions include Rs. 136.81 lakhs (Rs. 121.10 lakhs) for depreciation, Rs. 11.34 lakhs (Rs. 25.25 lakhs) for development rebate and Rs. 113.70 lakhs (Rs. 68.91 lakhs) for taxation. General reserve is credited with Rs. 76.98 lakhs (Rs. 71 lakhs). The dividend is to be paid out of this reserve. The company is proceeding with its schemes to raise its capacity for caustic soda, chlorine and P.V.C. while the arrangements for implementing the polyester fibre project are being finalised. The capital goods licence for importing the required machinery is awaited.

Radhakrishna Resumes

A significant improvement in the yarn trade has been helpful to Radhakrishna Mills Limited to earn a sizable profit for 1969 and reserve the payment of dividend on equity

capital, with the announcement of a distribution of 7 per cent taxable. The net profit before depreciation has risen sharply to Rs. 17.22 lakhs from only Rs. 1,808 in 1968. The sum set aside for depreciation is Rs. 4.24 lakhs (nil), while there is an additional provision of Rs. 5.77 lakhs under this head for 1968. Development rebate claims Rs. 16,250 (nil) and bonus to employees for 1968 and 1969 Rs. 3.25 lakhs.

Dalmia Cement (Bharat)

The highly satisfactory working results of Dalmia Cement (Bharat) Limited in 1969 were mainly due to higher retention prices for cement and increased output of iron ore and dead-burnt magnesite. Production of cement was higher at 5.24 lakh tonnes against 5.01 lakh tonnes and despatches at 5.36 lakh tonnes against 4.94 lakh tonnes in 1968 though clinker output was slightly lower at 4.77 lakh tonnes against 4.89 lakh tonnes as one kiln had to be stopped for a month for major replacements. There was a modest increase in the output of iron ore to 4.46 lakh tonnes from 4.26 lakh tonnes while exports showed a sizable improvement at 4.86 lakh tonnes against 3.76 lakh tonnes. Other divisions are also expanding their activities while the expansion of the dead-burnt magnesite plant will be completed by April 1971. The company proposes to change its accounting period from December to May, subject to government approval and separate accounts for the five month period January-May 1970 will be published.

National Rubber's Setback

National Rubber Manufacturers Limited has suffered a setback in its working during 1969 due to a drop in production owing to labour trouble and a sharp increase in wages. Sales thus declined to Rs. 8.20 crores from Rs. 8.75 crores in 1968 inspite of a keen demand for the various products. The net profit, before depreciation and taxation, slumped at the same time to Rs. 23.13 lakhs from Rs. 62.58 lakhs in the previous year. The equity dividend has been slashed to 5 per cent taxable, from 12 per cent taxable, in 1968 but it is payable on a capital increased by a one-for-five bonus issue. The charge in respect of depreciation is Rs. 14.87 lakhs (Rs. 14.61 lakhs) and Rs. 6.10 lakhs (Rs. 2.35 lakhs) for development rebate. No provision has been made for taxation against Rs. 29 lakhs previously but there is an additional allocation of Rs. 29,000 (nil) towards taxation relating to the earlier years. The transfer to general reserve is only Rs. 6.90 lakhs (Rs. 16.60 lakhs). A sum of Rs. 2.62 lakhs has been transferred to general reserve created in 1960 and written back after the expiry of the statutory period. The pre-

ference and equity dividends are to be paid out of general reserve.

Indian Copper Earns Less

The expanded facilities of Indian Copper Corporation Limited have not been helpful to the company in improving its earnings during 1969. In fact, the net profit before depreciation and taxation, has declined to £ 1.68 million from £ 1.91 million in 1968. However, the equity dividend has been maintained at 16 paise per share or 8.889 per cent, taxable. The sum set aside for depreciation is £ 319,669 (£ 208,465) and development rebate £ 135,798 (£ 36,634), but the provision for taxation is only £ 530,556 (£ 861,111). After writing back £ 41,919 (£ 35,501) being development rebate in respect of prior years, the transfer to general reserve is £ 689,341 (£ 700,386) reserve for capital development £ 35,477 (£ 34,131) and capital reserve £ 11,671 (£ 17,750). In the previous year a sum of £ 92,869 was written off miscellaneous expenditure.

Phaltan Sugar's Bonus Issue

The directors of Phaltan Sugar Works Limited have sought to compensate the equity shareholders for the proposed cut in dividend for the year ended September 30, 1969 to 20 per cent taxable, from 24 per cent, taxable, in 1968, by a bonus issue in the ratio of one for four, subject to government approval. The interim dividend of 20 per cent paid already is to be treated as final. The decision to prune the distribution follows a halving of the net profit, before depreciation and taxation, for the year to Rs. 33.47 lakhs from Rs. 67.88 lakhs in 1968 due to a lower recovery and a sharp fall in open market prices. Though cane handled was larger at 2.01 lakh tonnes (1.25 lakh tonnes) sugar output was not proportionately higher at 2.30 lakhs tonnes. (1.55 lakh tonnes) as the recovery rate dropped to 11.43 per cent from 12.41 per cent. After setting aside Rs. 16.25 lakhs (Rs. 16.64 lakhs) for depreciation and Rs. 25,980 (Rs. 5.75 lakhs) for development rebate, the provision for taxation is Rs. 18.78 lakhs (Rs. 24.84 lakhs). However as a result of a transfer of Rs. 15.66 lakhs (Rs. 1.53 lakhs) to the profit and loss account being, excess provision no longer required and credit for Rs. 1.25 lakhs (nil) being profit on sale of assets, there is a disposable surplus of Rs. 15.10 lakhs (Rs. 22.19 lakhs). The dividend has been paid out of this reserve. Havero Industries, which manufactures dry batteries and in which Phaltan Sugar is substantially interested, again incurred a loss of Rs. 10.43 lakhs for the 15 months ended March 31, 1969, taking the accumulated loss to Rs. 34.15 lakhs.

Sandoz Does Well

Sandoz (India) Limited has reported a 60 per cent rise in its net profit, before depreciation and taxation for 1969 to Rs. 112.91 lakhs from Rs. 69.28 lakhs in 1968 though sales improved by only 12 per cent to Rs. 7.52 crores from Rs. 6.67 crores in the previous year. The directors have however only maintained the equity dividend at 10 per cent, taxable. Depreciation claims Rs. 26.26 lakhs (Rs. 20.89 lakhs) and development rebate Rs. 5 lakhs (Rs. 2.31 lakhs), while the provision for taxation is much higher at Rs. 45.60 lakhs (Rs. 24 lakhs), besides an additional sum of Rs. 87,855 (nil) under this head in respect of previous years. The dividend will claim Rs. 15 lakhs. It has been explained by the Chairman of the Company, Sir Raghavan Pillai that but for raw material difficulties, the output of dyestuffs would have been much higher as there was keen demand from textile industry. The company could easily market some new types and in fact it could not meet the full demand due to shortage of intermediates. There may however be an improvement in the situation in the current year as direct imports of raw materials can be made as on actual user. The turnover of the agro chemicals division was also sharply higher last year due to a larger output and more aggressive marketing while the Pharmaceutical division maintained its growth rate in sales. The commissioning of the ethylene oxide adduct plant and a more intensive use of the multi-purpose plant may be helpful in raising the output of various products, but it is not known how the new selling prices under the Drug, Prices Control Order will affect the production of individual items. The company's sales in the first quarter of 1970 have been higher than in the corresponding period of last year.

Escorts' Outlook

Escorts Limited hopes to maintain its progressive trend in production and sales in 1970. Sales in the first five months amounted to Rs. 13.16 crores against Rs. 9.43 crores in the same period last year, showing a 40 per cent increase. The Managing Director, Mr. H. P. Nanda, told the annual meeting that production and sale of 3,530 tractors in five months against 2,600 in the corresponding period of last year constituted almost 50 per cent of the total country's output for the period while output of motor-cycle was almost double at 7,270 against 3,760 in January-May, 1969. The company's newly developed scooter will be on the market soon after the Government approves of the selling price. Mr. Nanda has, however, cautioned against hopes of a proportionate

rise in earnings as the company is making no profit on its tractor sales, so far this year due to higher working expenses and delay on the part of Government in revising prices. Even last year, there was a squeeze on profit margins due to the low tractor prices.

McDowell's Bonus Issue

McDowell and Company Limited has maintained the equity dividend for 1969 at 7½ per cent, taxable, but this is payable on a capital increased by the issue of bonus shares in the rates of one for nine. The company's net profit after depreciation and before taxation, has been maintained at Rs. 29.36 lakhs against Rs. 29.39 lakhs for 1968. The provision for taxation is Rs. 13.08 lakhs (Rs. 13.55 lakhs) besides an additional sum of Rs. 44,157 (nil) in respect of previous years. The transfer to development rebate reserve is Rs. 43,000 (Rs. 74,700) and general reserve Rs. 10.14 lakhs (Rs. 11.16 lakhs). The equity dividend is to be paid out of the latter reserve.

Metal Box Cuts Payment

Shortage of steel and labour unrest in West Bengal have affected the working results of Metal Box Company of India Limited adversely in the year ended March 31, 1970. The company has cut the dividend on equity capital to 6 per cent, taxable, from 9 per cent, taxable for 1968-69 following a sharp fall in earnings. The net profit before taxation and after depreciation has declined to Rs. 126.40 lakhs from Rs. 189.97 lakhs in the previous year. The provision for taxation including that relating to previous year is Rs. 84 lakhs (Rs. 103 lakhs) while development rebate claims Rs. 11.60 lakhs (Rs. 6 lakhs) and debenture redemption reserve Rs. 10 lakhs (nil). The appropriations have been helped by a profit on sale of assets and a transfer of Rs. 15.75 lakhs from reserves.

Coromandel Fertilizers

Coromandel Fertilisers Limited has got over its initial problems completely and has been able to increase its sales and earnings substantially in spite of adverse weather conditions in Andhra Pradesh and the heavy damage to standing crops in the coastal areas from two cyclones. There was at the same time stiff competition from other units while even with reduced imports it was necessary to regulate production to prevent large accumulation of stocks. Thus production of fertilizers was only 71 per cent of rated capacity during the 15 months ended December 31, 1969. There was, however, a jump in sales during the period to Rs. 26.27

crores from Rs. 11.33 crores in the previous 12 month period and the turnover in 1970 can easily exceed Rs. 30 crores if there is difficulty in marketing an increased output. The company has earned a sizable net profit, before depreciation, of Rs. 4.94 crores against a loss of Rs. 20.26 lakhs in the previous accounting period. Even then, it has not been possible to provide for full depreciation of Rs. 5.57 crores (Rs. 3.67) and there is a net loss of Rs. 62.38 lakhs which along with the accumulated loss of Rs. 3.96 crores brought in from the previous accounts, takes the debit balance to Rs. 4.58 crores. From the current year it will be possible to reduce the accumulated losses and a dividend on equity capital can be thought of in the not-distant future. Meanwhile, it has been thought advisable to improve profit margins by trebling the output in two stages over four years. A letter of intent has been got for this purpose and the first stage can be completed by the end of this year or early next year. The company may approach the world Bank or the International Finance Corporation for the required foreign exchange to improve plant and machinery after obtaining the necessary licence.

Kothari Group Merger

The proposal for forming a new company Kothari (Madras) Limited by amalgamating five of the six companies, in the group—Blue Mountain Tea Estates and Industries, Water fall Estates, Balmadies Kothari Textiles and Adoni Spinning and Weaving—is taking shape and the shareholders of the respective companies will be meeting shortly as desired by the Madras High Court for considering the revised merger proposals. The only change made subsequent to the decision to take out Kothari Sugars and Chemicals from the scheme relates to the redemption of preference shares of Adoni Shining. Now it is proposed to offer conversion terms only for the preference shares of Kothari Textiles. It is explained that due weightage has been given by the two auditor firms to past performance and potentialities for growth in the coming year while arriving at the conversion rates though it is admitted that there are bound to be differences in approach as in any such scheme especially as the fortunes of different industries have been changing in the past few years and the merging units have been in business for differing periods.

According to the latest proposal, the paid up capital of Kothari (Madras) will be Rs. 240.60 lakhs, of which Rs. 222.60 lakhs will be in equity and Rs. 18 lakhs in preference shares. Reserves amounting to Rs. 82.87 lakhs include capital reserve of Rs. 15.92 lakhs, representing a capital gain to the amalgamated company on conversion

of shares of different merging companies. The net block is worth Rs. 352.68 lakhs. It has been tentatively decided that the merger should take effect from September 1, 1969. Though the coffee crop has been affected by adverse weather, the working results of the merged company for 1969-70 are expected to be encouraging as tea prices have been looking up and the textile units have been functioning satisfactorily. The capacity of the textile division will be 91,732 spindles and 300 automatic looms while in a normal year the tea out put will be about 22 lakhs kg. and the coffee crop 2,000 tonnes. A major benefit of the merger will be availability of pooled internal resources for implementing expansion and diversification schemes some of which are already under way. The adjusted profits, before depreciation, of the group for 1968-69 are estimated be Rs. 66 lakhs.

Sivanandha Mills

Sivanandha Mills Limited has maintained the ordinary dividend at 7½ per cent, taxable, for 1969. The net profit was slightly better at Rs. 10.43 lakhs against Rs. 3.44 lakhs in 1968 while the disposable balance, after providing for depreciation and renovation and modernisation expenses was lower at Rs. 1.21 lakhs (Rs. 3.44 lakhs). After transferring Rs. 2.17 lakhs (nil) from general reserve, a sum of Rs. 1.25 lakhs (nil) is taken to development rebate reserve. Taxation relating to earlier years claims Rs. 64,990 (Rs. 3,720) while the dividend will require Rs. 1.50.

Bombay Oxygen Pays More

Bombay oxygen Corporation Limited has raised the equity dividend to 8 per cent, taxable for 1969 from 6 per cent, taxable, for 1968. Sales were slightly better at Rs. 52.13 lakhs against Rs. 49.25 lakhs in the previous year but the net profit before depreciation and taxation, improved by a wider margin to Rs. 21.94 lakhs from Rs. 15.06 lakhs. Sales this year have so far been quite satisfactory and there may be a further rise in earnings. The entire oxygen output is now being sold while sales of nitrogen have also been satisfactory. The company has applied for substantial expansion and a Government clearance is expected soon.

New India Repeats

New India Assurance Company Limited has maintained the equity dividend for 1969 at 40 per cent, taxable though the net profit, was substantially higher at Rs. 1.40 crores against Rs. 1.21 crores in 1968. The net premium income rose further to Rs. 25.60

crores from Rs. 24.08 crores in the previous year.

New Great Insurance

New Great Insurance Company Limited has proposed a total dividend of Rs. 5.50 per share for 1969 with the announcement of a final payment of Rs. 2.50 per share, against Rs. 4.50 per share for 1968. The dividend is payable on a higher capital following an adjustment of the paid-up value of the shares from Rs. 20 to 25 by capitalising Rs. 5 lakhs out of reserves. There was a sharp rise in the net profit after taxation, to Rs. 9.01 lakhs from Rs. 5.48 lakhs in 1968 with the net premium income rising to Rs. 2.46 crores from Rs. 2.03 crores.

Sundaram Finance Raises Payment

Sundaram Finance Limited has raised the ordinary dividend for 1969 to 16 per cent, taxable, on a capital increased by bonus and right issues for Rs. 10 lakhs. This works out to 17.8 per cent on the old capital against 15 per cent last year. Income from finance charges rose to Rs. 135.95 lakhs from Rs. 120.87 lakhs in 1968 and from investments to Rs. 4.95 lakhs from Rs. 2.53 lakhs but the net profit, before depreciation and taxation was only marginally up at Rs. 68.55 lakhs against Rs. 66.75 lakhs. The stock-on hire under hire purchase agreements at the end of the year was worth Rs. 9.59 crores against Rs. 7.77 crores, indicating a further sharp rise in business. The directors have however, reported a slack in this year's business in new vehicles but are hopeful of maintaining last year's performance. The company could mobilise larger deposits from the public which rose last year to Rs. 5.43 crores from Rs. 3.99 crores. This was handy in meeting the larger demand of its clients. Arrangements are being made to broad-base the company's shareholding which will help to reduce the tax liability. At the end of last year, the paid-up capital amounted to Rs. one crore against which reserves were worth Rs. 35.65 lakhs.

Mahindra Ugine Earns Profit

Mahindra Ugine Steel Company Limited has started working on a profitable basis even in the first year of full working and with all the new facilities in operation there was a more than doubling of sales of alloy and special steels during 1969 to Rs. 4.93 crores from Rs. 2.23 crores in 1968. The company, earned a sizable net profit, before depreciation of Rs. 81.62 lakhs against a loss of Rs. 20.79 lakhs in the previous year. After providing Rs. 42.97 lakhs (Rs. 38.09 lakhs) for depreciation, the disposable profit has been utilised to reduce the debit balance of Rs. 73.80 lakhs brought in to Rs. 35.15

lakhs. With a further rise in output and firmer selling prices, there may be a higher, disposable profit for this year which may help to wipe out the remaining losses and even pay a token dividend on equity capital though there is a large claim in respect of development rebate. It has been thought advisable to take advantage of the surge in demand for alloy and special steels by doubling the present capacity. This will reduce costs considerably and raise profitability. It is not known how the expansion is to be financed and if there will be any fresh issue of capital. MUSCO'S Rs. 10 paid up shares are at present quoting around Rs. 13. Good progress has been made in the balancing scheme to achieve an output of 24,000 tonnes per annum. Sales in the current year have been promising the turnover in the first quarter being double at Rs. 1.62 crores against Rs. 82 lakhs in the same period last year.

Alembic Chemical Earns More

Alembic Chemical Works Company Limited has maintained the equity dividend at 12 per cent, taxable, for 1969 though earnings were higher on a larger turnover. While sales improved to Rs. 12.38 crores from Rs. 10.24 crores, the net profit before depreciation and taxation, rose to Rs. 1.67 crores from Rs. 1.20 crores. The provision for depreciation is Rs. 47.63 lakhs (Rs. 36.54 lakhs) and development rebate Rs. 10.40 lakhs (Rs. 5.18 lakhs). The charge in respect of taxation is Rs. 58 lakhs (Rs. 39.30 lakhs). Credit has been taken in the accounts for Rs. 12.03 lakhs (Rs. 2.80 lakhs) for tax credit certificates and profit on sale of investments.

Goodlass Nerolac Raises Dividend

Goodlass Nerolac Paints Limited has benefited from the revival of economic activity and building construction as its sales improved considerably during 1969 to Rs. 5.03 crores from Rs. 4.29 crores in 1968. With improved profit margins, the net profit, before depreciation and taxation, jumped to Rs. 49.18 lakhs from Rs. 28.49 lakhs in the previous year. After setting aside Rs. 4.99 lakhs (Rs. 3.30 lakhs) for depreciation and Rs. 47,000 (Rs. 45,000) for development rebate, the provision for taxation Rs. 26.05 lakhs (Rs. 14.33 lakhs). The equity dividend has been raised to 12 per cent, taxable, from 10 per cent taxable, and will be paid out of general reserve which has been credited with Rs. 20.97 lakhs (Rs. 11.67 lakhs).

The amount required will be Rs. 10.80 lakhs and there is ample cover for this. The Chairman Mr. F. H. Kemple, in his annual statement to the shareholders has visualised

a continued increase in rural demand for paints with rising agricultural output. The company's new unit at Kavesar (Bombay) is scheduled to commence production of pigments early in 1971 and will add significantly to the turnover and earnings. The results for the current year are expected to be satisfactory as sales in the first four months were slightly better than in the same period last year.

Nagpal Ambadi

The response to the recent issue of 12.30 lakhs equity shares of Rs. 10 each by Nagpal Ambadi Petro-Chem Refining Limited was quite encouraging, and the list was oversubscribed. The directors have, in consultation with the Bombay Stock Exchange authorities, finalised the allotment details under which all the applicants will get partial allotment on a regressive basis. Thus, applicants for 50 shares will get 25 shares while those who had applied for 100 shares will get 50 shares, for 150 shares 75 shares, 200 to 250 shares 100 shares, 300 to 350 shares 150 shares and so on till applicants for 5,000-5,500 shares will be allotted 1,200 shares and for 1.05 lakh shares 14,075 shares.

Binny Looks Ahead

The Chairman of the reconstituted Binny Limited, Mr. M. K. Vellodi has expressed cautious optimism about the outlook for the company in the current year. The substantial completion of the modernisation programme of the cotton and woollen mills as also the engineering works besides the reorganisation of other divisions is expected to have a strengthening effect on the company's earning capacity though the high cost of raw materials, increased excise duties and disturbed conditions in different parts of the country can offset the benefits of the merger to some extent. Mr. Vellodi has explained at length the difficulties of the Madras and Bangalore mills in 1969. Now that control on the prices of drills which account for a major portion of the Madras mills' output has been lifted since last November and wool supplies will be available for the Bangalore Mill on an assured basis, there should be a steady increase in the output and turnover of these two units. Greater benefit will also be derived out of the 490 BAZL looms installed in the two units last year and the new preparatory and finishing machinery costing Rs. 250 lakhs. It is now expected that the bulk of the new looms would be installed by the end of this year and there will be a marked improvement in quality and profitability from next year. The garments unit has been raising its output steadily besides increasing the

range of ready made goods and a modest export market is also being built up. The factory has now taken up the production of industrial garments which will be expanded with the commissioning of the new heavy-duty machines. The engineering division has also been working on a profitable basis and with the modernisation of the foundry and the production of rice mill machinery and parts besides the execution of orders for sugar mill machinery there will be a sharp rise in earnings of this unit this year. Giovanola-Binny a subsidiary company, has however been unable to function profitably due to scarcity of steel and there are plans to diversify the lines of production to improve profitability. The trading and agency divisions can also be expanded now as the restrictions under the Foreign Exchange, Regulation Act will not apply to the merged company and new agencies are proposed to be added to the existing lines. The Chairman has pointed out that the amalgamation provides opportunity to make better use of the financial resources but there is still pressure on liquid resources due to the higher working capital requirements and the needs of the modernisation scheme. It will also be necessary hereafter to provide substantial sums for redemption of debentures and for repayment of loan taken for the modernisation scheme.

Bank Compensation

The Union Government has discharged its obligations in respect of the compensation payable to the former managements of the 14 banks taken over by it under the Renationalisation Act. It is now learnt that 10 institutions have opted for compensation in 30 year securities carrying interest at 5½ per cent, per annum. The amount involved is Rs. 68.50 crores out of a total of Rs. 87.40 crores for all the banks. Two other banks Indian Overseas Bank Limited and Allahabad Bank Limited, have opted for cash payment amounting to Rs. 2.50 crores and Rs. 3.10 crores respectively. These are payable in three annual instalments. The other two, Punjab National Bank Limited and Union Bank of India Limited opted for interim compensation in cash for Rs. 150 lakhs and Rs. 93.75 lakhs respectively and the balance in 4½ per cent 10 year and 5½ per cent 30 year securities. The interim payment has already been made as also compensation in the form, of securities to 12 banks while the first instalment of cash payment to Indian Overseas Bank Limited and Allahabad Bank Limited will be made shortly. In the case of the latter, the compensation amount is repatriable in foreign exchange in respect of the holdings of Chartered Bank and other overseas shareholders.

William Jacks

T. Maneklal group has come to an agreement with William Jacks of U.K. for purchase of the controlling interest in their Indian subsidiary, William Jacks and Company (India) Private Limited. It is stated that the book value of William Jacks and company is about Rs. 26 lakhs and that Maneklal will be paying about Rs. 18 lakhs. The agreement is subject to approval by the Central Government, the Reserve Bank of India and the shareholders of Maneklal. William Jacks, with its countrywide marketing organisation has interests in machine tools, electrical construction equipment,

fertilizers and chemicals, aviation, agriculture and general engineering.

New Company Registrations

The trend of new company registrations in recent months has been quite encouraging though this has not been reflected in any significant rise in fresh capital issues as it will take sometime to finalise the financial and other arrangements before the promoters seek to raise capital. The registrations in March, 1970 which are the latest available, include some major ventures. The Tamil Nadu Small Industries Development Corporation Limited started by the State Govern-

ment will have an authorised capital of Rs. 2 crores and will devote itself to the promotion of small units in the State. Among public limited companies, mention may be made of Swadeshi Polytex Limited, U.P. with an authorised capital of Rs. 10 crores for undertaking the manufacture of polyester fibre and Kirloskar Kisan Equipment Limited, Maharashtra, with an authorised capital of Rs. 2 crores. Atlas Auto Cycles Limited has been registered in Haryana with an authorised capital of Rs. 50 lakhs to make auto cycles while Adyar Gate Hotel Private Limited registered in Tamil Nadu, will be building a hotel in Madras. Its authorised capital is Rs. 60 lakhs.

Statistical Supplement....

WORKING RESULTS OF RUNNING CONCERNS IN PUBLIC SECTOR

(Units making profits)		(Rs. in lakhs)	
S.No.	Name of the undertaking	Net profit 1968-69	Net profit (+) Net loss (-) 1967-68
1.	Indian Oil Corporation Ltd.	1,941.9	1,094.2
2.	Oil & Natural Gas Commn.	1,367.8	1,278.5
3.	Shipping Corpn. of India Ltd.	499.7	547.6
4.	Fertilizer Corporation of India Ltd.	405.6	146.8
5.	Cochin Refineries Ltd.	349.0	110.9
6.	State Trg. Corpn. of India Ltd.	248.4	164.3
7.	Bharat Electronics Ltd.	244.2	211.4
8.	Hindustan Aeronautics Ltd.	224.4	139.6
9.	Air India	215.8	243.7
10.	Indian Airlines	155.6	(-) 38.1
11.	Indian Telephone Indus. Ltd.	151.1	152.8
12.	Bharat Earth Movers Ltd.	125.5	100.5
13.	National Coal Devpt. Corpn. Ltd.	144.6	(-) 60.8
14.	Hindustan Teleprinters Ltd.	64.6	91.4
15.	Hindustan Cables Ltd.	53.9	35.8
16.	Mazagon Dock Ltd.	49.4	39.4
17.	Food Corpn. of India	47.0	88.3
18.	Hindustan Antibiotics Ltd.	33.3	52.8
19.	Fertilizer Chemicals (tr.) Ltd.	32.5	19.6
20.	Mogul lines Ltd.	26.4	49.9
21.	National News Prints & Paper Mills Ltd.	24.2	20.0
22.	Garden Reach Workshops Ltd.	21.4	30.0
23.	Hindustan Steel Works Constrn. Corpn Ltd.	13.0	2.7
24.	Indian Rare Earths Ltd.	12.8	24.5
25.	Goa Shipyard Ltd.	11.8	4.1
26.	Lubrizol (India) Ltd.	11.8	U.C.
27.	Ashoka Hotels Ltd.	9.9	29.6
28.	Hindustan Insecticides Ltd.	9.4	16.9
29.	National Indl. Devpt. Corpn. Ltd.	8.7	0.5
30.	Tungabhadra Steel Products Ltd	6.9	7.3
31.	Hindustan Shipyard Ltd.	6.2	4.1
32.	Engineers (India) Ltd.	5.4	19.0
33.	Hindustan Zinc Ltd.	5.0	0.9
34.	Hindustan Housing Factory Ltd.	4.8	7.6
35.	Sambhar Salts Ltd.	3.9	8.8
		6,535.9	4,644.6

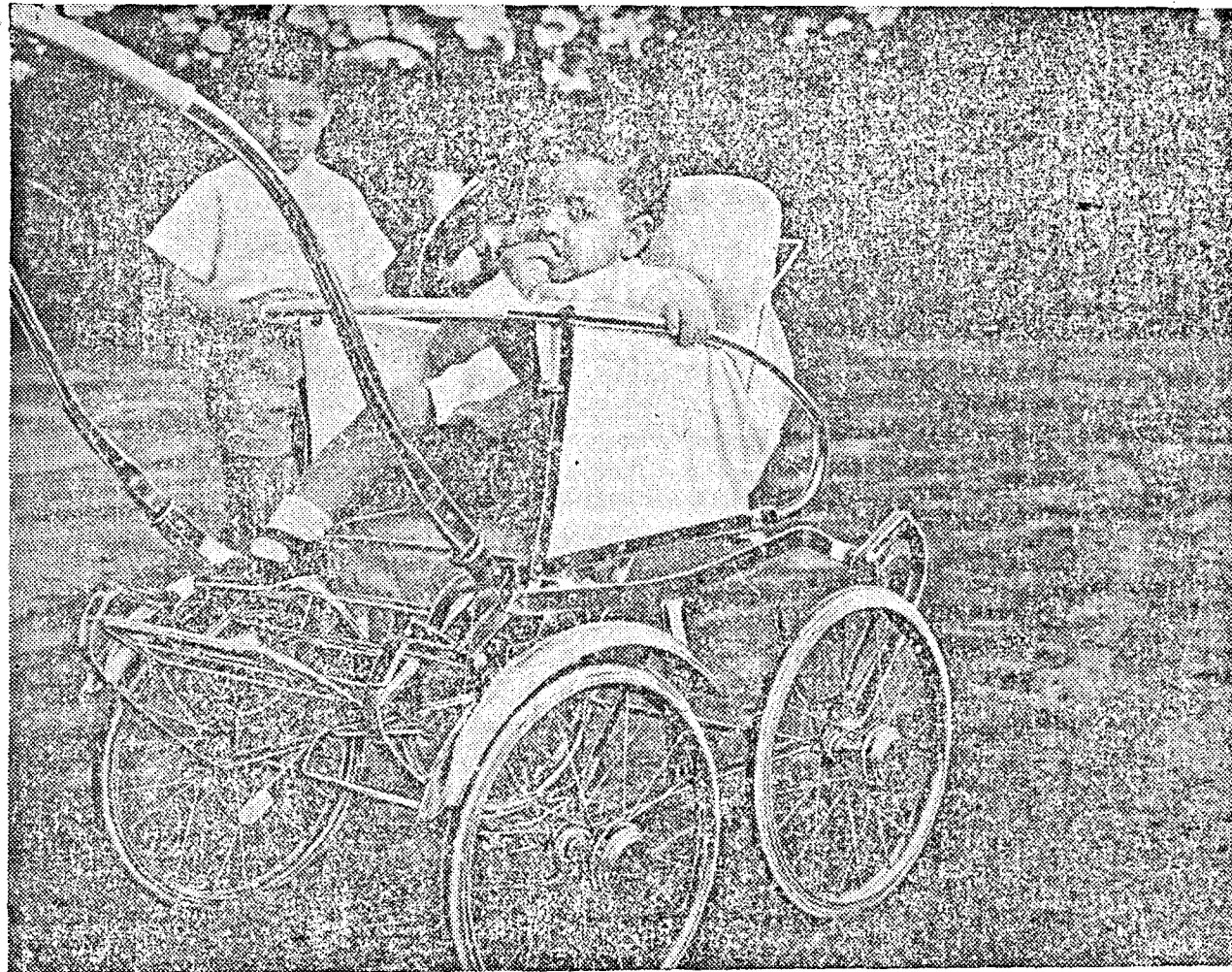
WORKING RESULTS OF RUNNING CONCERNS IN PUBLIC SECTOR

(Losing concerns)		(Rs. in lakhs)	
S.No.	Name of the undertaking	Net loss 1968-69	Net loss except item (14) 1967-68
1.	Heavy Engineering Corpn. Ltd.	1,411.5	1,343.8
2.	Indian Drugs & Pharmaceuticals Ltd.	906.6	231.6
3.	Mining & Allied Machy. Corpn. Ltd.	638.6	597.6
4.	Heavy Electricals India Ltd.	586.7	610.5
5.	Bharat Heavy Electricals Ltd.	337.1	556.9
6.	Neyveli Lignite Corpn. Ltd.	238.6	611.0
7.	Hindustan Photofilms Mafg. Co. Ltd.	207.5	152.3
8.	National Mineral Devpt. Corpn. Ltd.	182.2	104.6
9.	National Projects Constrn. Corpn. Ltd.	121.6	35.0
10.	Central Inland Water Transport Corpn. Ltd.	116.0	140.0
11.	Hindustan Machine Tools Ltd.	76.8	69.6
12.	National Corpn. of India Ltd.	83.2	26.0
13.	Uranium Corpn. of India Ltd.	70.5	U.C.
14.	Minerals & Metals Trg. Corpn. Ltd.	70.2	(+) 108.3
15.	Instrumentation Ltd.	67.3	U.C.
16.	Electronics Corpn. of India Ltd.	32.8	25.2
17.	Central Road Transport Corpn. Ltd.	24.8	16.7
18.	Praga Tools Ltd.	20.5	12.3
19.	Hindustan Salts Ltd.	16.7	9.3
20.	Triveni Structural Ltd.	16.2	U.C.
21.	National Buildings Constrn. Corpn. Ltd	15.4	7.9
22.	Pyrites Phosphates & Chemicals Ltd.	13.8	U.C.
23.	Central Fisheries Corpn. Ltd.	12.5	12.7
24.	Janpath Hotel Ltd.	11.8	1.3
25.	Modern Bakeries (India) Ltd.	2.3	6.8
		5,281.3	4,459.9
Aggregate Net Profit		1,254.60	184.70
Depreciation		8,026.00	6,642.00
Interest Charges		6,562.00	4,615.00
Amortisation and write off of deferred revenue expenditure		1,362.00	1,039.00
Income Tax paid or provided for		1,728.00	1,851.00
		18,932.60	14,331.70

FINANCIAL RESULTS OF 61 RUNNING CONCERNS FOR 1968-69 (Rs. in crores)

		H.S.L.		*60 Companies		Total (61)*	
		1968-69	1967-68	1968-69	1967-68	1968-69	1967-68
Net profit	(-) 39.42	(-) 38.77	12.55	1.84	(-) 26.87	(-) 36.93	
Depreciation	59.44	53.18	80.26	66.42	139.70	119.60	
Interest charges	27.46	23.57	65.62	46.15	93.08	69.72	
Amortisation & write off of deferred revenue expenditure	0.75	0.75	13.62	10.39	14.37	11.14	
Income tax paid or provided for	—	—	17.28	18.51	17.28	18.51	
GROSS PROFIT	48.23	38.73	189.33	143.31	237.56	182.04	

*During 1967-68 five companies were under construction.



He's one of our best customers
though he doesn't know it yet

When he grows up he'll stop riding his pram (made from tubes we make) and have a world-famous bicycle fitted with the most comfortable saddle and a bright dynamo lamp, all of which we make.

The power to light his home will come through one of the millions of transformers we help to make with our cooling tubes.

What we make now: The world-famous Hercules, Phillips and BSA cycles which have set standards of unequalled quality in over 135 countries. Technoor and Grand Champion cycles for the export markets.

TRU-WEL ERW steel tubes, Brampton cycle fittings, Olympic, Brooks and Hector saddles, TI cycle chains and Miller dynamo lighting sets for the cycle industry and trade.

The bus, car or train he rides will have steel tubes as part of it, which we produce in every shape and size for all such requirements.

Coming to think of it, we will have much to do with his life, even considering what we make now.

And our future growth? That's for him to guide, for what we do is what would do him good, directly or indirectly.

TRU-WEL ERW steel tubing, cold-rolled steel strip, Diamond roller chains for heavy and light engineering industries, and METSEC cold roll-formed metal sections.



TUBE INVESTMENTS OF INDIA LTD, Madras-1

Proprietors of: TI Cycles of India—Tube Products of India—The Wright Saddles of India—TI Metal Sections. Subsidiaries: TI Diamond Chain Limited—TI Miller Limited

Backed by TI Research and Technology

ti-3990