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INDUSTRIAL ECONOMIST

INDUSTRIAL ECONOMIST
WISHES ITS READERS
A HAPPY NEW YEAR

A FORTNIGHTLY ON INDUSTRY & FINANCE, MADRAS

VOL. III, NO. 20

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Running on Reputation

Henry Ford always maintained that his car was as good as the Rolls Royce. In one of his trips to England, the story goes, he took a dignitary in a new model which he had just introduced. He was trying to convince that everything about the vehicle was perfect.

As the car was merrily jogging along, the fuel gauge indicated zero. The dignitary pointing to what was obviously a defect in the instrument, asked with ill-concealed sarcasm: "How is it Henry, that the car glides along with apparently no fuel?"

The undaunted Mr. Ford quipped: "Of course, the vehicle is cruising on Ford reputation."

For too long a time the Congress (undivided) had swept the polls on past reputation. With the split, it has become necessary to fight on principles and policies. Alas! the attempts at forming alliances without any basic minimum programme give the lie to such hopes.



What you too should know about Tube-well Drilling? — I

The significance of tube-well drilling has rapidly increased in view of the "Green Revolution" taking place in India and the fight against nature's calamities in the absence of rainfall. More and more tube-wells are being drilled in many states all over India. The depth of these tube-wells normally ranges from 150 metres to 600 metres with a maximum diameter of holes about 60 cm. in most cases.

NO JOB FOR A NOVICE!

Tube-well drilling is no job for a novice. It not only requires high calibre expertise in drilling methods, equipment and soil formations, but

also necessitates a heavy investment. The cost of drilling a tube-well runs into thousands whereas the total capital investment on drilling projects may well run into laacs of rupees. Hence the task of tube-well drilling is generally undertaken by various government or semi-government, agro-industrial or agricultural bodies, district Panchayats and co-operatives for drilling in their respective states. Some private contractors too have found this to be a profitable business. (In Gujarat state alone, there are about 25 contractors).

THE RIG

The complete drilling equipment, tube well drilling and boring machine or Rig, can be conveniently mounted on a truck chassis, trailer or a jeep. (The tall mast can be lowered and kept in a horizontal position when the rig is taken from one site to another).

The power for the drilling operation is obtained normally from the truck engine itself, in most cases, by disconnecting the propeller shaft of the engine and joining it to the driving mechanism. This, of course, is a time consuming operation and requires a skilled technician. Hence, some of the modern rigs include a special gear box to facilitate changing of the drive from the truck axle to the drilling drive mechanism simply by engaging a lever. For attaining greater depths, the higher capacity rigs have a separate diesel engine

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ADVT.

Tourism has much to do with Jaipur's past...

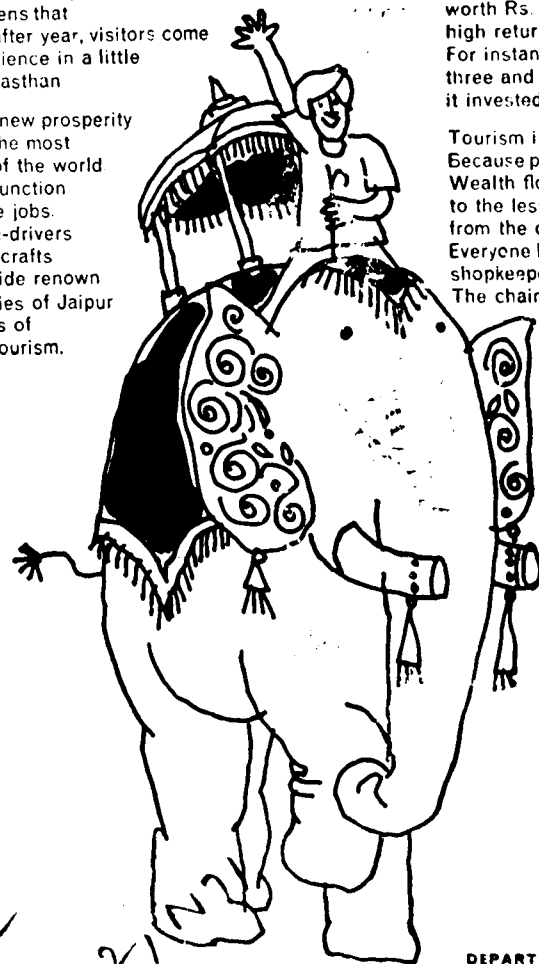
... And its present !

The golden age of the Rajputs lingers on. In monuments, scattered all over Rajasthan. In the palaces, forts and gardens that abound in Jaipur. And year after year, visitors come from far and wide. To experience in a little way the ancient glory of Rajasthan.

And with them has come a new prosperity. Jaipur has become one of the most exotic tourist destinations of the world. Palaces have found a new function as hotels. People have more jobs. As waiters and porters, taxi-drivers and guides. The traditional crafts of Jaipur have won world-wide renown. The ancient skills and glories of Jaipur have become the harbingers of a bright future. Thanks to tourism.

Tourism is the world's biggest business and the fastest growing. In five years it will be worth Rs. 18,000 crores. And tourism offers high returns on investment in the shortest time. For instance, in 1968, Yugoslavia earned three and a half dollars on every dollar it invested in tourism. A net profit of 250% !

Tourism is also a people's business. Because people benefit wherever the tourist travels. Wealth flows from the affluent countries to the less affluent. And within the country, from the developed areas to the less developed. Everyone benefits. Airlines, travel agents, hoteliers, shopkeepers, craftsmen, waiters, taxi-drivers. The chain is endless.



DEPARTMENT OF TOURISM GOVERNMENT OF INDIA



PONDERINGS OVER THE POLL

The question of mid-term elections, which was never put out of her mind by Mrs. Indira Gandhi since the split in the Congress, and was even disavowed by her at one stage has now been precipitated by the dissolution of the Lok Sabha. One can well understand the members and adherents of the ruling party finding it difficult to make up their minds in the present conditions of kaleidoscopic changes in the U.P. and Bihar, the possibility of new combinations among the opposition groups and presumably the fluid state of opinion among the voters. The decision is undoubtedly prompted by the advantages of cashing in on the apparent popularity of the new Congress through bank nationalisation and the distribution of bank credit among farmers, the self-employed and the small industries and surprising the opposition groups before they have had time to rally together and the fear that, as a result of the rise in prices and the cost of living, public opinion may drift in the next year away from the Government and offer unexpected strength to the opposition groups. The initiative certainly lies with the ruling party and the Prime Minister. And with her sense of the dramatic and the confidence that that the President will accept her "advice" she has hastened

ed the next general elections and proceeded to refurbish her image in the public eye as the avenging angel of all social wrongs and injustices. The old Congress and the other parties in the opposition have now to be prepared themselves for the electoral contests, for which, in spite of their affirmations of readiness, the odds are against them. They must get their electoral machinery to go into gear. If Parliament had continued for its full term, they might probably have been able to demonstrate the strength of their alliance and to prejudice the ruling party in the eyes of the public.

While the Prime Minister could be indifferent to the contention that hers is a minority Government which cannot insist on the right to go to the country, she could not rule out the chances of a defeat for the Government in the Lok Sabha and its effects on the minds of the voters. The controversy about the rights and duties of the President in case of such a defeat would certainly be carried on with more force and vigour.

The action of the Prime Minister and the President has made all such speculation pointless. But the fact of the State Assemblies would seem to be hanging on the balance.

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While the West Bengal Assembly has been dissolved, the State Ministries which are on the side of the new Congress are said to be considering the advantages of similar action in their State. And if these Assemblies are also dissolved, then the other States too might conceivably follow suit. The disadvantages of separating in time the elections to the Lok Sabha and to the State Assemblies are indeed obvious and the financial and administrative considerations are indeed the most weighty.

Nevertheless, we cannot overlook the fact that we are living in times when almost every question is decided on considerations of advantage to the ruling party. While a Prime Minister can in certain circumstances claim the right to appeal to the electorate, there is no valid ground for such

RE-WRITE LABOUR LAWS

By far the most serious of the causes of the fall in exports is the breaks in productive work due to trade disputes. It is a relief to find the Chairman of Hindustan Machine Tools, a public sector unit, appealing to the Government to re-write the Industrial Disputes Act of 1947, the Factories Act of 1948 and other labour laws now on the Statute-Book. The reasons for this appeal are obvious. First, all this legislation was passed with the minds of the legislators dominated by the experience of exploitation largely by foreign capitalists under British and with little experience of what a national democratic government can do to further the interests of the workers and what it should do to protect the interests of the public and of rapid development of the national economy. Secondly, the National Labour Commission has made its recommendations for better industrial relations in the public and private sectors and the recommendations are yet to gain the full consideration of the Government. Thirdly, the threat which the "rights" of the workers offer to the general public and to national economic progress has become more and more evident in recent years when the economy has, technically, arrived as the "take-off" stage but is grounded by strikes and other breaks in work of an increasingly violent and economically ruinous kind.

Dr. S. M. Patil, the Chairman of the H.M.T., has stressed the numerous impediments in the way of the executives of the public sector units making these units serve the

an action in the present situation in India. The elections will be held when no progress whatsoever is possible in the education of the electorate on problems of vital national importance and when the peace and order necessary for freedom of voting even in the narrowest sense of the term are gravely threatened. That the dissolution lends strength to the allegation that the Prime Minister resorts to dictatorial actions and that there is no sign of any check in the slide towards extreme leftism are indeed the most saddening aspect of the present position. Even more regrettable is the fact that Mr. Giri has missed yet another opportunity to show that the President is a separate entity in our Constitution whose consent to the advice of the Council of Ministers on issues of constitutional importance cannot be taken for granted.

economy as well as they should. According to him, job security in the public sector units has made it very difficult to extract work and establish discipline. There is also a high degree of interference in the labour and personnel management of these units. And the trade unions have their supporters in high influential circles. While salaries are too low to attract the best brains, wage scales are high without any justification in productivity. The attitude to work has become increasingly unhealthy and there is a readiness to hold the public to ransom on any and every issue and to brush aside such considerations as capacity to pay, not so much of any particular industrial unit as of the nation as such in its present state of national and per capita income, the state of public finance and the resource needs of the plan and the current levels of costs and prices and the inflationary spiral. The conflict between the objectives of socialism on the one hand, and on the other the affiliations of socialists with the trade unionists, has become inescapable in recent years. The strike of the Electrical Trade Union workers in Britain caused a few deaths in hospitals and threatens the death of many more for lack of heat. There is an angry retaliation by the public which should be the starting point of constructive rethinking about the *raison d'être* of trade unionism in a socialist society. In India strikes and lock-outs turn the public sector into a drain for national resources, aggravate inflationary conditions, budgetary deficits and hamstring the nation for further progress.

Glimpses.....

By P. R. SRINIVAS

A Gracious Concession ?

It is gratifying to find Mr. Karunanidhi accepting wholeheartedly the suggestion that a committee of educationists be appointed to advise the Government on measures for allaying the fears and suspicions of a section of students about the introduction of Tamil medium in colleges. The suggestion was put forward at a meeting which the Chief Minister had with his alliance partners, labour leaders, student representatives, Tamil scholars and prominent public men. The wording of the resolution passed at the meeting implies clearly that the fears and suspicion of the students are unjustified because of English having been accorded its due place as an international link language and provision having been made for its study. The problem is thus unduly restricted to allaying the groundless apprehensions of the students. What the Government is confronted with is a somewhat educational problem and a situation in which the measure favoured by the Government is opposed by a large majority of students. It is not the attitude of the students alone that calls for correction. What is needed now is to ensure on the one hand the development of Tamil to the point of its serving satisfactorily as a medium of higher education and on the other enabling students to acquire sufficient mastery of English to delve deep into the books in that language for the purpose of their specialised studies. To assume that the former purpose has been achieved and that facilities for learning English are only a gracious concession to rival views is to jeopardise not only the future prospects of the students when they enter life but also

to hinder the development of the Tamil language for the purposes of a modern system of education. It is no reflection on a classical language or the wealth and glory of its literature that it has a long way to go before it can serve as a medium of higher education in modern times.

Dangerous by Fallacious

It is characteristic of the present Government that it has decided to appoint a commission to assess the extent of unemployment and under-employment in the country and to suggest ways of fighting them. Such an enquiry should have been instituted by the Planning Commission long ago. And if the work of gathering relevant data had been continuous and if the study group had given special attention to the effects of particular policies and specific actions of the Government or of industry on the employment situation, the Planning Commission would have had some help in judging its projects and programmes from this angle and made suitable changes in the Fourth Plan. A number of factors and forces are responsible for the ruling circles in this country entertaining dangerously fallacious ideas on the question of unemployment and the ways of mitigating it. First and foremost is Mahatma Gandhi's emphasis on cottage industries as the basis of a way of life which he favoured. Secondly, the Government developed an animus against organised industry, for which the sins of the business community during the war period and after, Gandhian idealism and eagerness to help the poorer classes provided apparently sufficient justifi-

cation. It is true that however rapid it may be, the development of organised industry cannot absorb the unemployed at the present rate of population growth. Unfortunately, this itself was considered sufficient argument for deliberately stunting the growth of organised industry. Now that the country has reached what is loosely termed the "take-off" stage, it is more necessary to see that it is not grounded by considerations of employment and that no quack remedies are adopted. The proposed commission must have wide terms of reference and should not be hustled in its work.

Crash Programme to Increase Capacity

Recent events have shown that with the present state of her capital equipment, diversification of industry, inclusive of the more sophisticated kinds, India can set about the task of increasing the growth rate of her exports by bilateral talks and trade pacts with close reference to the needs and conditions of the two countries concerned. While it is certainly heartening to find the European Economic Community extending to all the developing countries the treatment it affords to the Associate Members of the E.C.M. in Africa, it is a reasonable presumption that the Eastern European countries, Soviet Russia and Japan offer a better scope for expansion of trade, and what is more, the opportunity and the means of strengthening the infra-structure of Indian industry. Collaboration, the aims of which have been restricted to the establishment of the industrial unit for which foreign know-how and other help were sought, cannot in the nature of things stop at that point, since it opens up new avenues of closer trade relations between the developing country and the collaborator. It is because of this, and not because of its starting from scratch, that the trade with the industrial nations other than the U.S. and Western Europe has shown a higher growth-rate.

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The scope for further expansion is much wider, because the Communist countries have, in their impatience for developing high industrial potential concentrated on heavy industries and this allowed a gap in respect of consumer goods which India is in a good position to fill. Minor difficulties are bound to be experienced in the attempt to explore these new avenues. India has had trouble with the tractors imported from East Germany. The wagon deal with Soviet Russia has been hanging fire for years. But these cannot alter the basic position. And it is only to be expected that the

two countries are planning to double or even treble the trade passing between them, through a trade pact now signed by the two countries. In the case of Japan, India has a community of interests. Not only can Japan do more in the line of supplies of sophisticated machinery for the petro-chemical, fertilizer and other industries, but, along with India, she has a common task in aiding the economic development of the South East Asian countries. India's bilateral talks with Soviet Russia and Japan promise to be of great profit not only to the countries directly concerned

but to other developing countries in this region as well.

All these efforts are now being made none-too-soon because of the decline in the growth rate of our exports which in the period April to August 1970 is a minus 1.2 per cent. The Foreign Trade Ministry is reported to have decided to inaugurate a crash programme from the New Year of which the import of steel to increase the supplies for the engineering industries is a vital part. Credit will also be provided for industries which undertake projects in foreign countries on a turn-key basis.

Sugar Industry Needs Rational Policy

The vacillation of the Central Government about a new policy of the sugar industry is creating needless hardship for sugar mills in Tamil Nadu, Andhra Pradesh and even Bihar and U.P. The minimum price based on a recovery of 9.4 per cent and below and differential excise duty on sugar for free sale and mounting interest charges on accumulating sugar stocks have compelled all sugar mills having a recovery of less than 9 per cent to operate at a loss.

Mounting Stocks...

In spite of the earlier reports that the output for the current season may not be more than 36 lakh tonnes it is now estimated that production will be in excess of 40 lakh tonnes and it would be possible to market the whole of this quantity only if exports were raised to 4 lakh tonnes. It is of course agreed that there will be a further increase in internal consumption to 36 lakh tonnes. It will be seen, therefore, that there is no likelihood of a decline in the huge stocks carried over from the last season and that the problem of storing and financing stocks

of 37 lakh tonnes in May 1971 will pose serious difficulties as the carry over into next season will be 21 lakh tonnes or even slightly more. The demand has been made that the levy prices should be raised by at least Rs. 1.50 per quintal, for offsetting interest charges, cost of maintaining larger stocks, etc., there should also be allowance for meeting increases in other costs.

The Government has not, however, considered any of these questions. The increase in the quota for sugar for free sale to 40 per cent from 30 per cent was met with a corresponding reduction in the quota for levy sugar to 60 per cent. Nothing was indicated about the position of buffer stocks or change in the differential excise duty. The latest decision has made matters worse as the addition to the quota for free sale will only compel sugar mills incur more losses as open market prices are not very much different from those for levy sugar. The government is apparently thinking that there will be quicker absorption of sugar through free sale and there will not be heavy lapses of quotas of levy sugar. But it is over-

looked that a quicker absorption can be brought about only with heavier losses and all those mills which have a levy price of more than Rs. 120 per tonne will suffer even heavier losses in 1970-71 notwithstanding the possibility of a slight improvement in the recovery percentage. Unless buffer stocks are created or the mills compensated on the loss sustained in maintaining huge stocks and reduction in the differential excise duty to 25 per cent from 37½ per cent, there is no hope of the Tamil Nadu sugar mills recovering even overhead charges.

If the present conditions are allowed to continue, the industry will be badly hurt and it will not be in a position to produce the desired quantity of sugar when consumption is on the upward trend. As the accumulated stocks can be easily reduced in 2 or 3 years it is the duty of the government to evolve a rational policy for promoting long term interests. Minimum price for cane should be fixed on the basis of a recovery of 8.5 per cent and below and levy prices fixed for sugar should be more realistic. The excise duty should be uniform and if necessary reduced to 20 per cent so that the consumer will not be penalised because of higher retention prices. The Government for its part will realise larger revenues because of rising consumption.

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Prices and Development—RBI's Report

The Reserve Bank of India's Annual Report on Currency and Finance provides a faithful portrayal of the important developments and general conditions of the national economy in the last financial year. As is only to be expected, the account is closely related to the principal departments of the nation's economy and finance and furnished with a wealth of statistics which invites a more colourful interpretation of their significance to public policy than a quasi-official institution like the Reserve Bank could consider itself free to indulge in. Nevertheless, the implications, even like the broad trends, are fairly clear, though inevitably more controversial. The test of sound financial and economic policies is a reasonable stability of prices and, when prices do rise, one can ask for compensation in rapid development of the economy. Though Government spokesmen have often tried to defend themselves by suggesting that an inflationary rise in prices is an inevitable accompaniment of economic development, we have never had enough of development to justify the price increases. At any rate, whatever may have been the position during the second or the Third Plan, we have arrived at the stage when, by a wise adjustment of immediate objectives and modification of policies in pursuit of such objectives the price situation can be brought under control. The rise in prices is not only unaccompanied by genuine development but also raises a host of problems. The solutions to those problems which are adopted in the sphere of public finance are such as to add to the gravity of these problems and slow down the development of the economy.

It is from this point of view that the facts and figures furnished by the Reserve Bank in its annual Survey have to be studied, particularly because the bank is apt to be silent on matters involving criticism of the Government's current policies.

The survey however, does not attempt to smooth over the difficulties of the price situation. It points out that the post-harvest decline in prices came to an abrupt end in mid-November and that since then the general price index exhibited a disconcertingly sharp upward trend which continued till the close of the year. The annual average index registered an increase of 4.6 per cent, which is in contrast to the nominal decline of 0.2 per cent in the preceding year. It may be noted, however, that between June end 1969 and June end 1970 the extent of increase at 4.0 per cent was lower than the 7.4 per cent increase in the corresponding period of the previous year. A more heartening fact is that national income at constant prices during 1969-70 is estimated to have increased by 5 to 5½ per cent which corresponds closely to the annual average rate of growth assumed in the Fourth Plan.

Monetary Resources...

If the price situation is of vital importance to the economic life of the people and the soundness and rapid progress of the national economy, the monetary side may be considered to be of lesser, or at any rate merely immediate, concern compared to the supply of goods. Nevertheless, it must be noted that, while the total monetary resources, comprising currency with the public and aggregate deposits of banks, showed a smaller increase of 11.4 per cent against a rise of 13.4 per cent in the previous year, bank credit to the commercial sector exerted a much larger expansionary impact on money supply than last year. A good part of this credit is on account of advances to the public sector undertakings, including the Food Corporation of India. The survey devotes a great deal of space to measures for financing of agriculture and to the changes in lending policies which have followed the nationalisation of banks. It is, of course, too early to gauge the effect of more liberal advances to farmers

and to other formerly less favoured classes on the price situation. We can only hope that before long this will result in considerable additions to consumer goods, particularly those which enter into the cost of living of the average man.

If production trends hold the key to the price problem, one has, broadly speaking, to be content with the recovery from the position created by the drought and the recession in industry two, three years ago, instead of looking for positive developments of an impressive kind. Though food production rose from 94 million to 99.5 million tonnes, the improvement in rice lags far behind that of wheat. Industrial raw material continues to be in short supply thus restricting the output of the industries concerned. Though agriculture based industries, taken together, improved their growth rate from 1.7 per cent to 5.4 per cent, due to improvement in sugar and tea, raw cotton was throughout the year in short supply. The overall growth rate of industrial production was only marginally higher at 6.9 per cent.

These features serve only to emphasise the importance of economic policies for accelerating growth and development and to dim the prospects for the future. Except for the continuous rise in prices and the likelihood of Government bringing in again the chain of adverse developments such as higher wages and salaries, higher taxation and the vicious spiral of higher costs and prices, the economy is still sound at the core. Exports have registered a rise for the third successive year, though at 4 per cent which is much lower than the rise of 10 per cent in 1968. The trade deficit, however, has narrowed far more because of the decline in imports than of the increase in exports. Likewise, the comfortable position of our foreign reserves is due primarily to the allocation by the I.M.F. on account of special drawing rights. If the exports are to increase

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adequately to more than cover the increase in imports in the years ahead and Indian industry as a whole is to develop and realise the potentialities

which the progress of recent years have undoubtedly created, and agricultural progress is to be allround and the price line held, the Government

has to readjust its ideas, mitigate its hostility to organised industry and seek additions to productive output by all possible means. —PRS

I BELIEVE:

Towards Regional Prosperity

I believe that the problem of medium *versus* jobs deserves to be placed in an entirely different focus than what is being attempted at present without undermining even ideologically the concept of national integration. The truth has to be recognised that, in the geographical unity that is India, lies a diversity of cultures, tradition and habits which, if not given their proper cognisance, will breach the basic sanction behind unity, national and economic.

There are certain errors which are remediable and certain others which are not. On the latter, the better course will be to take things as they are and work out the necessary adjustments in the dimension necessary to ease the strain at the seams. To this latter group belongs the linguistic division of the country. And considering the size of the linguistic division of the country, and considering the size of the linguistic area, it can hardly be gainsaid that the regions comprising the States are each in their own way comparable to the nations of Europe. When the Chief Minister of Madras had said that jobs would be made available in Government in the future only to those passing out through the Tamil medium, the automatic retort was to enquire whether jobs enough could be found for all by the State. The retort might have looked emotionally effective. But cold logic should inform the critics of the fact that, irrespective of the confusions introduced by religion, the need cannot be denied on the part of every State—it may even be described as a compulsion—to find jobs for every eligible citizen in its territory.

It is easy to mistake this suggestion, but a moment's thought will show that the case is the result of presumptive fallacies. The idea is not that every State should keep its men in its borders on some job or other breeding exclusiveness in inter-State relations. On the contrary when there is assurance of both freedom of movement and of occupation, talents will always get distributed according to their intrinsic differentials and the competitive opportunities provided in the different regions. In fact it is in the very nature of skills to move in search of higher remuneration and thereby to equalise to an extent remuneration everywhere.

Linguistic Barrier

In the Indian situation there is a linguistic barrier. Whether Tamil is going to be the medium in office and academic circles here, the fact cannot be dismissed that other regional languages are fast being assigned the coveted superior role in the States outside. And despite all the assurances given to non-Hindi regions, there is no denying of the forcing of Hindi into official and academic uses in North India. And when all the languages in the constitutional schedule are to be allowed to be the medium for Central competitive examinations, the weightage in favour of English is likely to be tilted in favour of Hindi. Hence so far as non-Hindi speaking States are concerned, the intending candidates will be at a disadvantage. The disadvantage will no doubt be denied vociferously by official spokesmen but it will nevertheless be very much there.

It is in this circumstance incumbent on States like Tamil Nadu to evolve educational and job policies which will either reduce the disadvantage or eliminate it totally. In fact, if Japan with most of its small population clinging on to areas peripheral to volcanic belts or fallow regions can have become one of the richest nations, there is no reason why any Indian region like Tamil Nadu cannot become one likewise. Indeed in seeking to develop Tamil Nadu, the policy makers should imagine what their plight will be if Tamil Nadu were an independent State like Austria with this difference that unlike Austria, it has massive employment. It is an elementary application of the principle of private property turning sand into gold in an extended manner. In the matter of economic development, each State had better follow the private property approach, without of course sacrificing basic decencies and industrialise themselves as best as they can. In that case, the regions will not have to become exporters of skills always, looking for alms from the Centre. Integration on the basis of greater regional prosperity will, because of its political and other advantages, be any day less tenuous than what is mostly sustained by Central largesses. The moment attention is diverted to region-building activities, the chances are that the linguistic hatchet will be buried because every one will be more eager to go after knowledge for betterment taking whatever language that offers it in the proper stride. Surely that will be the country's finest hour because politicians will be judged not on the basis of their capacity for linguistic stunts but on what they have been able to contribute towards augmenting regional prosperity. —Horace

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Healthy Blossoms in Place of Sickly Ones

The recent seminar in Madras on the welfare of pre-school children—those under six years of age—was the first of this kind to be organised in the country. What is disturbing is the fact that 82 per cent of these children live in rural areas and the amenities available to them are such that, without Herculean efforts, it will not be possible to assure them that minimum of nutrition and care without which they are likely to reflect, as they bid fair to, physical and mental deficiencies of the most massive type all through their lives. The seminar has done well to highlight in this connection the fact that health, nutrition, education and welfare services reach at present only one per cent of the children of this age group. In the circumstances the description of their plight by the delegates participating in the seminar as a national emergency had not certainly sinned by exaggeration, more so because 40 per cent of the total deaths are of children under six. The only consolation is that many of the causes of such mortality are preventable.

Aluminium Programme

It is precisely in view of this that the seminar has recommended the implementation of a minimum programme. The main details in this regard are as follows: immunisation of children against common communicable diseases (tuberculosis, small-pox, poliomyelitis, tetanus, diphtheria and whooping cough); monitoring of growth and development to detect deviation from normal and to intervene for preventive action; nutritional help for underprivileged children; provision of benefits of improved environmental sanitation and adequate supply of potable water; employment of mass media to disseminate health and nutrition education; and production of nutritious foods and making them available regularly to pre-school children.

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These require to be accompanied by suitable education services and facilities for training of the appropriate personnel. Programmes for pre-school education should lay stress on extending the horizon of understanding of both the children and their educators. The mental development of children depends largely on the creation of facilities like play-centres, balmadic and pre-primary schools (with their emphasis on learning through "activities and aesthetic and cultural experiences"). The educators will comprise para-medical personnel like midwives, health visitors, gram sevikas and balsevikas, the present facilities for whose training require to be augmented markedly.

In due recognition of the deficiencies of training in the past, the Madras seminar has outlined certain guidelines for training. The delegates felt that practical work in the rural background should be a major component of such training. Co-operation of professional bodies and academic institutions should be sought for developing educational materials and books on modern lines for these field workers and the requisite manuals in all the regional languages should be got ready. What is more important, there should be provision for constant guidance, supervision and evaluation work, in-service training and periodic refresher courses to ensure a high level of competence. To the extent service in the village is a tryst with arduousness and risks, not only the service conditions of personnel should be improved but there should be provision for adequate housing, personal security of women workers and incentives for working in the rural, tribal and remote areas.

Developing the Infrastructure

Obviously in order to expand the services for the pre-school child, it is

necessary to develop a suitable administrative and physical infrastructure. First, there should be sufficient number of pre-school institutions with adequate equipment. Secondly, to enable health functionaries to reach the largest number of pre-school children, one primary health centre should be provided for 25,000 population and one sub-centre for every 5,000 people. Thirdly, adequate staffing pattern and sufficient budgetary provision for implementation of the programme is required. Fourthly, job descriptions of all levels of workers should be clearly defined keeping in view the quantum of work load and their limitations in execution and co-ordination. Lastly, there should be adequate channels of communication of the field staff with administrative authorities at all level for effective implementations of the programme.

Financial Constraint

The main constraint is likely to be finance. The main headache is that the resources in sight are insufficient for sustaining a "bare-bone" programme. For instance, a provision of Rs. 750 crores over a five year period may seem a modest and workable beginning; but the point is that it will assure only Rs. 15 per year per child. Contrast this minimum with what is available in the Fourth Plan namely Rs. 75 crores and the gap between realities and aspirations becomes immediately clear. That is why the seminar has called for more liberal contributions and more vigorous participation on the part of State Governments, voluntary welfare organisations and public philanthropy—both individual and institutional. A useful suggestion in this regard is that a portion of the proceeds from State lotteries can be earmarked for child care and nutrition programmes. While State Governments can besides subsidise production of inexpensive toys,

educational materials and health aids and exempt all equipment for pre-school programmes from local taxes, voluntary agencies should catalyse the efforts of the community in educating the families to support actively and activate panchayats, mahila mandals and other local bodies in assuming increasing responsibility in providing the much needed continuity of peripheral services. This is not to overlook what can be organised with the help of volunteers such as Youth Clubs, Women's Clubs, Service Clubs like Lions and Rotary and Mahila Mandals. Senior school children can be involved in the welfare programme during summer vacation.

Time was when any attempt at recommending voluntary action used to invite sneers mostly because of the exclusiveness of Indian individuality. More recent experience has shown however that this is no longer true.

The National Nutrition Institute, Hyderabad, has developed an action programme enlisting the co-operation of the villagers to use locally available protein-rich food resources—green gram, groundnut and wheat—to prepare cheap and simple recipes. The Institute has selected two villages close to it and demonstrated how cheap and nutritious the recipes are by actually feeding over 300 children. The Institute claims that the cost of the raw materials to feed a child per day is only 10 paise. In Madras, at Poonamalle, a Family and Child Project has begun to function where seven out of its ten big poultry units are run by the local people. The panchayat union schools are located mostly in built-in areas and have no space to raise a garden, but the private schools have come forward to fill the gap admirably. Members of the women's club also rear poultry.

Above all, the effectiveness of child care depends ultimately on the co-operation of the families concerned. Social workers have reported how if they comb the children's hair and attend to their personal hygiene, the mothers expect them to do so every day. One social worker has recalled in this connection how a mother had once even reprimanded her for not doing so. In many cases, the interest of the family in the welfare programme consists in ensuring that the child gets its mid-day meal free at school. Where the facility does not exist, children are not sent to school but kept on odd jobs to earn a pittance to supplement the family income. All this only shows that most welfare programmes in India will have to concentrate as much on educating parents as on providing social service facilities for the rural households.

—R.S.

Crisis of Higher Education

It was refreshing to hear Dr. K. N. Raj recently in a lecture series in Madras highlighting in a frank and forthright fashion the peculiarities of the crisis in higher education in the country. As an academic and vice-chancellor, he has had the opportunity to gather first hand information on how the crisis itself has been allowed to develop to its present disturbing dimension. As an important infrastructure of economic growth, education had no doubt been assigned an appropriate priority under the three Five Year Plans. It is nobody's case that the country can afford to allot much larger amounts than it has in this field. But the rub lies in that targets in education—especially in respect of student enrolment—had been calculated on the basis of assumptions which had been falsified by later experience. It was well, therefore, that Dr. Raj stressed how the present rate of enrolment being related to a faster growth rate in the economy than has been achieved so far has made for additions to college seats which bid fair to hit their 1975-76 targets very much earlier. Of course, the nuances of the ideal relationship between college courses and emerging job demands have never been grasped adequately even in the developed Western nations. Any failure anywhere does not *ipso facto* excuse failures anywhere else. In any case there can be no gainsaying of the mortifying consequences so far as a resources-tight developing economy like India is concerned.

Lip Service to Specialisation

Dr. Raj's main point, with which many will agree, is that university education as organised at present is ill-suited to serve either its real pur-

pose or emerging job demands. Basically the requirements of the latter can be met by what school education, ordered properly, can offer. As educationists in this country and abroad have been commenting, Indian universities have erred by extending versatility, which belongs to the school, into the colleges while, all the time, lip-service had been paid to the principle of specialisation as the hallmark of collegiate education. The excellence of higher education becomes in this circumstance conspicuous by its absence; which accounts for a degree being taken to be a better passport for a job for which a school-leaving certificate should normally suffice and for the consequent drifting of pupils from S.S.L.C. to P.U.C. and then onward to the under-graduate and post-graduate classes. Such teeming millions has, as Dr. Raj has highlighted, helped evolve a new type of entrepreneurship for starting colleges. It should be fairly obvious that with heavy subsidies available for the spread of higher education, it is fairly easy for any one with the right contacts to start a college; and if there is still a gap in funds, the gap can be bridged by higher fees or by enlisting services of teachers on the lowest scales permissible under the rules. That institutions of higher education have multiplied of late is proof of the correctness of this assessment of the academic situation.

Incidentally, Dr. Raj has taken pains to stress how such subsidies have been sinning against the declared socialistic intentions of the Government. The subsidies are intended to keep higher education cheap enough for every economic segment of the population, and particularly for the weaker economic groups, to benefit from such specialised instruction. In actual

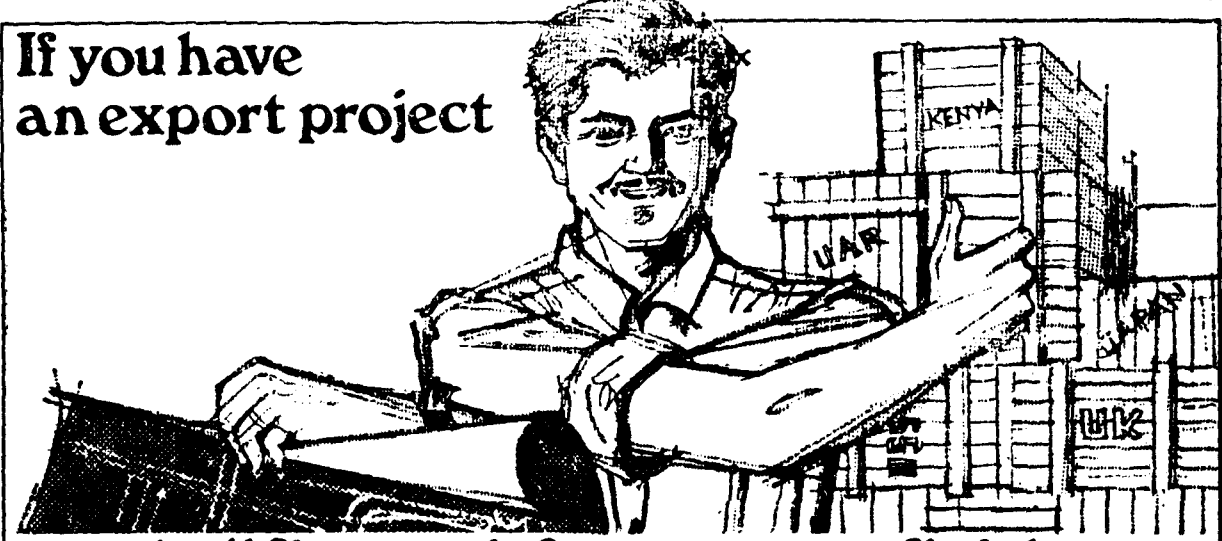
practice, it is the students of the elite group that dominate in college enrolment, while all the time, children from rural areas are dropping out of elementary and primary schools. Thus, the subsidies are unconsciously aggravating, if one may so describe it, the existing disparities in educational opportunities.

Case for Fee-Rise in Higher Education

Surely, both with a view to correct this trend and to help higher education become really a specialist business, fees for it can be raised more than marginally. This will enable in turn the starting of suitable graduate schools and post-graduate centres of advanced study which, with the enrichment of their resources, can afford to obtain the superior materials and talents that make all the difference between the customary academic grind and the microfines. Dr. Raj is aware that mere enrichment of resources is not going to tone up academic standards—practical or instructional. To the extent regional emotions and the political expediency of regional authorities have thrown a spanner into the works through their preference for the use of the regional language as the medium of instruction at college level, there will be a watering down of specialised instruction. But the point is that if the disease of seeking a degree as a passport to general jobs is cured, the regional authorities will be under less pressure and so will be less inclined to tamper with higher education. To make a success of this effort, there has obviously to be a toning up of school education by giving it an appropriate vocational bias—a point on which there has been very much of discussion and very little of concrete action. It is time that action in this field matched the volume of the discussion.

The fundamental feature of rural society as at present is its continuing insulation against change because of

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INDUSTRIAL ECONOMIST

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INDUSTRIAL ECONOMIST

the lack of literacy. As the evaluation report of community development programme points out, literacy cannot be bred but has to be forced, the factor for compulsion being economic necessity. If a scheme of agro-industries involving none-too-complex vocational skills can be pushed through, it will automatically generate the requisite rural support for vocationally biased school education. Even here, despite all the noise made

in the past, there has been little concrete action. The sooner the industries suited to each of the diverse rural areas are identified, the better would be the chances for enlarged employment facilities. As Dr. Raj has pointed out, the cue here can be taken from Japan's experience with the organisation of rural and small scale industries. It is not yet sufficiently appreciated in this country that the development of vocational skills indu-

ces a chain reaction not merely in the matter of job diversification but largely in the evolution of tiers of more and more sophisticated skills to the level at which schools and colleges will fit in as centres of training respectively in the basic and advanced skills. Higher education that has not evolved to this stage is reflective intrinsically of serious gaps.

—S.R.

Untied Credit from Aid India Consortium

The efforts to secure untied credit from the members of Aid India Consortium by India and other developed countries have not yielded the desired results so far and there is understandable anxiety on the part of the aid giving countries that they should get the maximum benefit out of the assistance extended to the developing nations. The latter, however, have not been able to make proper use of available resources and it has not also been possible to formulate foreign exchange budgets on a basis which compel importers in the aided countries to secure their requirements on the cheapest basis and make available aid go a longer way. It might be said that importers can be helped to achieve the desired objectives only if they were allotted the required foreign exchange amounts on the sources that would be beneficial from their angle as well as that of the nation.

On actual practice, however, it has been difficult to take a correct view as the form of aid has not been even and the quantum also has not been such as to permit easy manoeuvrability because of the difficult balance of payments position and the compulsion to import urgently certain categories of raw materials and components. There has been wasteful use of foreign exchange resources especially if they

happen to be tied though they were given on a non-project basis. It has naturally been complained that the effectiveness of the aid has not been to the desired extent due to higher prices. Even in countries like USA where it was dearer for the purchase of certain items larger amounts had to be utilised than in West Germany or in Japan the advantage accruing to the borrowers was negligible.

Rigging Up of Prices

These complaints have been examined and it has been found that aided nations have suffered badly on account of a deliberate rigging up of prices and accentuation of inflationary pressures in the donor countries. There is even reason to feel that the sharp rise in prices for essential commodities like iron and steel, aluminium and other items has taken place because of an increase in demand from the developing nations which are now keen on implementing Plan schemes on a bigger scale.

It is worthwhile for countries like India which are busily engaged in implementing Plan schemes to borrow heavily in foreign currency and overcome their deficiencies in physical resources. There will be real co-

operation between the rich and the poor nations only if there is a genuine anxiety on the part of the former to be helpful and there were international bodies to supervise whether aid made available was allowed to be used fruitfully and the borrowers also did not misemploy or misuse borrowed funds. France and Britain have latterly been agreeable to provide aid on a larger scale and on a more liberal basis while Japan has indicated its willingness to increase not only the quantum of aid but also make it really untied. West Germany has been more helpful and the quantum also has tended to increase.

The untying of aid will nevertheless, have to be on a larger scale and it should even be stipulated, if possible, after getting general consensus that atleast 75 per cent of total aid should be on a non-project basis and be available for spending without any restrictions. The move now being made by President Nixon has to be commended as it has been stated that assistance provided by the U.S. Agency for International Development should be capable of being utilised by the borrowers not only in U.S.A. but also in other developing countries, whose per capita income is less than \$1,000 annually. So far the funds provided by the USAID can be spent only in U.S.A. under the new procedure, however, India can hope to get even goods from its own sources or from other countries on a competitive basis.

—(FOC)

INDUSTRIAL ECONOMIST

At What Cost Labour Intransigence?

Prolonged labour strikes, the intransigence of factory workers and low operating efficiency have been costing the country dearly. There is no clear appreciation of the fact that serious shortfalls in production, at a time when internal demand is rising, has accentuated inflationary pressures and has burdened us with avoidable expenditure on imports. No attempt has been made so far to assess exactly the loss in production as a result of go-slow tactics and closures in West Bengal, though it has been roughly stated that between the Durgapur steel plant and Indian Iron & Steel Company, the reduction in output of steel can be easily six lakh tonnes. Indian Iron and Steel Company has been known for its high operating efficiency. But due to inter-union rivalry there has been a disastrous deterioration in operating efficiency and over two lakh tonnes of finished steel have been lost annually in the past three years. Likewise, at Durgapur, even with the completion of the expansion scheme, output has not been more than 8 lakh tonnes, which is 50 per cent of the rated capacity while only latterly it has been stated that there was some signs of improvement. Even so, the rate of production is not expected to be more than 65 per cent of capacity. The huge engineering workshop in this centre belonging to Associated Vickers Babcock has heavy orders on hand and it has been reported that as a result of the delays in delivering equipment to fertilizer, cement and other factories, the commissioning of new units under construction has been unduly delayed. The Cochin fertilizer plant, which is one of the biggest in the country has not been able to commence operations even though work has been substantially completed, because of the non-receipt of critical equipment from this engineering firm. Many other units have suffered a similar fate. A

tyre factory in Calcutta area has been plagued with the labour trouble for nearly a year. There are, of course, surprisingly quite a few instances in West Bengal where output has been maintained at satisfactory levels. But it has been contended by those units which have not been so badly affected that their performance would have been much more encouraging, but for shortages of raw materials and go-slow tactics of labour. Indeed the newly created manufacturing facilities are not being put to good use and the

investment on expansion schemes has not been fully worthwhile.

Industry-wide Strikes...

Industry-wide strikes are disturbing. After the serious textile strike in the latter half of last year, the entire jute industry was strike-bound though it had been claimed that there are no major differences between the views of employers and the workers' unions. The loss of output of gunnies will affect export earnings

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seriously. There is also a big increase in internal consumption with a record output of foodgrains, sugar, fertilizers, cement and other items. The situation in West Bengal should, therefore, be remedied without delay and normalcy restored if the huge investment in several industries is to be saved.

Tyre Output Affected

Elsewhere in the country also the mood of labour is not quite good. The tyre manufacturers for instance explained that the shortage of particular categories of tyre were due to a prolonged strike in a Bombay factory, go-slow tactics of labour at Ballabgarh and unsatisfactory production rates at several other units. It has actually been estimated that the output in 1970 will be only slightly more than the level of 1969 in spite of the fact that balancing equipment has

been installed by many units and the expansion schemes of some producers are being completed in stages. When the industry is capable of producing even at or above 100 per cent of capacity, currently production is not more than 80 per cent. There is no shortage of raw materials. Actually natural rubber supply position is easy and it being anticipated that the output for the current season will be more than 92,000 tonnes. The synthetic rubber plant at Bareilly is working at its full rated capacity and production has had to be regulated in the light of demand. Rubber tends to be in glut due to low level of output in the tyre industry. It is only to be hoped that as a result of the new efforts that are now being made there will be an increase in the output of tyres and the alleged black-marketing in tyres put down.

Industrial labour is certainly entitled to a better deal and employers have a responsibility to ensure that they

get fair wages with reasonable working conditions. But it is time the Government, management and labour realised that there should be a period of truce and for atleast five years and that there should be no loss of production on any account. The public sector in particular, has been badly hit. Recently the Heavy Electrical unit at Ramachandrapuram had to issue an announcement saying that many units had to be locked out because of illegal strikes. These stoppages of work will result in delay in deliveries of valuable heavy electrical equipment and ultimately accentuate power shortages, which are even now being experienced in serious forms in some parts of the country. The Central and State Governments, should, therefore, create conditions for improving the industrial situation and maximise production in the current Plan period.

—(FOC)

Boom in World Ship-building

Important developments are taking place in the shipping world and every company is keen to increase the strength of its fleet by acquiring second-hand ships in good condition as well as new tonnage. There has been such a big increase in the international trade in bulk cargo consisting of iron ore, allied raw materials and petroleum products that there has been a boom in ship-building and all the ship-yards are busy executing orders. Any Indian company intending to purchase new ships can secure deliveries only after three or four years at prices which cannot be definitely anticipated now. There is therefore, a scramble for buying good second-hand ships from foreign companies and it has been complained that the Government of India has not been quick in giving its decision in respect of proposals for acquiring second-hand ships.

The Chairman of Great Eastern Shipping recently observed that a deal for acquiring a bulk carrier could not be put through because of the indecision of the Government. The offer was withdrawn and, when it was renewed, a much higher price was quoted, which was considered prohibitive. It has, therefore, been suggested that larger credit should be provided for the purchase of ships and the Government should take quick decisions in this regard. Besides, there will have to be a long-term programme for acquiring new ships from foreign countries as, in the immediate future, there are no indications of a slump in prices for new tonnage. And the Government is understandably keen on promoting ship-building in this country and has been indicating to the buyers that they should place their orders first with the Hindustan Ship-Yard and only after the Yard is full there should be purchases involving

foreign exchange. Here again, preference is being given for purchases on a rupee payment basis though it is wrong to think that rupee-basis does not involve foreign exchange, especially when there is difficulty in stepping up exports of Indian goods. The ships built in communist countries are not also considered cheap or as good as those from Japan or W. Germany.

Auctioning of Jayanti Shipping

With the difficulty in securing additional tonnage Indian companies are naturally looking round for opportunities which will help them to increase the strength of their fleet. The proposal of the Bombay High Court to auction shares of Jayanti Shipping which has a large fleet, in order to recover the amounts due from Dr. Teja (76% of equity shares of Jayanti Shipping are owned by Dr. Teja and they have not come up for auction) has been responsible for a race to buy these shares and both Scindia Steam and South India Shipping have announced their intention to bid for this block of shares. Great Eastern Shipping too will be a hot bidder while the Shipping Corporation of India, which is now managing Jayanti Shipping, will naturally be interested on acquiring the fleet. It is reported that others also are interested in this bargaining as, in spite of the lack of details relating to the latest financial position of the Jayanti Shipping, it is felt that the appreciation of the value of the fleet will far outweigh any disadvantages arising out of bad debts or other factors. The controversy in this regard is expected to be settled shortly and the shares auctioned on an equitable basis. But other difficulties are expected to arise even after successful

bidding as the acquisition of control by an existing company will have to be approved by the Monopolies Commission.

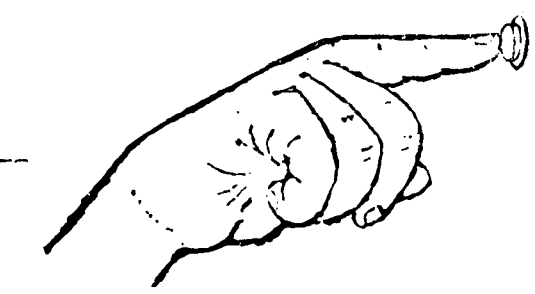
S.I. Shipping's Problem

Meanwhile, there is excitement in stock market circles over the reports that the foreign collaborators of South India Shipping are desirous of discontinuing their association and will be prepared to sell their holdings of equity shares at a suitable premium. This is the first time that a foreign collaborator in a successfully functioning Indian company has expressed anxiety to discontinue a profitable arrangement within such a short period. The move has come as a surprise to the Indian partners and no immediate decision could be taken by them on this question.

The Peninsular & Oriental Steam Navigation Company is having, along with an associate company, 40 per cent of the paid-up capital of South India Shipping or 80,000 equity shares of Rs. 100/- each which are paid up to the extent of Rs. 50/- each. As Great Eastern Shipping was keen to acquire this block, it is reported that a deal has been tentatively concluded to take over these shares at a price of Rs. 200/- per share or for a sum of Rs. 1.60 crores. When the return on investment is quite good and P & O is driving other advantages, the report about the conclusion of this deal is surprising. Naturally this had had a jolting effect on South India Corporation.

In another instance, where the foreign collaborators wanted to withdraw they made an offer to Indian Directors to sell their holdings at a stipulated price and repatriate the proceeds with the concurrence of the Government and the Reserve Bank of India in a period of three years. In this case, no serious difficulty was involved as the purchase price was below original cost.

In the case of South India Shipping a good premium undoubtedly has been paid as sizable reserves have already been built up and the company is in



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a position to pay a dividend of at least 15 per cent out of current earnings on the existing capital not to speak of being able to make a handsome bonus issue at a later date. The price demanded cannot therefore, be considered unreasonable. P & O however cannot be allowed to sell its holdings to other interests. Either the existing management should take over this block and, if it is not in a position to do so, the shares should be offered for sale to the Indian investing public at a suitable premium. If

there is the prospect of 15 per cent dividend for 1970 and also a bonus issue there will be a good demand for these shares at a slightly lower price. Since the foreign investors have benefited to a great extent out of the new investment and it has always been the practice that the foreign holdings are sold at a price below the break-up value in order to provide some attraction for new buyers, the Government should conclude an arrangement with the foreign collaborators if they still insist on disposing

of their shares at a price of Rs. 150/- per share. Then the whole issue will be over-subscribed. Instead of adopting this procedure the foreign collaborators have been in a hurry and forcing the pace which will create needless difficulties for Indian investors who are in a majority. It is only to be hoped that ugly developments in the shipping world will be avoided and companies under good management will be allowed to function without difficulty and will not be the victims of power politics.

Slow Growth in Cement Consumption

The anticipated increase in consumption of cement in the current year has not taken place so far in spite of the fact that the freight pool has been continued and cement is being sold on a uniform basis all over the country. Following the sharp recovery in 1969, it was hoped that there would be an increase in despatches again in the current year by over one million tonnes and the industry would be able to make full use of its newly created capacity. The expectations in this regard have not, however, materialised and even with sizable despatches to the deficit areas in the North-West region, cement units in Tamil Nadu and Andhra Pradesh have not been able to raise output to even above the operating ratio for 1969. In fact, it is somewhat surprising that the performance of many units in the deficit areas like Rajasthan, Madhya Pradesh and Bihar have not been satisfactory. This is perhaps due to operational problems. Otherwise, it is unthinkable that these units would not have taken advantage of the opportunity for raising production and despatches.

Decline in Operating Ratio

There was actually an increase in

despatches in the first nine months of 1970 to 9.95 million tonnes as against 9.59 million tonnes in the corresponding period in 1969. But the addition to installed capacity was on a much larger scale and there was actually a decline in the operating ratio to 82.6 per cent from 86.4 per cent. The only satisfaction is that the accumulation of stocks witnessed in 1968 did not continue in evidence and it was possible to increase the output of clinker substantially to 9.20 million tonnes from 8.51 million tonnes. The factories in the surplus areas have not been obviously, faring well as new kilns production was not upto capacity as it became necessary to slow down deliberately production in order to avoid accumulation of stocks. This is, perhaps, the reason why the operating ratio of ACC has come down to 77.6 per cent from 83.7 per cent and that of India Cements at its factory at Talaiyuthu to 81.4 per cent from 82 per cent and at Sankaridrug to 106.7 per cent from 123.5 per cent. There has, no doubt, been an absolute increase in production in these cases due to the commissioning of additional capacity. However, with the incurring of heavy expenditure, fresh investment would be worthwhile only if production could be maintained at-

least at 90 per cent of rated capacity. Fortunately, the cement industry has not been experiencing much of labour trouble perhaps due to the fact that they are located in interior areas and many units are paying liberal bonuses besides implementing the Wage Board Award.

Steel Shortage Affects Consumption

The question now is "will there be a pick up in demand in 1971 to an extent which will raise the operating ratio to over 85 per cent, even with a further increase in installed capacity?" Many units are likely to light new kilns in the coming months and it will be possible to raise the operating ratio only if there is an increase in consumption by over one million tonnes. The shortage of steel and delays in implementing irrigation projects and housing schemes have, perhaps, been responsible for the rather slow growth in consumption of cement. The revival in economic activity will have real significance only if there was a pick up in consumption of cement at the rate of 10 per cent annually and it became obligatory for the cement units to embark on fresh expansion schemes.

THE CITY CORNER:

For A Small Buffer

A levy of 15 per cent on turnover of foodgrains by dealers in the surplus districts of Thanjavur, North Arcot, South Arcot and Chingleput has been notified. A Government spokesman explaining Government's move said the levy was intended to enable the procurement of one lakh tonnes of rice to meet one-rupee-a-measure commitments in the city and Coimbatore and building of a small buffer. Under the notification permits would be required to move stocks out of these districts. The main crop is expected to be harvested in January and the levy is timely. Districtwise procurement would be 50,000 tonnes from Thanjavur, 20,000 tonnes each from North and South Arcots, and 15,000 tonnes from Chingleput.

The rupee-a-measure scheme benefits families with monthly income of Rs. 300 and below. The monthly off-take is 11,000 tonnes of rice under this scheme.

Incentives for Research

Prof. M. S. Thacker who called for a thorough coordination between academic research institutions and industries said that as the Chairman of the Committee on Science-Industry Coordination he might recommend further incentives for industries setting up research sections. In addition to non-levy of incometax to the extent of the research expenditure, other rebates could also be given, he said.

Inaugurating the Fourth All-India Machine Tool Design and Research Conference, the Professor said that scientists in industrial institutions and those in academic institutions should consult on specific problems remitted to the study of either and help industries in attaining greater productivity. Dr. A. Ramachandran, Director of

I.I.T., Guindy, where the conference was held, appealed to industrialists to replace obsolete machinery promptly in the interest of optimum production. Prof. G. R. Damodaran, President of the Indian Machine Tool Manufacturers' Association, opened a Machine Tool Exhibition organised for the occasion.

French Aid for Heavy Water Plant

The French Ambassador to India Mr. Jean Vuyaa dela Garde, who usually has nothing to say, had a bag full of news for his press friends, when visiting Madras last week.

India's second Heavy water plant is to be set up in Madras with French aid amounting to Rs. 5 crores. France is to collaborate with Bharat Electronics Limited, Bangalore, in the manufacture of a special type of radar. The helicopter under manufacture in H.A.L., Bangalore with French collaboration is to be fitted with a special provision for high altitude flying.

The Ambassador was happy that wherever technicians from his country worked with Indian technicians there was perfect rapport.

Tyranny of Petty Officials

In his address to the Institute of Public Administration, the Mysore Governor Mr. Dharma Vira came down heavily on what he called "the tyranny of the petty officials". With politicians engrossed in politics or at best providing for the redressal of grievances of those in whom they were interested, and with the senior officials—Collectors and upwards-saddled with too many duties in their proliferating empires to have any contact with the people, it was to the lower that the common men looked to. Unfortunately, he said, these officials

were sometimes corrupt, red-tape-bound, and callous to other people's sufferings. He thought that probably these petty officials had their worries which accounted for such an attitude and he called for an investigation into this matter.

Sardar Ujjal Singh, Tamil Nadu Governor, pleaded for a scientific and practical approach to solution of administrative problems.

An American man-power specialist thinks that the real cause of India's unemployment problem is that her manpower programmes went ahead of her economic programmes.

Three Things First

Dr. Seymour L. Woefbeir, Dean of the School of Business Administration, Philadelphia said here last week that India should do three things in an absolutely synchronised manner. There must be a deliberate policy for stimulating economic growth. Then there must be a programme to train skills for filling the jobs becoming available from earlier mentioned economic programmes. These two programme should move together in perfect coordination. The third thing, he pointed out, was to provide for a certain minimum for every family involved in the above two programmes.

Indo-Malaysian Ventures

Two Malaysian Bankers who were recently in the City invited Indian industrialists, particularly those from the South of India, to start joint venture in their country. For this purpose very generous incentives were given by the Government at Kuala Lumpur.

Mr. Razaleigh Hamzah and Mr. Ahmed Roose, Managing Director and Secretary of Bank Bhumiputra (wholly owned by Malaysian Government) said they did not lack capital in their country, but what they lacked was know-how, entrepreneurship and direction. They hoped in the next two years a number of Indo-Malaysian ventures would be set up.

—V.M.

Birth Control versus Population Explosion

By S. N. WADHWA

In 1951 when the Planning era was heralded, our infant republic looked up to the future with high hopes and great expectations. A promising campaign of vital significance was conceived so that the then 360 million famished citizens of this rich country could live a fuller and richer life in the years to come. Family Planning had been adopted as an important national programme.

After twenty years, in January 1971 India's population has crossed the 555 million mark. Teeming millions, poorer than before, are struggling for existence and lack even two square meals a day to keep body and soul together. The republic in its very youth is stricken with pernicious diseases. There is widespread restlessness and discontent. The growth rate has gone up from 2.1 per cent in 1951 to 2.5 per cent in 1970, due to a sharp fall in death rate and very sluggish reduction in birth rate. The population is increasing by 13 millions every year and 5 million new persons are annually entering the fertile age group. The population planners have failed and we are in the midst of a catastrophe.

Escapism

But, the authorities are reassured and claim that 80 per cent of urban and 60-70 per cent of rural couples are aware of the red triangle and its significance. It is emphasised that the campaign has been gaining momentum since 1965-66, when a separate Department of Family Planning was established at the Centre. In computing the number of births prevented it is taken for granted that all the IUCDs inserted since July 1965 have remained *in-situ*. The administrators are comforted with the thought that during the past five years, five million births have been averted and nine

million of the over 100 million couples in the fertile age group (15-45 years) have been protected. This attitude betrays a sense of escapism and neither compensates for the official inaction and loss of precious time between 1951-65 nor justifies the deteriorating performance since 1967-68.

For almost 15 years since its adoption, the programme continued to exist in a vacuum. In the absence of any well defined objectives and with meagre allocations, the movement kept on drifting aimlessly. Nevertheless in 1965-66 a reorganised time-bound and target-oriented programme was launched aiming at reduction of birth rate to 25 by 1975-76. But this objective appeared so illusive shortly afterwards that several modifications, revisions and alterations necessitated to push the date-line farther to 1979-80. The performance during 1965-70 lagged far behind the stipulated targets inspite of the proliferating organisation and increasing budget provisions. The expenditure in 1965-70 reached Rs. 122.2 crore (725 per cent more than the pre-1965 period) without recording proportionate improvement in performance.

Diminishing Returns

An analysis of the performance during post-1965 period reveals a very disconcerting position. Loop insertions in 1969-70 went down to 4.2 lakhs from 10.8 lakhs achieved in 1965-66. There has been a marked reduction in sterilizations since April 1968. Whereas 18.4 lakh operations were performed in 1967-68 the performance declined to 14.2 lakhs in 1969-70. But under the influence of the Law of Diminishing Returns, the expenditure in 1969-70 was higher at Rs. 41.53 crore against Rs. 26.52 crore in 1967-68 and Rs. 30.51 crore in 1968-69.

The situation in 1970-71 is not better either. The number of conventional contraceptors is around 1 million towards the end of 1970-71 against a target of 10 million fixed for the IV Plan period 1969-74. Declining trend both in respect of IUCD insertions and sterilizations is continuing. Excessive caution and a sense of hesitancy have restricted any large scale usage of the pill. In spite of the much publicised cafeteria approach, even the urban couples are unaware of other contraceptive methods such as the Diaphragm, Jelly-cream and Foam Tablets. Random distribution of free Nirodh samples on an extensive basis is going on more vigorously to achieve dispersal of larger quantities, contrary to the more desirable approach of providing effective protection on an intensive basis.

Thus it is clear that the programme is still far from the starting point towards population control. Inadequate performance of the programme on the one hand and exclusive dependence on family planning measures alone on the other are responsible for this unhappy development. One is left with a million dollar question (though the amount spent exceeds Rs. 138 crores) as to what has gone wrong with the programme. How is it that only 10-12 per cent couples have adopted family planning? The answer to these questions is provided by the following:

There is no organised or open religious and political resistance to birth control movement either in urban or in rural areas. In fact prominent men in public life have lent support to the programme. The population on the whole, generally accepts the concept of small family norm. There has been no lack of funds, since 1965. Apart from whether the amount was effectively utilised, even the budget allocations were not fully used up, both in pre-1965 and post-1965 periods.

The belief that rural masses are backward and not responsive has been falsified by their contributing 60 per cent of the total IUCD inser-

tions and sterilizations performed during 1966-69. The fact that this sector of population has brought about a Green Revolution by adopting modern farm practices, goes to prove that our simple, illiterate and tradition-bound rural folks are as intelligent and amenable to progressive change as their counterparts elsewhere.

It is neither the lack of man-power or equipment since the organisation has vastly grown over the years. Lack of doctors and nurses should not be a stumbling block to this professedly non-clinical programme. In any case the response from cosmopolitan and larger towns is not

any better where doctors are concentrated. Similarly the problems of logistics though important, do not explain away the poor response from comparatively advanced and easily accessible areas.

Main Factor

Thus the existing wide gulf between awareness and adoption is the main factor responsible for slow progress. It is the lack of a massive and sustained motivation campaign. The entire programme at present revolves around services like putting the cart before the horse. The motivation component has not been given the priority it

deserves, in practice. Of the total Rs. 315 crore family planning budget in the Fourth Plan, mass education and motivation programmes have been allocated a mere Rs. 13 crores. Thus the annual average provision for this purpose is lesser than the 1967-68 allotment of Rs. 2.86 crores. No wonder that the performance in 1969-70, inspite of comparatively higher expenditure, was poorer than that of 1967-68.

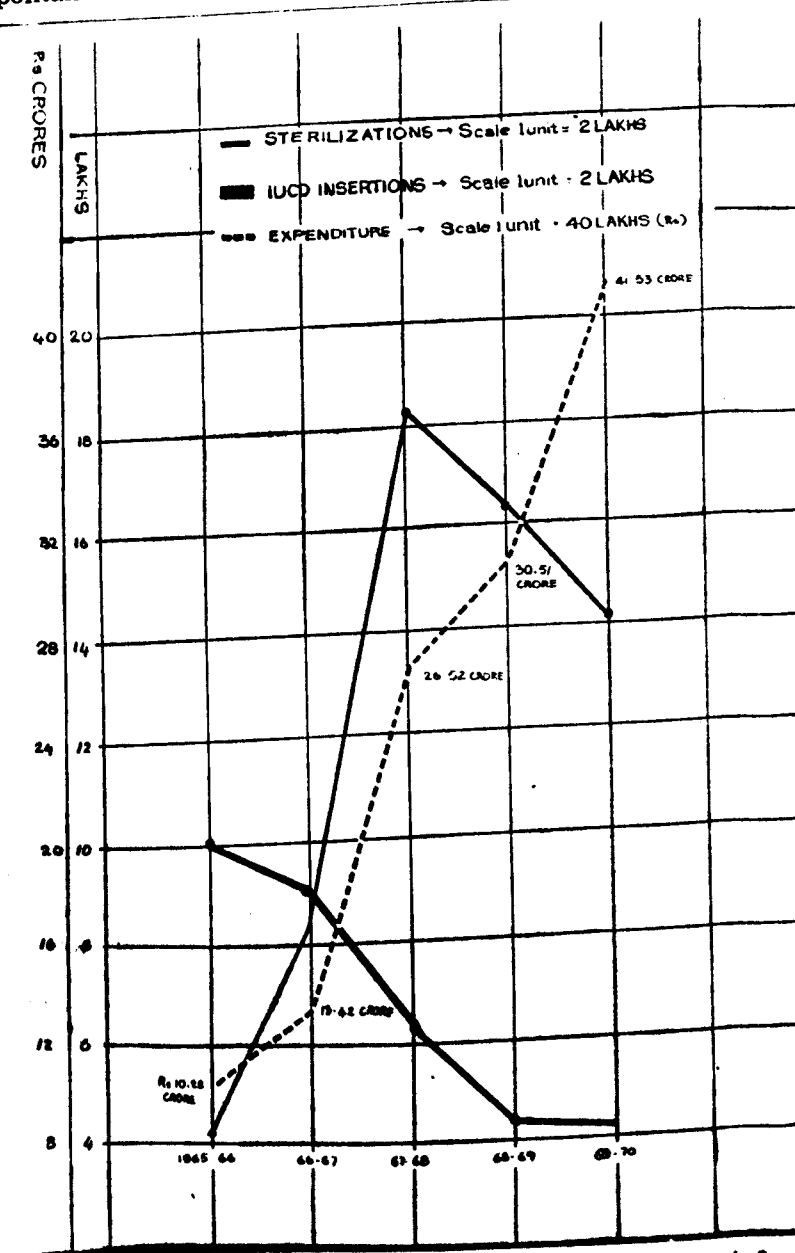
Radio and Film media have not played their expected role in communicating the message. There was no provision for using film media in 1969-70 though a paltry amount of Rs. 6.67 lakhs was provided for radio publicity. During the current year Rs. 35 lakhs were earmarked for production as well as distribution of motion pictures for family planning publicity throughout the country. It is doubtful whether Radio and Film media can be expected to play effective roles with such meagre allocations.

It needs to be recognised that a penny wise policy of providing too little expenditure for mass communication is unsound and will almost certainly amount to total wastage.

Besides being unimaginative, the existing publicity effort appears to be directed mainly towards the intelligentsia who constitute a fraction of the 18.5 million urban couples. So far as the majority of urban and the multitude of 81.5 million rural couples are concerned the communications strategy is grossly inadequate.

The commendable performance of voluntary institutions in family planning work like other welfare activities, is an index of the involvement and dedication of their workers. One wonders whether the officials and workers have also a similar degree of involvement (commitment?) in this important welfare programme.

The desirability of maintaining continuity in leadership and direction, in management of the programme need not be over-emphasised. However the Department has had five different Secretaries and 4 Commis-



▲ Note: 1965-66 IUCD Performance taken for full one year against 0.91 million in 9 months

sioners since its establishment in 1965-66—the term of office varying from few months to a couple of years or so. Results achieved from several pilot projects and selected areas such as Gandhigram, Najaf-garh and Singur are indeed very encouraging. But these success stories have been possible through an intensive programme of action. The approach and strategy for the rest of the country generally continues to be of an extensive nature. Corrective action in these directions is necessary to ensure smoother progress. It is imperative that the programme is managed in a business-like manner so that the expenditure does not lag behind performance.

Notwithstanding any future optimism in anticipation of a streamlined and vigorous course of action, it should be acknowledged that family planning measures alone will not be successful in arresting the growth rate in the desirable near future. Birth control measures will at best improve the situation marginally.

Action

It is therefore suggested that an independent basic Ten Year Population Control Plan is formulated. Action should be taken on priority basis for raising and enforcing the marriageable age to 24 for men and 21 for women. Facilities should be provided to all who seek recourse to abortions on whatever pretexts. It is known that 3.9 million women prefer to avoid child-birth year after year through illegal induced abortions. This itself warrants that the Parliament should take up the bill providing for medical termination of pregnancy without further delay. Sex education should be included in Higher Secondary curricula as a compulsory subject. A climate of social disapproval against irresponsible parenthood should be created by pointing out the damaging impact of population growth on the national economy.

Whereas such measures are capable of speedy adoption through legislation and their implementation is unlikely

to cause much strain on the resources, these will lend added support to birth control measures in rapidly arresting the future growth rate. Nevertheless any control of population growth to the desired extent cannot be imagined without improving the living conditions. Widening employment opportunities, dispersal of industries in the country-side, raising the status of women, slum clearance, provision of old age security, eradication of illiteracy and improvement in maternal and child health are amongst several other socio-economic pre-requisites for success in population control programme.

Indians as a nation have an inherent capacity to rise up to any challenge. This has been amply shown on two occasions in the recent past. It should be possible to observe a birthless year every five years beginning from 1971-72. The masses can be expected to respond if only they can be made aware of the looming crisis. The administration should take up this challenging task for a change.

ing its crude requirements is the higher rates it has to pay to the Indian bottoms; refineries set up earlier had the option to negotiate freight rates on the basis of world-wide tenders with the result that freight rate per ton of crude, even if they were supplied through smaller vessels, is lower for these refineries than for Madras Refineries. Further various other developments like closure of Suez Canal, the restrictions in Libya... have resulted in higher transportation charges for crude supplies to India.

Mr. Ramabrahmam referred to the effort made by the Refineries for maximising indigenous content of materials and equipments; some of the specialised equipment which have been fabricated are manufactured for the first time in India only after Madras Refineries went on stream. The company was vigorously pursuing the concept of developing ancillary industries capable of manufacturing various components and spares which were hitherto imported, he said. (FOC)

Madras Refineries Wipes out Initial Loss

During the operating year 1969-70, the first year of full operation, Madras Refineries Limited recorded a loss of Rs. 3.67 crores after providing Rs. 3.29 crores for depreciation and Rs. 2.32 crores towards interest on loans. However, as a result of the revised pricing of lubricating oil base stocks the company would be getting an additional income of Rs. 1.12 crores during the operating year, 1969-70. Taking this into consideration the net loss in 1969-70 will be reduced to Rs. 2.55 crores. The company recorded a turnover of around Rs. 30 crores. Disclosing this to the pressmen, Mr. M. Ramabrahmam, Chairman and Managing Director of Madras Refineries Limited said that by the end of November this year the company has completely wiped out the deficit of the previous year and has started earning profits. He was hopeful of registering

a reasonable profit during the second year of full operations.

During the first year of operations the Refinery worked to 72 per cent of its rated capacity and within seven months made marginal operating profit per metric tonne. Some of the inhibiting factors the company faced were the inadequacy of port facilities to handle large tankers for transport of crude, the consequent high freight rates they had to pay and the difficulties in locating market for naphtha.

Madras port can now take 30,000 tonnes to 35,000 tonnes but in the present foul weather only one berth is available for such ships. Since the refinery has to export naphtha and also arrange for transporting through sea lube base stocks, to other Indian ports, one berth is found inadequate. One particular difficulty the Madras Refineries is facing in respect of import-

Expanding Oil Refining Capacity

The Government's thinking in regard to further development of the oil refining industry and the promotion of petrochemical complexes has latterly been governed more by political than economic considerations. Some time back, an announcement was made about setting up a second refinery in Assam, west of Gauhati, in order to meet the demand of the Assam Government to industrialise an area which was backward in many respects. Assam's claim for greater attention to industrial development cannot be resisted. But the objective can be achieved by using its vast forest resources for the manufacture of paper, rayon and staple fibre. The tea industry lends scope for further growth while it would help increase employment locally if the packing units were located within the State itself and new schemes were also conceived for processing food products.

Instead of thinking on these lines, the Central Government has somehow conceded the demand for the establishment of a second refinery even though an expert committee had indicated that adequate oil resources were not available there and economic marketing of end-product would not be feasible.

No Case for Assam Refinery

With the construction of a large-sized refinery at Haldia and the expansion of the capacity of the Barauni unit to 3 million tonnes, there was really no case for locating a new refinery in this region. The justification was probably made on the plea that a part of the crude oil required by Barauni would in any case have to be imported and the product line that has been constructed between Haldia and Barauni could be used for importing crude by Barauni and also for transporting finished products through the same pipeline to marketing centres.

Marketing of the products of the new refinery, it is felt, may not pose any serious problem as it has been proposed to develop a petro-chemical complex in the same region and only the surpluses may be made available for other industrial uses in other States. But the end-products will have to be exported for further processing while the actual employment may not be large.

Refinery for N.W. India

There is, however, greater justification for establishing a large-sized refinery in North-West India and Faridabad may be an ideal location. This region is a large consumer of petroleum products which have to be transported a long way from Koyali or Barauni. It will probably be advantageous to develop the capacity of the Koyali refinery in a big way and

BOEING FOR I A C

After all the Indian Airlines did it! Even while the pilots strike was still on, the 737's proving flights have started. On December 21 one such flight landed in Meenambakkam. The luxuriously fitted Boeing 737 took 145 minutes to cover Delhi-Madras as against the Caravelle's 200 minutes. The Rs. 3½ crore aircraft's novel features include self-contained stairs, special auto-pilot, electronic monitoring for issue of warning in event of malfunctioning, etc. From January 1 this Seattle-made aircraft will be operated on Madras-Delhi along with some other trunk routes. Two of seven 737 on order have been delivered. The third and the fourth will be handed over in January and February 1971 while the rest will be available in April. Madras can look forward to more air traffic with the arrival of these new aircrafts.

transport the refined products to regions in West Madhya Pradesh, Rajasthan, Punjab and Haryana. But owing to the uncertainty in regard to the availability of crude oil from the wells in Ankleshwar and Kalol, it will not be advisable to expand the capacity of Koyali in a big way. It will, of course, be helpful if, as the Union Ministry for Petroleum & Chemicals has suggested, a crude pipeline was constructed from Kandla to Faridabad, connecting also Koyali, so that the needs of both the refineries can be met without difficulty. It will also be making for intensive use of the pipeline if refined products also can be moved the same way. Ultimately, the transport of petroleum products will have to be accomplished through pipelines and the good network that has been created in North-East India is proving to be useful. It may not be difficult to connect Faridabad with Kanpur too through a pipeline as the latter is even now receiving supplies from Barauni in order to meet the huge naphtha requirements of the fertilizer factory of Indian Explosives Limited.

Priority for Product Line

The question, however, now is whether a refinery with an initial capacity of 4 million tonnes should be brought into being in the current Plan period itself with an outlay of Rs. 112 crores. A good part of this investment must be on the pipeline as the refinery itself may not cost more than Rs. 60 or Rs. 65 crores. Since the product line has to be constructed in any case and as it will take some time, it would be advisable to initiate work on this aspect of the project immediately and take up the new refinery in the next Plan period. Meanwhile, there will not be any serious problem of meeting the country's needs as recent developments suggest that the existing capacity will be adequate to meet the requirements of the country for the next two or three years. With the need to impose a cut of 15 per cent for some months in the throughput of the coast-based refineries

which have an aggregate capacity of over 13.5 million tonnes, it will not be incorrect to assume that the existing refining capacity is in excess of current demand by about 1½ million tonnes.

Maximise Private Sector Production

As the two big refineries in the private sector in Maharashtra have unutilised capacity and currently negotiations are going on between the foreign-owned oil firms and the Government for acquiring a controlling interest in the equity capital of the refineries and marketing organisations of the former, it would be advisable to maximise production in the western region so that the Koyali refinery would be in a position to re-

lease larger quantities to consumers in the north-western region. If the refining capacity of Koyali can be increased to 5 million tonnes and some part of the crude could be imported for feeding the additional capacity, the surplus petroleum production can be moved in many directions economically. If the Cochin, Madras and Visakhapatnam refineries can take care of the needs of the southern region, the output of the two private sector refineries in Trombay and of the Koyali refinery can be advantageously marketed in North Maharashtra, Gujarat, Western Madhya Pradesh, Rajasthan, Punjab, Haryana and Himachal Pradesh. In the Eastern region there will be no problem as, between Haldia, Barauni and Nun-

mati, there will be an installed capacity of nearly 7 million tonnes and additional capacity can be brought into being easily whenever there was need. The immediate plan should therefore, be to expand capacity of the existing refineries. The output of petroleum products can thus be raised easily by nearly 6 million tonnes with Koyali, Burmah-Shell and Esso contributing about 4 million tonnes and Manali and Vishakhapatnam two million tonnes. The Cochin refinery is already implementing an expansion scheme. Then the aggregate capacity of all refineries will be well over 28 million tonnes and with this capacity it may not be difficult to meet any increase in demand that may take place in the next four years. —(FOC)

Indo-Jap. Economic Cooperation

Meaningful co-operation in the development of foreign trade and the promotion of new industries is taking place between India and Japan latterly and the prospect of even closer ties between these two nations augurs well for the future. It is fortunate that Japan has realised the advantage of co-operation with India in new fields and has offered to provide assistance for developing the fertilizer, petrochemical, electronic and other industries. It has even suggested that there can be co-operation in nuclear research.

India for her part should make full use of this opportunity. It is now expected that Japan will lend a helping hand in the development of Visakhapatnam, Paradeep and Madras ports as large outlets for iron-ore. The outer Harbour in Visakhapatnam is already being constructed with Japanese aid and the deficiencies of the Bailadilla mines are being sought to be overcome. A new agreement has been signed for proceeding with the work on the Cochin Shipyard while sophisticated equipment will be supplied for carrying out off-shore drilling operations in Cambay under the

initial supervision of American experts. In the recent talks between representatives of the government of the two countries in Tokyo it was agreed that there should be a wider area of cooperation and an increase in the volume of trade either way.

Favourable Balance of Trade

India has the advantage of a favourable balance of trade with Japan which promises to be even more favourable in the coming years with a larger purchase of iron ore, ferromanganese, engineering components and other items. The value and quantum of exports can be increased considerably if iron ore can be shipped after being pelletised or even converted into pig iron. The trade surplus cannot be immediately used for effecting large purchases from Japan as there is a big deficit in other directions. But like USSR, Japan can think of exporting large quantities of machinery and essential raw materials with the provision of commercial credit. It can be expected that exports from Japan to India may grow and along with that greater participation

by Japanese interests in the development of new industries. Already there are some encouraging developments as new industries for producing electronic equipment, ball-bearings and tyres are being promoted in Andhra Pradesh. Some new industries have also been developed for turning out electrical goods in Kerala apart from the agreement to construct a ship yard. There has already been some effective co-operation in the development of iron ore mines, the construction of fertilizer unit and alloy steel plants. But Japanese investment has not been large and the unwillingness of Japanese firms to provide liberal financial assistance upto now has been responsible for the rather poor share in total foreign investment in this country. This picture can change completely and Japan need not be worried about any increase in its commitments as India will be able to repay its debts without any difficulty. Besides, equity participation would be quite remunerative. If there can also be joint-ventures in third countries and efforts were made to forge an economic union of Asian countries, the dependence on aid from the Western countries or the communist block need not be so heavy as it is now. —(FOC)

INDUSTRIAL ECONOMIST

State Government Plans New Paper Mill for Tamil Nadu

The Tamil Nadu Minister for Industries Mr. S. Madhavan said that the State Government was seriously considering a plan to set up a second paper plant in Tamil Nadu in the joint sector. Messrs. Seshasayee Paper and

WHY NO DIVIDEND FOR SO LONG!

The ceiling prices of all varieties of paper which had been fixed in 1959 by the Tariff Commission, prevented the industry from increasing selling prices, such as would have enabled the newer units in the industry to earn enough to make modest returns to shareholders. In the result, our plant at Pallipalayam had to operate more or less on a break even basis, without being able to provide full depreciation for several years. The privations caused by high production costs and rigid selling prices resulted in our denying dividend to shareholders for a long period... Decontrol was announced in May 1968. We are happy our expansion programme increasing our installed annual capacity from 18,000 to 33,000 tonnes was put through in time to alleviate paper shortage in the region; and incidentally, to step up the gainfulness of the company's operations. It is a measure of the impatience among shareholders, who had waited nine years since making the investment, that they looked forward to a dividend on the capital for the last financial year, which ended on 31st March 1970. We could have distributed a measly dividend for that year, but the Board wanted its maiden dividend to be reasonably robust. Thus the Board decided on a reckoning of the first half year's working of the current year, that an Interim Dividend of 6% was warranted by the profits, after providing the full year's depreciation, which amounted to Rs. 63 lakhs.

MR. S. NARAYANASWAMY

Boards Limited, who have their paper mill running at Pallipalayam have offered to help establish this plant. The Minister disclosed this at a function got up at the factory premises to mark the handing over of a cheque for Rs. 6 lakhs to the Tamil Nadu Industrial Investment Corporation as its share of the maiden interim dividend of 6 per cent declared by the company for the current year. The cheque was received by Mr. D. V. Narasimhan, Secretary of T.I.I.C.

The Minister said that an area of 50,000 to 60,000 acres will be required for supplying the raw materials re-

quired by the new plant and that the Government was considering the setting apart such an area for this purpose. The Government was also thinking of using the bagasse available from sugar mills for paper production.

Mr. S. Narayanaswamy, Chairman of the company earlier, welcoming the gathering, traced the history of the growth of the company, which had the unique distinction of having Dr. C. P. Ramaswamy Aiyer as its Founder-Chairman. Referring to the uneconomic nature of paper industry's working Mr. Narayanaswamy said that over a dozen licences for paper

WHY NO FRESH INVESTMENT ON A NEW UNIT?

Addressing a press conference on December 20, Mr. S. Viswanathan Managing Director of Seshasayee Paper and Boards Limited said that the paper industry has not attracted fresh investment due to uneconomic prices. He has computed the capital outlay for a new paper mill at Rs. 6,000 per tonne and the working capital at Rs. 750 per tonne making a total of Rs. 6,750 per tonne per annum. Thus for putting up a 100 tonne per day plant the capital outlay involved will be Rs. 20 crores. Even assuming that a 9 per cent return would be sufficient the minimum realisation per tonne of paper for cheapest variety should be around Rs. 2,600. Whereas the prevailing price of the cheapest printing and writing paper in India is at Rs. 2,100.

Mr. Viswanathan said that the demand for paper is estimated at 9.50 lakh tonnes for 1973 whereas, with the present capacity, even an output of 8 lakh tonnes is difficult to achieve. Thus there will be a shortfall of about 1.5 lakh tonnes.

Mr. Viswanathan referred to the pernicious practice of using bagasse as fuel in sugar mills which can very much solve the problem of bamboo shortage. Sugar mills who were once agreeable to use furnace oil are reluctant to do so now due to cost considerations. From the Government point of view Mr. Viswanathan explained that even if they removed the excise duty of Rs. 120 per tonne on furnace oil which is forcing the sugar mills to burn the bagasse as fuel, it would be more than compensated by the excise revenue of Rs. 150 per tonne on the extra paper produced.

Seshasayee Paper and Boards Limited are experimenting with several types of soft wood to tide over the problem of raw material. Some 60,000 to 90,000 acres will be required for the cultivation of bamboo and other soft wood to support the new mill. It is gathered that a vast stretch of Janmi lands is available in Gudalur Taluk in the Nilgiris District which can very well be pressed for this task.

units issued during the Third Plan remained unimplemented and warned that this phenomenon is likely to be repeated in the absence of economic prices.

Earlier in his address Mr. S. Viswanathan, Managing Director of Seshasayee Paper and Boards Limited urged the Tamil Nadu Government to establish such a mill preferably in the joint sector with an annual capacity of 100,000 tonnes of mechanical paper. He referred in this connection to the offer made to the Government of India by the Canadian Industrial Development Agency (C.I.D.A.) to export pulp during the initial period of 10 years to such a mill; and make the grant of the price payable therefor to the same mill provided it is exclusively utilised to grow plantation to sustain the mill's raw material requirements thereafter. In the context of other State Governments also attracted towards this scheme he urged upon the Tamil Nadu Government to avail of this immediately.

Tracing the growth of the paper industry Mr. Viswanathan said that unprofitability due to low prices has contributed to its stagnation. In the whole of 'sixties no new paper mill was established.

Seshasayee Paper has a wide shareholder base: Their present strength is 12,622. The Tamil Nadu Government through T.I.I.C. has invested Rs. 100 lakhs. Referring to the increase effected in the price of paper Mr. Viswanathan said that taking the 1952-53 as base year with index at 100, the rise in the price of paper was only 122.5 compared to 218.1 for rice, 195.4 for wheat, 164.7 for chemicals and 198 for sugar.

Mr. Viswanathan estimated the consumption of paper in Tamil Nadu at 10-11 per cent of the all-India total. Mr. Viswanathan, who was closely associated with the labour movement for over 20 years, requested the minister to give a lead to the country by promoting the ideal of one trade union for one unit of industry "by means of consensus, if possible, or, by

means of legislation if necessary." The multiplicity of trade unions tend to continuously weaken the working class movement and hence the need

for such a step said Mr. Viswanathan.

Mr. S. Kandappan, Member of Parliament from Tiruchengode, presided over the function. —S.V.

THIRD UNIT OF NIZAM SUGARS

Mr. K. Brahmananda Reddy, Chief Minister of Andhra Pradesh laid the foundation stone for the third unit of the Nizam Sugars at Zaheerabad, in Medak District, Andhra Pradesh on December 20, 1970. Nizam Sugars, the largest sugar factory in Asia, is at Shakkarnagar in Nizamabad District, about 100 miles from here. This is a public sector undertaking with 70 per cent Government participation in equity.

In spite of 30 kandsari sugar factories in the area, the growers were put to loss due to uneconomic prices. By starting this unit, the difficulties would come to an end, Mr. Brahmananda Reddy observed. Unless the standard of living of the people improved and sugar consumption went up, he said, the problem of stocking sugar would not be solved.

Mr. J. V. Narsing Rao, Deputy Chief Minister presided over the function



Mr. K. Brahmananda Reddy, Chief Minister of Andhra Pradesh, recently commissioned the third unit of Nizam Sugars. Picture shows Mr. B. N. Jaisimha, Managing Director, welcoming the gathering

The estimated cost of the new project is Rs. 2.5 crores. The Government has provided 80 acres of land. The installed capacity is 1,250 tonnes per day with four mills. By adding two more mills, the plant would be capable of crushing 2,000 tonnes per day. The factory will go into production from the crushing season 1971-72.

The Chief Minister said that the setting up of the new unit was a boon to the cane growers of the area.

and observed that the district had developed considerably after the formation of Andhra Pradesh and about 50 villages were already electrified. This unit of Nizam Sugars, he said, was the twentieth sugar factory in AP.

Earlier, welcoming the gathering, Mr. B. N. Jaisimha, Managing Director of Nizam Sugars, said the opening of this unit was a landmark in the development of the area which traditionally produced sugar. —'Raja'

Company Meeting

SAKTHI SUGARS LIMITED, Coimbatore

Excerpts from the Speech delivered by Chairman Sri S. Mahalingam, B.Sc., M.I.E., at the Ninth Annual General Meeting held at Coimbatore on December 30, 1970

Ladies and Gentlemen,

I welcome you all to the Ninth Annual General Meeting of the Shareholders of your company. The Accounts and the Directors' Report for the year ended June 30, 1970 have been with you for sometime and with your permission I shall take them as read.

Record Output of Sugar

The operating efficiency of the sugar factory was maintained at a high level and with ample supplies of cane available in the growing areas around the factory, the quantity crushed at 1.60 lakh tonnes constituted a record in the history of the company against 3.33 lakh tonnes which was in itself an earlier record. The crushing season was, therefore, again a long one being well over 10 months against 8½ months in 1968-69. In spite of prolonged crushing in hot months early in the year under review and the handling of a larger quantity of cane, the average recovery of sugar is marginally higher at 8.41 per cent against 8.40 per cent in the previous season, which is perhaps an exceptional experience for a factory in Tamil Nadu. In almost all factories there has been a significant decline in the percentage of recovery. You will be glad to know that for the period from November 28, 1969 to June 30, 1970 the recovery was actually higher at 8.92 per cent. This is because, your company is making strenuous efforts to improve the quality of cane by providing the necessary facilities and incentives to the ryots. As you may be aware, the payment of premium has been revised at Rs. 5 per tonne to those who cultivate high-yielding varieties of cane.

Crippling Effect of Excise Duty

However, in spite of a record output and a satisfactory recovery, there has been a sharp decline in the trading profit to Rs. 10.31 lakhs from Rs. 31.10 lakhs for 1968-69 as there was a big drop in open market prices. Since a higher ad valorem duty of 37½ per cent on the periodically revised tariff values had to be paid on sugar sold in the open market, heavy losses had to be sustained in spite of the satisfactory performance of the factory and the trading profit recorded an abrupt decline as compared to the previous year. This explains why sales were practically unchanged at Rs. 4.98 crores (Rs. 4.95 crores) while the excise duty paid was as

much as 101.50 lakhs against Rs. 72.19 lakhs. There was also a heavy accumulation of stocks notwithstanding larger sales and the value of these stocks at the end of the year rose to Rs. 2.88 crores from Rs. 1.63 crores. As much as Rs. 14 lakhs had to be paid additionally as excise duty on free sugar. But for this heavy payment the trading profit would have been better than for 1968-69 on an adjusted basis.

Efficient Working

The small trading profit is necessarily inadequate to provide for depreciation charges of Rs. 15.23 lakhs against Rs. 13.74 lakhs and there was a net loss of Rs. 4.93 lakhs which has been adjusted against the general reserve after taking into account the credit balance



Sri S. MAHALINGAM

of Rs. 8,996 brought in from the previous year. Even though there are no disposable profits, your Directors have recommended the payment of the usual preference dividend and a token dividend of 6 per cent, taxable, on the equity capital by transferring Rs. 6.10 lakhs from General Reserve to Dividend Reserve. This unusual step has been taken when all the companies in the Southern States, which have so far published their results for similar accounting period, have omitted dividends on equity shares and even on preference shares, because of a feeling that the prospects for the current year are likely to be better and it is also hoped that official policies may be less unhelpful. Your factory commenced crushing for the current season on November 1, 1970 and it is the intention to complete crushing of all quantities of cane before the end of the accounting

period and make an effort to raise the recovery of sugar significantly. The results of initial operations may be fulfilled.

Unhelpful Cane Price Policy

I am sure you will readily agree that the sad experience of the industry in a year of record production and sales is due to the unhelpful policy of the Government. The lower recovery in Tamil Nadu is, of course, partly due to the unfavourable weather conditions witnessed in the region for a time. But the cane price policy is completely unsuited, in the altered circumstances, as under the most favourable conditions the recovery for the whole region cannot be more than 8.4 per cent while cane has to be purchased at a minimum price of Rs. 73.70 per tonne with a basic recovery of 9.4 per cent and below.

The Government has unfortunately refused to realise the hardship caused to sugar units in Tamil Nadu, Bihar and Madhya Pradesh and the old minimum price has remained unchanged. Your company is probably among the few in this region to avoid a cash loss and distribute a dividend on the equity capital albeit token, out of reserves. But this process cannot be continued and with the need to pay a reasonable dividend after providing depreciation and generate also part of the resources required for expansion schemes, the level of earnings for our factory for 1968-69 at least should be considered normal. But there is no prospect of such reasonable working as high interest charges have to be borne on accumulated stocks and even on levy sugar a loss of over Rs. 5 per quintal has to be incurred. It is much more in respect of sugar for free sale.

Problem of Disposal of Levy Sugar

This pathetic state of affairs can be remedied only if the cane price was fixed on the basis of a recovery of 8.5 per cent. If this procedure was adopted, Tamil Nadu sugar mills will not have the special handicap of sustaining a loss on levy as well as free sugar. There is no justification in continuing the present policy of partial decontrol as in conditions of plenty only total releases should be regulated. The mills should be allowed to evolve their own marketing arrangements and as in the case of textile and other commodities, there should be a reasonable margin of profit for the retailer so that he can sell sugar in small lots or in packaged form.

Need for New Thinking

Instead of thinking on new lines and ensuring the healthy functioning of a major industry, the Government has been pursuing a policy of drift. Even though it was very nearly agreed by Government spokesmen that buffer stocks should be created for at least one million tonnes, no decision has been taken on this question so far and mills are obliged to pay heavy interest charges which work out to as much as Rs. 4.40 per quintal. What all is needed is a national segregation of the excess stocks of one million tonnes and the inclusion of an element in the levy price for interest charges, godown rent, supervision and other items, which are connected with the maintenance of buffer stocks. Alternatively, the Government can agree to give a rebate in the excise duty for this purpose which in the aggregate will not amount to more than Rs. 6 crores or Rs. 1.40 per quintal of total production in 1969-70. Clearly, some early solution will have to be found for these ticklish problems.

Why Mills are in Arrears?

While the industry is crying for relief, Mr. A. P. Shinde, Union Minister of State for Food and Agriculture, has criticised sugar mills all over the country for delaying payments against cane purchases unduly and that arrears amount to as much as Rs. 21 crores. This is only due to the heavy losses sustained on sugar sales in the past season and the huge amounts locked-up in accumulated sugar stocks. The absence of suitable revisions of lending limits and the incurring of losses have compelled many mills even to accept deposits at penal rates for holding sugar stocks. It is not, therefore, surprising that the sugar mills have been obliged to default on their payments to cane growers and also find it difficult to pay the dues against the cess levied by the State Governments.

It is, therefore, ironic that the threat of forcible collection of sugarcane dues owing by mills has been held out when the Government should have enquired deeper into the industry's peculiar difficulties and removed its disabilities. The policy for the current crushing season has not been fully spelt out and beyond the affirmation that there will be no change in the cane price formula and the decision relating to a change in the quotas for levy sugar and for free sale it has not been indicated whether there will be an upward revision of prices for levy sugar or the proposal for creating buffer stocks will be implemented. Indeed, the increase in the quota for free sale to 40 per cent from 30 per cent of current production and a corresponding decrease in the quota for levy sugar to 60 per cent from 70 per cent will impose even

a special disability on Tamil Nadu sugar mills. Rather inexplicably no announcement has been made so far about a reduction in the *ad valorem* excise duty on sugar for free sale and it would happen that the Government will be realising larger revenues through excise duties and increasing the losses of sugar mills. It is very likely that in the absence of a reduction in the excise duty and an increase in prices for levy sugar there will be a drop in open market prices creating fresh complications. After the miserable performance of many sugar mills in 1969-70 there is no need for constantly drawing the attention of the Government to the pathetic state of affairs in the sugar industry. There is no justification either for vacillation or piece-meal decisions as delays will only mean additional losses, particularly for those mills which have a recovery of less than 9.4 per cent.

Prospects for 1970-71 Season

Regarding our factory the prospects for the current season from the technical angle are considered better, as with the efforts made to maximise crushing before the hot season arrives and the reports about an improvement in the quality of cane, a higher recovery may be achieved. There may be an improvement in earnings of Sakthi Sugars, which however, may not be adequate for providing fully for depreciation charges and wiping out also the deficit of last year and pay at the same time a reasonable dividend on the equity capital.

Progress of Expansion Scheme

The programme for expanding the capacity of the Appakudal factory to 2,000 tonnes daily is making satisfactory progress and plant and machinery are being installed as and when received. With the erection of the boiler and turbo-alternator by March next year, it is expected that larger quantities of cane can be handled in a shorter period and the recovery of sugar considerably improved. A medium term loan has been obtained for Rs. 30 lakhs from the Punjab National Bank for completing the scheme and the total cost has come to Rs. 93 lakhs which has been found to the extent of Rs. 13 lakhs from internal resources. The estimates regarding the availability of internal resources have not been realised as the working results for 1969-70 have been much below expectations and those for 1970-71 also may not be satisfactory. It is expected that the crushing of 3.75 lakh tonnes can be completed before the end of May 1971 with the help of the additional facilities that will become available after March next year. It may be recalled that a medium term loan has already been obtained from the Syndicate Bank for Rs. 50 lakhs for this project. Under

normal conditions, the viability of working of your factory will considerably improve especially as arrangements are being made for ensuring adequate availability of cane and for improving also its quality. It is needless to say that your factory is modern in every respect and has mechanised arrangements for handling cane, transport of sugar bags from factory to godowns by way of belt conveyors and a wireless system for getting in touch with cane growers in order to avoid unnecessary drudge and premature cutting.

Diversification of Activities

You will be glad to know that negotiations are under way with the statutory financial corporations for raising resources for constructing a distillery with a capacity of 2 million gallons annually at a cost of Rs. 75 lakhs. It is proposed to mobilise this sum by issuing new equity shares for Rs. 25 lakhs and cumulative redeemable preference shares for Rs. 15 lakhs. The balance will be found in the form of a loan for Rs. 35 lakhs. Your Directors are keen to diversify further activities and even embark on the manufacture of straw board from bagasse at a suitable time and make the best use of by-products.

It has, however, been considered advisable to promote a sister company, in which Sakthi Sugars will be substantially interested, for starting a new factory in Mysore State for which a letter of intent has been already received from the Government. As the long-term out-look for the industry is encouraging and there are certain inherent advantages in promoting a new company, your Directors are bestowing thought about how soon this scheme can assume concrete shape.

Labour Relations

I am indeed happy to note that we have received excellent co-operation from the workers and staff in working efficiently and diligently keeping the factory without any major break-down through the very long season of more than 10 months of the crushing season and also crushing a record tonnage of 4.60 lakh tonnes of cane. This is a record for our factory and I hope the labour will continue to extend their unstinted co-operation during the future seasons also. There has been perfect understanding between the labour and management on the various problems connected with labour and there had always been a peaceful settlement of all these by mutual negotiations.

I wish to place on record our appreciation of the good work turned out by the employees.

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

INDUSTRIAL ECONOMIST

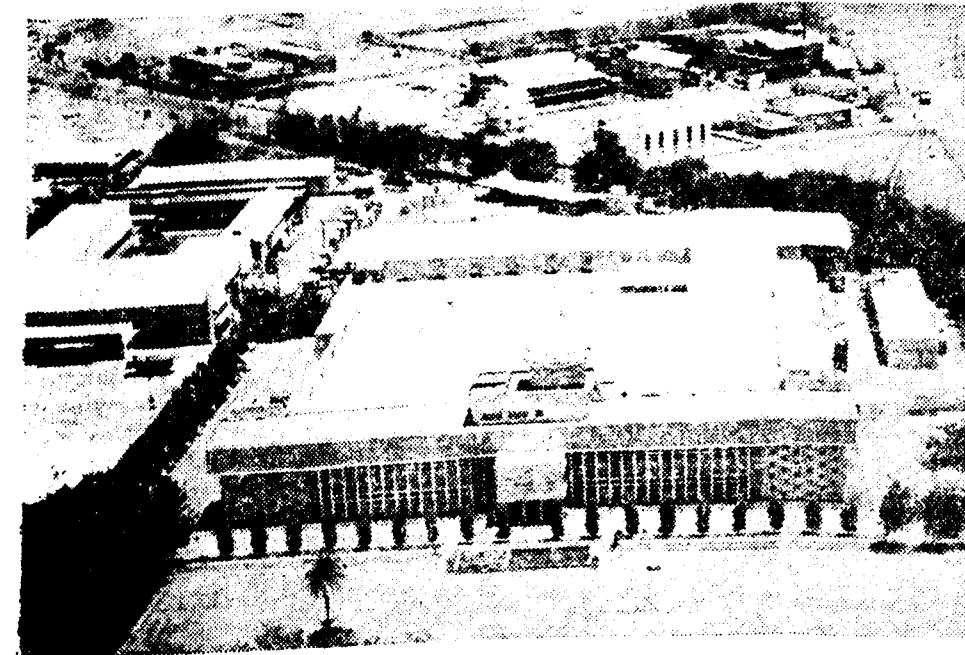
A Wide Range of Compressors from Kirloskar Pneumatic

Compressed airpower is a prime need in all spheres of industrial and construction activity. In India sufficient capacity has been created to produce airpower equipment; infact the Government has recently notified that import of such equipment has been banned.

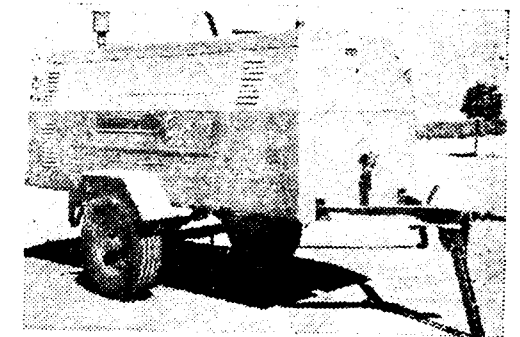
house Electric International Company of U.S.A. (for air-conditioning compressors) and with Westinghouse Air Brake Company, U.S.A. (for producing WABCO compressors). A collaboration agreement with Messrs. Hitachi of Japan has recently been concluded for

the manufacture of large centrifugal refrigerating machines and heavy duty compressors.

Apart from the production of a wide range of torque convertors and marine gears, the company is also engaged in designing and building full power packs for shunting locos, diesel rail cars, diesel rail cranes, defence vehicles, cramber tractors ... Kirloskar Pneumatic has made impressive strides in this field and has become a leading manufacture of these equipment. It has already started a modest export programme which is bound to grow.



A general view of KPC



Portable Rotary Compressor

The well-known Kirloskar group is in this field since 1958. The Kirloskar Pneumatic Company Limited makes a complete range of compressors comprising rotary as well as reciprocating type of machines. Rock drills and various pneumatic tools are also manufactured. Besides, special compressors for the fertilizer, chemical, air-conditioning and refrigeration industries are made at the KPC.

In keeping with growing demand from the consumer industry, the Kirloskars have supplied frij vans for transport of perishables like fish, eggs, meat ... The needs of transport air-conditioning are being catered to by the company. Since 1963, Kirloskar Pneumatic has been making air-brake compressors, a vital part of Railway's braking equipment.

The company has collaboration arrangements with Grasso's Koninklijke Machine-fabriek N.V. of Holland (for Frij compressors); with Westing-



Machine shop of Kirloskar Pneumatic

INDUSTRIAL ECONOMIST

7

BUSINESS BRIEFS:

Commendable Performance of the Corporate Sector

The performance of the private corporate sector in 1970 must be considered commendable if it is kept in mind that it had to face numerous odds, most of them not of its own making. The year started with the Government deciding not to give effect to its earlier proposal on complete decontrol of cement in spite of some opposition from a section of the industry. This gave considerable relief to cement units in the surplus regions which had been meeting the needs of even distant consumers in deficit areas at uniform prices, thanks to the freight pool system. The cement industry was able to add to its capacity during the year and production and despatches went up but the increase in offtake was not significant in that the utilisation of capacity declined to 82.6 per cent in the first nine months from 86.4 per cent in the same period in 1969. Most units, however, showed improved working results for 1969-70.

The steel industry was also rewarded with an average price of Rs. 77.50 per tonne from the beginning of the year though this fell short of the different producers' expectations and only partially offset the increase in costs. There has since been a further rise in costs while the wage bill has gone up sharply after the recent wage award. The Government also revamped its distribution policy by vesting the Steel Priority Committee with full powers to allot the available steel to the various consumers. But with total availability falling very much short of requirements due to stagnant indigenous output and irregular imports the engineering industry could not maintain its output at satisfactory levels and also meet export obligations. Producers of machinery and heavy engineering equipment had their order books full but were unable to raise output due to lack of matching steel.

Textiles Hit by Cotton Shortage

The textile industry was, however, hit by shortage of cotton and a number of marginal mills even now face a closure threat due to the high prices for fibre. Cotton mills reported very satisfactory working during 1969-70 in spite of higher cotton prices in that year but the further sharp rise in prices following a poor crop for the current year has led to a crisis and the Government has been forced to arrange for an additional 5 lakh bales of imports above the 8.25 lakhs bales fixed earlier for the 1970-71 season. This is a record figure for imports. The Government has also reduced stock limits

with mills besides tightening credit restrictions against cotton. But the mills fear the additional cotton from abroad may take time while even the earlier allotments have not been received in full.

The producers of rayon and synthetic fibre and yarn have had a satisfactory year of working and have earned larger profits. There is a wide gap between demand and supply and yarn prices are quoting at high premium. The Tariff Commission which went into the price structure has submitted its report to Government which is yet to take a decision. But it is learnt that the Commission has fixed the prices lower. There are also reports of partial control being introduced as in the case of sugar.

Boom in Freight Rates Benefit Shipping

The shipping industry has generally benefited from the world-wide boom in freight rates for tramp trade and owners of bulk carriers and tankers have made handsome profits for the latest year but those in the liner trade have had to face a squeeze on profit margins due to port delays, higher handling charges, etc. Acquisition of new ships or even second-hand vessels will pay rich dividends now but it has been complained that Government delay in sanctioning such purchases invariably raises the cost of acquisition as there is keen demand for available tonnage in the international market.

The rubber goods manufacturers, particularly the tyre units, could not utilise their enhanced capacity effectively due to strike or labour trouble in a number of factories. Most of the companies are now engaged in expansion programmes which will be completed in the next 6 to 12 months. But the lower production has resulted in shortage of certain sizes of automobile tyres which has led to undesirable practices in the trade. The industry has undertaken steps on a voluntary basis to regulate the distribution of tyres but still fleet owners are unable to get their requirements at the notified prices.

Difficult Time for Sugar

The sugar industry is in the doldrums though it has succeeded in creating new records in output. High cane prices, low open market prices and uneconomic levy prices combined with a heavy excise burden on open market sales have robbed the industry of its due profits and many units

have been unable to pay even for their cane purchases on time. The mills are groaning under heavy stocks which cost them crores in interest charges and the Government has not yet come forward with a clear cut scheme to build a sizable buffer stock. However, the industries which depend on the byproducts of sugar have done extremely well. Distilleries, confectionery units and users of alcohol for making plastics and synthetic rubber have had no problem of raw material supplies and with an expanding demand for their products have been able to maximise their output.

Chemical and pharmaceutical units have also fared better though handicapped by shortage of imported raw materials, in the case of the latter. Producers of caustic soda, soda ash and other heavy chemicals, have raised their output but drug units have latterly been experiencing difficulties in getting their raw material requirements which have been canalised through State agencies, after the Drug Prices Control Order. Prices of many drugs have been frozen at May 1970 levels while those of a score of essential drugs have been reduced. The Drug Prices Review Board has been going through the price lists of various units and the new prices will be announced shortly. These are expected to be lower than the old levels in at least 50 per cent of the cases. It is, however, too early to assess the extent of impact of the control order on profits. The jute industry is having its own problems. Prolonged port strikes in August and the present industrywide strike have hit the industry adversely.

Premier Auto

The poor working results of Premier Automobiles Limited during 1969-70 were due to steep and continuous increase in working costs and unremunerative price for its cars even after the partial increase in price for cars and higher price for trucks during the year. Production of trucks increased to 3,957 from 3,794 in 1969-70 but output of cars was lightly lower at 12,063 against 12,255. While there was difficulty in getting supplies of engines for diesel trucks, car production was affected by shortage of raw materials and components. Sales of cars declined to 12,034 from 12,220. The company could sell 1,479 petrol trucks against 1,140 and 2,457 diesel trucks against 2,587. The company has sought rescheduling of debt repayment to the U.S. AID by deferring the instalments due for 1970 and

1971. Meanwhile, it has deferred two instalments which fell due in 1969-70 and one in the current year. But the interest on the loan has been paid promptly. Against the credit for Rs. 18 lakhs arranged with Fiat of Italy, consignments for Rs. 15.16 lakhs were shipped last year while all the instalments of principal and interest under this arrangement have been paid. The company is yet to provide Rs. 120 lakhs towards development rebate while arrears of depreciation amount to Rs. 583.64 lakhs.

The company's turnover in the first five months of the current year have been higher at Rs. 14.86 crores against Rs. 12.08 crores in the same period last year. Truck sales improved sharply to 2,012 from 1,292 and car sales slightly to 5,179 from 5,129. But production of cars was lower at 5,143 against 5,171 while truck output jumped to 2,094 units from 1,305 in the first five months of 1969-70. The newly introduced model of trucks is stated to be in great demand though its production has to be restricted due to inadequate supply of diesel engines. The higher level of truck output is likely to be reflected in an improvement in overall profitability. The Chairman, Mr. Lalchand Hirachand has expressed the hope that the Government would take a helpful and prompt decision on the recommendation of the commission on car prices which are expected to be announced shortly.

Indian Bank

The directors of Indian Bank Limited have expressed the view that the assets and liabilities of the Malaysian branches do not vest in the corresponding nationalised bank and the question of securing additional compensation from the Government in respect of these offices still remains. However, these have not been included in arriving at the income and assets of these branches in the accounts published for the year ended December 31, 1969. Out of the compensation amount of Rs. 2.30 crores, the excess over paid-up capital and share premium account is Rs. 1.27 crores. The company has made no provision in respect of taxation as it feels that the legal position is not clear. The income after all expenses but before taxation is Rs. 5.69 lakhs. With the interest income received also during the current year, and interim dividend of 6 per cent taxable, requiring Rs. 5.32 lakhs has been paid.

NEPA Mills Incurs Loss

National Newsprint and Paper Mills Limited could raise its output to 39,275 tonnes and sales to 39,397 tonnes during the year ended March 31, 1970 from 30,562 tonnes and 30,330 tonnes respectively in

1968-69, with the operation of the second paper machine based on imported pulp. But due to the uneconomic cost of imported chemical and mechanical pulp, their imports were stopped and production was restricted to mechanical pulp available from Nepa's own plant and small quantities of chemical pulp purchased within the country. The turnover improved to Rs. 4.34 crores from Rs. 3.32 crores in the previous year but due to the high cost of imported pulp and increase in other costs including higher maintenance costs on the new machine and larger interest charges there was a big loss of Rs. 36.43 lakhs, before depreciation, against a profit of Rs. 49.57 lakhs in 1968-69.

The company has approached the Government for raising its newsprint price from Rs. 1,100 to Rs. 1,350 per tonne and the latter's decision is awaited. Most of the equipment for the pulp plant have been received at site but some delay is expected over the construction of the buildings to house the plants. The caustic soda plant's capacity is to be raised while a calcium hypochlorite plant is to be erected. In view of the large interest charges likely on the substantial loans needed for the expansion scheme, the company has proposed a reorganisation of the capital structure by converting a part of the loan as equity capital.

The provision for depreciation is double at Rs. 56.02 lakhs (Rs. 28.60 lakhs) while there is no claim in respect of development rebate against Rs. 23 lakhs. After transferring Rs. 47.92 lakhs (Rs. 1.73 lakhs) from general reserve and using tax refunds, there is a debit balance of Rs. 38.11 lakhs which has been taken to the next account.

West Coast Paper's Plans

West Coast Paper Mills Limited is proceeding with its scheme to raise capacity by installation of balancing equipment in the existing machines "while the equipment from U.S. and France has been installed, the major equipment ordered from West Germany has started coming in. But there may be some delay in supply of indigenous items like dry cylinders and the expansion programme may not be completed before end of next year. The company has been included in the Government's crash programme which will enable it to raise its capacity by another 15,000 tonnes in a short period. Necessary steps will be taken on receipt of the industrial and import licences. The company at present supplements its bamboo requirements by extraction of raw material from other areas at higher royalty and transport charges. The Mysore Government has assured the company of additional areas of bamboo on a permanent basis. Meanwhile, the plantation programme of fast-growing species of wood

and bamboo continues and 7,800 more acres were brought under plantation last year. Production of paper in 1969-70 constituted a record at 41,000 tonnes against 37,565 tonnes in 1968-69 due to increased efficiency of operations. The company raised its dividend to 13 per cent on a higher capital as raised by a one-for-five bonus issue.

A.P. Paper

Andhra Pradesh Paper could not show a larger increase in output in 1969-70 due to a strike in May-June 1970 and the shut-down of plant for installing balancing equipment. In the current year, however, with settled labour conditions and more efficient operations, there will be a much higher level of production and earnings. The Government has approved this company's application for additional production of 15,000 tonnes under the crash programme. Already an order has been placed for a 10 tonne paper machine for producing special varieties and this is expected by the end of 1971. The company has repaid Rs. 37.25 lakhs to financial institutions, Rs. 15 lakhs to State Government and Rs. 22.69 lakhs to machinery suppliers under deferred payment agreements. A loan of Rs. 3.20 crores was taken from the Industrial Finance Corporation for the expansion scheme and the whole sum has been utilised.

Straw Products

The directors of Straw Products Limited have proposed to issue right shares in the ratio of 15 shares for every 98 shares held. The 3 lakh shares will be offered at a premium of Rs. 2.50 per share. The proceeds of the issue will go to meet part of the cost of its scheme to expand its paper and board capacity.

Paper Products

Paper Products Limited has maintained the ordinary dividend for the year ended July 31, 1970 at 12 per cent taxable. At the same time, the directors have proposed a bonus issue in the proportion of one for five. The company proposed a similar bonus issue last year in lieu of the equity dividend for 1968-69 but this was turned down by the Controller of Capital Issues under the new guidelines. The revised proposal will have to be approved by Government. The company's working results in 1969-70 have been encouraging. Sales improved to Rs. 4.37 crores from Rs. 3.48 crores in 1968-69 while the net profit, before depreciation and taxation was much higher at Rs. 23.77 lakhs against Rs. 15.20 lakhs. After providing Rs.13.26 lakhs (Rs. 12.72 lakhs) for depreciation Rs. 89,505 (Rs. 1.26 lakhs) for de-

velopment rebate and Rs. 3.30 lakhs (nil) for taxation a sum of Rs. 7.16 lakhs (Rs. 1.22 lakhs) has been transferred to general reserve after some adjustments. The flexible packaging division increased its sales to Rs. 3.37 crores from Rs. 2.58 crores in 1963-69 and sales in the first four months of this year have amounted to Rs. one crore. The Roha Paper Unit also improved its turnover in 1969-70 to Rs. one crore from Rs. 90 lakhs. It is proposed to expand this unit's capacity by 4,000 tonnes at a cost of Rs. 50 lakhs and Government approval has been obtained for this. The newly acquired conversion unit at Nagpur went into production last October and it is proposed to add an extension coating plant to the packaging unit in the same centre. This plant is expected to be ready by the middle of 1972.

Kothari Group

The five companies in the Kothari group—Blue Mountain Estates and Industries, Waterfall Estates, Balmadies, Kothari Textiles and Adoni Spinning and Weaving—which are being merged to form Kothari Limited have published their results for the 12 months ended August 31, 1970. These are however, not comparable with the results of the various companies in the previous accounting period which differs from company to company. The accounts for 1968-69 for Blue Mountain and Waterfall related to 14 months, Balmadies for 15 months and Kothari Textiles and Adoni Spinning for 8 months. As the earnings of these units for 1969-70 will accrue to the new company, Kothari Limited no dividend has been announced by the various companies. However, Blue Mountain and Waterfall have reported distinctly improved results while the textile units also have done much better during the latest year. Adoni for instance has earned a large profit against a loss in the previous 8 month period. The pooled net profit before providing depreciation and taxation, amounted to Rs. 83.80 lakhs. Depreciation charges for the five units aggregated to Rs. 33.35 lakhs, taxation to Rs. 21.60 lakhs and development rebate to Rs. 5.20 lakhs. The net profit, after these provisions, is Rs. 23.64 lakhs. The aggregate profit of these companies for different accounting periods in 1968-69, was Rs. 52.42 lakhs which included a non-recurring income of Rs. 9.94 lakhs. Depreciation then claimed Rs. 24.66 lakhs, development rebate, Rs. 1.84 lakhs and taxation Rs. 15.40 lakhs. This shows the vast improvement in results of the group in the latest year. The paid-up capital of the amalgamating group on the basis of the merger proposal will be Rs. 2.41 crores, Rs. 2.23 crores in equity and Rs. 18 lakhs in preference. The hearing of an objection from some shareholders is pending in the

High Court. It is learnt that the court has been awaiting the group's working results.

Alkali & Chemical

All the divisions of Alkali and Chemical Corporation Limited contributed to the improved working results for 1969-70. While it was possible for the polythene unit to achieve capacity output due to easier availability of alcohol, a larger offtake of rubber chemicals by the synthetic rubber unit offset the shortfall in demand from tyre units and output exceeded capacity. The paints division also did not suffer from a shortage of steel as there was better demand from other users. There was, however, an accumulation of BHC stocks. The new paints unit in Hyderabad has been completed and is likely to commence production shortly. The company is negotiating with the Government on its pharmaceutical project in Madras. It has also sought Government permission to raise its capacity for rubber chemicals from 2,770 tonnes to 6,000 tonnes besides seeking a letter of intent to produce a new herbicide. The net profit, before depreciation and taxation, jumped to Rs. 3.35 crores in 1969-70 from Rs. 1.90 crores in 1968-69. After providing Rs. 97.47 lakhs (Rs. 1.01 crores) for depreciation, taxation claimed Rs. 1.44 crores (Rs. 44.06 lakhs). There is a transfer of Rs. 2.50 lakhs (Rs. 30 lakhs) from development rebate reserve and Rs. 1.50 lakhs (same) being excess provision no longer required while general reserve gets Rs. 72.70 lakhs (Rs. 27.76 lakhs) and development rebate reserve Rs. 1.25 lakhs (Rs. 3 lakhs). The dividend on equity capital has been raised, as stated earlier, to 15 per cent, taxable, from 10 per cent taxable.

Indian Explosives

According to the director's report of Indian Explosives Limited for 1969-70, the fertilizer unit at Kanpur which was inaugurated in December 1969, is working satisfactorily and output till September 1970 totalled about 148,000 tonnes. There was also no major problem of marketing, as sound marketing and distribution facilities had been created. Of the 150,000 tonnes sold during the year, own output accounted for 130,000 tonnes. There may be further rise in production and sales this year. The explosives division also operated satisfactorily. Production of commercial explosives was maintained at a high level. Sales of special grades of high quality gunpowder increased by 40 per cent while those of detonators were satisfactory. A letter of intent has been received for manufacture of 1,000 tonnes of nitrocellulose at Gomia and a licence is expected shortly.

Sales for the year showed as 68 per cent

rise to Rs. 25.46 crores from Rs. 15.14 crores in 1968-69 mainly due to fertilizer sales while there was a jump in the net profit, before depreciation, to Rs. 6.16 crores from Rs. 3.69 crores. But the pre-tax profit is slightly lower at Rs. 283.09 lakhs against Rs. 298.94 lakhs as there was a provision of as much as Rs. 3.33 crores (Rs. 69.82 lakhs) for depreciation (mainly on account of the fertilizer unit). The tax provision also is nominal at Rs. 83,464 (Rs. 1.56 crores).

Garware Nylon

Garware Nylon, which was converted into a public company in September 1970 proposes to make a public issue of equity capital for Rs. 1.06 crores for finding part of the finances required for its expansion scheme. The company at present manufactures nylon filament yarn at its Pimpri (Poona) unit whose capacity was raised from 500 kg. per day to 756 tonnes per year in 1968. The plant for producing nylon chips went into production in August 1965. The company has secured a licence to expand its filament yarn capacity to 2,000 tonnes per year while it has also been allowed to produce 330 tonnes of nylon chips per year for the plastics industry. There is also a plan to produce textured yarn. The expansion is estimated to cost Rs. 5.84 crores. This will be met, apart from the proposed public issue for Rs. 1.06 crores, from foreign exchange loans of Rs. 2.86 crores and internal resources of Rs. 1.92 crores. A licence for Rs. 2.7 crores for importing plant and machinery has been obtained and the expansion is expected to be completed by the middle of 1972. There is at present an issued and paid-up capital of Rs. 1.10 crores. The company has been operating on a highly profitable basis. While sales rose from Rs. 1.34 crores in 1967-68 to Rs. 2.47 crores in 1968-69 and Rs. 3.21 crores in 1969-70, the net profit before taxation and after depreciation was as much as Rs. 1.27 crores in 1969-70 against Rs. 62 lakhs in 1968-69. There is already an unofficial premium of Rs. 15 per share on the new equity shares to be offered sometime later.

India Forge

Production of steel forgings and non-ferrous stampings of India Forge and Drop Stampings Limited including those processed from customers' material increased only to 2,852 tonnes during 1969-70 from 2,799 tonnes in 1968-69. The expanded facilities were available only for three months during the year and accounted for 118 tonnes of the increase in output. It has been indicated that while the additional capacity may not be fully utilised due to shortage of steel and other factors, there may be a fair increase in production in the current year.

Though the gross profit improved to Rs. 23.15 lakhs from Rs. 18.84 lakhs in 1968-69, the distributable profit, including some transfers and credits for excess provisions, was lower at Rs. 3.02 lakhs against Rs. 7.43 lakhs. It was necessary to provide for the full year's depreciation on new plant and machinery and other assets for Rs. 4.10 lakhs besides an upward revision of depreciation allowance for certain items. It was also thought prudent to provide for development rebate in respect of the new plant from the first year of its operations. The directors have also reckoned with the heavy repayment obligations in the current and next years while deciding to cut the dividend rate. There was an overrun in the capital cost of the expansion scheme by Rs. 12.50 lakhs due to modification in plant and machinery, export tax by W.Germany and revaluation of DM and this resulted in a squeeze on working funds.

Challapalli Sugars

Challapalli Sugars Limited has incurred a heavy loss for the year ended June 30, 1970, of Rs. 11.86 lakhs against a profit of Rs. 26.67 lakhs in 1968-69. A fall in quantity of cane handled to 1.33 lakh tonnes from 1.68 lakh tonnes and a drop in recovery to 7.96 per cent from 8.20 per cent resulted in a lower output of sugar at 10,658 tonnes against 13,702 tonnes in the previous year. As there was also a slump in open market prices, sales declined to Rs. 160.36 lakhs from Rs. 181.74 lakhs. After providing Rs. 9.26 lakhs (Rs. 8.15 lakhs) for depreciation the loss is Rs. 20.12 lakhs. The equity dividend has naturally been omitted while the payment in the previous year was 10 per cent taxable. In 1968-69, development rebate got Rs. 14,000, taxation Rs. 3.25 lakhs, general reserve Rs. 1.30 lakhs and dividend reserve Rs. 6.55 lakhs.

Ashok Leyland

Ashok Leyland Limited was able to raise the output and sale of Comet passenger and goods vehicles to 5,103 a record during 1969-70 in spite of difficulty in steel supply situation. With the diversification of the Comet models, there is an unsatisfied demand for these vehicles and the company has sought Government permission to raise the production to 7,000 units. As regards the heavier range of vehicles, Government sanction has been obtained to import necessary machinery to further increase the indigenous content, of Hippo, Beaver and double decker range of vehicles. There were larger sales of these vehicles last year. As there is a keen demand for these vehicles also, it would be possible to raise output and sales in the coming years, especially as an expanding export market is being built up.

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Exports of vehicles and parts last year were larger than in the previous year. Ennore Foundries, a sister concern, has also been making good progress and working results for 1969-70 were satisfactory. At the end of the year, the net block dropped slightly to Rs. 6.87 crores (Rs. 7.18 crores). Against a paid-up equity capital of Rs. 7.79 crores, reserves and surplus amounted to Rs. 4.02 crores.

Toshiba Anand Batteries

Toshiba Anand Batteries Limited has been promoted to take up the manufacture of dry cell batteries in collaboration with Japanese interests. The factory to be located in Kalamassery industrial complex in Kerala will have an annual capacity of 60 million dry cells. The project will cost R. 1.3 crores. This will be met by issue of equity and preference capital for Rs. 70 lakhs loans in foreign exchange and rupees for Rs. 50 lakhs from the Industrial Credit and Investment Corporation and the balance of Rs. 10 lakhs through deposits and short-term loans. Of the issued equity capital of Rs. 52.50 lakhs, Toshiba Ray-O-Vac will take up 2.1 lakh shares of Rs. 10. each, Toshiba Tokya, 1,36,500 shares and Kanimatsu Goshu 21,000 shares. The Kerala Industrial Development Corporation will be subscribing for Rs. 12 lakhs while the promoters will be taking up 4,900 preference shares of Rs. 100 each and 96,300 equity shares. The balance of 92,700 equity shares and 12,600 preference shares will be offered for public subscription in the next few weeks. The cost of machinery of Rs. 73.84 lakhs has a foreign exchange component of Rs. 50.17 lakhs which will be found from the equity participation of the foreign interests and the ICIC loan.

Chemicals and Fibres

The directors of Chemicals and Fibres of India Limited have stated that the improved turnover was to some extent due to an increase in output and a diversification of the range to include finer deniers of polyester yarn. But the sharp rise in sales during 1969-70 to Rs. 32.08 crores from Rs. 25.08 crores was mainly because of the increased burden of excise duties which rose to Rs. 17.39 crores from Rs. 12.73 crores in 1968-69. With higher costs at the sametime, the net profit, before depreciation and taxation, was even marginally lower at Rs. 4.07 crores against Rs. 4.08 crores in the previous year. Depreciation claims Rs. 53.77 lakhs (Rs. 52.28 lakhs). As production from the present licensed capacity has been already maximised any further improvement in output and earnings can happen only after the expansion of capacity to 6,100 tonnes. There

has been some delay in getting the licence for this scheme though the company has agreed to increase the participation of Indian investors to 45 per cent from 40 per cent at present as stipulated by Government. Even if a licence is obtained immediately the additional capacity is not expected to be available before the third quarter of next year. The company is also pursuing with its polyester film project and has asked the Government to reconsider its decision.

Inchek Tyres

It has been explained by the directors of Inchek Tyres Limited that the adverse working results for the year ended June 30, 1970, were due to a fall in production instead of a planned increase following the unsettled labour conditions. Sales thus declined sharply to Rs. 9.97 crores from Rs. 12.82 crores in 1968-69. This naturally resulted in a negligible profit of Rs. 1.64 lakhs, before depreciation, against Rs. 86.58 lakhs in 1968-69. After charging Rs. 39.69 lakhs (Rs. 30.03 lakhs) towards depreciation a debit balance of Rs. 37.18 lakhs is carried forward. The trend of production in the current year has shown improvement since October. The company is proceeding with its expansion plans. Import licences for capital goods have been received but the provision relating to export obligations is awaiting final settlement. Financial arrangements by way of loans and deferred payments are also being negotiated with financial institutions. In 1968-69 there was a transfer of Rs. 26 lakhs to development rebate reserve and Rs. 30 lakhs to general reserve out of which the equity and preference dividend claimed Rs. 26.53 lakhs. The company recently issued right shares for Rs. 46.80 lakhs, taking the paid-up equity capital to Rs. 280.80 lakhs. The preference dividend for the latest year amounting to Rs. 3.70 lakhs is to be provided for. There has been a sharp fall in Rs. 10 paid-up shares of the company after announcement of the results to around Rs. 9.50 from Rs. 12 earlier.

Shree Synthetics

There will be considerable disappointment among investors particularly the small investors over the details of allotment of equity shares by the directors of Shree Synthetics Limited which made a public issue of 11,12,500 shares of Rs. 10 each two months back. However, it must be realised that the directors had a difficult problem in arriving at a decision in consultation with the Calcutta Stock Exchange as the issue was oversubscribed over 68 times, a record for any new issue. It has been therefore

necessary to satisfy as many applicants as possible by drawing lots in the case of applications for upto 2,000 shares. Thus, One out every 15 applicants for 50 shares, one out of 8 for 100 shares, one out of 5 for 150 to 200, one out of 3 for 250 to 500, 2 out of 5 for 550 to 950, one out of 2 for 1,000 to 1,100, 7 out of 10 for 1,150 to 2,000 shares will each get 25 shares. There will be firm allotment for applicants for over 2,000 shares, each applicant for 2,050 to 2,650 shares getting 25 shares, 2,700 to 4,200—50; 4,250 to 6,000—75; 6,050 to 10,000—100 each and so on. The maximum allotment is 2,000 shares. It has been stated that the delay in finalising the allotment basis was due to the inability of the bankers to submit their final statements which has affected the programme of sending share certificates along with refund pay orders.

API Earns More

Automobile Products of India Limited has done extremely well during the year ended July 31, 1970. The company's sales improved further to Rs. 11.10 crores from Rs. 10.25 crores while the net profit before depreciation and taxation more than doubled to Rs. 53.80 lakhs from Rs. 22.81 lakhs in 1968-69. The directors have, however, only maintained the dividend on equity capital at 10 per cent taxable. The new rights shares issued in the ratio of one for four will rank for dividend only from the current year. The provision for depreciation has been raised to Rs. 31.55 lakhs

(Rs. 27.01 lakhs) and development rebate Rs. 7 lakhs (Rs. 8.03 lakhs). Taxation claims Rs. 1.50 lakhs (nil) while the transfer to general reserve is Rs. 14.14 lakhs (nil). Last year the net loss after depreciation was adjusted with a transfer from reserves. The proposed equity and preference dividends will claim Rs. 12.66 lakhs out of general reserve. During the year, production of scooters and three-wheelers increased to 24,604 from 22,202 in 1968-69. Output of scooters was 23,303. Production of clutches and other items also increased considerably.

Refinery at Kandla for Rostam Crude

Kandala is the only major Indian port left out without an oil refinery. Technically and economically, Kandla is a far better location for catering to the extensive areas of northern and north-eastern areas of India which continue to remain starved for want of a refinery. Kandla is closest to Iran and will not present several problems which a refinery near New Delhi will have to face. Economy in transport and production cost are in favour of this location.

An application for setting up a crude oil refinery at Kandla port with an initial installed capacity of 7,50,000 tonnes per year was first made by Mr. Dharmsinh D. Desai, Chairman of Power Cables in February, 1968. The revised project of 1 million tonnes per year made in November, 1969, utilises Indian Government share of Rostam crude for

which the Government of India had not been able to locate a customer. The proposal is that the crude could be brought into by the Shipping Corporation of India or Government tankers up to Kandla port installation, where the crude will continue to be Government property. Mr. Desai has proposed to refine the crude oil into various finished oils against a processing charge to be agreed upon with the Government of India. All the finished products such as petrol, kerosene, naptha, light diesel oil heavy diesel oil, furnace oil, etc. would be transferred to Government of India, who can pass over to I.O.C. for marketing/distribution. This would also avoid public sector-private sector controversy. Since Mr. Desai already operates speciality oils refinery at Trombay and has the necessary basic facilities, his proposed refinery with practically no foreign exchange requirements either for know-how or for the capital equipments is in the interest of the country.

India has been postponing lifting of its share of Rostam crude oil year after year. Government sold in past only a small quantity of Rostam crude at throw-away price to Japan; at the same time importing at very high prices crude oils for all the five southern coastal refineries. Therefore, the saving in transport, higher profits for Rostam crude, lower production cost and better price for finished oils are all in favour of expeditiously approving this project, which has been hanging for decision for a long time.

downward revision of earlier crop estimates.

Groupwise, the index for food articles was 6.7 per cent higher over the year against a rise of 4 per cent in 1969 in spite of a rise in food production to 100 million tonnes in 1969-70 from 94.5 million tonnes in 1968-69 and an expected crop of 103 million tonnes in the current year. A major part of the increased output came from wheat and it was reflected in a net fall in its price by about 5 per cent in spite of a sizable cut in imports. On the other hand, even with an increased output, rice prices continued to remain firm and showed a rise of 7 per cent over the year. This was perhaps due to the absence of a larger marketable surplus and the vigorous procurement operations of various Government agencies.

In cash crops, however, cotton, jute and groundnut and its oil, recorded continuous increases for most part of the year on unsatisfied demand from the consuming industries. Cotton prices rose by 25 per cent

over the year due to an average crop in 1969-70 and widespread damage to the current crop which has already led to a crisis in the industry and has forced the Government to arrange for large imports. High cotton prices have naturally pushed up yarn prices also to uneconomic levels for handloom and powerloom weavers while mill cloth is already costing much more than year ago, particularly for the superior varieties. The jute industry has its own problems besides availability of cheap jute. But in the case of oilseeds, there was a wide fluctuation in prices for various seeds and oil. Though output of groundnut in 1969-70 was higher than in the previous year, the demand for oil was much more than available supplies including sizable imports of soyabean oil, owing to a thinning hotel trade and larger offtake of vanaspati and soaps. The price index for groundnut jumped from 169 in December 1969 to 240 in June 1970 but declined in subsequent months to close around 190 for the year, showing a net increase of about 12 per cent. Other edible oils also showed a similar trend. Coconut oil touched all time peaks during the year.

The outlook for the new year does not seem to be encouraging. While food prices may be expected to show a fall till June or July in the wake of larger output of rice and wheat, prices for industrial raw materials like cotton, jute, oilseeds and oils, steel and non-ferrous metals and chemicals may remain at high levels, with a further sharp demand from consuming industries and a stagnant output of these raw materials. Manufactured goods also may cost more as it is quite likely that apart from higher raw material costs, the new budget may impose heavier indirect taxes.

Engineering Exports

Exports of engineering goods in the first eight months of 1970-71 totalled Rs. 66.36 crores against Rs. 62.12 crores in the corresponding period of 1969-70 showing a rise of 7 per cent, according to the Engineering Exports Promotion Council. However, the performance falls short of expectations, as the target for the whole year has been fixed at Rs. 140 crores 30 per cent above the 1969-70 figure of Rs. 106 crores. Stupendous efforts would be needed to make up the lost ground in the remaining period, but in the absence of liberal steel supplies this may not be possible. The performance in November was quite encouraging with an all-time record earnings of Rs. 12 crores but even if this level is maintained in the remaining 5 months, the total may not exceed Rs. 130 crores.

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Sugar Policy Soon

Exports of sugar in 1970 are expected to be about 3,30 lakh tonnes against 94,600 tonnes only in 1969. Of this, about 95,000 tonnes will be to the U.S. and U.K. under preferential quotas and the loss on these will be borne by the sugar industry. The State Trading Corporation has shipped 50,000 tonnes to Canada and will be meeting the loss by importing certain scarce items. The remaining quantity has been exported to Ceylon, Malaysia, Singapore, South Vietnam, Indonesia and some Persian Gulf countries on Government account and the losses on these sales will be met from central revenues. Only the handling charges will be met by the industry.

The observation of the Union Food Minister, in Parliament on Government's policy for the current season would indicate that it may adopt a more realistic approach to the problems of the industry. The delay over announcement of the new policy has been explained as due to the Governments study of three possibilities, namely, continuance of partial control, complete control or complete decontrol. There was an announcement in the last week of December only on a change in the quota of free sale sugar from 30 per cent to 40 per cent. It is not clear if the Government is serious about creating a buffer stock out of the carry over stock of 20 lakh tonnes from last season. The Minister estimated the current year's output at 40 lakh tonnes and said this would not pose any problem as there will be an estimated internal consumption of 36 lakh tonnes and exports of 3 to 4 lakhs tonnes. While the industry may share the optimism

of the Minister provided the proposed buffer stock is substantial, it would still like a realistic pricing policy for levy sugar. Already, the industry has been unable to pay the cane-growers promptly for their supplies and arrears on this account exceed Rs. 15 crores. The Food Ministry has also taken up with the Finance Ministry the question of differential duty on levy and open market sugar and a decision may be taken on this shortly. The Food Minister, however, ruled out any reduction in acreage under cane to ensure remunerative prices for the growers. He pointed out that demand for sugar was bound to go up in the coming years and any restriction on acreage might create problems of supplies when the need arose. In the current year there has been a marginal fall in the acreage under cane against a 7 per cent increase in 1969-70.

In Tamil Nadu, the fall in planted area may be about 20 per cent this year as compared to last year due to diversion to paddy. The area which rose sharply in 1968-69 to 3.6 lakh acres due to the high sugar and jaggery prices gradually declined to 2.7 lakh acres in 1970-71 due to the slump in prices for the sweetening agents and the difficulties of the factories to make prompt payments. Factories have also not been registering the same acreage as last year because of the heavy accumulation of sugar stocks. It is also feared that there may be diversion of cane to jaggery units due to the rising trend in prices for the latter. However, the factories may feel gratified over the higher recovery obtained so far in the early months of this season. There has been a sharp rise in recovery from the normal 7.5 to 7.8 per cent for this part of the season to 9 per cent this season mainly due to the abnormally cold weather.

COMMODITIES:

Will the Price Situation Improve?

Most commodities closed the year 1970 with a further rise in prices as compared to the end of 1969. The wholesale price index at 181.0 showed an increase of 6.5 per cent over the year in spite of a satisfactory food-grain production for 1969-70 and the prospect of even a better crop for 1970-71. This was because of the sharp rise in prices for some of the agricultural raw materials like cotton and oilseeds and jute where even a better crop failed to relieve the increased pressure of demand. While the price index for food articles rose from 192.6 in December 1969 to 204.7 in November 1970, the index for raw materials rose by over 20 points from 174.4 to 195.0 during

the same period. Chemicals and manufactures, however, showed a less pronounced increase; the former from 186.2 to 188.2 and the latter from 145.5 to 154.2.

However, a comparison of the movements of the various indices in 1969 and 1970 reveals certain contra seasonal trends in the latter year. While in 1969 prices gradually rose and reached the peak in August, the peak was touched in 1970 during September. Also in the subsequent months, the fall was pronounced in 1969 than in 1970. This was mainly due to the earlier hopes of larger crops for 1970-71 being shattered by severe damage from heavy rains and floods in many parts of the country and a

Out of the Inkwell

By RANDOR GUY

DIVORCE, ITALIAN STYLE!

It is no longer the name of a well-made Italian movie that rocked the world with shocking humour some years ago. Yet, today, divorce is legally possible in the land of the Pope, Pata and pizzas! Recently the law-givers of Italy have passed the law of divorce by which couples who no longer could happily live thereafter, can call it quite and go it alone, each unto oneself. For a long time the battle for a divorce law had been on in Italy and it remained one

of the very few countries out West where one could not check the better-half on all sorts of frivolous causes. Even now, according to the new law adultery is no ground for divorce. Surprising? Yet true! Even in India, I am told, one can divorce on the ground of adultery. Why not, then in Italy? May be the hot-blooded Latins think what's a little adultery, among friends! As the poet put it, what the Gods call adultery, the mortals gallantry, it's much more common where the climate's sultry! He said it, didn't he?

STOCK MARKET:

Many Uncertainties for the Investor

The stock markets have closed for the year 1970 on a tame note. Before the Christmas recess, trading was dull in the last fortnight with operators in no mood to extend their commitments. Two major uncertainties—one political and the other economic—have cast a spell of caution on the markets on the eve of the new year. The political uncertainty has wider implications of a long-term character and relates to the mid-term general elections in March. The market fraternity has also reason to be perturbed over the next Central budget in May, which may have a tough task of finding the resources for implementing a larger annual Plan in 1971-72.

Otherwise, the year that has gone by must be considered a satisfactory one for the stock markets and investors. The last Central budget had been helpful in many respects for the corporate sector. Even the stiffer excise duties on a number of articles had no impact on market sentiment while the absence of any additional direct taxes along with the substantial incentives for investors in equities and other forms of investment led to a buoyant phase in the markets and boomlike conditions were in evidence for a major part of the year. Excellent corporate results which indicated revival of demand for a number of industrial products including consumer and semi-durable goods after the 1966-67 recession helped the firm trend in equity prices which were sustained by a spate of bonus issue proposals. But the rejection of some of the proposals from leading companies like Century and National Rayon under the new guidelines

postulated since April 1970, though these were made well before the revised guidelines came into force, led to a feeling that this factor which had provided a major stimulus to the markets in the past two years may not have the same influence in future. However, expectations of bonus issues from new companies which had been operating on a quite profitable basis and which have made no such issues earlier or have capitalised their reserves only once in the past five years have guided both operators and investors in lending support to some of these cash scrips. Chemicals and Fibres, United Carbon, Motor Industries, Pfizer and others come under this category.

The agricultural situation also had a strengthening effect on the markets for most part of the year. Three successive years of record food crops and the prospect of a fourth satisfactory year naturally put more money in the hands of the rural folk who were more inclined to spend it on consumer goods and semi durable goods like transistors, cycles, etc. This provided an assured market for the increased output of many industries. But most industries had to contend with higher raw material costs and increased wages and could avoid sharp fall in profit margins only by larger turnover. Critical shortages in key raw materials at the same time prevented fuller use of existing capacity and take advantage of the expanding home and export demand.

Earlier hopes of resumption of forward trading in shares receded with the Cabinet reshuffle when Mr. Chavan took over the finance portfolio with the party mandate to

implement its socialist programmes. The take-over of the import trade in cotton from the current season snuffed out any hope of forward trading in shares being allowed again.

At the end of the year, investors in equities were still undecided about the immediate outlook. This, however, has been made difficult by the many imponderables on the political and economic fronts. While it is not questioned that the Government is anxious to allow the private sector to play its due role in furthering the country's economic interests, there is genuine concern over the inordinate delays in sanctioning new projects or expansion of capacity where this will help reduce the shortages. Apart from this, the inability to use fully existing capacity is also a factor to be reckoned in assessing growth prospects of particular groups. There is also a chronic shortage of good scrips with even stray purchase by institutional investors like the L.I.C. and Unit Trust sending up prices disproportionately. This situation will continue till new floatations are made on a much larger scale than happening now and under influential auspices. A harsh budget can upset the calculations of many industries while a further constraint on bank credit for medium and big units may create new problems. The attitude of statutory financial institutions in the matter of provision of long-term loans for new projects has also been not very helpful and may only delay the promotion of new industries. Investors in equity can only hope that there will be no nasty surprises in the Government's economic, fiscal and monetary policies.

PRICE MOVEMENTS

Following were the changes in prices for selected scrips on the principal markets during 1970: (A strict comparison should be avoided as allowance has to be made for bonus and right issues by many companies.)

Madras			Bombay			Calcutta		
	Dec. 23, 1969	Dec. 21, 1970		Dec. 23, 1969	Dec. 21, 1970		Dec. 23, 1969	Dec. 21, 1970
India Cements	4.80	5.60	Tata Steel	102.50	106.00	Indian Iron	15.70	13.60
Mettur Chemicals	9.50	12.50	Hind. Motors	15.20	14.12	Hind. Motors	15.30	14.20
Ashok Leyland	6.40	6.65	TELCO	218.00	231.00	Birla Jute	35.55	20.65xb
Alum. Industries	6.00	6.90	Century	701.00	844.00	Dunlop India	28.70	36.75
S. I. Viscose	125.00	150.50	National Rayon	426.00	536.00	Guest Keen	13.15	26.85
Travancore Rayons	19.75	21.62	Tata Chemical	30.00	32.00	Orient Paper	29.00	36.50
Deccan Sugar	7.65	4.90	Scindia	17.32	23.52	Alkali & Chem.	23.75	30.25
Madura Mills	27.75	18.25xb	United Carbon	271.25	477.50	CAFI	41.50	45.87
E. I. D. Parry	23.25	15.15	Cochin Refinery	250.00	271.25	Hind. Alum.	30.06	35.06
Madras Alum	127.00	172.00	Synhetics	121.00	189.00	Union Carbide	25.00	30.50



A CRUCIAL PHASE IN ECONOMIC DEVELOPMENT

The twenty-second year of Independence and the eighteenth year since the country became a Republic promises to be momentous in its history. What happens at the poll in March will determine the future complexion of the political structure and the shape of the economy. 1970-71 has been a curious mixture of opposites and it is somewhat unfortunate that confusing and conflicting trends have emerged in the political situation just when the economy is getting poised for self-reliant growth.

Fortunately, agricultural production has been maintained at satisfactory levels for four seasons in succession and in spite of the delayed winter rains it is expected that the rabi crops will be good and total production will constitute a record for all-time at 106 million tonnes. A definite opinion in this regard can be hazarded only in the light of developments in May-June this year. But what is really amazing is the absence of any difficulty in absorbing a higher level of output of wheat, rice and coarse cereals. The yield of cash crops, however, may not be upto expectations and the agronomists will have to take steps without delay to remove this weakness of the agricultural economy.

The industrial economy, however, has not been acquitting itself equally creditably and the growth in production has been less than four per cent against the target of 8 per cent. With a rising internal consumption and the absence of surpluses, the performance on the export front

has been disappointing. The slow growth of industrial output is due more to inefficient working of industrial units, labour trouble and shortages of raw materials. The politicians have not bothered to find out the colossal loss that is being sustained by the country due to the disturbed situation in West Bengal which accounts for a sizable portion of the country's industrial capacity. The loss in steel production as a result of inefficiency and labour trouble can be easily one million tonnes, while the fertilizer plants in the public sector are operating at less than sixty per cent of rated capacity. If only our exports were allowed to get the best out of existing facilities and there is industrial peace inflationary forces can be checked and the war on poverty will become more meaningful.

Any Government that will be formed at the Centre will have to realise that it cannot achieve the new objectives by lopsided development. As there is so much to be done, all the sectors of the economy—public, private, joint and co-operative—will have to be active and the climate should be such as to encourage all constructive forces. The loose talk of abridgement of fundamental rights, virtual expropriation of urban property and unrealistic ceilings on land and urban incomes have had a demoralising effect on those who have the will and capacity to work.

There is no escape from hard and honest work. If

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political confusion and violence can be avoided and the potentialities for growth were recognised the 'seventies can witness spectacular developments in the economic

situation. It is only to be hoped that sane counsels will prevail and the country's leaders will not flounder in a crucial phase of economic development.

CAN HIGHER INTEREST RATE CHECK CREDIT EXPANSION?

The monetary authorities have at last been compelled to raise the bank rate from 5 to 6 per cent, a level which prevailed between February 1965 and March 1968. The action of the Reserve Bank has not come as a surprise. For a long time the bank rate has been out of alignment with the structure of lending rate of scheduled commercial banks. What has been done, therefore, is to effect a re-adjustment to the conditions already prevailing in money market. However, it is likely that the lending institutions will be only too willing to take advantage of the new situation and raise the lending rates which may go up to 11 or even 12 per cent in respect of secured advances. There has already been a steady rise in advance rates and excepting the State Bank of India, which has been lending around 8½ per cent, almost all institutions have been charging upto 10½ per cent. Only a few days back the rate for clean advances was stepped up to 12 per cent while slab rates were charged on a higher basis for additional limits during the busy season.

The banking system has been obliged to make credit costlier in order to meet its rising working expenses as well as to meet the expenditure incurred on the opening of new branches. The Reserve Bank has been obliged to fall in line especially as the situation looked like getting out of hand with borrowings by member banks rising to over Rs. 350 crores on January 1. However, the question is whether the course now adopted is correct and whether monetary discipline alone can result in slower expansion of credit. Higher interest rates may not bring about the desired results as there is a deliberate policy of expansion of credit for meeting the needs of small borrowers in the priority sectors apart from providing substantial assistance to the Food Corporation of India and other agencies. If there is no reduction in advances to these classes of borrowers, only industry and trade will be unnecessarily penalised through higher interest rates and there will be an increase in production costs.

It is perhaps expected by the Reserve Bank that borrowing will be discouraged by costlier credit and there will be more scope for expansion of money supply because of restricted refinance facilities. It is, however, difficult to be categorical in this regard as the Food Corporation of India will continue to get assistance from the banking system on the present basis and there will also be no change in the concessional rates for discounting export bills and for securing refinance against pre-shipment credit and other priority purposes. Imports are arriving in larger volume

while the marketing of the cotton crop is still to be completed. It will be idle to anticipate a drop or even a slower rise in advances. A big increase in sugar stocks and heavy tax payments in the first half of March will necessitate expansion of credit. After gearing up the banking system to grant loans to the agricultural sector and to small scale industries, it is meaningless to say now that credit should be stopped all of a sudden. An analysis of the increase in bank credit by Rs. 812 crores in 1970 against the addition of Rs. 799 crores in deposits may well show that the accumulation of sugar stocks, the grant of small loans to small borrowers for priority purposes and the financing of procurement operations have been mainly responsible for the over-extended position of banks. Under these circumstances it will have to be examined whether the funds lent are being productively employed. It should also be considered whether quantitative restriction of credit for specific purposes would be preferable to dearer credit. It may well happen that what is essentially an anti-inflationary measure will prove to be inflationary as the small borrowers will not mind an increase in the lending rates as they are accustomed to usurious rates charged by indigenous lenders. The industrial sector too will be compelled to maintain borrowings at a high level and it will not be possible to effect a reduction in inventories in a short period.

The abnormalities witnessed in the money market can be eliminated only after a readjustment to the new conditions arising out of the nationalisation of major banks and the new philosophy of liberal lending to the weaker sections of society is completed. This adjustment may take at least two or three years to be carried out and till then dearer money is likely to be a regular feature. As for the objective of controlling prices, it is possible only through a maximisation of production with an intensive use of the existing industrial capacity and with the elimination of weaknesses in the agricultural economy. The central Government will find it very hard to reconcile the likely contradictions in its fiscal and monetary policies and the desired momentum to economic development can be achieved only through greater attention to economic issues and by desiring special measures for encouraging production. Orthodox monetary policies cannot bring about the desired result when the Government itself is aiding the forces of inflation through frequent adjustments in emoluments to white-collar workers and industrial labour without relating it to productivity or production.

Glimpses.....

By P. R. SRINIVAS

Wooing the Voter

The dissolution of the Lok Sabha and the State Assemblies in West Bengal and Tamil Nadu has led to controversies about the powers of the President or the Governor and the proprieties of a democratic government which ought to be observed by the Prime Minister or the Chief Minister of a State. The difference between the position of the Ruling Congress at the Centre and the D.M.K. in Tamil Nadu has not strangely enough led to any marked difference in the criticism of the action of the head of the Government. In the case of the Central Government the right to ask for dissolution of the Lok Sabha and the ordering of mid-term elections is denied on the ground that Mrs. Gandhi is the head of a minority Government. In the case of Tamil Nadu the dissolution is criticised because Mr. Karunanidhi has a solid majority in the Assembly and has no reason for a fresh appeal to the voters. In such a position, one has only to regard the mid-term elections as mere party tactics intended to make the most of a popularity which may prove transcient or a precipitate to catch their political rivals off guard or at some similar disadvantage. It must be said, that whatever may be the real motives behind the move, Mr. Karunanidhi has not indulged in the kind of talk, at once pompous and sanctimonious, of racing to a socialist society, which the Prime Minister has indulged in, with the sanction of a majority of elected representatives which she considers necessary in the present conditions. The need for such a majority may be deemed to be an

answer to the charge that she is the head of a minority in Parliament and not to the contention that the President has a duty to consider the chances of an alternative Government by a reasonably stable coalition before the country can be pushed into the maelstrom of a general election when parties, policies, alliances and formulation of party programmes are in such patently inchoate state. That it is precisely this last mentioned fact that has prompted the Prime Minister to make this decision is indeed regrettable. But the leader of a party in office cannot be expected to desist from it in the interests of a more healthy evolution of the spirit and forms of democratic government. It is

is, however, not unfair to ask that, having decided to fight the electoral battle on ground of its choice the ruling party can seek to evade the rules of the game or, to vary the metaphor, to load the scales any further against its rivals by announcing measures which are an undisguised bid for popularity and must have been reserved for the verdict of the new legislatures. Mr. Nijalingappa has gone so far as to characterise the employment projects and others as an "election offence." Mr. Karunanidhi has even more such measures to increase his prospects at the polls, though he is content to defend the dissolution of the State Assembly only as a dictate of ordinary considerations of common sense and prudent economy.

Land Laws Check Flow of Credit

The recommendations of the Study Group appointed by the Reserve Bank of India to go into the question of facilitating the flow of commercial bank advances into the sphere of agri-



The British Prime Minister, Mr. Edward Heath seen with the Prime Minister, Mrs. Indira Gandhi. Mr. Heath halted at Delhi on his way to Singapore for the Commonwealth Prime Ministers' Conference

Social Justice without Tampering the Constitution

cultural credit point to the nature of the problems which precipitate action prompted by political motivations are apt to create in the economic field. Land laws setting ceilings on agricultural holdings and the right of alienation and the market for agricultural land must inevitably create obstacles for commercial banks who are ready to make advances to farmers without sticking too closely to the rules of orthodox banking. Restrictions on the right of alienation were found to limit credit facilities even in the far off days of the Punjab Land Alienation Act. The co-operative agencies, while they have made no worthwhile progress in the effective provision of agricultural credit, have enjoyed special rights and privileges which now stand in the way of the commercial banks

making up the leeway. While bank nationalisation is a mandate to the banks to forget the old canons of sound banking and go to the aid of the small farmer, nothing has been done to free them from the disabilities resulting from the land laws, the legislation against money lending and usury and the privileged position accorded to the co-operative agencies. There is thus unquestionable need for examining the conditions for expansion of agricultural credit. The Study Group which was headed by the Chairman of the State Bank of India and experts from the commercial banks and the co-operative institutions have, as may be expected, been impressed with the need for uniformity of conditions over the whole country, the consolidation of land laws, the exemption

of the commercial banks from the anti-money lending Acts and the grant of the same privileges to commercial banks as to the co-operatives. Though these are obvious requirements, one cannot help feeling that in suggesting the conferment of powers on a State official which will have the force of a court decree, the Study Group has gone a little too far. Likewise, in being content with the drafting of a model Bill to help the State Government to have an adequate, unambiguous and clear cut framework, the Study Group appears to have underrated the scope for deviations not only in the consolidated legislation to come but also in the Acts of a later stage which may have an impact on the sphere of agricultural advances and their repayment by the farmers.

The inaugural address of President Giri at the recent New Delhi conference of Commonwealth Chief Justices had for its theme the adoption of the Constitution to subserve the aspirations of social equality. Making the point that law is the expression of the will of society, Mr. Giri stressed that its virtue or vice depended on whether it was the result of right thinking or of mere social aberration. A bad law was obviously the manifestation of "an aberration in the body politics of the conscience of society". Hence it was incumbent on the judges, while interpreting the law, particularly constitutional law, to ensure that they held the scales even between extremes on either side.

Though Mr. Giri did not so much as mention it, the implications behind his remarks should be clear to those who have followed recent developments in the country. Especially when he said "the law is the handmaid of social justice," one can discover the anguish of socialists in the country who have been chagrined over the failure of the Supreme Court to uphold bank nationalisation and abolition of privy purses in the manner attempted by the Government. In calling into question the constitutional validity of some of the essential details of government action, the Court, according to these quarters, has sinned against the ends of social justice.

*The answer to this criticism does not lie in stating the obvious, namely, that neither nationalisation of banks nor the abolition of privy purses is going to make the poor rich. This is because socialists are convinced that these reforms are part of the changes necessary in the socio-economic milieu for sustaining the seedling of socialism which the small-scale-sector-oriented planning has been nurturing. The pro-

per answer has to be that one does not have to change the present Constitution to assure the social justice.

Judiciary Anachronistic to Socialists...

The support to this position is not difficult to offer. First, the argument for change assumes that the Constitution or some essential part of it, has outlived its usefulness. It is fashionable in socialist circles to point out in this connection to the manner in which the Constitution of the United States had been liberally interpreted to serve the larger interest. If Maryland taxed a branch of the Federal Reserve Bank, the judges interpreted the apparent right of the State for imposing the tax as obstructing the development of unified monetary control. If indirect taxes alone were possible under the Constitution and therefore the State would be denied the advantages of levying a direct tax vis-a-vis the growing industrial incomes, the Constitution was interpreted to offer the necessary facility. Against all this, the interpretation of Indian Constitution by the Judiciary which stuck to the letter of law, appeared anachronistic to socialists.

What these persons missed was the fact that the U.S. Constitution which was ratified 180 years ago—Rhodes Island was the last to ratify it on May 29, 1790—could not have anticipated the later socio-economic changes which were as spectacular as the enterprise of the Americans themselves. On that basis the Constitution tended to get obsolete in certain areas with the progress of U.S. society and in the context of the new forces of liberalism and dynamism building up all around. That cannot be assumed away in the case of India because our Constitution is less than a quarter century old. No

doubt 1971 is quite distinct from 1950 in the matter of socio-economic changes. But can it be seriously contended that these changes have been as fundamental and breath-taking as in the case of U.S. between 1790 and 1971?

To Meet the Needs of a Mixed Economy

Yet another point about the Constitution is that it has been conceived for meeting the requirements of a mixed economy. With all his sympathy for socialism, Jawaharlal Nehru was aware that socialism in actual practice vested all the power with the State endangering individual rights. The Communist societies were classic examples of how an overmastering State had extinguished private rights. The humanism of Nehru perceived that private rights were essential to help develop individual personality and preserve individual dignity. Hence the mixed economy on the political plane sought to recognise such rights in the Fundamental Rights Chapter of the Constitution without omitting to add the provisos for abridging them in social interest.

Since most of the quarrel with the Court arose out of these rights, it is good to remember this origin. The authors of the Constitution were particular that the quest for egalitarianism should not, in its frenzied moments, be allowed to run off with every one's rights except the right of the legislature (which is the voice of the masses) to make and unmake laws at will. In fact it is not the cussedness of the Judiciary that declared in the Golaknath case that fundamental rights as amended and as existing at that time of reference were inalterable. Indeed many of these rights had been tampered with in earlier decisions and

Nuclear Energy for Developing Nations

By ERHAND HAUBOLD

Nearly three years ago the world nuclear industry was surprised to learn that a German group had successfully tendered for the construction of an Argentinian nuclear energy plant. It was the more surprising since the Germans had been bidding in direct competition with powerful U.S. and West European firms who had an expertise in the construction of natural uranium fuelled reactors of the type required by the Argentinians. The Germans, on the other hand, had never built this type of installation, and the granting to them of the contract to do so was an expression of confidence in their know-how and ability by the Argentinian authorities.

The plant is now in advanced stage of its construction, and is something of a pilot project which is being watched by many other countries who are interested in developing a national nuclear industry which is within the reach of their pocket

books. Located some 100 kilometers to the north of Buenos Aires, it is being constructed for the Comision Nacional de Energia Atomica in the vicinity of the Atucha Atomic Energy Centre.

Experts in the Federal Republic foresee an immense market for German atomic know-how and hardware in the developing world. There is at present a world trend away from conventional fossil-based fuels for power generation. Even in West Germany the anticipation of imminent breakthrough in reactor economics is causing operators to look more and more in the direction of nuclear solutions to their power problems. It is symptomatic that the latest of Germany's atomic energy programmes foresees the building of a 300 megawatt reactor in the Ruhr area. Since this is in the heart of the German coal fields, where the brown coal of the Ruhr is available

in quantity, the message is a clear one, atomic energy is more economic. In parts of the world where neither coal nor oil is available, then the economic factor of nuclear power is increased immeasurably. At the moment, however, the nuclear industry here though active and ambitious, seems to be anticipating the results of advanced research which is going on in the area of the integrated gas turbine-reactor concept. When the first integrated system starts to operate power production at a cost well below that which it carries today will become a startling feasibility. Startling because the era of nuclear automobiles, trains and aircraft will be brought a good deal nearer. More important however, the scope offered by these developments to provide industrial power at low cost to even the remotest and most isolated parts of the world should have a major impact on human economic development all over the world.

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me of them had lost their original shape in the process. Sensing the mood of the times the Court did not interfere with those decisions. Instead it confined itself to preserving what was left against emotive encroachment by the legislature in the belief that, being the guardian of the Constitution and the voice of the reason, it had to cool

off the heat that was bent on melting down the Constitution yet more. Any one who recognises the validity of human rights as the *sine qua non* for personal freedom will have no cause to complain but on the contrary will thank the judiciary for not committing itself to popular frenzy. It is open to the socialists to argue their way

against this position showing how their overmastering State, with its system of espionage against citizens for containing them in socialism, will be better than what they deem to be "the uncommitted judiciary" of our democracy, either from the standpoint of the individuals themselves or the long term welfare of the society.

FILING FALSE TAX RETURNS!

DO YOU KNOW THE CONSEQUENCES?

BEWARE! Filing of false tax returns is severely punishable under the Income-Tax, Wealth Tax and Gift Tax Acts. It may cost you more than what you have concealed.

Under the Income-Tax Act, a minimum penalty equal to the amount of the concealed income and a maximum penalty equal to twice that amount, is prescribed. Besides, there can also be prosecution and conviction—rigorous imprisonment for not less than six months which can be extended to two years.

Similarly, evasion of wealth tax is also severely punishable under the Wealth Tax Act. A minimum penalty of an amount equal to the value of the asset so concealed or to the extent of understatement in the value of an asset or overstatement in the value of any debt, is prescribed. This penalty can be as high as twice this amount. In addition, there can be prosecution and conviction with rigorous imprisonment for not less than six months extendable to two years.

Furnishing inaccurate particulars of any gift is punishable with a sum not less than 20% but not more than one and a half times of the tax which would have been avoided if the return had been accepted as correct. Apart from this, you can be prosecuted. Conviction can mean simple imprisonment extendable to one year or with fine upto Rs. 1,000 or both.

REMEMBER EVASION OF TAX IS A CRIME

If the original return filed by you is false why not file a revised return to avoid the consequences of discovery.

CENTRAL BOARD OF DIRECT TAXES
(Department of Revenue & Insurance)
MINISTRY OF FINANCE, GOVERNMENT OF INDIA

davp 70/530

Do Scientists Keep Far Away from Politics?

The deliberations of the Indian Science Congress and of the Indian National Science Academy at Bangalore recently have highlighted the familiar problem of attuning science to the requirements of a developing society. What is significant about this attunement is that, unless developing economies evolve an appropriate expertise on the basis of the absorption and reorientation of its exotic counterpart, the technological flow will be only a single track affair repeating part of the failures of mere imitation. In her inaugural address, Prime Minister Mrs. Gandhi referred in this connection to the genius of India in the past when the science-technology link had been vital and productive. Indeed until the very recent past, in metallurgy, weapons manufacture, horticulture, ship-building, engineering and architecture, our society was not only absorbing the inventions made in other cultures but also innovating internally and according to Mrs. Gandhi, it was this productive and creative capacity which was the magnet which attracted European mercantile explorers to our shores. It will be of little use, however, to take pride in what we had been without taking steps to be what we should be. The main concern in the years ahead will be over self-sufficiency in technology in view of the definitive stances taken in this regard in official policy.

The Scientific Climate

The need of the times is what technically goes by the name the "science climate". While referring to it, the Prime Minister has, as in the past, reiterated the Government's preparedness to assist to the extent possible the exertions of individual scientists and institutions. Her complaint is that "Indian scientists and technologists were so heavily preoccupied with the limited framework of their own specialisations and institutions that they seemed to regard the larger social and cultural setting, in

which the country was cultivating and applying science and technology, as someone else's concern." This is a view that has been slanted in diverse ways of late. While some of our scientists who are reluctant to return from abroad are putting the blame on the absence of a scientific atmosphere in the home country, the Government has been saying that these scientists are adopting ostrich-like attitudes, quite unmindful of the

straits in which their country is placed, and are insisting on facilities which Indian institutions cannot afford. Sometimes Sir C. V. Raman is quoted that granted the will, the requisite research can fructify by contriving available equipment. Indeed the Raman-effect was the outcome of none-too-sophisticated equipment. But the difficulty is that such simplicity cannot always deliver the goods. The need for sophistication and

Sixty Years of Dedicated Service—Lakshmi Mills Celebrate Jubilee

Inaugurating the Diamond Jubilee Celebrations of the Lakshmi Mills Co., Ltd., Coimabore, on January 17, Mr. D. P. Mandelia, Adviser, Birla Concerns, paid a tribute to the company stating that, if socialism meant increase in production, reduction in prices, creation of avenues for employment, augmentation of national income and diversion of revenues for purposes of social welfare, the Lakshmi Mills Company, Ltd., could well claim to have achieved it.

Mr. Mandelia emphasised that the problems of spiralling prices and growing unemployment could be solved only by higher production and more rapid industrialisation.

Diversification Necessary

Mr. G. K. Sundaram, Director, welcoming the delegates detailed the vast strides that the company had made since it was founded by Mr. G. Kuppuswami Naidu in 1910. He mentioned that, up to a point, the expansion of the spinning industry in Coimbatore region was all right, but they had now too much of spinning capacity without adequate weaving and finishing industries.

Stressing the need for starting more industries in Tamil Nadu, Mr. Sundaram said that, during the last two Plan periods, Tamil Nadu had been the third industrialised State in India.

But, of late, it was going down to the fourth place yielding place to Mysore. The present policy of all Governments—both Central and State—was to develop backward regions and even districts in each State. Therefore, Coimbatore district as such would not get any priority. That was all the more reason, Mr. Sundaram said, that entrepreneurs, industrialists and labour should work much faster and harder.

In the course of his Presidential address, Mr. G. K. Devarajulu, Chairman, claimed with pride that they of the Lakshmi Mills too had played their part in the industrial progress of this part of the country, especially in the field of textiles. In 1969-70, the company's total turnover of sales had reached nearly Rs. 12 crores. From 1950, they had been exporting yarn and cloth to several countries. During the last six years, exports amounted to Rs. 410.79 lakhs. He emphasised that, in order to produce cloth at prices which the people of the country could afford, as also to increase exports, there was imperative need for the industry to be modernised.

Speaking as a shareholder, Mr. S. Viswanathan felt happy that the management was paying handsome dividends over years.

Mr. K. Rajagopal, Director, read the messages that had been received.

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in the proper measure too requires therefore to be identified on an expeditious basis to arrest in part the present brain drain.

The more intriguing handicap refers to bureaucratic attitudes. The impact is reflected in various ways. In some cases, the young scientists feel frustrated because the top executives are unable to respect their talent for its worth. This is a headache which is not peculiar to the Indian situation, but is endemic all over the world. The West has partly solved it by obtaining for the scientists emoluments related to their individual talents. Many of them are enabled to get a remuneration which is very much higher than what their bureaucratic heads get. Such differential payment has at once softened irritations and ensured against flight of technical personnel from the public sector to more remunerative jobs either in the private sector at home or in some Western country. Such a reform is long overdue in this country. It has to be

effected expeditiously enough if talent is not to decay through frustration.

Hampering the Green Revolution

Dr. B. P. Pal, who presided over this year's Bangalore session of the Indian Science Congress has complained that scientists, especially agricultural scientists, are neglected in this country. The neglect here has left "a backlog of institutions which are lacking in high-quality staff, but have an abundance of staff, at the lower pay-scales because these were easier to get sanctioned." This has meant provision not for radical research but for the proliferation of those who attend to mere routine work. Everyone will agree with Dr. Pal that unless there is a change for the better, this will hamper the progress of the green revolution. Devising cropping patterns and rotations which will enable the farmer to produce the maximum output per unit of time and acreage will be difficult unless plant science which is now at the tail end of the scientific hierarchy is transferred to its head.

Out of the Inkwell

By RANDOR GUY

OH, CALCUTTA!

A friend of mine, a priest who rarely discusses religion, went to Calcutta recently to attend one of those youth conferences. A stranger to that town of "Kahin Banerjee, Kahin Mukerjee", as the song has it, he knew little of the local lingo and underwent considerable difficulty in getting round. One morning he waited at a bus-stop, wondering which bus he should board to get to some blasted gunj. He looked hither and thither and his pouted mouth relaxed when he saw a young man, standing a few yards away, reading a copy of "The Statesman". With a sigh of relief that he had found somebody with whom he could converse in Queen's English, my friend accosted him and asked about his bus. The man stared and said something in Bengali. Somewhat taken aback my friend remarked that as he was reading an English publication he should be knowing the lingo and if so why the dickens... Before he could complete his sentence, the Bengali glowered at him and rattled off in

his native language, with the word 'BOMB' repeated many a time! Call it patriotic fervour, linguistic fanaticism or just plain hatred for an alien (is it?) lingo, that's the way it is out there, in the land of Kalimata, Rasagullas, and Bombs!

The Case of the Shrinking Mags'

Running a publication is obviously a tough business not merely in a poor country like India but also in affluent countries like the land of Uncle Sam. Publications like 'Colliers', 'Post', had gone the way of all flesh. The latest trend is to reduce the size of the publication so that the cost of production could be curtailed. Large-sized ones like 'Holiday' and 'Esquire' will now shrink to a size that could be easily read in bed, without developing a crick in the neck. Rising costs, increasing wages and decreasing advertising revenue are said to be the main reasons for this disquieting development. If this could happen in the U.S. how pitiable is the lot in our country! Will the new government do something for the small-scale publishers?

....Of the Bourgeois Class

This is not to absolve our young scientists of all blame. Dr. Atma Ram, Director General of the Council of Scientific and Industrial Research, while addressing the Indian National Science Academy at Bangalore recently, has stated that "many bright young men and women were beginning to feel that, to obtain recognition in science, it was not necessary to put in hard work at the laboratory but drift into new and attractive realms which made them important and influential in the right places." He refers to this new class of scientists as the bourgeois class, the new elite which pays little attention to research. This is of course not a new finding because since the days of the late S. Bhatnagar, cynics have been quipping, not without justification, that our scientists are living up to the exhortation of Nehru (that they should not make science the handmaid of politics) by keeping themselves as far away from science as possible. Indeed the estimate of the Cabinet Committee on Science and Technology (COST) that scientific man-power in India was now comparable with that of the United Kingdom, France and Germany and was substantially higher than that of Canada, Sweden and Italy does not make sense if all such man-power is guilty of abandonment of hard work and even if, at the levels which matter, the crucial experts have sunk into feathering more their political than their scientific nests. The basic problem appears to be to develop a strong scientific community which "takes pride in itself, has appropriate ethics, respect for quality and camaraderie within itself and the rest of society." Indeed as Dr. Atma Ram puts it, it was the work of dedicated scientists which would create an impact on the solution of problems of economic growth and raise the edifice of science. Scientists and the Government had better do their best to make this result possible.

—R.S.

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The Case of the Harassed Agent

This is how a fan of Erle Stanley Gardner may christen my interview with the agents of the city branches of two nationalised banks. My assignment was to discuss the deposit and the borrowing trends in 1970, the special schemes to assist artisans and small vendors and also the general impact of nationalisation on banking.

The Taciturn Agent

The first agent belongs to a species now rapidly vanishing. On the wrong-side of fifty, with the bald head glistening with beads of perspiration, he must have been an old, scarred warrior securing several honours for his concern before the nationalisation and now he seems a little bitter and beaten. To begin with, his attitude is tightlipped and the answers monosyllabic. Deposit trend? Sluggish. Borrowings? Of course, more. Remark on business? Not very much to satisfaction. Slowly he warms up to the subject.

The situation of a bank agent is now somewhere between the devil and the deep sea. On the one hand the powers that be declare from the housetops that the nationalised banks serve even the lowliest of the society, giving an impression that anybody can just walk into a bank and demand a loan as birthright. On the other hand the same powers will frown upon an agent who disburses more loans than what he can recover. The consequent strain on the agent's mind to use his discretionary power is tremendous.

Chasing the Defaulter

•The scheme of loans to artisans and small vendors sounds very good in principle, but the implementation of the scheme bristles with difficulties. Under this scheme, an agent can sanction upto a sum of Rs. 3,000 to an artisan or a small vendor, a tailor or a flower girl. With the clearance from the head office, this may be raised to Rs. 5,000. The normal pro-

duction of sureties or securities in the form of jewels, house or government bonds in such cases is impossible and even unthinkable. Hence the agent is compelled to grant a loan just on the word of a nominal guarantor, whose antecedents themselves cannot be fully investigated for lack of time. The first instalment of the loan is paid promptly in most of the cases. Then starts the game of 'hide and seek'. The agent has to waste precious hours hunting for the delinquent. Registered notices bounce back in some cases and even the police express helplessness in tracing these

Of Cabbages and Kings!

Greeting the Romantic Way!

The new year, even though ushering in a socialistic and rationalistic era, has to be celebrated with only conventional rituals like sending greeting cards to the friends. Walrus was obliged to make a last minute dash to the shops for the purchase of greeting cards to be sent to his numerous friends (three, to be exact). How provocative have they become of late! It is true that most of them are still colourful and yet colourless in the literal and figurative sense respectively. What is wanted is some more punch and the stamp of individuality. This, Walrus noted with satisfaction, was evident from some of the cards on display in a Mount Road shop. Their keynote was that subject touched with a pair of tongs in public and assiduously exploited at home in India, namely sex.

The Sexy Slant

Such cards have a few lines printed on the first page and on opening the card, a little figure jumps into your view from within. One of them says "I know you have been fond of dolls as a child and now I wish..." and inside is a cutie on bed as a Christmas present. Another shows a sultan on the first page flaunting a dark, veiled Turkish beauty from his harem to your gaze. Another shows a fan dancer doing strip-tease for you, with moving arms and legs. Not all of them are sexy and some attempt innocent humour. One greeting declares the sender to be so fond of you that he went and actually purchased the greeting card with cash. Another wants you to look inside to find out the person whom the sender could not like more. Inside is a neatly cut out dressing table with an oval piece of silver paper reflecting yourself.

For the people who turn up their nose in disgust about the sexy slant, let me produce some findings of people doing MR (Motivation Research) which is a multi-million dollar industry in U.S.A. about Christmas

cards. They chose some cards with a single candle, some cards with a single wreath, some cards with both symbols but not in contact and finally some cards where the candle peeped through the wreath. They found that, in a random sampling of buyers, that the candle design alone was most popular with the women and the wreath design alone was appealing to the men while the younger fry in both sexes fell for the candle-in-wreath design. The obvious symbolism was jubilantly pointed out by these MR experts.

The idea of Motivation Research salvaged the business of Chrysler Corporation in 1950s. Taking the comment of people at the face value, that they found it troublesome to park big, fat cars, the company spent millions designing a new, trimmed car and offered it for sale. It was disastrous and within a short time, in two years, its share in the auto market dropped from 26 per cent to 12 per cent. They woke to the reality and returned to the manufacture of some of the longest and most colourful cars in the market and regained business. The reason is that the automobile is a sex symbol for the owner and it indirectly reflects the masculinity.

Thus the old wizard, Sigmund Freud has spread his net far and wide covering all aspects of our life. I close with an interesting piece of information. It is true that Freud was never formally nominated for the Nobel Prize in Medicine. But in 1936, Romain Rolland and Thomas Mann proposed his name for the literary award. He almost won the prize, when the Swedish Academy voted him down and it went to Eugene O'Neill. Freud, as a man of letters, may amuse some, but not Walrus, who claims that much of classical literature can do with Freudian analysis and for that matter even the stances and utterances of some of our political leaders call for psycho-analysis.

—Walrus

absconders. Such futile transactions add more burden to the shoulders of the tottering agent.

His more scathing remarks, however, were directed against the administration. The nationalisation has adversely affected the morale and

initiative of the staff. While the private banks, some of them from abroad, carry on door to door canvassing for depositors, wooing them with attractive slogans and artifices like printing one's name in the cheque book, he has seen his own colleague in a

Quality Wires from Gangappa Cables

By "RAJA"

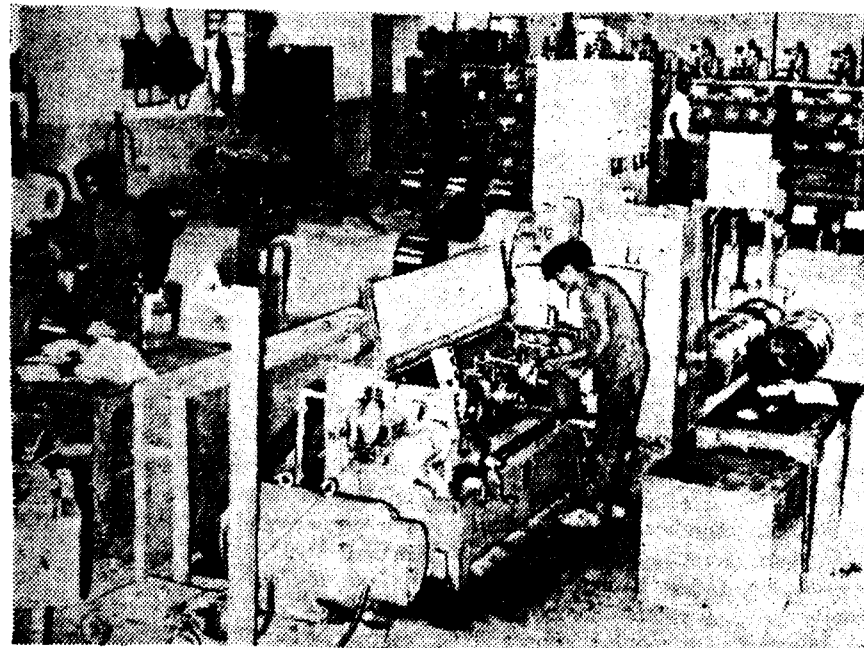
M/s. Gangappa Cables Limited was established in 1968 at Uppal in Hyderabad in technical collaboration with M/s. Sumitomo Electric Industries, Osaka, Japan who have also supplied the entire equipment required for this project. The total cost of the project is 50 lakhs and 50 per cent of the share capital of Rs. 24 lakhs is invested by the Government of Andhra Pradesh through the Industrial Development Corporation.

Enamelled wire, paper covered wires and aluminium wires are some of the items

elaborate tension control systems throughout the annealing and enamelling processes. Before the wire enters the enamelling ovens, pre-annealers anneal the wire thoroughly ensuring good windability of the wire. An enamel winding system is incorporated in the machines to impart a uniform coating of enamel to the wire with close tolerances.

Exactng Standards

Uptodate testing equipment and the quality control system help maintain high



A view of the wire-drawing and paper covering section at Gangappa Cables

manufactured here. Seven standard types of enamelled wires are produced following the specifications of the British and the revised Indian Standard specifications. By winding thin strips of paper helically around the wire, paper covered wires are made.

The pickling equipment cleans the surface of the copper wire rod to ensure products of high quality. Any contamination of the wire surface is removed by skimming the surface through a special shaving device. Correct tension of the wire is ensured by

standards from the raw materials stage to the end product. The company can also supply any special type of enamelled wire to suit the individual specifications.

Gangappa Cables has achieved the distinction, within just 18 months of production, of exporting super enamelled winding wires to Aden, Jordon, Kuwait, Lebanon, Singapore, Teheran, Burma, Sudan and Thailand. The company has a target to produce 600 tonnes of goods in 1970-71 valued at around Rs. 1.25 crores.

suburban branch just sitting tight and doing nothing. When questioned about this lack of drive, the cynical answer is that there is no incentive or recognition. The custodian in his ivory tower cannot even be approached easily.

The second agent is younger, in his 'forties, and he was able to resuscitate my sagging spirit with his optimistic approach. As long as sound judgments on finance are made, he has no misgiving about nationalisation as a winning proposition. While he concurred with the views on loans to artisans and small vendors held by the other agent, he regaled me with the following experiences. Rs. 12,000 have gone to 140 parties of whom only ten make regular payments. A tailor claims, say Rs. 150 for a loan, waving his hand towards an old machine for a security. When pressed for the production of its purchase bill he snorts that it was bought several years back and he could not be expected to keep track of such garbage. After the money is handed, he is prompt in paying the first few instalments. One fine morning, he, a tailor residing in those parts for twenty long years, just vanishes into thin air. No trace. The machine? It was hired from a Marwari at the rate of one rupee a day.

The Unsocialistic Buffalo'

A milk vendor may show a buffalo purchased for Rs. 700 which after some time may stop giving milk and go out of use. Then it is worth only Rs. 260. Imagine the plight of the agent left with this for arrears. Another milk vendor tried to apply pressure on this agent with a politician ringing him up every day pleading his case. When the agent came to know that the milk-vendor had not even obtained the Corporation licence for keeping the buffalo, he rang up the politician and explained the worthiness of the customer. No more call came from that direction

—Forscher

Financial Stimulus for Economic Growth

The Reserve Bank is naturally anxious that there should be a more vigorous mobilisation of deposits as the developments since the nationalisation of 14 major banks clearly show that there will be a constraint on resources if all the economic objectives are to be fulfilled. After a slight slowing down in the growth of deposits, new trends have emerged and it is now estimated that the additions to deposits of scheduled commercial banks in 1970 will be around Rs. 800 crores—an all time record—against Rs. 642 crores in 1969. This impressive performance has taken place in spite of the fact that industrial units have been accepting deposits on a large-scale and taking loans also for sizable amounts. The report on Currency and Finance for 1969-70 published by the Reserve Bank of India also refers to the sudden increase in the activities of financial corporations which are run as partnership in Mysore and elsewhere and the expansion in business of the chit funds which necessarily has resulted in a diversion of funds from the banking system to other institutions. This trend will probably continue to be in evidence in the coming years and it may so happen that the banking system will be handling mainly short-term deposits and those inclined to undertake slight risks will place their funds with institutions which offer a higher rate of interest.

This trend is not, however, anything unusual. Indeed it is only natural as in the developed countries there are specialised institutions for different purposes and mutual funds, house-building societies, saving institutions and the like pay higher rates of interest on funds mobilised from the public. At the same time the banking

system has been growing phenomenally in stature. This is because of an increasing monetisation of the economy and the use of surplus balances in different accounts which cannot be remuneratively employed in a predictable manner by the owners' concerned. The scope for growth in deposits will be evident from the fact that the aggregate deposit amount expressed as a percentage of national income is much higher in other countries than in India. Whereas notes in circulation is three or four times more than deposits in other countries, in India it is only one and a half times more. It must however be stated that deposits of all banks expressed as a percentage of notes in circulation was only 80 per cent in the mid 'fifties it is now much higher at 150 per cent and the increase has been most pronounced in the past five years. It should be mentioned that even in 1966 and 1967 the additions to deposits were only a little over Rs. 400 crores annually. A virtual doubling of this in a period of four years is indeed a spectacular achievement.

Growth of Branch Banking

This phenomenal growth has been made possible by the revival in economic activity and the spread of the banking habit through the opening of a large number of branches. Whatever may be the argument against or for nationalisation of banks it must be admitted that since the concept of social control of banks was evolved and 14 major banks were nationalised, the emphasis on branch banking has been commendable. There is now a determination to provide banking facilities in all towns and villages with a population of over 10,000 with-

in a specified period and that ultimately all villages should be served by banks through a system of cluster branches. There has been a virtual competition for opening new branches between banks in the current year and a large number of offices have been opened in under-banked areas. The lead banks are concentrating on regional development. By the middle of this year there were over 10,000 branches of all banks against 8,262 at the end June, 1969. This means that nearly 2,000 branches were opened in the first year of nationalisation. The State Bank of India alone has opened 306 branches and its subsidiaries 167 branches during the period under reference. The nationalised banks for their share opened 1,185 branches and other institutions 234 branches. Foreign banks opened only one new branch while there was a decline in the branches of non-scheduled banks to 193 from 217. This must be due to the merger of many institutions with the scheduled banks. The number of branches at the end of the year is likely to be over 11,000—about double the figure a few years back.

It cannot be said that there is a direct proportion between the growth of deposits and the number of branches but there is no doubt that the growth rate has been considerably accelerated due to this new development and a strong base in being built up. With the opening of post-offices in almost all villages and the effective functioning of banks the banking and saving habits will spread at a faster rate in the coming years and a larger volume of business will be handled by the credit-structure than ever before which would by itself lead to a big increase in deposits. It is, therefore, heartening to note that the Reserve Bank officials and bank executives are studying how the new branches are functioning and what should be done to stimulate further growth of deposits. Even an insistence that new branches should become viable within a stipulated pe-

period will result in a faster growth of deposits, though it will be necessary to provide some incentives for bank officials for carrying out a drive for mobilising deposits in new areas. It is also being explored whether differential rates of interest on deposits will be helpful. A suggestion has been made that higher rates of interest can be paid on deposits procured in mofussil areas upto a specified level, and that higher rates of interest should also be charged on advances in these areas especially as the existing credit agencies are charging usurious interest rates.

A differential system of interest rates for lending and mobilisation purposes cannot work satisfactorily in the present context. There can only be a higher rate of interest on all

savings account, by imposing special conditions. Only those who abide by these conditions will be benefited. There may also be a plan for providing for insurance as has been suggested by the Life Insurance Corporation of India. If this incentive is not to result in an increase in the cost of mobilisation of deposits, the plan should be made applicable to savings or other accounts where the constituents agree to limited operations of their accounts and maintain also larger balances on a stipulated basis. The field for development of banking is vast and it may not be surprising if with the opening of 2,000 more branches in 1971 the growth in deposits may be over Rs. 1,000 crores. It may touch even Rs. 1,500 crores annually by 1973-74 if agricultural production was maintained at a high level and

there was also a sustained increase in industrial output.

It will, however, be wrong to expect that there will be an easing of pressure on the banking system in the next two or three years. With the Government pursuing wrong policies relating to procurement during a period of rising food production and with larger investment in government and approved securities, there will be an unsatisfied demand for funds in the near future. Available resources are bound to be made good use of for productive purposes and if the Reserve Bank adopts a helpful policy in respect of refinance facilities, it will be aiding the new constructive forces to hasten the pace of economic growth.

—Meenam

Helping the Farm Sector

The Reserve Bank has formulated a set of guidelines for the financing of agricultural development by commercial banks. The public sector banks have been urged to move into agriculturally less developed areas and to lay emphasis on production oriented purposive credit rather than on security-oriented lending. It has been stressed by the Reserve Bank that the banks should help small and potentially viable farmers.

To achieve the above objectives, it has been suggested that the discretionary powers allowed to the Branch Agent should be such that at least 80 per cent of the proposals can be cleared by him, without reference to the Central Office. The Branch Agent must collect necessary agro data and work out a rational scale of finance for various crops. Short term loans for crop raising should generally be

divided into a cash and kind component. Through approved dealers, arrangement for supplying the kind components, like fertilizers and farm implements can be made.

In regard to medium-term loans, the income potential of proposed investment rather than the size of the holding can be taken as the norm. The points mentioned by the Reserve Bank regarding seasonability and timing of loans are apposite. It has been stressed that Banks should canvass and elicit custom well in advance of the commencement of agricultural operations. Instead of disbursing loans in instalments, it would be advantageous to make one loan available in one group. The right time for disbursing medium term loans would be the off-season, when the cultivator is not busy with his crops.

At the initial stages of commercial banks entry into the agricultural sector, a certain extent of duplication of effort was perhaps unavoidable. Thus, it has been noticed that occasionally more than one commercial bank as well as co-operative banks might have financed the same borrower for the same purpose and against the same security. It is common banking practice for lending institutions to consult each other in the process of appraising loan proposals. Such consultation is of special significance in agriculture where the base for repayment is relatively narrow. It is hence essential that all branch agents in a centre or area should be in touch with each other as well as with their counterparts in the co-operatives and attempt to work out informal methods of exchanging information. This collaboration should not merely stop with avoiding duplication of financing—which is of course, crucial—but should be extended to such matters as working out common norms and scales of finance.

—(FOC)

Pitfalls in Paper Production

A difficult situation is developing in the paper industry. It is feared that shortage of printing paper will become acute early next year if mid-term poll is ordered in February next. The shortage of paper and board has been emerging, for some time past as fresh progress of the industry has been taking place only through implementation of expansion schemes and no new flotations have come up so far. The unwillingness of entrepreneurs may seem somewhat surprising as it had been hoped that after de-control and the upward revisions in prices on two occasions there would be the necessary incentive for promoting new units. These expectations, however, have not been fulfilled since costs have been rising rapidly in the past two years and even with the higher prices for end-product a new mill with a capacity of 20,000 tonnes annually and costing at least Rs. 12 crores cannot function on a profitable basis.

Need for Fresh Incentives

It has been urged in industrial circles that further incentives will have to be given if new capacity is to be created in a big way by granting a higher development rebate and offering bigger concessions in respect of excise duties. Even here it has been contended that the mere availability of development rebate cannot be helpful as it can be recovered only after the capital expenditure has been incurred and taxable profits emerged after depreciation charges had been provided on a statutory basis. There is some force in this contention as new mills started in the early 'sixties have not been able to absorb development rebate due to inadequacy of profits and this facility has not been helpful for

these units for minimising the disadvantage of higher capitalisations as compared to the older units in the industry. In the past decade there has been a more than doubling of capital costs and a mill with a capacity of 60 tonnes daily costing Rs. 6 crores in 1960 is now requiring over Rs. 12 crores. It is, therefore, emphasised by experts that the optimum capacity for a new unit should be 150 tonnes or 200 tonnes daily so that there can be a reduction in overhead charges and saving in unit cost as has been happening in the fertilizer industry.

Rapid Progress in Rural Electrification

By A. P. SEETHAPATHY
Central Water and Power Commission

The progress of rural electrification was insignificant before Independence. Hardly 1,500 places, of less than 10,000 population had the benefit of electric supply in 1947. Over the last 25 year span it has been possible to cover the needs of some 77,000 villages. The part remaining to be done, however, is a Herculean task, as there are 5,67,000 villages in the country. But the proportion of the total population so far benefited is as high as 40 per cent.

During the Fourth Plan, 1.25 million additional pumpsets are planned to be connected up. There are several difficulties in extending electricity to rural areas. These include limited power demands, low load factor and comparatively large capital investment for necessary supply mains. It becomes imperative, therefore, that these unfavourable factors are removed so that the spread

No breakthrough has taken place in this industry on the lines of fertilizer units. But the emphasis is now on the use of speedier paper producing machinery, larger pulp units and the installation of facilities for recovering chemicals for recycling. Efforts are also being made to increase the yield of pulp for the same quantities of raw materials and reduce cost by using different raw materials, though bamboo is still regarded as the best base. Soft woods and even hard woods are being used in larger volumes because of the scarcity of bamboo, its high cost and heavy transport charges. Only in those cases where mills located advantageously from the point of view of bamboo resources, as in the case of some units in Orissa and Mysore, this advantage is being fully exploited. While these im-

of electricity to rural areas could be accelerated.

A Rural Electrification Corporation with an outlay of Rs. 45 crore by the Government of India and Rs. 105 crores by the U.S.A.I.D. has been set up in the public sector to finance selected rural electrification schemes in various States. These resources would be able to provide enough money for energising about five lakhs of irrigation pumpsets. To accelerate the programme of rural electrification and encourage consumer participation in it, rural electric cooperatives are being encouraged. Five Pilot Cooperatives, one each in Andhra Pradesh, Gujarat, Maharashtra, Mysore and Uttar Pradesh are being initiated. These experimental cooperatives will build up the necessary experience for a future large-scale programme.

improvements in techniques should be helpful in increasing operating efficiency there can also be a reduction in costs if only the government could persuade itself to reduce taxes on intermediate products which, it has been roughly estimated, have been responsible for an inflation in cost by over Rs. 400 per tonne. The Government may not be agreeable to a reduction in its levies as it has not bothered upto now about the regressive incidence of the different imposts and has been only worried about mobilising its revenues. The Government must examine whether instead of the development rebate it can concede a development grant as was done in UK until recently. If it is found that as a result of the import duties, excise levies and higher cost of indigenous equipment, the total capital outlay was unduly high there can be no objection to giving a development grant of about 30 per cent in cash so that the capital value of the equipment can be immediately written down in the books

and depreciation charges allowed on that basis. This method may actually work out cheaper from the point of the government besides yielding immediate results. As the budget proposals for 1971-72 must be under examination now the Finance Ministry should consider how the growth of particular industries can be hastened through the offer of new incentives.

Presently, the Government appears to be keen on the implementation of a crash programme which will increase capacity of the existing units by about 1.5 lakh tonnes by the middle of 1972. The objective to take advantage of surplus capacity of particular divisions in the existing units and install balancing equipment so that an immediate increase in output by 5 to 10 per cent can be secured by those units which are advantageously placed and which have no major problem of securing raw materials. Almost all units are making arrangements for increasing the speeds of the existing machines be-

sides installing facilities for recovering chemicals. These new techniques have been found useful and major companies like Ballarpur Paper, West Coast Paper and Orient Paper have benefited by them substantially. Apart from the installation of balancing equipment, it appears that all major units have been told to undertake immediate expansion of capacity of 15,000 tonnes annually. The applications are being processed by the Government and it is expected that early decisions will be taken and the necessary facilities will be granted to the units concerned. Seshasayee Paper & Boards, Andhra Pradesh Paper Mills, West Coast Paper Mills and others are in a position to implement these schemes. Ballarpur Paper has been continuously expanding its capacity in the past few years and the schemes in hand, when completed, will result in substantial addition to capacity. But the expansion schemes are likely to get delayed because of the difficulties in securing equipment from indigenous sources. In the case of West Coast Paper, its programme for increasing capacity decided upon some time back is being held up because of the undue delay in the supply of indigenous equipment. Meanwhile, imported equipment has started arriving and is being installed wherever possible. But imported equipment will have to be kept unused if matching supplies from indigenous sources were not received simultaneously. In view of the urgency of the immediate expansion programme the Government should not hesitate to allocate additional foreign exchange if, by doing so, it can ensure speedier completion of the new projects and those on hand. Otherwise, paper famine will set in in 1972 and the consumer will be unduly penalised. As there will have to be a more than doubling of capacity in the current decade it will be worthwhile to organise a consortium of machinery manufacturers, as was done some time back in respect of sugar machinery, so that there is no worry about the availability of major items of equipment at reasonable prices and within reasonable delivery periods.

—Meenam

THE CITY CORNER:

An Election Eve Largesse

A pay increase costing the State Government Rs. 21 crores has been sanctioned for the Tamil Nadu Government employees. To take effect from October 1 last, the increase will benefit six lakh employees, including teachers and local government staff. There is criticism that on the eve of the elections to the Lok Sabha and the State Assembly, it is highly improper to take a decision committing the Government to an expenditure of this magnitude. This is described in opposition quarters as "rank vote catching", and "highly immoral and undemocratic."

The DMK Government which, at the moment, is not answerable to anybody, the Assembly having been dissolved has chosen to abolish the basic tax on wet lands in respect of holdings upto five acres. The basic tax on dry lands has already gone. This is also objected to as "election stunt."

Bread Nourishment

According to Mr. Chedi Lal, Chairman of the Modern Bakeries Ltd., the nutrition scheme of the Government of India will improve the health of five million children in the country. In Madras City alone, nutritive food in the form of enriched bread will be available to 80,000 children when the scheme is fully implemented. The Modern Bakeries Ltd. are to make a special type of bread for the purpose. The present turnover of the Modern Bakeries, he said, was Rs. 2.5 crores. The existing nine units spread in the different regions of the country would be soon expanded to a dozen. The sanction from the Government of India for the new units has already been received. Mr. Lal said there was

tremendous scope for encouraging bread consumption in these days of prepared food.

Corporation for Big Industries

A new corporation to aid major and medium industries in the private sector is to be set up in Tamil Nadu. Called the "State Industries Investment Corporation" (SICOT) the new body, it is hoped, will stimulate and speed up development of major industries. Modelled after the State Industrial and Investment Corporation of Maharashtra to finance private sector industries, the new financial institution of Tamil Nadu will have an authorised share capital of Rs. 5 crores and an issued capital of Rs. 1 crore to begin with.

Besides providing financial assistance, SICOT will prepare feasibility reports, give locational guidance and carry out incentives to which the industries are entitled under the various regulations and orders.

Aiding Backward Districts

The current fortnight also witnessed the identification by the Planning Commission of eight districts of Tamil Nadu as industrially backward for the purpose of concessional financial assistance. New medium and small industries in three districts will be entitled to easier and more liberal financial assistance. The districts are North Arcot and South Arcot, Thanjavur, Tiruchi, Salem, Madurai, Dharmapuri, and Ramanathapuram. Areas identified as backward for purposes of concessional power tariffs have already been announced by the State Power Board.

Not a Stroke of Luck

The 24th Annual Conference of the Indian Society of Agricultural Statistics, meeting in Madras, stressed the need for statistics with regard to the weaker sections of the agricultural community so as to draw up plans for their amelioration. It called for a census to secure information like size and number of operational holdings, crop and irrigation patterns, etc. Prof. S. K. Bose, in his Presidential address, wanted greater collaboration between university teachers and professional statisticians and suggested the formation of a high power committee for formulating a plan to give training on problem-oriented research.

Delivering Dr. Rajendra Prasad Memorial lecture, Mr. C. Subramaniam, Chairman of the National Commission of Agriculture, said the green revolution was the result of a new strategy based on sound research. It should not be dismissed lightly as a stroke of luck or an accident of nature. Research was now being carried on in breed types with great resistance to diseases like blight, blast and tungo virus and results would be available in one year or so, he said.

Serving the Cause of National Integration

The Conference of the Rotary International District 320 held in Madras in the fortnight was significant for the stress on national integration besides the usual service ideal and fair trade practices. The tone for this was set by the Governor of the State, Sardar Ujjal Singh, when he inaugurated the two-day conference at the Guindy Engineering College. "Goodwill, tolerance and understanding not only among the different communities in the region served by the Rotarians but among the different regions of the country were necessary to strengthen the bonds of national unity," he observed. As the reputation of the country in matters of trade and industry was in the hands of businessmen, they should, he said,

BOOKS

MANAGERIAL ECONOMICS.

Authors: R. L. Varshney, K. L. Maheshwari.

Publishers: Sultan Chand & Sons, 4792/23, Daryaganj, Delhi-6. Price: Students Edition Rs. 8-50. Library Deluxe Edition Rs. 11-00.

This text book on Managerial Economics is but an introduction on the subject but will meet the requirements of Indian students. The authors have, in their preface, made it clear that they are not claiming any originality, but they have presented the subject matter in such a way as to be easily made use of the students. Minimum use of Mathematics and Statistics has been made to serve the needs of non-mathematical readers. It is good that Indian examples are made use of in this text book.

AN INTRODUCTION TO INDUSTRIAL EMPLOYMENT, DISCI-

PLINE AND DISPUTES IN INDIA.

Author: R. C. Goyal.

Publishers: Sultan Chand & Sons, Delhi-6. Price: Rs. 18.00.

The strikes, lock-outs, go-slow tactics and the consequent loss in production are now too evident in India that any amount of emphasis on amicable labour relations will not be out of place. The Governments at the Centre and in the States have been bestowing adequate attention to labour problems and legislation has not been wanting to protect the interests of labour. There is a complex network of labour laws in force in India which requires specialised knowledge on the part of managers and supervisors in day-to-day administration. Mr. R. C. Goyal has done well in giving a concise information on labour laws with lucid explanation. This book will be of great use to all who have to deal with employees and trade unions.

conform to very high standards and recognise the worth and dignity of every avocation and conduct themselves in a manner calculated to give no complaint against them in any quarter.

The District Governor, Mr. M. V. Arunachalam spoke of how the Rotary movement could play a purposeful role in tackling problems like educated unemployment, population growth and environmental hygiene. He commended a thorough survey by the movement

(consisting of various Rotary Clubs) of the state of the members of the community, their employment character (full or underemployment), the proposed projects and the extent to which employment could be expected from them, and so on. The Rotary International representative, Mr. Saral Deb, said that unless every Rotarian identified himself with the pressing problems of the country and engaged himself in programmes like community deve-

lopment, slum improvement and spread of literacy, the movement would not be enduring. The Chairman of the Conference was Dr. C. R. R. Pillai.

During the two days of the Conference, Rotarians and Rotary Annes met in groups for discussion of specific problems. The usual social engagements like lunches and dinners, visits to places of interest and entertainment had not been forgotten while plans were drawn up for the two-day meet.

I BELIEVE:

Voices of Reason and Emotion

I believe that Lord Hailsham's address recently in New Delhi should awaken in our country the need for the voice of reason as a counterpoise to the voice of emotion. From the time the midterm poll was announced, the voice of emotion has been ringing clear and queer in favour of policies whose only merit is their emotional appeal. Even the Tamil Nadu Chief Minister, Karunanidhi, who has taken the unique step of dissolving the Assembly when his party holds absolute majority, has stated that he has done so for obtaining the mandate of the people for his socialist policies. Everywhere the appeal is to the egalitarian interest of democratic socialism but nowhere has it been conceded that there could be contradictions in such an ideal milieu which cannot be eliminated except by bringing in a bias for rationality rather for even ratiocination.

Lord Hailsham has pointed in this connection to the role of the elite in a democracy. The elite in democratic socialism are misfits. This is because such a society is wedded to almost arithmetical as well as ideological equality, while the tolerance of the elite would mean suffering a group to be more equal than the rest of

society. This incompatibility has, however, been condoned by the society which had required the efforts of this select group which had made for all the difference in social and material progress. It is the dedication of the elite which had helped the body politic to break down barriers, improve living conditions and ensure recreation and intellectual stimulation for the masses. But the trouble is that once the masses had got out of poverty and into better living, they could not help questioning the differentiation between themselves and the elite. This has provoked Lord Hailsham to observe: "The elite were encouraged, almost cajoled into existence but, when they showed their colours, they tended to be rejected."

In the Indian situation this rejection has taken place far ahead of its context unlike as in the West. In India levels of living have not improved significantly, the masses are not relapsing at the end of the day from work to recreation and intellectual stimulation as described by Lord Hailsham. The film music and workers' programmes broadcast at stipulated intervals are such matter-of-fact things and the interest of the workers in them so feeble that they cannot be regarded as having influenced the

thinking of those for whom they are intended. On the contrary, in the diverse forums outside there have emerged forces which seek to teach lessons as part of pattern of political indoctrination. That is, the voice of emotion has been keeping busy, thanks to politicians who are quick to exploit every little sentiment, however, parochial, to their personal aggrandisement. The animus resulting from such political declamation has been such that people have generally confused the rich with the elite, little realising that, in the one case, the dedication is to money and in the other case to a particular principle which scorns the constraints of money or its advantages. The only redeeming feature in such a situation is that mass confusion about the elite has not been catastrophic. But if emotions are allowed to rule the people always, the time may not be far off when our innocents like those in France during the Revolution may not shrink from killing a few Lavoisiers to further the cause of social equality, mistaking learning for a mark of aristocracy. The voice of reason is not dead yet. All the more the reason why the elite should strive with all the resources they can command to free the masses from the frenzied clutches of political cliches vended to them by their particular political heroes of the movement. Any failure to do so will ruin not only the elite but the long term welfare of the nation as well.

—Horace

INDUSTRIAL ECONOMIST

Substantial Progress of Small Industries Corporation

The progress of small scale industries is of such vital importance to the well-being of the people as well as the strength and soundness of the national economy that the portrayal of their position by the Chairman of the Small Industries Corporation may claim more than the usual attention of the public to such surveys. Mr. Sapru has afforded us a complete and candid picture in which the bright and the sombre are equally highlighted. The mixed character is just one should expect since small industries are a vast and fertile field in which "new lines of production suited to Indian conditions have to be thought out and planned and dove-tailed into the national plan of economic development." In broadening this concept, Mr. Sapru has "to refer in particular to those aspects that have assisted or thwarted our efforts to foster and to develop small industries." The financial position is admittedly none too bright. Promotional activities are losing ventures. Rising salaries and wages are hard to accommodate. The hire purchase system for machinery for small scale entrepreneurs has ceased to be remunerative after the devaluation. Since the losses are not transferred to other shoulders, possible profits have been turned to actual loss of Rs. 39.41 lakhs. It is however

an advantage to have had the Governments' advances to the Corporation turned into equity.

Life Ceases to Exist?

The international editions of the famous American fortnightly magazine LIFE have decided to end with the final issue of 1970. The Circulation Director has given the reason that "circulation and the advertising revenues have not offset the high cost of publishing LIFE locally." The lavish richness with which a variety of subjects were dealt, with great emphasis on photographs, used to be a treat for millions of readers spread over the world. The double issue on the 'sixties gave a rich spectrum of leading events of the past decade. Certainly this news of LIFE ceasing to exist is a loss of considerable dimension.

Need to Lift Official Hostility

These features of the working of the Corporation are more than outweighed

Quality Steel From Andhra Steel

Andhra Steel Corporation Limited are the largest steel re-rollers in South India and their plant is situated at Visakhapatnam Port. Due to geographical situation, it occupies a very advantageous position as far as export from India is concerned. Their installed capacity is 1,79,000 tonnes per year. Their plant is most

modernised, manned by well experienced technical staff.

Established in 1960, the Corporation are manufacturing alloy steel, mild steel, tor-steel and steel rolled products. ASC are regularly exporting steel to U.A.R., the Middle East, East Europe and the Far East.

The Corporation, the first re-roller

by the progress achieved in other directions. Starting from the lowly beginnings of providing wholesale depots and network of mobile vans to ensure and promote standardisation and distribution, the Corporation has now been able to secure orders from Government agencies for as much as Rs. 20 crores per annum. Participants in this programme number 19,000 units with a diversification of output covering one thousand units. Export possibilities are being vigorously explored. The sample shipment of cast iron pipes and machine tools and extruders have met with the approval of foreign buyers. There has been a substantial addition to the capital equipment of small scale industrialists. Though loss through irrecoverable outstandings may seem large, they form only 10 per cent of the advances made. All of which goes only to show that the field has to be cultivated with a fine blend of caution and courage, patience and vigour and vision tempered by a sense of the practical. Small scale industries depend for their success on being linked to big industry from which the cloud of official hostility must be lifted and on the dissemination of knowledge and managerial ability in a new class of entrepreneurs.

exporter in the country were awarded a trophy by the Government for distinguished export performance in 1967. In 1968-69 they exported goods worth Rs. 2 crores in foreign exchange.

Andhra Steel Corporation soon propose to establish an independent plant at Bangalore for manufacturing Tor-steel and Alloy steel.

INDUSTRIAL ECONOMIST

Company Meeting

National Newsprint & Paper Mills Limited

Speech delivered by Shri Hari Singh, Chairman of the National Newsprint and Paper Mills Ltd., at the 23rd Annual General Meeting of the Company held at Nepanagar on 28th December, 1970

Gentlemen,

On the occasion of the 23rd Annual General Meeting of the National Newsprint & Paper Mills Limited, it gives me great pleasure to welcome you all. It is a matter of personal happiness for me to greet you and recount to you the performance of your Company during the year 1969-1970. The annual accounts and reports thereon are already in your hands. With your permission I shall take them as read.

Overall Performance

During the year under review the production from both the Paper Machines was 39,275 tonnes as against 30,562 tonnes of last year. In spite of the increase in production and consequent higher sales revenue, the Company incurred a loss of Rs. 92.45 lakhs. It was envisaged in the Project Report that production on the second Paper Machine was to be made initially with imported pulp till such time the Pulping and Recovery Plants were ready. Due to the devaluation and resulting price increase, the cost of imported pulp had gone up considerably (Price of chemical pulp being Rs. 1,345/- per tonne and mechanical pulp Rs. 990/- per tonne). We had imported 9,700 tonnes of chemical and mechanical pulp initially, for the above purpose. However, as the cost of production with imported pulp was found to be very high, it was decided to stop the use of imported pulp. In addition, the management decided to limit the production to the availability of the mechanical pulp from the existing groundwood plant and supplement the requirements of chemical pulp by a small purchase from within the country. Though, this involved a lesser utilisation of the capacity of both the Paper Machines, it was the only way to keep the loss to a minimum.

Production

Production during the year from both the machines was 39,275 tonnes as against 30,562 tonnes last year. The Caustic Soda Chlorine Plant with a rated capacity of 3,600 tonnes of Caustic Soda and 3,000 tonnes of Chlorine produced during the year 3,690 tonnes of Caustic Soda and 2,743 tonnes of Chlorine, respectively, as compared to a production of 2,812 tonnes of Caustic Soda and 2,495 tonnes of Chlorine in 1968-69. Your

Caustic Soda Chlorine Plant is a captive unit and as such its production is regulated to the extent of our actual requirement for production of Newsprint.

Cost of Production

As already stated, the use of costly imported pulp was one of the main factors which contributed to the loss. Also, the depreciation on the second Paper Machine had to be charged to Profit and Loss Account this year, since it commenced production. As the total output was only 39,275 tonnes as against a rated capacity of 67,500 tonnes, the entire depreciation could not be absorbed. The cost of the second Paper Machine and Buildings was financed by loans from Central Government and deferred payment terms from foreign suppliers, and so interest on the above loans had also to be charged to the Profit and Loss Account during this year. Lastly, there have been some increases in the cost of finishing materials, stores as well as in the pay bill due to revision of pay-scales. All these factors have pushed up the cost of production to about Rs. 1,350 per tonne during the year as against Rs. 1,029 per tonne in 1968-69.

Sales

Sales during the year were at 39,297 tonnes bringing in a revenue of Rs. 434.77 lakhs as against the previous year's sales of 30,330 tonnes yielding a revenue of Rs. 332.41 lakhs. Government of India's decision on your Board's proposal for the increase in the selling price of Newsprint from Rs. 1,100/- to Rs. 1,350/- per tonne is still awaited. But for this low selling price, the financial results of this Company for the year under review would have been better.

Expansion and Development

During the year under review practically the entire equipment for the Pulping and Recovery Plants has been received at site. Messrs. Gannon Dunkerley & Co. and Messrs. Garlick & Co. to whom the civil and structural works contracts were awarded last year, have commenced work. However, due to an acute scarcity of steel, the works are not progressing according to schedule. We have taken up the matter with the Ministry for an early allotment of steel for our expansion needs.

Raw Materials

As some bamboo contractors failed to supply the contracted quantity, departmental extraction of bamboos was taken up in January 1970, and approximately 3,500 tonnes of bamboos were extracted by 31st March, 1970.

Employee Relations

During the year, review of the grades of workers and staff has taken place and an upward revision implemented satisfactorily. Ex-gratia payment of Rs. 4.12 lakhs at the rate of 1½ month's pay and allowance per head subject to a maximum of Rs. 360/- was made during the year to the employees; the figure for the previous year being Rs. 3.74 lakhs at the same rate. I am glad to inform you that the relations between the management and employees have been very cordial and there is an atmosphere of co-operation and good-will.

Management

Shri A. K. Basak, Chairman, Board of Directors of the Company, whose term of office was to expire on 30th September 1970, has since resigned. I join with my colleagues on the Board in placing on record our sincere appreciation of the valuable advice and guidance which Shri Basak has given to the Company during his association with the Mills. I also wish to place on record my sincere appreciation of the work done by the officers, staff and workers at Nepamills with all their devotion, loyalty and hard work in contributing to the performance of the Company. I am confident that with the men and machines we have, we shall be progressing much further in the coming years.

Finally, I would wish to express my gratitude to my colleagues on the Board for all the support, advice and assistance they have granted to me so readily. My thanks are also due to the Government of India, the State Government of Madhya Pradesh, the shareholders and our customers for their assistance and continued patronage.

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

BUSINESS BRIEFS:

TIIC Extends Scope of Assistance

It may look rather odd that when the Central financial institutions have been unable to utilise their funds more effectively, the State financial corporations should have showed an appreciable increase in the total loans sanctioned in 1969-70 to Rs. 32.5 crores from Rs. 17.3 crores in 1968-69 and in disbursements to Rs. 21.5 crores from Rs. 17.4 crores. This may be due to the revival in general economic activity and also to the greater readiness of these institutions to sympathetically consider applications for assistance. However, as the Chairman of Tamil Nadu Industrial Investment Corporation pointed out recently many of the sub-marginal units still continue to face difficulties which are reflected in their continuous defaults over repayments to the lending institutions.

It must be heartening to know the anxiety of both Central and State financial institutions to help balanced growth of industries with special emphasis on backward areas in each State and concessional terms are being extended to entrepreneurs to promote new units in these areas. The TIIC for instance has taken a number of steps to cater to the needs of the small-scale sector in a bigger way. While the stamp duty has been waived for small borrowers, the Corporation has decided to absorb the guarantee commission payable under the credit guarantee scheme instead of passing it on to the borrowers. It has also enlarged the scope of assistance to cover more industries. A committee of the board has been set up to consider and sanction loan applications from small units upto a certain limit. As a result of these steps, there is already an increase in the flow of applications in recent months from the small-scale sector. The Corporation has included the film industry in the list of eligible industries for assistance while rural medical practitioners and veterinarians will hereafter be helped to equip themselves suitably. The memorandum of association of the Corporation is being amended to enable it to undertake the new activities.

Development of Backward Areas

As regards balanced development of industries, concessions in the form of cheaper loans and extended periods of repayment are being offered by the various statutory

financial institutions to entrepreneurs starting industries in notified backward areas in each State. In addition to these, the Tamil Nadu Government has also offered special concessions in electricity tariff. The backward areas in the State are being identified. The Central Government has agreed to subsidise upto 10 per cent of the cost of fixed assets acquired by units set up in a backward area. The IDBI proposes to sanction refinance to SFCs at a concessional rate of 3½ per cent, provided the borrower does not charge over 6 per cent. To ensure a minimum margin of 3½ per cent, it has been suggested that the State Governments should provide a matching subsidy of one per cent to the SFCs.

The TIIC Chairman Mr. A. M. M. Arunachalam has, however, pointed to the need for allowing the State finance corporations to offer slightly higher interest rates on deposits than commercial banks to enable them mobilise their resources easily. It has also been urged that the SFCs should be given tax incentives if not total exemption, to enable them build up sizable reserves within a reasonable time. These would provide the necessary cushion to absorb any risks in financing new industries. It has been suggested that the profits could be exempted from tax at least till an institution's total reserves equal its paid-up capital. Mr. Arunachalam has also called for facilities to the SFCs to effectively utilise their idle funds to operate on the call money markets or avail of the participation certificates scheme which is finding increasing favour at present.

Larger Assistance

The TIIC received 89 applications asking for assistance totalling Rs. 446.03 lakhs in 1969-70 against only 28 applications for Rs. 201.23 lakhs in 1968-69. There were more applications from small units. The Corporation sanctioned 36 applications for Rs. 241.77 lakhs against 19 applications for Rs. 135.50 lakhs the previous year. Shares of seven companies were underwritten during the year to the tune of Rs. 40.50 lakhs while preference shares of an aluminium company were sold for Rs. 20 lakhs. Also, the total market value of the share portfolio as on June 30, 1970 stood at Rs. 788.26 lakhs against the paid-up value

of Rs. 745.48 lahs. It is being examined how these investments can be liquefied. The corporation sanctioned deferred payment guarantee to a textile company for Rs. 17.50 lakhs during the year. The assistance sanctioned included 13 applications of small-scale units for Rs. 28.25 lakhs.

Loan disbursements during 1969-70 amounted to Rs. 200.05 lakhs against Rs. 169.72 lakhs in 1968-69. But there was a drop in the net profit to Rs. 32.07 lakhs from Rs. 36.59 lakhs in the previous year, mainly due to lower dividend income which declined to Rs. 29 lakhs from Rs. 41 lakhs though interest income was higher. The provision for taxation is Rs. 3 lakhs (Rs. 2.50 lakhs) and bad and doubtful debts reserve Rs. 10 lakhs (Rs. 10.58 lakhs). Special reserve gets Rs. 6.15 lakhs (Rs. 6.32 lakhs) and general reserve Rs. 8.50 lakhs (Rs. 10 lakhs) while the transfer to investment reserve is Rs. 1 lakh (Rs. 3.55 lakhs). The dividend is unchanged at 3 per cent taxable and is payable only to shareholders other than the Tamil Nadu Government.

Cauvery Sugars

The Chairman of Cauvery Sugars and Chemicals Limited, Mr. H. V. R. Iengar, has explained that the loss arising out of a prolonged strike and a lower average of 7.17 per cent (against 8.4 per cent in the previous year) due to extended crushing in 1969-70 was of the order of Rs. 37 lakhs. There was also a steep fall in free market price for sugar while a much higher price had to be paid for cane than the statutory price leaving only a slender margin on the levy price. Besides the lower realisation on free market sugar due to the higher excise duty interest charges on the larger stocks also contributed to the loss. It is expected that the factory would be crushing about 2.22 lakh tonnes of cane in the current financial year at an average recovery of 8.5 per cent against 2.28 lakh tonnes in 1969-70 but there may be no significant improvement in earnings, especially as interest charges on stocks are likely to be higher. In view of the present difficult financial position, the directors have deferred the scheme to expand capacity to 1500 tonnes per day.

Polyolefins

Polyolefins Industries Limited is expected to show much better results for the latest year 1970. Even, with a shut-down for three months, production of high density polyethylene is likely to improve to 18,000 tonnes from 17,000 tonnes in 1969. At the same time, the profitability of operations will be better as larger sales have been

effected in the internal market at attractive prices and export sales have been only 4,700 tonnes against 10,000 tonnes in the previous year. The turnover will thus be appreciably higher at Rs. 9.75 crores against Rs. 7 crores. Output in 1971 may also be nearer the installed capacity of 24,000 tonnes, with a further sharp rise in sales and earnings. The company is awaiting clearance for its plan to expand capacity to 30,000 tonnes which can be completed in 18 months if it is approved. PIL shares (Rs. 100 paid-up) have been firm in Bombay, with the quotation around Rs. 270.

A.C.C. Earns More

Associated Cement Companies Limited derived considerable benefit from a larger output and higher net average prices during the year ended July 31, 1970. The company's installed capacity went up during the year to 61.96 lakh tonnes from 56.87 lakh tonnes in 1968-69. Output of cement also increased to 54.47 lakh tonnes from 49.54 lakh tonnes while despatches improved to 52.10 lakh tonnes from 48.18 lakh tonnes. Labour strike at Kymore and the need to suspend working at Jamul works due to accumulation of stocks prevented a further rise in output while there were also transport bottlenecks which hampered larger despatches. The fixation of uniform retention prices was however helpful and the turnover rose to Rs. 76.88 crores from Rs. 64.65 crores in the previous year, particularly as the Shahabad heavy engineering unit accounted for a record turnover in plant and machinery. The net profit, before depreciation and taxation, was also much higher at Rs. 13.07 crores against Rs. 8.66 crores in 1968-69. However, the equity dividend has been only maintained at 12 per cent, taxable. The new shares are also eligible for the full dividend and the amount needed for paying the dividend is higher at Rs. 3.42 crores (Rs. 3.03 crores). But this is the first time in recent years that the dividend will be paid out of current earnings to a substantial extent as general reserve from which the dividend is to be paid, has been credited with Rs. 1.80 crores (nil), after providing Rs. 5.05 crores (Rs. 4.84 crores) towards depreciation, Rs. 3.34 crores (Rs. 3.12 crores) for development rebate, Rs. 2.04 crores (nil) for deferred taxation, Rs. 91.66 lakhs (Rs. 67.58 lakhs) for expansion reserve and Rs. 2.74 lakhs (Rs. 2.55 lakhs) for amortisation reserve.

The second kiln at Chanda in Maharashtra completes the first phase of expansion along with those of the units at Chaibasa, Kymore, Wadi, etc. With a further pickup in demand and improved transport facilities, there may be a further

sharp rise in output, and despatches this year especially as the new units are getting over their teething troubles and the engineering division is also diversifying its range and has a number of orders on hand. ACC is setting up two granulated fertilizer projects at Kistna, and Sevalia each with capacity of 50,000 tonnes. The company has also won export orders for cement machinery against keen competition while it is completing a contract for supplying machinery for pelletising iron ore. The first pelletising unit will be commissioned by Tata Iron and Steel Company Limited at Noamundi in the next two or three months.

All the machinery orders are being executed in association with ACC-Vickers-Babcock Limited which has done well in the latest year, earning a profit of Rs. 101.16 lakhs against a loss of Rs. 41.70 lakhs in the previous year. After providing Rs. 16.28 lakhs for development rebate for earlier years, the balance along with a sum of Rs. 42.21 lakhs created for development rebate reserve for earlier years but not needed now, has gone to reduce the debit balance from Rs. 346.78 lakhs to Rs. 219.69 lakhs.

Spencer & Co.

The Chairman of Spencer and Company Limited, Mr. C. H. Bhabha, has stressed the need for diversifying the company's activities to prevent a fall in earnings and dividend in future. This is due to the likelihood of reduced profit margins of the pharmaceutical division which accounts for almost one-third the earnings now. Income from investments in pharmaceutical units will also be lower due to the impact of price control. But the other divisions may be increasing their turnover in the coming years.

New Financial Agency

The Tamil Nadu Government is reported to have decided to set up a new Corporation called the State Industrial and Investment Corporation of Tamil Nadu (SICOT) to help promotion of major and medium industries in the private sector. It will be a wholly Government-owned corporation and will, among other things, grant financial assistance to industries, prepare feasibility reports, provide locational guidance for starting new industries and implement a scheme of incentives on the lines of the Industrial and Investment Corporation of Maharashtra. The new corporation will have an authorised capital of Rs. 5 crores and an issued capital of Rs. 1 crore initially. The scope of financial operations would seem to be to cater to bigger borrowers while the existing Tamil Nadu Industrial

Investment Corporation might be confining itself to the needs of smaller parties, and dealing with State and joint sector projects.

Carborundum Universal

Shareholders of Carborundum Universal Limited will be extremely gratified by the working results for the year ended August 31, 1970 when the company earned record profits following much higher sales. All the units functioned well with large orders on hand. The net profit, before depreciation and taxation, jumped to Rs. 218.25 lakhs from only Rs. 92.31 lakhs in 1968-69, though in that year a prolonged strike affected the operations. Even then, the performance of the latest year has been distinctly better and the directors have naturally decided to distribute a much larger sum to the shareholders. The dividend of 12 per cent, taxable announced on an equity capital increased by a nine-for-ten bonus issue, thus amounts to 22.8 per cent on the old capital against 14 per cent, taxable, in the previous year. It is learnt that the whole of the latest distribution will be exempt from tax at the hands of the shareholders being paid out of tax exempt profits. After providing Rs. 23.77 lakhs (Rs. 20.23 lakhs) for depreciation and Rs. 4.50 lakhs (Rs. 9 lakhs) for development rebate and setting aside as much as Rs. 105 lakhs (Rs. 33 lakhs) for taxation, general reserve gets a substantial sum of Rs. 85.14 lakhs (Rs. 37.52 lakhs). The equity dividend is to be paid out of general reserve. In 1968-69, there was a transfer to profit and loss account of Rs. 1.62 being provisions no longer required.

Trichy Steel Rolling

Trichy Steel Rolling Mills Limited has raised the dividend on equity capital for the year ended September 30, 1970 to 10 per cent taxable, from 7 per cent, taxable for 1968-69, following an appreciable increase in earnings, with even a lower turnover. Output was considerably restricted by shortage of billets but the higher prices realised prevented a proportionate fall in sales which dropped to Rs. 109.87 lakhs from Rs. 126.56 lakhs in the previous year. Even then, the profit margin was large as the net profit, before depreciation and taxation, rose more than threefold to Rs. 17.84 lakhs from Rs. 5.63 lakhs in 1968-69. The company may not however repeat this performance this year if the scheme to allow only processing charges to rerollers comes into force and no adequate billet supplies are made available to them. The depreciation charge for 1969-70 amounts to Rs. 3.78 lakhs (Rs. 2.60 lakhs) and development rebate Rs. 60,000 (Rs. 11,000) while taxation claims Rs. 6.15 lakhs (Rs. 400). General reserve gets Rs. 7.29 lakhs (nil),

whereas in the previous year Rs. 1.04 lakhs was written off as preliminary expenses. It has been indicated that about Rs. 1.52 lakhs out of the total dividend amount of Rs. 3.70 lakhs will not be subject to tax deduction at source as it will be paid out of tax-exempt profits. (i.e. about 40 per cent of the dividend will be exempt from tax).

S. I. Shipping

Sustained interested buying had lifted the quotation for the Rs. 50 paid-up equity shares of South India Shipping Corporation Limited sometime back to well over Rs. 270 from around Rs. 175 though subsequently there has been a setback to Rs. 235. This spirited support has been prompted by reports of the British collaborators of the company, viz., Peninsular and Oriental Steam Navigation Company having struck a deal with the party associated with Great Eastern Shipping Corporation, for selling P and O's holdings of 40 per cent of the equity shares of S.I. Shipping at a heavy premium of Rs. 150 per share. The reported deal will however have to be approved by the Reserve Bank of India, as it involves repatriation of the sale proceeds. The British party's move is rather unusual in that the disposal of all its shares comes so early in the Indian Company's career.

Automobile Products

Automobile Products of India Limited, has an ambitious plan to double its capacity to 48,000 scooters per year besides raising the capacity for clutches and brakes. The Government is stated to have decided in principle to grant a licence for the expansion, which will permit the company to produce upto 60,000 scooters a year. The Chairman Mr. M. A. Chidambaram, has ex-

pressed the hope that the official sanction would be received shortly. The company produced 24,440 vehicles in 1969-70 and sold 24,604. The Lucknow division is expected to earn a small profit in the current year.

Kothari Textiles

Sales of Kothari Textiles Limited during the 12 months ended August 31, 1970 amounted to Rs. 4.36 crores against Rs. 2.58 crores in the previous eight months. With a diversified output, there was also an appreciable improvement in the net profit, before depreciation and taxation, to Rs. 33.81 lakhs from only Rs. 19.83 lakhs in the 8-month period. After setting aside Rs. 11.31 lakhs (Rs. 8.73 lakhs) for depreciation and Rs. 3.66 lakhs (Rs. 1.25 lakhs) for development rebate, the provision for taxation is Rs. 12 lakhs (Rs. 5.50 lakhs). The disposable surplus of Rs. 13.43 lakhs has been taken to the balance sheet in view of the merger scheme now awaiting approval of the High Court. It is proposed to implement a modernisation programme in both mills of the company at a cost of Rs. 1.50 crores. The first stage will be completed by August this year and will cost Rs. 50 lakhs. The Industrial Credit and Investment Corporation of India, has given a loan of Rs. 35 lakhs for this purpose while the company is examining ways to raise the requirements of the second stage. Production of larger volume of blended fabrics and hosiery yarn is expected to improve profitability in the current year though the high cost of cotton may offset this.

Adoni Spinning & Weaving

Adoni Spinning and Weaving Company Limited also of the Kothari group, has done well during the 12 months ended August 31,

1970 though in the previous 8 months, the working results were affected by a two-month strike. Sales in 1969-70 thus were much higher at Rs. 2.42 crores against Rs. 94.82 lakhs in 1968-69 with a jump in yarn output to 3.22 million kg. from 1.36 million kg. The net profit before depreciation and taxation, has also increased sharply to Rs. 12.72 lakhs from Rs. 1.44 lakhs in the previous eight months. The charge in respect of depreciation is Rs. 7.01 lakhs (Rs. 3.50 lakhs) and development rebate Rs. 99,852 (Rs. 32,819) while taxation claims Rs. 60,000 (nil). The balance of Rs. 5.30 lakhs (nil) has been carried forward and as in the case of Kothari Textiles there will be no distribution of equity and preference dividends. Trial operations are going on with new machinery and after assessing the results, a regular modernisation programme may be taken up.

Blue Mountain Estates

Blue Mountain Estates and Industries Limited has earned a larger net profit for the year ended August 31, 1970 in spite of a sharp fall in the coffee crop. Output of tea improved to 11.36 lakh kg., from 10.11 kg., in the previous 14 month period while the coffee crop was only 589 tonnes against 823 tonnes, but higher selling prices mostly offset the lower outturn. The fertilizer unit also functioned more profitably while sales of straight fertilizers showed an appreciable rise as a result of agency arrangements. The net profit, before depreciation and taxation, rose to Rs. 19.89 lakhs from Rs. 15.72 lakhs for the previous 14 months. After providing Rs. 7.97 lakhs (Rs. 6.90 lakhs) for depreciation and Rs. 4 lakhs (Rs. 4.90 lakhs) for taxation, the surplus of Rs. 8.69 lakhs has been taken to the balance sheet. No decision has been taken on dividend pending the merger.

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More Capacity for Paper Machinery

The Union Government has invited proposals for creating additional capacity for integrated pulp and paper plants, especially those of 150 tonnes a day and above. It will also consider requests for foreign collaboration for know-how. It has also been stated that capacity would be desirable for specialised individual equipment like continuous digester, soda recovery plant, simplex and duplex, cutter, super calender, suction coach, roll slitter rewinder and coating plants. The Government is anxious to create 4 to 5 lakh tonnes of capacity for pulp and paper to meet the estimated requirements in the next few years. There has been accelerated growth in demand for writing, printing and package paper, and already a number of existing units have been allowed to instal balancing equipment and speed up the machines on a crash basis to raise production in the next 12 to 18 months by about 1.3 lakh tonnes. The new move to have 5 lakh tonnes of capacity will involve setting up facilities for making 8 to 10 integrated pulp and paper mills of an average capacity of 150 tonnes a day. The present indigenous capacity and know-how is inadequate to build such large plants and it may be necessary to enlist the assistance of foreign interests.

It is however felt that the impact of the crash programme will not be felt before the end of this year. The new directive to publicise the requirements of machinery and equipment locally, it is feared, will only slow down imports of the same ultimately.

Bigger Tea Crop

The tea crop for all India is expected to be higher in 1970 as compared to 1969. The South Indian outturn in the first ten months was 85 million kg. against 80 million kg. in the same period in the previous year while the North Indian Crop till mid-November was about 18 million kg. higher at 300 million kg. Thus the total for 1970 may be higher by about 25 million kg. But a more encouraging feature of the Indian tea scene, and also of the world tea scene, has been the improved prices realised by the various producers. There has been a marked rise in prices for both high quality and medium teas at London auctions as also in Indian markets. The average price for North-East Indian tea at London auctions has been higher by over 12 per cent while South

Indian tea has improved in value by as much as 30 per cent. Prices at Cochin and Calcutta for leaf and dust have also risen by 70 paise to Rs. 1.35 per kg. The firmness in prices in London against a higher world production is attributed to a buying bout there and has taken place along with a larger build up of stocks, to over 230 million lb. (by the middle of November).

Meanwhile, the details of the international agreement on restriction of exports are awaited. A consensus had been reached at the New Delhi FAO conference, in December last on the need for a short term agreement which would be followed by a long-term agreement, on the lines of the earlier agreement which expired in the middle fifties.

Textile Exports

It is heartening that while the cotton textile industry is beset with the problem of acute cotton shortage and higher working costs as a consequence, exports have been kept at a satisfactory level. Export earnings in the first ten months of 1970 are estimated at Rs. 93 crores against Rs. 86.5 crores in the same period in 1969. However, the pace of shipments may not be maintained in the remaining months of the current financial year due to the further sharp rise in costs of mills. Export of cotton piecegoods during Jan.-Oct. 1970 totalled 334.4 million metres earning Rs. 52.2 crores against 333.4 million metres in the corresponding period of 1969 valued at Rs. 50.5 crores. There was an improvement in the unit value realised due to a larger export of processed goods. Shipments to U.K. and E.E.C. were sharply lower by over 30 million metres during this period but there were better sales to East Africa and East Europe (notably Russia) as also to other Asian countries. Yarn exports fetched a larger amount of Rs. 23.44 crores against Rs. 20.73 crores in the first 10 months of 1969 though there was a drop in shipments to 26.4 million kg. from 29 million kg. in 1969. The unit realisation was higher. Burma remained the foremost customer while exports to UAR, UK and some East European countries were maintained. Garment exports fetched a larger sum of Rs. 5.12 crores in the ten months under reference from 3.72 crores with the Soviet Union as the principal buyer.

Fashion goods were prominent in apparel exports to U.K., U.S. and West Europe.

Tyre Unit's Gesture

The Automotive Tyre Industry of India representing the tyre manufacturers has voluntarily decided to reduce the retail prices of tyres and tubes for trucks, buses and rear tractors in the replacement market by Rs. 7 on the average with effect from the beginning of the new year. The gesture by the industry in the face of rising costs may not make much of an impact on the consumer due to its marginal nature while there has been as yet no improvement in the availability of the scarce categories. No doubt the industry has warned its retail outlets against malpractices besides agreeing to make direct supplies to truck operators owning ten or more vehicles. But there is a shortage of tyres as a result of a four-month old strike in one factory and labour trouble in many others. As a result, output in the first ten months was proportionately lower at 32.7 lakh tyres against 40.2 lakh tyres in the whole of 1969. It has however been indicated by the industry that the supply position would ease distinctly in the next two months when the rate of production would rise sharply to meet the current demand of 4.2 million tyres a year.

Handloom Unit's Woes

The Tamil Nadu Government has sought Centre's help in restricting credit supply to the cotton yarn trade with a view to arrest the alleged hoarding of stocks by it. The handloom and powerloom sectors in the State have complained of exorbitant prices for their yarn requirements and had represented to the Government that the free availability of bank credit to the trade had helped hoarding. The Government's efforts to revive the voluntary scheme of the industry for direct supplies to weavers have not been fruitful as the industry feels the scheme would not be effective in the existing market conditions of scarcity and high prices. But the Government is still anxious to help the small weavers get their yarn at reasonable prices and has warned of drastic steps to ensure supplies of at least lower counts of yarn to powerlooms and handlooms. The South India Yarn Trade Federation has denied any hoarding by its members and stated that the problem relates to increased production of yarn in hank form and mills would have to change their pattern of production in favour of hank yarn. The trade has also questioned the charge that it has been given liberal credit facilities. Non-availability and high prices of yarn have affected output and exports of handlooms in the past few months.



URGENT NEED FOR LIBERAL REFINANCING

The Governor of the Reserve Bank and his colleagues will be reviewing the developments in the current busy season when they have discussions with the custodians of the nationalised banks and the chief executive of the State Bank of India and its subsidiaries in early February. The calculations of the monetary authorities have gone wrong and they have brought about a needless crisis in the money market and accentuated inflationary pressures by their restrictive policies rather than control them.

Instead of dispassionately examining how fresh advances exceeded fresh additions to deposits and whether the expansion of credit in particular directions has been misused or misapplied, the Reserve Bank has adopted a policy which has resulted in the denial of credit for usual productive purposes and brought about a situation in which many industries may not be able to continue even normal operations.

What is the philosophy behind this kind of banking when it is not clear whether the loans to agriculturists and small entrepreneurs are being productively applied? Lending can be effective only when there are arrangements for ensuring that agricultural inputs are being purchased with the sanctioned loans and small units are helped to buy raw materials and components. This is not to say that there is no misuse of credit given for other purposes. But it is one thing to lend on stocks and another to lend for buying stocks.

New procedures are being evolved for ensuring that there is no diversion or misapplication of funds and that short-term credit is also not used for long-term purposes. These steps should induce discipline and compel industrial units raise their own resources for meeting capital expenditure and maintaining machinery parts with their own finance. While the process can be expected to be completed over a period, a system of credit cards will have to be utilised so that small borrowers are protected from the

wiles of touts and they are trained to use resources for the intended purposes. Reports are widely current that small farmers particularly are obliged to pay discounts for getting loans and that part of these loans is getting into the hands of middlemen.

The banking system is clearly unable to discharge fully the new responsibilities as even the faster growth of deposits is inadequate to meet new needs and the Government also is anxious to appropriate to itself a large share of these resources. Between procurement finance and loans to the private sector, about Rs. 350 crores might have been fresh, given in the past year which means that other advances have risen by only Rs. 450 crores. The failure of the Reserve Bank to distinguish between long-term refinance and purely seasonal refinance has brought about the present disturbing situation in the money market. The Reserve Bank cannot escape responsibility for the crisis in the peak of the busy season. It is futile to think that high interest rates also can achieve the desired results. There should be a segregation of refinance facilities and it should be understood that seasonal expansion of credit was considered again on a defined basis during the slack season. If, however, there was no net contraction in overall credit during the slack season due to heavier procurement operations and accelerated lending to small borrowers, it will have to be decided whether this policy has not produced undesirable effects and credit creation can continue uninterrupted. The Reserve Bank has, therefore, to watch the developing situation carefully and make the necessary adjustments here and there. Immediately, however, it cannot avoid providing liberal refinance against sugar stocks, for purchases of raw cotton and for financing imports. Otherwise, short-term rates may shoot up further and even at the high levels the required funds will not be available. They will only have a harmful effect and create needless anxiety.

INSCRUTABLE WAYS OF OIL POLITICS

The controversy over oil prices between the international oil companies and the Organisation of Petroleum Exporting Countries (OPEC) has assumed serious proportions and an increase in the cost of refined products appears to be inevitable following the pact with Venezuela which has resulted in an increasing the tax to 60 per cent. The major countries in West Asia are asking for a similar increase in the tax rates. At one stage it looked as if oil supplies will be cut off and Europe and Japan which depend to a great extent for the requirements on the Middle East, will experience an oil famine. Europe's consumption of over 560 million tonnes annually is met to the extent of

50 per cent by West Asia, while Japan is drawing as much as 90 per cent of its imports from this source. The oil companies offered to negotiate a five year agreement with provision for escalation in prices in the event of inflation in cost of other products but the oil producing countries were not agreeable to this suggestion.

The talks with Iran and other countries have actually failed and there is no prospect of an agreed settlement with OPEC as the circumstances of each member are different apart from the differences in approach to outstanding issues. Libya and Algeria have already been successful in expecting liberal concessions and if there was

a general leveling up of taxes, either the oil exploring companies will have to be content with smaller profits or the refining companies will have to increase their prices for end-products. The latest developments have brought into focus clearly the issues involved in the formulation of the oil price structure and with the spectacular success that has attended the efforts to raise output, oil exploration in select areas is no longer such a difficult proposition as it looked some time back. Out of the annual production of 2,400 million tonnes, the Communist world is accounting for only 400 million tonnes while the USA alone is producing as much as 625 million tonnes. Yet it is a net importer of crude oil and there is dependence on West Asia. But the difficulties of Western Europe, Japan, India, Pakistan and others are somewhat acute as their requirements of crude oil have to be secured from West Asia. It is only in this region that there are large free supplies and with oil consumption increasing at a rapid rate the oil rich nations are in a position to extort their prices. The OPEC is certainly entitled to a better deal than the international oil companies as the former have been exploited by the latter until recently. The tables are now being turned and OPEC is conscious of its strong and strategic position. In the process the consumers should not be unduly penalised.

Oil politics is unfathomable but the discovery of new resources in recent years has eased the world situation considerably and with the successful exploration in Libya, Sahara and elsewhere there is no possibility of any oil shortage arising in the foreseeable future. In any case, there is no justification for inflating the cost of production on the plea that oil exploration is risky and the

expenses on it should be fully recovered from the consumer and regarding generation of internal resources the oil exploring industry should proceed on a basis which will take care of all future development. If the advisability of securing outside capital for exploration purposes at least in part is accepted, oil price can be reduced or an increase avoided even with higher taxes levied by OPEC. Our Government is naturally worried about the move of the foreign oil companies to raise the cost of the imported crude by 7 cents a barrel between dearer tanker freight charges and higher taxes. The Government should negotiate directly with the oil nations for securing supplies on a cheaper basis besides making arrangements for processing Rostum crude which is not now popular. The possibility of importing crude supplies from the Soviet Union also must be examined as U.K. has already made a move in this regard, to secure some imports. If there was competitive buying the Soviet Union too may not be able to supply on a cheap basis. However, as the needs of India are not large in international terms the situation may be got over temporarily. However, it will be futile for India to expect a reduction in the cost of imported crude. If on the other hand there was an increase in the import bill the consumers of refined products should not be penalised. It will be surprising to know that out of every litre of gasoline costing Rs. 1.16 to the consumer taxes account for 88 P. i.e. the net price recovered by the distributing company is only 26 P. per litre. Since the tax element is already prohibitive any increase in the cost of refined products should not be passed on to the consumer.

Poll Prospects

By Dr. G. S. RAJHANS

Political developments have been taking place very swiftly since the dissolution of the Lok Sabha. Mrs. Gandhi and her colleagues in the party and the government are gradually realising that fire and brimstone will not yield desired results in a country wedded to traditions. It is why her earlier image of a crusader is being deliberately replaced by a moderator. Soon after the dissolution of the Lok Sabha, people at the helm of the affairs of the Congress (R) started talking that their party having decided to go to the people must accept the fact that the people wanted radical changes and it should be prepared to accommodate their aspirations in the platform it would represent. Meaning thereby that more radical changes than envisaged in the Ten Point Programme, should be promised to the people in order to inspire enthusiasm among them. But wisdom seems to have prevailed on them now and they have started realising that any talk of radical measures will only mar their chances in Hindi-speaking States.

The Jan Sangh, on the other hand, seems to have put the Congress (R) on defensive in these States. Its election manifesto, 'War on Poverty', is surprisingly refreshing and has rightly earned for it a place among the forward looking parties. In fact, with its changed outlook, it would be difficult to brand it as reactionary and anti-secular championing the cause of vested interests only. Although economic programmes of the Jan Sangh do not conform to the existing realities in the country, it is heartening that the party has focussed its attention to the pressing economic problems of the nation.

While its desire to have ten per cent rate of growth without any foreign aid seems extremely difficult to achieve, its promise to use taxation to bring about a ratio of one to twenty between the lowest and the highest incomes, a promise to provide a house for every family and a share to the labour in the management, only show that it is indistinguishable from any progressive democratic party.

In this battle of ballots, the party which has put itself to a most hapless position is the S.S.P. It is a pity that it has not yet been able to get out of the hangover of anti-Congressism. Since its formation, it has been struggling to be recognised by the masses as a progressive or socialistic party, and in the course of this struggle it has wavered between Communism and Casteism. It is interesting to see it repudiating its past and now swinging towards the right. It has, however, retained its right to come to an understanding in some of the States with parties like the C.P. (M).

Need for a Common Programme

In fact, the four-party alliance has only one point programme, i.e. to defeat Mrs. Gandhi and her party in the polls. It is interesting to note that although they have made electoral alliance to defeat Congress (R), they are releasing separate manifestoes for the purpose. So far the manifestoes of only Jan Sangh and the S.S.P. have come to light. They are so contradictory to each other that it would be extremely embarrassing for their candidates to explain to the electorate that they stand

for a common cause. While the S.S.P. wants to set up a new Constituent Assembly to write a new Constitution, the Jan Sangh is opposed to any attempt to "tamper with the essential fabric" of the Constitution. The most it can do is to consider the setting up a "Commission on the Constitution" to review its working. Whereas the S.S.P. wants to delete "the right to property" from the list of Fundamental Rights, the Jan Sangh considers such a right to be inalienable. The Jan Sangh is also opposed to further lowering of ceiling on agrarian holdings whereas the S.S.P. wants the ceiling to be fixed much below the existing level. The Swatantra and the Congress (O) are also likely to release their manifestoes shortly, and in view of their known political professions, it is understandable that their election promises also will not be in harmony with those of the Jan Sangh and the S.S.P. As such, how will they form and run the government if voted to power? Will they repeat the story of Bihar and other States where in the wake of anti-Congressism in 1967, the political parties diametrically opposed to each other joined hands and formed the government only to be voted out later owing to internal dissensions? In this context, the best course for them would have been to listen to Mr. Masani and approach the electorate with a common minimum programme. That would have given them an opportunity to tell the voters as to what they would do if power came to them.

Mrs. Gandhi's Arithmetic

On the other hand unless the four-party alliance collapses over the issue of distribution of seats the chances are that the arithmetic of Mrs. Gandhi's party may not work out. There is no denying the fact that there are internal splits in the Congress (R) itself as a consequence of which friends will be pitted against friends with the tacit support of those in the power and, in the process, quite a few seats may

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be denied to the party. Besides, despite the fact that Congress (R) has decided to go it alone in the polls, it would be extremely difficult for it to convince the people that it is not aligned with the Communist and the Muslim League in view of the fact that it is one of the constituents of the C.P.I.—led Government in Kerala of which

the Muslim League is also a partner.

Taking all these factors into consideration, it seems improbable that Mrs. Gandhi will have an absolute majority. Assuming that a workable absolute majority is denied to her, the chances are that a coalition with the C.P.I. or the D.M.K. or other regional or splinter parties may not be very smooth-

sailing. With no immediate threat of election these parties will be more vociferous in their demands than before. As the uncompromising temperament of Mrs. Gandhi is well known, she may not like to remain on their mercy for long. In that event, will another poll be forced on the country late this year or early next year?

Glimpses.....

By P. R. SRINIVAS

Salient Features of Foreign Trade

It is rarely that events and developments provide clear comment on the policies pursued. But a survey of our foreign trade in the two decades following the attainment of Independence show clearly the potentialities of our national economy after the planned development of the last ten years, the neglect and sometimes even antipathy of the Government towards our export industries and the responsiveness of our industries to even the half-hearted and belated measures for import substitution. The two salient features of our foreign trade during the era of Independence are the three fold increase in the value of total foreign trade, the comparatively upward trend in exports together with a decline in imports and the shift in our export trade from the traditional to non-traditional items.

The first decade was marked by the imposition of higher export duties on our staple industries when other items

on the export schedule were of little importance, the readiness to increase imports and the virtual refusal of the powers that be to recognise the basic or crucial importance of export earnings of favourable trade balances to the economy of a developing country like ours. The readiness to increase our imports may be attributed to the need to counterbalance the inflationary forces by reducing the shortages of consumer goods and capital goods which could not be obtained in the war and immediate post-war years. It may also be attributed to an understandable anxiety to use up a considerable part of our sterling balances over which a threat of repudiation hung at that time. But there is no similar extenuation for the successive increases in export duties, even those like jute and tea which had to face competition in foreign markets.

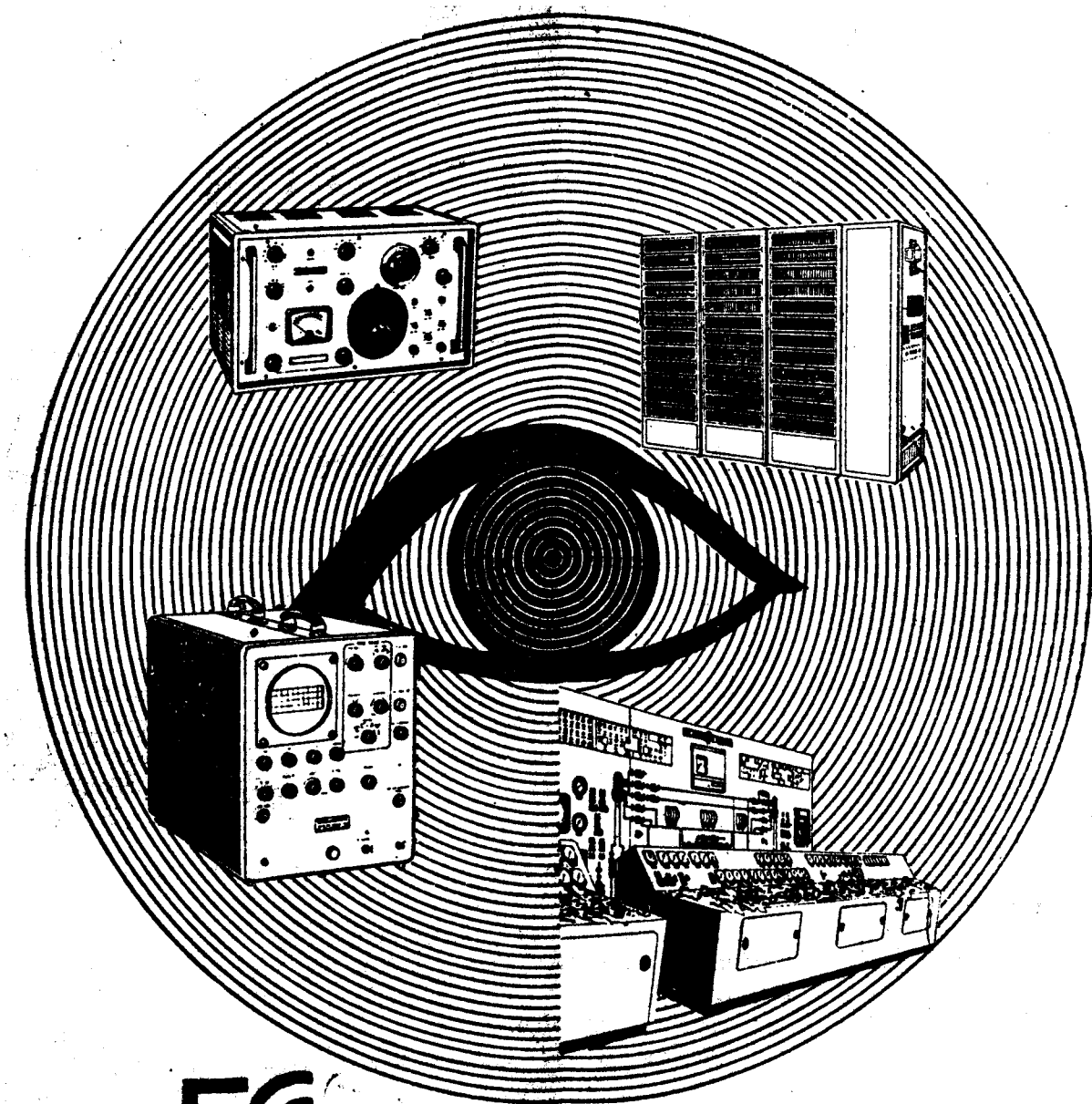
Import Substitution and Export Promotion

Whatever may be the aspirations of

the earlier years and even under British rule, there was diversification of our exports so as to reduce the dependence on a few staples. And this involved the promotion of what at a later stage came to be called non-traditional items which called for an appropriate diversification of indigenous industry as well. But strangely enough foreign trade was conspicuous by the absence of any purposive mention of it in the first and second five year plans. And it was not till our foreign balances were virtually wiped off and the flow of foreign aid threatened to dry up that the twin ideals of import substitution and export promotion gained the attention of the Government. The devaluation of the rupee and the failure of exports to gain any notable benefit from it were irrefutable condemnation of the Government's policies towards industry and exports. The upward trend of exports in recent years, particularly of the non-traditional items is eloquent testimony to the potentialities. The adverse effects of licensing and so-called anti-monopoly measures have been emphasised by more than one study group. But the liberalisation in this respect threatens to prove a flicker because of the fresh urge to demagogic declaration which the mid-term elections have provided.

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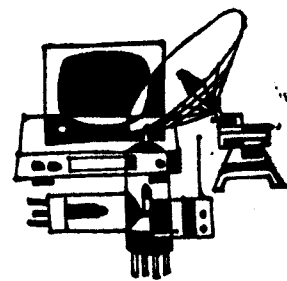
ELECTRONICS SUPPLEMENT

2

INDUSTRIAL ECONOMIST

A SUPPLEMENT ON

ELECTRONICS & RADIOS



Two Minds on Electronics

It may not be far wrong to say that the world in general and India in particular are undergoing the third Industrial Revolution. The first Industrial Revolution which originated in England was based on steam, the second, which was more global, on electricity and the present one on electronics. To the extent distances have been abridged between countries, the electronics industry in different parts of the world has developed through simultaneous build up and exchange of appropriate technical knowledge.

The excellence that India has already attained in the production of some sophisticated electronic items of equipment cannot be overlooked. Even as recently as in 1964, much of this equipment related to the entertainment field. But now the country is forging ahead in indigenous substitution in the field of sophisticated instrumentation — as for instance the single generator in the VHF/UHF range—which will help the country achieve self sufficiency in this line of production. Tamil Nadu can be legitimately proud of the fact that it had manufactured two types of signal generators which had been listed for domestic production in the Bhabha report almost in the very year in which the report was released, namely in 1966. Indeed more than six hundred items of electronic components and

instruments have over the years begun to be produced in this country meeting the highest international standards which are operating successfully in widely varying environments — from the cold Himalayas to tropical Kerala and from arid Gujarat and Rajasthan to over humid NEFA.

So far as Tamil Nadu is concerned, a functional industrial estate is being established at Adyar, Madras, with centralised certification testing and product development laboratory. The Government had also set up a working group to help identify the scope and the means for production of sophisticated instruments and components. The group has recommended various lines of production to be taken up. The recent exhibition in Madras sponsored by the Tamil Nadu Board of the All-India Manufacturer's Organisation gave a glimpse of the progress achieved in the country.

Obstacles to Expansion

The industry has also pinpointed from time to time the obstacles to its smooth expansion. These obstacles are quite familiar ones: In 14 years there have been 13 changes in sales tax, excise duty, trade discounts, etc. Even in respect of the 14 luxury items with reference to which there is an un-

derstanding that the rate of single point sale tax will be uniform, the rate has not always been uniform. For instance, low cost radio sets are charged 15 per cent in Tamil Nadu and 3 per cent in Andhra Pradesh. Apart from this, there is the misguided opposition to the introduction of electronic gadgets like computers because of a general unproven conviction of the trade unions that all automation should be necessarily injurious to the short as well as long term interests of workers. There has been very little awareness of the fact that if the railways, even under their present constraints are large-scale employers of manpower, it is because of the widening of job opportunities which had been affected over the years by the introduction of some kind of automated control systems. The country has naturally been placed in two minds over the issue. Sensing how Russia and the United States have been solving their traffic problems not only on this orb but in inter-planetary travel also, we seem inclined to emulate the example. But when an effort is made to make a beginning in a very modest way in a remote down-to-earth field, we are disturbed by the unavoidable displacements of labour skills. Unless we learn to take progress on the proper stride, we will be left by the way side soon even by some of our less developed Asian neighbours.

It is now widely accepted that the index of economic power is to be measured in terms of the production of electronics equipment as against the output of steel or electrical power which was once symbolic of a nation's strength. This is not only because electronics as a science and a technology-based industry has shown such enormous growth in the last two decades, but also because modern methods of production of steel, petrochemicals generation and distribution of electricity and other basic industries are today almost entirely dependent for its turnover and quality on electronics.

The growth in the output of almost all industries in the post-war period is influenced to a major degree by the growth of the electronics industry. The computers and data processing equipment have revolutionised business and commercial operations in addition to aiding production and cost control in manufacturing operations. It has made space exploration and communication through satellites possible.

World Output

Electronics production may be classified into three categories—consumer electronics, industrial electronics and components; radio receivers, television, tape recorders, radio phonographs and other audio equipment come under the category of consumer electronics; telephone communication, broadcast equipment, associated radio and electronics equipment, measuring instruments, industrial control equip-

The Electronics Explosion

By K. P. P. NAMBIAR

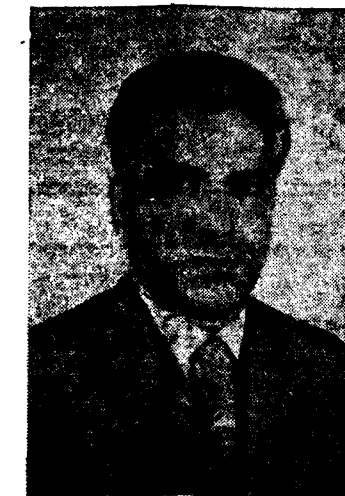
WEST EUROPEAN ELECTRONICS PRODUCTION

(Rs. in Crores)

	1960		1967		1980—Estimated	
	Output	%	Output	%	Output	%
Consumer	1200	45	1460	27	3840	20
Industrial	1320	49	3750	67	14100	74
Components	170	6	345	6	1060	6
	2690		5555		19000	

ment, electronics calculators and accounting machines, medical X-ray equipment, etc. come under the category of industrial electronics.

Valves, semiconductors, resistors, condensers and electromechanical



K. P. P. NAMBIAR

transducers, etc., come under the category of components.

On the basis of the above classification, world output of electronics products, excluding those in the Communist countries, will be around Rs. 69,780 crores by 1980.

It is estimated that in this decade, electronics industry will continue to

expand and by 1980, it will give employment to one crore people, involve a capital investment of Rs. 38,250 crores, and will be assisted by a Research & Development expenditure of Rs. 2,260 crores to be spent by more than one lakh of qualified engineers and scientists.

Industrial Electronics Output

Increase in consumer electronics has been mainly due to transistor radios, black and white television and more recently due to the widespread popularity of colour television receivers.

In the industrial sector increased wages in the Western countries and Japan, coupled with increasing technical ability and greater familiarity with electronics techniques will produce a need for greater quantity of electronics capital goods for industrial control, for data processing and for communication. Only then would any particular industry be able to improve in efficiency and continue to be competitive in world market. Thus the industrial electronics output which constituted 60 per cent of the world electronics output in 1960 and 68 per cent in 1967, will continue to dominate the electronics production. This is particularly so since the radio and television market saturates fairly faster while the industrial market continues to grow.

Japan's Accelerated Pace

While the U.S.A. continues to be the largest producer of electronic goods, Japan's electronics industry has been progressing at a very accelerated

WORLD ELECTRONICS OUTPUT IN CRORES OF RS.

	1960		1967		1980—Estimated	
	Output	%	Output	%	Output	%
Consumer Products	4150	34%	7000	28%	15000	23%
Industrial Products	7100	60%	16900	68%	52200	75%
Components	800	5%	935	4%	1780	2%
	11850		24835		68980	

JAPAN'S ELECTRONICS GROWTH

(Rs. in Crores)

	1960		1964		1965		1966		1967		1968	
	Output	%	Output	%	Output	%	Output	%	Output	%	Output	%
Consumer	500	49	810	46	720	39.5	950	41.2	1280	43	1730	43.7
Industrial	240	23.5	510	29	650	36.4	780	34	890	30	1300	32.9
Components	280	27.5	445	25	435	24	570	24.8	800	27	920	23.4
	1020		1765		1805		2300		2970		3950	

ed pace. After a temporary depression in 1964, from 1966 the industry registered rapid growth in both consumer and industrial electronics and component manufacture.

From a turnover of Rs. 1,024.5 crores in 1960 corresponding to a tenth of the world production and nearly half of all the West European production, the Japanese electronics industry produced Rs. 3,000 crores worth of electronics products in 1967 corresponding to an increase of 300 per cent and

60 per cent of the total West European turnover. In 1968 Japan produced about Rs. 3,937 crores worth of electronics goods. The export of Japanese electronics products has also been steady being of the order of 30 per cent of the total production.

The main technical achievements of the Japanese Electronics Industry have been in the field of stereo, cassette tape records, desk calculators and television. Japan's electronics industrial output constituted more than

56 per cent of the total electrical equipment production in 1968.

Rapid Growth of a Market

The West European electronics market including U.K., is also witnessing a rapid growth.

The demand for colour television in Europe will continue to rise in the 1970s causing increase in the consumer electronics production, while industrial demand will follow the world pattern.

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India's Electronics Industry

Reference to the world electronics production in the last decade and the projection for the 'seventies has been made specifically to bring home the importance of the industry and the tremendous potential for growth it has for this country. The ratio of annual production to total investment for the industry is estimated to range from 4:1 in the case of radios and other consumer electronics products to about 2:1 in the case of computers and data processing equipment in contrast to the output/capital ratio of 0:5:1 in steel and other heavy industries. Thus in the capital-short developing countries like India, electronics must be treated as a top priority industry. Even though our achievement is far below what it ought to have been, it has by no means been insignificant.

Consumer Electronics

India's consumer electronics industry is mainly based on radios. In 1947 at the time of independence, the whole country had 2,70,000 radios and a production of 4000 sets per annum! Today, we have over 12 million radios and a production of nearly 3 million per annum with over 60 per cent of the production being provided by large scale organised sector and the balance by small scale industry.

The growth of the radio industry has been due to the availability of electro-

ronics components such as valves, transistors, resistors, condensers, etc., in the country and simultaneous development of the technology of plastics, printed circuitry and mass production techniques.

The total turnover due to radios, including those produced by the large scale industry, increased from Rs. 17.5 crores in 1964 to over Rs. 40 crores in 1968. The turnover in 1969 is expected to reach the Rs. 60 crore level.

Industrial Electronics

In this category all, other than entertainment and loose component industry can be considered. Major contribution in this area comes from the public sector undertakings like Indian Telephone Industries, Bharat Electronics Ltd., Hindustan Aeronautics Ltd., and from the newly established Electronics Corporation of India.

B.E.L. has established indigenous production of many professional electronics equipment for defence, A.I.R., Railways, Civil Aviation and Police Communications.

It was the first unit to start manufacture of valves and transistors in India, making it possible to expand the radio industry at a very rapid rate since 1962. The company was set up in 1954 with a planned production of electronics equipment worth Rs. 4.25 crores but it took about 10 years to reach that capacity. The production value of Rs. 3.03 crores in 1962-63 steadily increased under the jolt of

the Emergency, to 6.21, 7.08, 9.27 and 11.9 crores rupees in successive years. The turnover was about Rs. 21 crores in 1968-69, a 300 per cent rise in a four-year period.

The range of equipment manufactured covers radar to small man-pack wireless sets and high powered transmitters to small ancillaries. It has designed and manufactured storm-warning radars for the meteorological department capable of detecting storms within a range of 400 kms.

A new factory which will meet the requirements of sophisticated microwave equipment is currently under planning.

Indian Telephone Industry

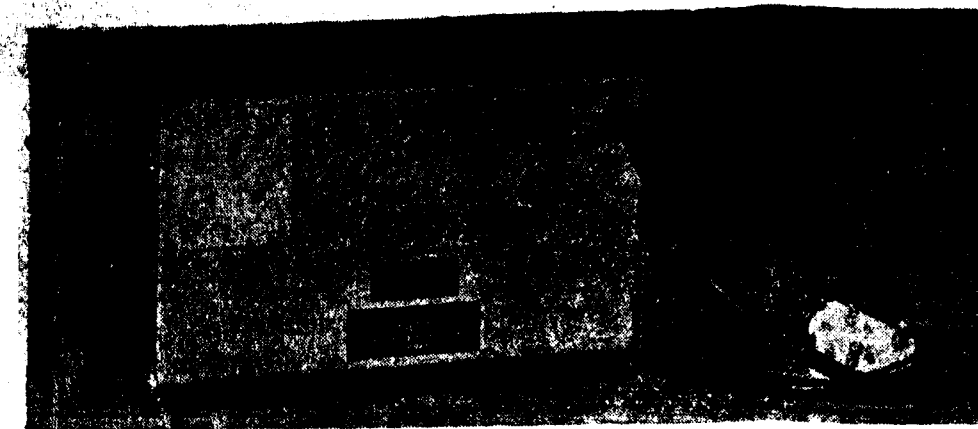
The Indian Telephone Industry manufactures open wire an cable carrier systems, Strowger automatic telephone exchanges, crossbar telephone exchanges, electronics instruments and a variety of other equipment required mainly for P & T.

I.T.I. has been backed by its own R & D organisation, the Telecommunication Research Centre in Delhi, one of the best organised applied electronics Research & Development group in the country. I.T.I. entered the export market in 1966 by securing orders worth Rs. 81 lakhs for automatic exchanges and carrier equipment from U.K. and Brazil. In 1967/68, I.T.I. exported equipment worth Rs. 52 lakhs and in 1968/69 increased it to Rs. 72 lakhs registering a 40 per cent rise in export.

The total sales turnover of I.T.I. increased from Rs. 10.8 crores in 1964-65 to Rs. 22 crores by 1968-69, recording a 200 per cent rise in four years.

Hindustan Aeronautics at its new plant at Hyderabad is responsible for the manufacture of highly sophisticated airborne equipment and components.

Though the construction of the company only commenced in August 1965, by 1968-69 it had a turnover of Rs. 2.3 crores. It is expected to steadily increase its production. HAL should



Automatic solid-state voltage stabilisers for protection of compressor motors in air-conditioners

provide the basis for the indigenous manufacture of highly sophisticated electronics equipment and components for Defence and Aviation Industries.

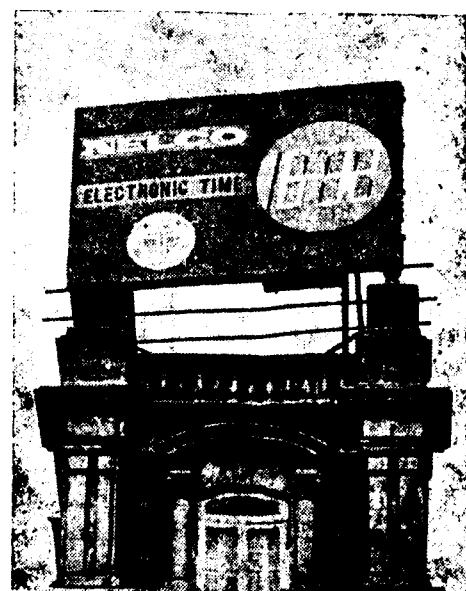
The Electronics Corporation of India (ECIL) manufactures electronics test instruments, nuclear instruments and certain selected semi-conductor and passive components of professional grade. All the items were indigenously developed without any foreign collaboration.

Computers and Data Processing Equipment

In computers and data processing, the major world market is held by a few companies like I.B.M., I.C.I., and in view of their vast resources and advanced stage of development, it is not particularly Easy to displace the foreign computers by local design. It is also doubtful whether large investment in this direction is justifiable at the present time. Foreign computer installation in India has grown steadily in the 'sixties and increased to about 120 with a total book value of about Rs. 26 crores.

The first Indian designed computer, called TIFRAC was commissioned at the Tata Institute of Fundamental Research in 1960. In mid 1968, a medium sized computer developed jointly by Indian Statistical Institute and the University of Jadhavpur was commissioned at the Institute. In January 1969, BARC commissioned the first 'real time' computer TDC-12. Designed and built by the Electronics Division of the Centre, this unit is

capable of performing 2,50,000 additions and subtractions in one second. Its 'real time' applications include monitoring and control of nuclear reactors, power plants and complex industrial processes.



India's first electronic digital neon-sign clock installed at Flora Fountain, Bombay

ECIL is expected to manufacture ten machines, per year for sale. It is estimated that the cost of the computer would be competitive with similar type of imported ones and that there will be a good market for such units both in India and abroad.

Electronic Components

Total turnover of electronics equipment and radios includes the turnover of components which form the essential part of these units. While for radios almost 99 per cent of the compo-

nents are made in India at present, a substantial percentage of specialised components that go into Defence and other professional equipment are still being imported. The component production which was of the value of Rs. 6 crores in 1964-65 has increased to Rs. 30 crores in 1968-69.

Research & Development

In 1969, India produced electronics goods worth about Rs. 140 crores as against Rs. 28 crores in 1964. India is expected to have a turnover of Rs. 300 crores per annum by 1975. If the present trend continues, the turnover is likely to be much more, especially with the introduction of Television transmission in Srinagar, Bombay, Kanpur, Poona, Calcutta and Madras and the proposed satellite television to cover the villages in India. This would imply that in addition to expansion of the existing facilities, new products with indigenous design and know-how have to develop in the country. Electronics R & D activity therefore assumes significance for the industrial development in the 'seventies.

Public sector undertakings like BEL, ITI, and ECIL, are reported to be spending about 5 to 6 per cent of their sales turnover towards R & D activity.

Government laboratories like CEERI, and NPL have been working on the development of electronics equipment and components for the last few years. While NPL has made some significant contribution in the development of materials and components like ferrite and ceramic capacitors, the contribution of CEERI has been far from expectations. Even after four years, television sets with CEERI collaboration are only coming out to the Delhi consumer in trickles. Unfortunately development of Television receiver systems in the country was somewhat slowed down owing to the general belief that only the CEERI know-how will be permitted by the

ELECTRONICS PRODUCTION

Sector of Industry	Production (in crores of rupees)				
	1964	1965	1966	1967	1968
Radio receivers and other consumer products	17.5	23.0	26.0	37.5	48.0
Radio communication equipment	3.7	4.0	5.9	9.2	11.6
Microwave systems and equipment	1.7	1.6	1.3	3.9	7.0
Radio transmitters, industrial process control instruments, railway signalling equipment and industrial heating equipment	1.1	2.2	1.9	3.6	4.8
Electronic equipment for line communication	3.4	3.2	3.3	3.4	3.9
Computing and data processing equipment, nuclear instruments and equipment, medical instruments and equipment and other industrial instruments	1.3	1.5	2.0	1.7	2.9
Test instruments	—	2.0	2.5	2.3	3.2
	28.7	37.5	42.9	61.6	81.4

Government and any development work by other establishments in the private or public sector was infructuous.

Significant R & D contribution during the 'seventies is likely to come from the enlightened section of the private sector particularly since television and industrial controls, digital technique and instrumentation has

wide application in major industries and can be successfully undertaken.

Research Work in Private Sector

Some electronics R & D work has already been initiated in the private sector. For example, for the first time in India, the R & D department of the Tata Electric Companies has brought

to the manufacturing stage, solid state variable speed drives for DC motors capable of controlling the speed from zero to full rated r.p.m. with the turn of volume control knob. These have wide applications in textile, machine tool, paper, cement and allied industries. They have also developed, precision solid stage digital clocks with illuminated display with extreme timing accuracy.

They have also designed and fabricated for the first time in India, a precision master clock control equipment capable of accurately controlling the time of 200 electric wall clocks with a daily accuracy of 0.5 parts in a million corresponding to an error of ± 1 second in 25 days.

An overall assessment of the growth of the world electronics industry indicates that it is still a booming industry and will continue to be so throughout the decade. With the increase in the annual output of radios, the introduction of television including the satellite transmission programme during 1972-76, the establishment of electronics R & D by public and private sectors and consequent generations of indigenous technical know-how the industry will grow in the sophisticated electronic field independent of foreign collaborations.

Electronics Industry in Tamil Nadu

By E. N. NARAYANASWAMY
Dy. Director of Industries and Commerce, Tamil Nadu

It would be no exaggeration to say that electronics has had a revolutionary impact on science, industry, society and also defence; and it is in the vanguard of technological progress and consequently in a state of extremely rapid development. In India, in less than a decade the progress made in this industry has been phenomenal. The industry has been able to achieve a wide diversity of production and a high level of sophistication. The aggregate production of

electronics equipment, including the sophisticated materials used for Defence, increased from Rs. 28.7 crores in 1964 to Rs. 105 cores in 1969. This has been made possible by the tremendous developments in the basic technology, innovations of newer devices and their applications and the vast improvement in the reliability of electronics components. Inspite of the substantial progress recorded, the country lags far behind the sophisticated levels of electronics technology

prevalent in developed countries like Japan and U.S.A.

Mostly Entertainment Equipments

What is true of India in this regard is also true of Tamil Nadu in a greater degree, for the State has not made much headway in this sphere. In Tamil Nadu, as is perhaps in the entire country, the first impact of electronics has been on the domestic radio receiver, which has taken roots. Till about the

INDIAN RADIO PRODUCTION IN THE ORGANISED SECTOR

	Valve Radios			Transistor Radios	
	Total production in lakhs	Qnty. in lakhs	% of the total	Qnty. in lakhs	% of the total
1964	4.22	2.52	60	1.70	40
1965	5.03	2.56	52	2.47	48
1966	6.82	2.69	40	4.13	60
1967	8.25	2.25	27	6.00	73
1968	12.61	2.32	22	10.31	78
1969 (Estimate)	17.0	2.2	13	14.8	87

Accent on Research in Electronics Technology

By R. ARAVAMUDAN
ISRO, Trivandrum

end of 1965, the electronics units in Tamil Nadu were mostly confining themselves to entertainment equipments, particularly assembly and repair of radio receivers, amplifiers and public address systems. Some units for the manufacture of electronics instruments, and components had also come up. (See Table I).

Of the 109 assemblers of radios, only ten are engaged in assembling their own models and others are repair and service units for radio receivers and other entertainment equipments. Letter of intent has been issued to one unit in the large scale sector for the manufacture of Potentiometers and Resistors.

The estimated need, during the ten years 1966-1975 of electronics equipment and the extent to which this need can be supplied by the existing industry in the country has been projected by the Bhabha Committee as given in Table II.

Although the exact share of Tamil Nadu in the above projections has not been indicated, it can be safely assumed that 10 per cent of the above could be accounted for by Tamil Nadu.

The State has yet to make a breakthrough in professional equipments, particularly Railway signalling and telecommunication equipments and V.H.F. units, although a good start has been made in respect of a few important components like volume controls, band switches, and instruments.

TABLE I

Item	Small Scale Sectors	No. of Units Other Sectors	Total
Radio Receivers	109	—	109
Instruments	3	2	5
Components	7	—	7
Professional Equipments	—	—	—
Total	119	2	121

TABLE II
DEMAND PROJECTIONS 1966-75

Items	Requirements over ten years	Extent of available supply from the existing industry
	(In Crores of Rupees)	
Radio receivers and other consumer products	450	170
Low Power Radio communication equipment	310	37
Microwave systems and associated equipment including radio and radio navigational aids	290	17
High power radio transmitters industrial heating equipment railway signaling and process control installations and other major industrial equipment	250	3
Electronic equipment for line communication systems	150	34
Computing, data processing and nuclear, medical and industrial equipment	165 35	4 —
Total	1,650	265

Industrial Estate for Electronics

The State Government have accorded a high priority for the development of the Electronics Industry. Particular emphasis has been placed on the creation of infra-structure with a view to providing a proper base for the systematic and sustained development of the industry. Mention may be made of the functional industrial estate for electronics and instruments which is coming up in the technological campus at Adyar. This functional estate will have 30 units. Facilities, which an average small industrialist cannot afford to provide and own

individually, are being planned in this Estate and these include a centralised certification, testing and product development laboratory and common service facilities. The Indian Standards Institution are being associated in the planning and running of this laboratory.

The State Government constituted a Working Group on Electronics to suggest steps for the promotion and development of electronics industries in Tamil Nadu. This group has submitted a detailed report making some recommendations, which are now under consideration of the Government. The group has laid emphasis on the development of components and auxiliaries as the bed rock for the progress of this industry.

The working group has also indicated that Medical Electronics have scope for development, besides surveying the requirement of the personnel both supervisory and the shop-floor level as also the research & development facilities required for the industry. Considerable importance has been attached by the group for the development of 'Electronic-Ceramics' in the State.

It was only during the Second World War that electronics came into existence as a practical tool. Prior to that, in the early twentieth century, electronics engineering consisted mainly of experimental wireless transmissions followed by commercial broadcasting in the early 'twenties. In the following decade electronics became a powerful tool in scientific fields like nuclear research. However, there was a sudden acceleration in the tempo of electronics development during the Second World War, based on actual needs, which led to the development of radar, electronic counter measures and so on. With this momentum electronics came to the forefront in today's technological world.

Since the 'fifties, electronics has quite revolutionised the day-to-day life of the common man. Take the communications field: complex wireless communication systems have replaced primitive line communications. Communication satellites have done away with elaborate relay links and reduced costs to a fraction of what used to be spent.

Important advances have been made in the field of microwave technology with the discovery of lasers and other optical communication systems. The development of controlled atomic energy is closely linked with that of electronics. Computers which have taken over quick and efficient control of production processes are used extensively in widely varying fields like missile guidance, efficient scheduling of railway wagons and locomotives, deployment of Defence forces, meteorological predictions and other complicated planning activities.

The Bhabha Committee

Electronics as applied to the Indian situation was considered in great de-

tail by the Bhabha Committee on Electronics which published its findings in 1966. It made an assessment of the situation then of the electronics industry and estimated the total requirements of electronics equipment and components in India to be of the order of Rs. 1,650 crores from 1965-1975. It listed the grievances of the electronics industry which was faced with many obstacles like inadequate funds (only Rs. 26 crores were invested in 1964-65), no incentive to set up research and development cells, lack of test and evaluation facilities and so on.

The Committee made two important recommendations among others to the Government of India. The first was that it was vital to accelerate the tempo of electronics production. To meet the country's growing demands it would be necessary to double the production approximately every three years. The second recommendation was to take active steps to achieve self-sufficiency to the maximum possible extent in the quickest possible time to meet the above need. Here it was emphasised that a mere copying of the West was no answer. The know-how bought or acquired from the West was bound to be a trifle obsolete and hence could only be used as a kind of jump board from which the industry could take off. Several steps were suggested by the Committee to meet the requirements including increased investment in research, development and the need to involve independent organizations like the universities and other similar laboratories in the free and uncontrolled development of the technology.

Investment on Research

In the light of the above recommendations the production of electronics equipment in 1965 was approximately

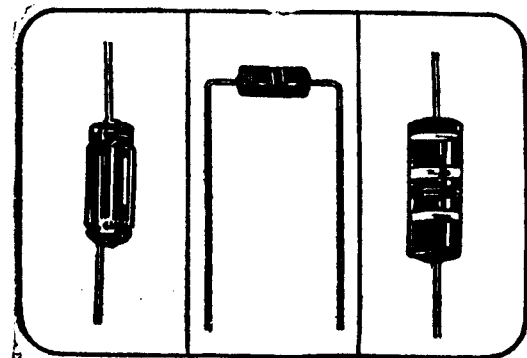
Rs. 26 crores, 1966 Rs. 38 crores, 1967 Rs. 50 crores and in 1968 about Rs. 70 crores. Thus the rate of increase of production envisaged by the Committee was more or less achieved. In the field of research and development, the Bhabha Committee expected that about Rs. 75 crores per annum should be invested by 1975. The present investment, however, on research is about Rs. 10 to Rs. 15 crores per annum and most of it has been channelised through organizations like Defence Research, the CSIR and the Atomic Energy laboratories. It is necessary that Universities and other similar institutions are brought into the fold by increased grants by the Government.

The proposed Space Research programme of the Government of India promises a considerable boost to the electronics industry. Rocketry and satellite technology are dependent to a very large extent on advanced electronic techniques like long-range communication, fast and miniaturised computation systems and high power microwave devices, to mention only a few of the requirements. The Indian Space Research Organization (ISRO) under the Department of Atomic Energy is going ahead with programmes, which would in the forthcoming decade see India launching its own satellites, carrying sophisticated communication equipment in synchronous orbit. In addition, it is also proposed to develop satellite ground terminals capable of disseminating television programmes among India's half a million villages apart from providing economic and efficient telephone services via the satellite. The most essential part of this proposal is the stress on the acquisition by the Indian engineers of technical know-how and managerial skills and the development of indigenous and need-oriented technology.

Accelerating the Growth of Electronics Industry

By P. A. BHAT

Managing Director, Asian Electronics Limited, Bombay



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It is said that 'slogans' always catch, but the infusion dies down soon if they are empty. This is true with electronics industry especially the 'components'. It started with the first slogan of 'import substitution' followed by 'Priority Industry'. The next classification was 'Key Industry'—perhaps 'Key'—meaning strict control leading to 'Core Industry'. These words are meaningful in all contexts and the thinking or classification is perfect in all respects—but implementation has become tardy, especially to export. Established industries have a continuing need to upgrade their technology and improve their efficiency. But the question is whether the Government is taking advantage of the urge for faster development by deviating from the present 'restrictive measures' adopted in licensing procedures.

Licensing Economic Units

The world over, India not excluding, electronics is the most wanted industry and most competitive line. Year after year, this is the only industry which is gradually decreasing the prices of components and finished products in spite of rising cost of raw materials. Therefore the licensing authorities have to consider licensing economic units with high capacities. Cost consideration and not ideology should be the criterion as licensing of bigger units will not result in concentration of wealth or means of production but will ensure cheaper output. The following are a few suggestions for the acceleration of the industry as a whole:

A top level co-ordinating body comprising various Government departments which at present deal with the electronics industry, has to be set up for the quick disposal of various matters regarding the industry.

Encourage Volume Production

Economy of scale especially in the component industry must have a relation to prevailing international scale and therefore existing units must first be brought up to bulk production level to make the units produce components at a very competitive price.

Professional electronics need faster development and to achieve this, it is imperative that some areas of low-power communication in HF, VHF, and UHF be thrown open for manufacture and usage by private sector as well as the public sector.

Scope of the small scale industry must be broadened, permitting them economic capacities of all items including professional equipment.

In view of the continuing sophistication in electronics, no doctrinaire approach can be taken in regard to collaboration and licensing.

Licensing for items based on Research & Development conducted within the country should have highest priority in foreign exchange allocations

for capital goods and for maintenance imports.

Industry-wise information and future planning data should be widely circulated so that the industry as well as R & D groups are given sufficient lead time to orient their own plans.

The Government must encourage small scale industries to establish co-operative units for providing various services including R & D testing, management guidance, etc.

Materials developed in the National Laboratories must be productionised without delay.

Such sectors of the computer and the TV industry as are to form an increasing portion of electronics, as can be taken up by small and medium industrial units must be quickly identified and widely published as such sectors offer tremendous opportunity and challenge for faster development.

Technological basis and manufacturing facilities for micro circuits should be actively mobilised as the next phase of the electronics industry will be based on microminiaturisation.

LARGEST SEMI-CONDUCTOR PLANT IN INDIA

Self-sufficiency in vital electronics components will be achieved to a great extent with the installation of the new plant of Hindustan Conductors (P) Ltd., at Nadiad, Gujarat.

Hindustan Conductors is associated with the dynamic Power Cables group. It will shortly go into production, manufacturing semi-conductor devices as well as integrated circuits, diodes and transistors. Most of the equipment for this project has already been received. This will be the largest semi-conductor plant in India and will cater not only to the Indian market but also to the export

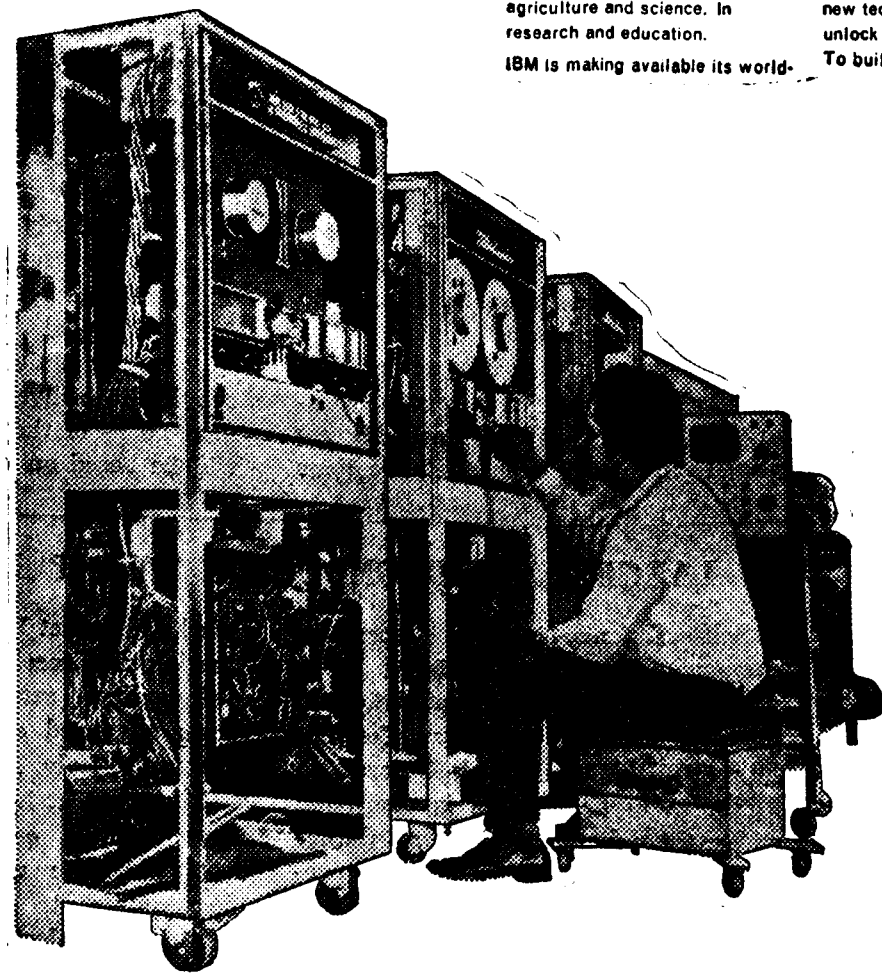
market. In fact Hindustan Conductors has already received orders for several million semi-conductor devices from advanced countries like U.S.A., Germany, Italy, Austria, and Holland.

The plant at Nadiad is of the latest type and is equipped with highly sophisticated manufacturing and testing equipment. An institute of solid state technology along with the plant has been built up. This institute will serve as a centre for the development of a large number of electronics industries by giving guidance and developing indigenous substitutes for imported equipment.

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Computer Applications in India

By K. R. SINGH

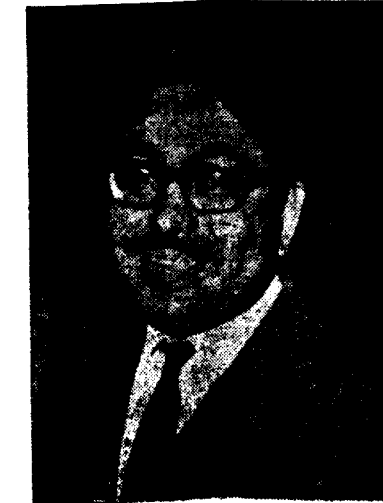
Communications Manager, IBM, India

The computer—like steel, electricity and automobiles—is today an indicator of a nation's growing economic strength. Its unique ability to optimise the use of scarce resources, speed up development projects and release locked up capital for productive investment makes it a national asset. In India, this is already beginning to be borne out by about 125 computers installed in the country today. The spectrum of their applications is becoming richer and wider every day. Indian firms have used computers to maximise production, develop new markets and boost exports. Agriculture scientists have used computers to raise food production, fight crop disease and improve the milk yield. The Government is using computers to formulate development plans, increase productivity and streamline administration. Research laboratories employ computers to help mineral exploration, process import substitutes and design low-cost houses and bridges. Indian universities are using computers to enable research scholars devote themselves fully to creative work, break fresh ground in research and help check the brain drain. Though the existing number of computers in India is much too inadequate, their utilization has been extremely high, among the highest in the world. Several computer installations work round the clock. The computer applications in India have achieved an appreciable degree of sophistication and variety. Today there are hundreds of fields in which computers are being used in India. These range from computerized inventory management to cotton blending and from production planning to project planning. A few users are well on their way to having integrated Management Information System.

Computers Control Costs

Delhi Cloth Mills use their computer

for a Linear Programming application to choose the proper blend of cotton so as to minimize the cost of cotton input for a single mix. Mr. R. P. Coelho, Computer Division Manager of Delhi Cloth Mills, said: "The application which took only a few hours on the computer enabled management to



K. R. SINGH

take decisions which had a time span of seven months and covered a wide range of operations. Without a computer this decision could not even be thought of." Glaxo Laboratories (India) prepare their production schedule on their computer. The Indian Railways use computers for effective wagon control. In TELCO, Jamshedpur, inventory management

based on their computer reduced inventory significantly. Dunlop India have installed an IBM 1401 System and are well on their way to having an integrated management information system. In Bata Shoe Company an effective cost control scheme operated with the help of their computer enabled the company to reduce costs appreciably, enhancing product acceptance in the export market. A computer to be installed soon at Bokaro Steel Plant will be used mainly for implementing PERT so as to avoid delays in completing the project and to help management have complete control over the progress of the project.

Many other installations in India use computers effectively for applications such as Materials Planning, Engineering Calculations, Forecasting, Production Planning and Control, Inventory Control, Cost Control, Capital Budgeting, etc.

Thus, all available evidence shows that computers in India are very well utilized both quantitatively and qualitatively. They compare favourably with their counterparts in Europe or in the U.S.A. in terms of applications, programming techniques and sound installation management practices. In fact, in the sphere of utilization, computers in India are much more utilized than in many developed countries.

ELECTRONIC METERS FROM BPL

British Physical Laboratories India, manufacturers of Electronic Test Instruments was set up in Palghat, Kerala with the technical collaboration of British Physical Laboratories, U.K. in 1963. The factory started production in 1964. The initial production was mainly catering to the Defence requirements and considerable foreign exchange was saved. The factory commenced production of hermetically

sealed Metres, for the first time in India, a product required to meet combined NATO specifications. The company has done fairly well in the export market and negotiations are under way to bag a \$5,00,000 order from the U.S. for the latest product, "the pocket size" Multimeter. This order is processed in the face of keen competition from many countries mainly Japan.

ELECTRONICS SUPPLEMENT

5

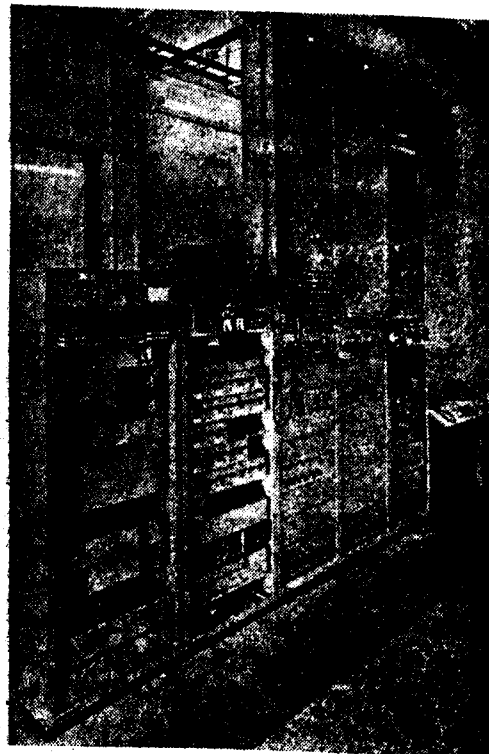
INDUSTRIAL ECONOMIST

Railways and Electronics

By S. RANGANATHAN

The Indian Railways today are keeping pace with modern technological development in all spheres of Railway transport. 2,802 route kilometres are covered by electric traction. Diesel locomotives haul both passenger and goods service in a big way.

No developing Railway can function with any degree of efficiency without a highly sophisticated and versatile telecommunication system besides an equally competent signalling system to ensure the optimum utilisation of the sectional capacity, consistent with speed, precision and safety. Both modern signalling and telecommunication utilise electronic technology in its sophistication. There was practically no electronics application in so far as signalling is concerned earlier than the 'sixties. In the last decade phenomenal progress was made in the application of signalling. Electronic track circuiting, known as Jeumont Track Circuit, has now come into vogue.



A Control Panel at the Railways

Such electronic track circuits are more dependable and can work on longer lengths of track circuits. Similarly, there are other electronics track circuits which are used at the entry to each railway station to control the arrival and departure of trains between any two stations so that it is possible to keep only one train on the section between any two stations.

The next important change would be the introduction of Electronic Centralised Traffic Control. This would enable a traffic controller to control all the signals and points at a large number of stations over distances of about hundred miles or so. With electronic C.T.C. all operations will be done automatically by the CTC Controller, before whom will be a CTC panel giving a clear indication of the condition of all the lines between the stations and the conditions of all the signals.

Electronics in Telecommunication

Phenomenal changes took place in the 'sixties when electronics in the field of communication came into being in a very big way. Very large microwave schemes were embarked upon to provide most reliable communication facilities between all the important points of the railways. For example the microwave net work of Southern Railway covers a route length of 2,000 kilometres with 26 stations. This telecommunication project provides for simultaneous telephone and teleprinter communication between zonal headquarters and all the divisional headquarters.

The microwave also provides a radio patch on the section control telephone circuits so that these circuits which connect each railway station function when line wires interconnecting stations to the control office, are interrupted.

With the advent of microwave there

has been phenomenal improvement in communication. The microwave has also helped towards the introduction of a large number of teleprinter circuits which are compressed into single speech channel. Today the position of wagons in all the yards are available at the Control Centre through this vast application of teleprinter net works and such teleprinter net work also carries the message to the Central Computer in the Rail Bhavan in New Delhi which enables the railways to move the wagons expeditiously besides providing the information in regard to all the wagons and coaches in the railway so that orders are issued from a centralised point for the efficient utilisation.

In the 'seventies such communication is bound to grow much more phenomenally because the Indian Telephone Industries have embarked upon the manufacture of microwave equipment in India itself and the Railways are planning a broad based "On Line" Computer System to work through such microwave networks.

The computer system will provide instant information regarding reservations for trains running in any part of the country at any important reservation point. Therefore, an intending passenger in Madras can straightaway book a berth from Jodhpur to Bikaner and have it confirmed at Madras together with the ticket. Another passenger from Dwaraka may book a ticket from Varanasi to Korakpur. The obsolete line wire telegraph will probably be replaced hundred per cent by teleprinter service. The inter-office correspondence between the divisions and the railway headquarters will be either on the teleprinter or on the facsimile.

There are many other fields in which electronics are being used in Railways. The most important of these applications is in the field of Bio-Engineering, in railway hospitals.

Role of Television in Industrial Growth

By PRABHIR SANDELL

As one walks through the Royal Demka Steel Works, Holland, one sees molten steel being poured into a die in a vacuum. A slight variation in the uniform charging rate of the dye can cause considerable damage to the product quality. Similarly in the German Iron Works, Hittenwerke, Siegerland, the blast furnace top bell closes automatically but the danger exists that the closing operation may be prevented by the material from the charging vat plunging into the furnace. In another rolling mill in Germany, hot strips leaving the rolling train and are placed on run offs for cooling as they leave the rolls. Here again, charging of an occupied run off need to be pre-

vented even though the same cannot be seen by the operator. The ingot heating furnace at Hadir Steel Works, Differdange, Europe, accommodates about 90 tonnes of ingot on a conveyor belt moving along two lines. If, within the furnace, any of these ingots move out of position, corrective action must immediately follow, otherwise the furnace will need to be closed involving heavy financial consequences. All such scattered instances of control problems faced in steel making and steel industry have been solved by the application of CCTV. In each case, a camera suitably placed flashes the image of the process to a distant monitor kept in the control room where-

by through visual supervision, the process conditions are restored to normalcy in case any divergence occurs.

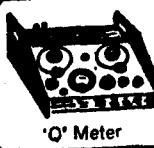
Apart from steel industry, in all major industries in the world—chemical, cement, aeronautical, fertilizers, etc., numerous examples of the use of TV can be shown working satisfactorily in conformity with the principles formulated above.

Conveyor Belt Supervision

An important specific application is the supervision of conveyor belt operation in the fertilizer and cement industry. For instance, in the Chemical Works, Wesseling, Germany, materials are poured 24 hours a day via hoppers and conveyor belts into drying installations. Due to high moisture content, there is a risk that the hoppers will be



R.F. Oscillator



Q Meter



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ELECTRONIC INSTRUMENTS

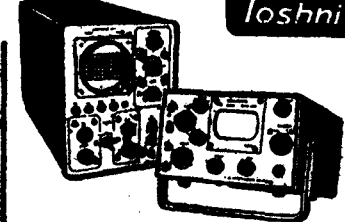
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ELECTRONICS SUPPLEMENT

INDUSTRIAL ECONOMIST

clogged interrupting the production process. To avoid this eventually, regular cleaning of the hoppers have thus become essential. Installation of TV cameras, continuously surveying the condition of the hoppers, permits the supervisor at the control room to take appropriate decisions in this respect without loss of time and production.

Industrial security is an important aspect in India. Unrest, stoppage of work, innumerable difficult situations, etc., cause considerable headache to the already over taxed security management in various places. The conventional answer to the problem, i.e., continuous addition to the number of chowkidars can never be a lasting solution. TV provides a very effective solution.

For instance, as one drives into Oslo, Norway, the huge Sjursoya Oil docks are seen to house millions of gallons of petrol belonging to the six of the

world's oil giants. Such installations must be guarded night and day and the problem is still more accentuated by the existence of a long stretch of water front. All this stretch is guarded continuously throughout night and day by two TV cameras for detection of any inadvertent smoke or fire or suspicious intruders. Elsewhere another TV installation keeps watch for spotting intruders in the world's second largest industrial gas field in north-eastern Holland. Addition of a video-recorder to the security TV system permits immediate record of all untoward situations and circumstances as well as of miscreants for future record and action.

There are cases where hazardous industrial operations have to be carried out and yet kept under continuous human supervision. Such need arises quite often in the workshops of Atomic Energy establishments and in ato-

mic industries. Since a TV camera can act as an extended human eye, even in case of high radiation atmospheres, it affords immediate solution to such supervision problems.

Colour TV Equipment for Cosmetic Industry

Where an assessment has to be made at various points in the development stage of the efficacy of a particular cosmetic by actual application, Colour TV is a definite possibility since it helps evaluation and subsequent decision making to be done with proper speed and effectiveness.

In India application of CCTV in industry has just begun. In the factories of Bengal Paper Mills, Asansol, the Reactor at Bhabha Atomic Research Centre, Trombay, etc., the story is beginning to unfold, pointing the way to countless other prospective applications in the future.

Wide Range of Electronics Instruments from ECIL

Established in April 1967 as a commercial venture under the Department of Atomic Energy, Electronics Corporation of India Ltd. is today a group of 7 divisions with over 1,400 employees dedicated to a single objective—the advancement of indigenous technology.

During the last three years of its existence, the Corporation has earned a good reputation as a supplier of high precision electronic nuclear and test instruments. The instruments produced cover complete range of transistorised modular systems for nuclear work and other allied instruments in medicine, agricultural and industrial fields. It has stabilised its processes and production of active, passive and servo components. With this broad base the Corporation is now well poised to launch into several allied fields.

The Microwave Division of ECIL has taken up the production of microwave components and test instruments which have been designed and developed at the Tata Institute of Funda-

mental Research. The Corporation is in a position to take up contracts for the supply of special equipment required for satellite communication earth stations similar to that set up at Arvi near Poona. The Power Reactor Instrumentation Division has already made considerable headway in the field of control instrumentation. EC have thus placed at the disposal of the designers of electronics equipment from radio to radar, from television to computers, all the advantages of proven indigenous technology.

Precision and reliability are the hall-marks of all EC's components, instruments and systems. The Corporation has a well equipped Reliability and Environmental Laboratory where tests are carried out in accordance with the rigid MIL and DEF specifications. In addition, each production division has a well equipped quality control department to ensure high standards of quality at every stage of manufacture.

The Corporation has always recog-

nised that a considerable amount of investment in Research & Development is vital for any company determined to maintain its leadership in a world of ever changing technology and possesses well-equipped research and development facilities. In addition, indigenous substitution and systems design capabilities have been created which ultimately will save the country a considerable amount of foreign exchange.

Exports of some of EC's nuclear-electronics instruments have already been made to other countries through the International Atomic Energy Agency, Vienna, and the repeat orders which are being received are an expression of the users' confidence in the comparable quality and competitive price of EC's products. The Corporation is making intense efforts for the export of its industrial and test instruments such as Oscilloscopes, Pulse Generators, Ultrasonic Flaw Detectors, etc. EC feels confident of meeting the existing challenge of contributing to India's exports.

INDUSTRIAL ECONOMIST

Hopes and Realities in University Education

There is nothing more tragic than the manner in which university education in this country is thrown to the wolves of political vested interest. The phenomenon has had particularly ghastly overtones when, as a result of external interference and therefore of internal indifference, standards have been steadily going down reaching well nigh the rock bottom. It is welcome in these circumstances that a Mysore seminar attended by 25 eminent educationists including several vice-chancellors and representatives of inter-university board has offered its assessment of the appropriate remedies to an endemic academic malady. It should be made clear at the outset that the suggestions made were not intended to be earth shaking especially because in the existing situation, immediate palliatives capable of easy application would seem to be in the keenest need.

Dog Chasing its Tail

The major problem confronting the academic world is the vast increase in the number of students seeking enrolment at all levels of education. The syllabuses could not stretch beyond a certain competence and because of their basically elementary character, any watering down under pressure of the massiveness of contemporary class room population had made degrees of little consequence from the standpoint of intellectual efficiency. The deterioration in standards of teaching is thus in the nature of a vicious spiral, though cynics will describe the whole process as being not less dissimilar to the dog chasing its tail.

The Mysore seminar was aware of the problem but the surprise is that the solution it offered is quite impractical. It is no doubt true that neither can education be denied to the seekers nor can colleges be constructed in sufficient numbers and in all the

desired locations. It is equally true that the lay mind cannot accept the argument that the nature of college education is such that it cannot be open to every one, irrespective of aptitudes. But if, as the Mysore seminar advises, correspondence courses are to be started more liberally and insistence on class attendance for appearing for examinations is discontinued there would be only greater chaos. Unlike his counterpart in the West, the Indian student will be unequal to the task and will require constant guidance and assistance. The class room with its emphasis on compulsory attendance and customary teaching has been designed for this purpose. In its absence, the young are prone to waste their time in idleness, which, on occasions can erupt into fiery participation in contemporary political tussles among politicians belonging to diverse party camps.

Political Interference

Indeed the interference of politicians in academic matters has been the greatest bane of Indian universities to remedy which the Mysore seminar has offered certain suggestions. The seminar has felt that though universities are accountable to the community, the Government and the legislature, representation of lay elements on university bodies needed modification. The senate, it was recommended, should continue in its present form but with a considerably reduced size. Representatives of the legislature should not be on it and the lay element should be appointed by the Chancellor on the recommendation of the Vice-Chancellor. The seminar discountenanced the inclusion of Government nominees on the Syndicate, while in academic levels it was desired that all age-levels should be represented. Even the Chancellor who was the Governor of the State,

should, according to the participants at the Mysore seminar, function independently of his political office. It may be recalled that the induction of Government nominees in academic bodies arose under the exigencies of foreign rule when the foreign ruler wished to have an eye on the university to ensure against sedition germinating within the safeguards and insulation provided by Western sanction to university autonomy. But the linguistic fanaticism of recent times has perverted such well meant control into a weapon of politicising universities. But the disturbing thing is that the antidotes to this suggested at the seminar are not workable at all. While the appointment of the Chancellor is in the nature of a recognition of the over-riding power of his political side namely his Governorship, the appointment of vice-chancellors is also influenced by politics. To exclude political influence whether of the Governor or the legislature will require a sublime act of self-abnegation on the part of politicians which will always be an unrealised dream.

The recommendations made by the Mysore seminar relating to the toning up of academic standards and the encouragement of student participation in university courses are timely. Particularly the recommendation for reorganising university departments deserves special notice. These are: first, the creation of professorship for each specialised department of study; secondly, the call for a statutory provision for full participation by all members of a department in framing its budget, timetables and courses of instruction; thirdly, the allocation of research grants each year against the name of each individual teacher; fourthly, the proposal that the headship of departments should go by rotation; fifthly, the creation of arbitration councils for settling disputes between teachers and managements; and finally, the stress

on in-service training for university administrators besides courses in new management techniques.

Reorientation of Syllabuses

While most of the other reforms can wait, the above cannot. Likewise despite all the limitations under which universities function at present, there

is no gainsaying the fact that some reorientation of syllabuses and courses of study should still be possible. This is not to overlook the changes made or in the making in various universities. It is necessary in all cases to involve the student in the courses offered to him. This can be best achieved, by organising workshop-cum-training centres in universities.

Teachers should spend varying periods of time at such workshops and necessary grants should be released for this work. Above all, to the extent advanced knowledge requires a window on the West to keep up-to-date, there should be facilities for enabling students to learn an international language, viz. English. But will politicians concede this need?

I BELIEVE:

Attuning the Youth to Social Decencies

I believe that it is time that youth is attuned to social decencies by the elders undertaking to convince them of the need for it. It is reported that at the recent convocation of the Utkal University in Bhubaneswar, some of the new graduates forgot themselves in lodging their protest against certain formalities. It is nobody's case that formalities are always quite wholesome, more so when they have been imported from abroad. That cannot, however, be an excuse for spoiling the solemnity of an august occasion. It is unfortunate that one of the new graduates should have walked up to the dais to receive the degree only to tear it to pieces as being useless. It is unpardonable that certain heads of institutions, while presenting formally their candidates for conferment of diplomas, should have succumbed to playing to the gallery by doing the introduction, in Oriya and one of them in Bengali. The issues involved are so mixed up with emotion that they require to be eliminated for study under the controlled laboratory condition of cold logic and objective analysis.

Symbols of Academic Competence

First, taking the formal dress—the

black gown—to which great exception had been taken, it is a pity that none had told the students it was not an end in itself but a symbol of a particular end and that like all symbols it is a poor reflex of what it sought to convey. The receipt of a diploma marks the completion of a part of the academic career and the degree is a certificate of knowledge which has formed part of the intellectual personality of the recipient. By custom and convention, black gown has been the symbol of academic competence and even in the Indian situation it helps mark off the select from the crowd outside and the recipients themselves from their normal personality. Those who will regard this as moonshine or moon-calf simplicity masquerading under serenity will do better to recognise that those who would put on their Sunday best to create an impression of status and affluence which they may not actually possess have no cause to feel shy of wearing the dress to which they are entitled. Indeed the irony of life has always been that one likes too wear crimson silk always—crimson silk representing the inclination to be other than one is actually, but when it is a question of donning what is proper and is unlikely to be misconstrued, there is a ten-

dency to resort to a rhetorical exercise of all formality as the dead wood of a of a past that clings on to the present like Sinbad's old man of the sea.

Whipping Wrong Types of Emotions

What is disconcerting is that the young men of the present have failed to note the difference between protest and indiscipline. It is of course true that all protest involves an element of indiscipline, but the tearing off of a diploma to pieces is an example of indiscipline that is devoid of the saving grace of dignity and therefore borders on mere vandalism. In any case the insult to the degree is not an insult as it had been intended to the august assembly on the dais but to the candidates themselves who have acquiesced in an apparent demonstration that their past academic career involving all the recorded exertions were not worth a scrap of paper, even if the diploma can be denigrated to that level. Perhaps the blame does not rest with the students but with the elders themselves who have whipped up the wrong type of emotions in youth at the most impressionable stage in their lives. The callousness of human history has always been such as to point to the unpalatable truth that such misguided counsel boomerangs not against its authors but on those who had been gulled by it.

Consumer Risks in Affluence and Poverty

Affluence in Japan and the United States seems to have created a host of problems, the chief of which is the affliction of the consumer by substandard goods. The Japanese news paper, *The Daily Yomiuri* has published recently an address on this theme by Mr. Ralph Nader, the lone but successful crusader against substandard goods in the United States. While conditions in India may not exactly be comparable, there is no denying the relevance of some of the safeguards which deserve to be erected as part of an advance strategy. Apart from this, there is the inescapable conviction that many of the ills afflicting rich economics are either emerging already in India in a muted form or are likely to emerge unless consumers and producers alike are quick to erect the necessary protective defences.

The gigantic dimension of consumer protection problems in the U.S. is reflected in the manner in which industrialisation has led to destruction of natural resources and violence to the health and safety of human beings. In so far as the exchange of goods across the seas has become easier, thanks to the transport revolution associated with fast moving ships and jet aircraft, trade practices in one part of the world affect people living in every other part. Nader reports how certain popular brands of tuna which American supermarkets vended contained dangerous levels of mercury, a substance that harmed human brain cells and how almost at the same time, drugs manufactured and sold in Japan were found to be either harmful or ineffective. This is in essence the substance of the mutuality of the consumer protection activity for the people of all countries.

Hazardous Drugs...

Ominous are the consequences of harmful goods. Chloramphenicol, popularly known as chloromycetin, the best

selling anti-biotic has been subject to extensive congressional hearings and discussion in medical journals. Evidence that the drug causes harmful side-effects and death to some users has led the U.S. administration to require of manufacturers that advertisements contain clear warnings. But the point is that these warnings remain within U.S. boundaries, though the drug travels all over the world—over a third of Parke, Davis' sales of Chloramphenicol (\$30,000,000 out of \$75,000,000 sales in 1966) are in foreign markets. American probes indicate that "the drug is a powerful antimetabolite, which means a cell poison or a material which interferes with the growth of proteins, cells and it apparently has a particular effect on the bone marrow which is the chief factor ... of blood cell production." Developing countries which are at present exposed to publicity of this drug had better ensure that their medical personnel are seized of these hazards while prescribing it as a curative.

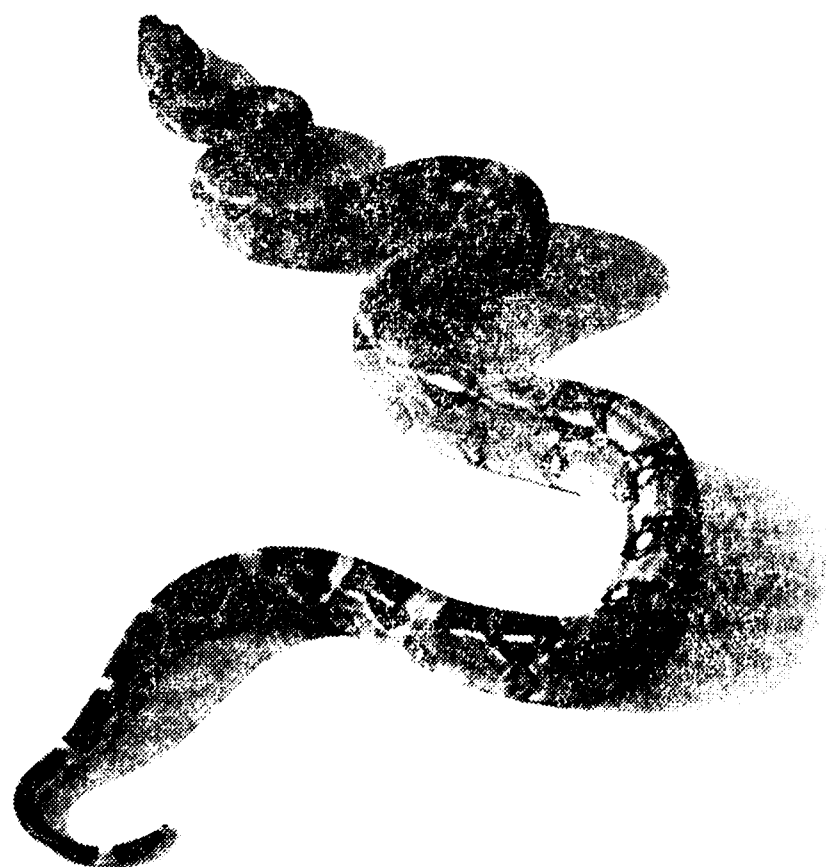
Another major consumer terror is the speedway. Those in India who have been complaining against peak rush had better read the following description provided by Mr. Nader: The waste of consumer dollars related to automobile injuries and fatalities in U.S. amounts to around \$20,000 million a year when all direct and indirect quantifiable costs of the auto-accident injury are computed. Despite tremendous costs to the public in lives and money, the consumer has little choice but to support a highway system of enormous proportions to serve the automobile industry and its allied highway construction and petroleum interests and to rest the economy heavily on them. And it is disturbing that the problems posed by auto-deaths and a mushrooming complex of highways and roads supporting the private interests they serve are as yet met with only minimal funds for planning

solutions and alternatives. And Japan is following the tragic pattern.

Worse still, auto manufacturers now only are in the U.S. applying safety features that were well known to automotive engineers 35 years ago. (The position in India can be worse). Only now such innovations as seat belts, head supports, collapsible steering columns, dual breaking systems and padded dash boards, which had been known quite long ago, are slowly being introduced after thousands of people had been killed or maimed needlessly. The main reason for the indifference of the U.S. auto-companies to these devices is that the industry is finding it always easier "to sell visible style than engineering substance" indeed under this circumstance, the manufacturers have no incentive. And as long as ethics does not become a necessity or a statutory obligation and so long as inferior, unethical goods do not fail to earn profit, the industry has no inducement to be ethical.

Respect for Ethics

The factor that can force respect for ethics is consumer organisation and consumer resistance. This is very feeble in India. Bright yellow turmeric in the Indian bazaar may contain poisonous lead chromite. Colouring additives to a host of food items may have noxious chemical ingredients. But unless they are discovered by the checking inspectorate, they have a high time in markets. So far as roadways and automobiles are concerned, the Indian response is one of lethargy nurtured in the complacent belief that traffic is not crowded enough and vehicles not numerous enough. What is missed in all this is the realisation that while other countries had no time to plan against consumer maladies, we have plenty of it and it will be the height of folly to waste it ineffectually and invite the inevitable disaster later.



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GAP BETWEEN RESEARCH AND COMMERCIAL APPLICATION IN LEATHER INDUSTRY

The International Leather Fair, the fashion-parade and the get-to-gether of those engaged in the leather industry organised every year under the auspices of the Central Leather Research Institute forcefully focus attention on the problems still remaining to be successfully solved for rising the unit value of exports of hides and skins.

Considerable progress has no doubt been made in leather technology and the CLRI is acknowledged to be one of the most efficient institutions of its kind in the world. Yet it has been complained that there is a big gap between research and its commercial application and as the Director of the Institute Dr. Y. Nayudamma has pointed out, even though the country is self-sufficient in leather technology, it is lacking in the manufacture of required chemicals. The President of the Indian Leather Fair Society Mr. A. Nagappan has also observed that the quantum of exports of leather is actually less as compared to a decade back and that the scheme for modernisation and reorganisation of the methods of manufacture by the big and small units involving an expenditure of Rs. 25 crores is yet to be implemented. The Government should surely find this amount and some special organisation should be formed for ensuring that the benefits of research reach the small tanners and finishers and there were service institutes which helped the small producers to get better value out of their work.

The foreign exchange earnings now being realised out of exports of hides and skins, finished leathers, leather goods and foot wear are around Rs. 95 crores annually but the contribution of leather, leather goods and footwear is only Rs. 11.05 crores in 1969-70, leather accounting for Rs. 2.25 crores, leather goods for Rs. 7 crores and footwear for Rs. 1.70 crores. In all the fanfare about the heavy purchases made by the Soviet Union and other countries the value realised out of finished goods is still only a small fraction of total exports. It should not however be concluded that no impressive progress has been made within the country in regard to the finishing of leathers or the manufacture of footwear. Indeed, there has been a virtual boom in the footwear industry and the demand for footwear of different kinds is so great that the large-sized units are working overtime and it has also been necessary to economise in the use of leather or even manufacture chaprals out of PVC because of the high cost of hides and skins.

Subsidising Air Freight

The main difficulty in regard to export of finished goods lies in the fact that consumers in the developed countries are extremely sophisticated and with fast changes in fashion, it has not been possible to keep abreast of the latest developments. The lack of attractive profit margins has also been

a deterrent and as Mr. Nagappan has pointed out it may be necessary to subsidise the air freight incurred on exports.

Need for a Foot Wear Plant in Tamil Nadu

Notwithstanding these handicaps the industry can develop export units besides catering to the increasing needs of the home market. With changing conditions and a greater awareness of the new problem, the industry can grow greatly in stature in the coming years. This is perhaps among the few major industries that have vast scope for development and it should not be difficult to raise exports to Rs. 160 crores by the end of the current plan period and to Rs. 400 crores in the next one and a half decade. In view of the immense possibilities for development, there should be no hesitation to provide necessary institutional finance for building up exports or even creating new facilities for meeting the needs of the Indian consumers. It is somewhat surprising that in Tamil Nadu which is accounting for a very large proportion of the export trade in hides and skins, no big unit for manufacturing footwear has been established; while the scope in this regard should be explored, it should be the objective to raise the unit value of exports within the shortest period possible by shipping more of finished leather and less of raw or semi-finished hides and skins.

INDUSTRIAL ECONOMIST

25

Raw and Tanned Leather Exports from India

By A. NAGAPPAN

Chairman, Leather Export Promotion Council, Madras

India is a major exporter of leather. According to figures compiled in 1966 Indian exports of the item "Leather" which falls under Standard International Trade Classification No. 611, amounted to US. \$ 82.7 million. This constituted a 16.2% share in the world exports of the item. These figures are an indication of the position of Indian exports of leather in the world trade.

The above figures do not include the exports of raw hides and skins, but relate only to the semi-tanned and fully tanned leathers. The bulk of Indian exports are in the East India tanned condition and wet blue chrome tanned condition.

Ban on Export of Raw Hides

India has been exporting raw hides and skins for a long time. However, there has been an awareness that the available raw material should be exported in as much processed form as possible. This has resulted in a trend to progressively diminish the export of raw hides and skins. Today, the export of raw hides is entirely banned. The export of raw sheep skins is also banned. The export of raw goat skins has been brought under control since 1959 and a progressively diminishing quota system has been introduced. At present an exporter can export annually only 15% of his best year's exports falling within the period 1954-58. The result has been that in the last ten years or so, the volume and value of export of Indian raw goat skins has fallen sharply. It may be safely estimated that after the next two or three years, the export of any type of raw skins from India will completely stop.

E I Tannage — A Work of Art

The E.I. tanning process is unique and is peculiar to the South India tan-

nage. This is a contact process and has been indigenously developed very long back. Its origins are obscure, but it is popularly believed that a Frenchman from Pondicherry had experimented with the idea and introduced the process. In any case, the process is in existence for at least 200 years. Somewhere in the 19th century "Myrobing" was introduced by D'Souza. This was a great leap forward, as myobing gave colour to the final tannage and also prevented the quick oxidation or reddening of the 'Avaram' tanned leathers. With the introduction of the myobing operations, the E.I. tannage became a work of fine art and it flourished. E.I. tanned leathers were mostly exported to U.K., which in those days dominated the Indian export trade. E.I. tanned leather is justifiably famous all over the world.

It is a product based on ancient craft and skill and distinctively represents the Indian genius in this direction. The tannage is peculiar to India and cannot be duplicated elsewhere. E.I. tannage gives to the hide and skin much tensile strength and ensures its preservation for a long time. There is also much expertise involved on the question of selection for export packaging. The entire process has been designed to make E.I. Leathers of specific qualities to meet specific particular requirements for desired end needs. With this object in view, much expertise is available with the Indian tanners to sort the skins based on grades and selections.

The phenomenal growth in the exports of wet blue leather is underlined by the fact that the present annual export value is about Rs. 272 million com-

The Tanners' Get-together

The Central Leather Research Institute, Madras, has been continuously endeavouring not only to put the Indian leather industry into the laps of modern technology but also to extend its willing help and expertise to sister developing countries under the auspices of international organs like the UNIDO, FAO, ILO, APO and a host of others.

The CLRI has evolved a healthy tradition by establishing a powerful venue through its annual get-togethers, for the different sectors of the leather world, viz., the scientists, the technologists, the industrialists and the policy makers at the various governmental levels, to come together, discuss the pressing current live problems facing them and establish the required rapport and implement the solutions through the evolution of meaningful and effective policies and

pursue vigorously the chalked out plan of action for achieving the objectives.

This programme of action over the years has yielded excellent results in putting the industry on to higher peaks of the national economy and achievement.

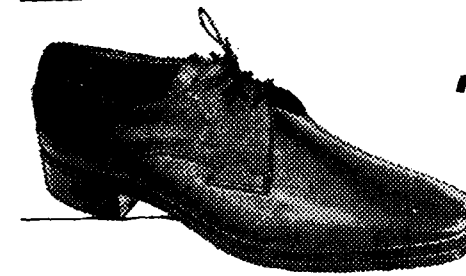
This year's Tanners' Get-Together is to discuss the various aspects of "Technological and developmental aspects of the Leather Industry" in three main sessions. The 500 odd delegates will discuss in 4 sessions "Finished leathers for internal and external markets", "Properties of leathers, specific end uses and standardisation", "Research in the '70s" besides a Brain storming session "The Views Forum". In all about 30 papers have been submitted to form the basis for these discussions.

pared to practically nothing in 1960. Originally, only goat skins were exported in the wet blue condition. However, the trend is now for sheep skins and also even for hides and calf skins to be processed and exported in the wet blue condition. This is the fastest growing sector in the Indian leather export trade. The exports are mainly directed to the East European countries. However, the offtake of the Western European countries of wet blue leather is also increasing.

Export of Reptile Skins

India has been exporting snake skins for a long time. In the last financial year, the export of all kinds of reptile skins from India amounted to about Rs. 21 million, which consisted of Rs. 11 million of snake skins and the balance from lizard skins, etc. The most commonly exported varieties of snake skins are cobra, whips and water snakes. These are generally exported in the raw, semi-tanned or finalised forms. The predominant volume of export is in the semi-tanned condition. The export of python skins from India is banned. Considerable quantities of lizard skins are also exported.

There have been two significant trends in the exports of E.I. leathers in the last two or three years. Till a few years back most of the Indian exports have been made only to the United Kingdom. U.K. was absorbing a portion of the Indian exports and used to divert the rest to other parts of Western Europe. However, the pattern now is for the Indian leathers to flow directly to the consuming countries. In other words, our trade with U.K. of hides and skins has declined sharply in the last 15 years or so. But this decline has been more than made up by our direct exports to the E.C.M. countries. There has been much expansion of trade with West Germany, France, Italy, Belgium, Netherlands, etc. Not only this, many new markets have also been found in other countries. For instance, the Japanese market was not



men with the go

Flex



women for the show

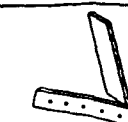
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EXPORTS OF HIDES & SKINS AND LEATHER

	1960-61	1965-66	1966-67	1967-68	1968-69	1969-70
Rupees in Crores						
Hides and Skins (Raw)	9.46	9.55	15.39	7.39	5.04	8.31
Leather & Leather Manufactures	24.97	28.45	57.49	53.45	72.67	81.54
Imports						
Hides & Skins (Raw)	2.47	2.36	1.68	1.29	1.71	1.68

EXPORT OF LEATHER & LEATHER PRODUCTS

	Rupees in Lakhs		
	68-69	69-70	%Increase
1. Raw Hides	9.95	11.00	+ 10.0
2. Raw Goat & Kid Papra Sheep & Lamb & Reptile Skins	467.00	668.00	+ 43.0
3. Fur skins Raw	8.02	9.75	+ 21.6
4. E.I. Vegetable Tanned Hides & Skins	4,953.00	4,968.00	+ 0.3
5. Pickled Goat Skins	47.02	1,470.00	+214.8
6. Tanned Reptile Skins	275.00	140.00	- 49.1
7. Chrome tanned Hides & Skins	1,812.00	2,720.00	+ 50.0
8. Finished Leather	161.3	223.00	+ 37.6
9. Fur Skins tanned	5.00	23.00	+346.00
10. Leather footwear & components	741.00	746.00	+ 0.7
11. Industrial Leather Mfrs. & Leather goods	71.00	125.00	+ 76.0
	8,550.00	9,780.00	+ 14.4

taking any appreciable quantity of Indian tanned hides and skins in 1950 and the Japanese were also unaware of the quality of Indian hides and skins at that time. However, at present the Japanese market takes about Rs. 30 million worth of E.I. tanned skins, mainly of sheep. We hope to expand our trade with Japan, which is at present showing greater interest in other types like goat skins, etc. Again, the U.S. market has been built up by us in the last seven or eight years and is a fast expanding one for us. They are inte-

rested also in our finished leathers and we hope to do increasing business with the U.S.

The other significant point is that the Indian exports till 15 years back were mostly on "consignment account" basis to U.K. The leathers were despatched from India and were auctioned in U.K. At the time of despatch, about 70% to 80% of the estimated values were drawn and the balance was finally cleared only after the final sales of the goods. This system was mainly evolved by the British importers, who were the main dealers in Indian leathers. This pattern has completely changed today, mainly because India is directly exporting to the consuming countries. The sales now are usually on a firm contract basis. This has naturally had a healthy impact on the trade.

It is expected that the export of semi-tanned leathers from India will continue for a very long time. The level will also not decrease very substantially in the near future. The growth of the industry will lead to greater exports of Indian semi-tanned leathers mainly in the form of E.I. vegetable tanned and wet blue chrome tanned leathers.

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BUSINESS BRIEFS:

New Investments in Industry Remain Low

While political uncertainties continue to dominate the scene the economic outlook has remained fairly hopeful particularly so far as the industrial corporate sector is concerned. A major segment of industry has reported improved working during 1970 and looks forward to still better times ahead. A number of units have been encouraged to draw up expansion schemes where existing capacity is proving to be inadequate to meet the surging demand while many others are planning to diversify their lines of production with a view to reducing their dependence on existing lines. New ventures however have not been many as under the changed industrial licensing policy, established units are wary of putting up entirely new schemes for fear of these being turned down while a class of small entrepreneurs is yet to emerge in strength which will take advantage of the new licensing policy as well as various other incentives. It has been however, officially stated that the investment climate showed a distinct improvement in 1970 and that all the indicators of investment recorded a sharp rise thus holding out a promise of larger fresh investments in the coming months. There was a 50 per cent increase in the number of applications for industrial licences to about 2,000 even in the first nine months of 1970 over the whole of 1969. This was double the figure for 1968. While this may be heartening and indicates that private capital is not after all on strike as made out by some spokesmen of Government, there was only a modest increase in the number of licences and letters of intent to 600 last year from 552 in 1969, 380 in 1968 and 570 in 1967. In the absence of more details, it must be presumed that the new applications must be for medium and large-sized ventures since the liberalised policy does not require licence for schemes costing less than Rs. 25 lakhs.

But what must cause concern is the dilatory attitude of Government in clearing applications from large industrial houses as it is these that set the pace of new investments. The Chairman of Associated Cement Companies Limited, Mr. N. A. Palkhivala, while refuting the charge that capital is on strike and large business houses are not willing to cooperate with Government in developing the national economy, has quoted Government figures given to Parliament in November last to show that it was the

Government which has been unhelpful. Out of 444 applications for licences received from large industrial houses between January and September 1970, only three licences were granted and letters of intent were issued in three other cases, 50 applications were rejected and the remaining 388 applications were "under consideration". The licensing delays are proving to be costly to the economy. While the recent observation of the Foreign Trade Minister that the Government's industrial policy would be project-oriented and would steer clear of unnecessary conflicts between small and big industrial houses and between monopoly and dominance and economies of scale should be welcomed, it is yet to be seen how this new policy would be given effect. There is also the problem of finding the required resources for large schemes. Though there is public response to new capital issues by companies which are promoted under influential auspices and where the product commands a lucrative market, there is genuine concern over the attitude of statutory financial institutions while arranging long-term loans. All these are factors which cannot but demoralise the promoters and the foreign collaborators who are otherwise eager to enter into fruitful partnerships to tap the vast Indian market.

Carborundum Universal

The excellent results of Carborundum Universal Limited during 1969-70 were partly due to the large backlog of orders from the previous year arising from a prolonged lock-out at the Tiruvottiyur plant. There was also better use of capacity while the expanded capacity of the bonded plant was available from December 1969. The super refractories and grains divisions made a satisfactory contribution to the results for the first time. With larger sales of bonded abrasives, the total turnover jumped to Rs. 6.27 crores from Rs. 3.64 crores in 1968-69, with a sharp rise in earnings also. In the current year, however, it may be difficult to maintain output at a high level due to depleted raw material stocks. The chairman of the company, Dr. A. Ramaswami Mudaliar has stated that the performance in the first three months has been below expectations mainly because of difficulties over imported raw materials. As the company has met its export obligation, there will be an improvement in getting imported sup-

plies of silicon carbide of which however, there is a worldwide shortage. The supply position of graphite electrodes from indigenous sources is also not satisfactory. There has been some delay in receiving balancing equipment for expansion of capacity of the aluminium oxide grains plant at Edapally in Kerala. It is now expected that increased output will be available from this unit from April this year. Efforts are also being made to secure high quality bauxite in Gujarat for calcining purposes. In order to meet the increasing demand and bring down costs, further expansion has been considered necessary and an application for licence has been made to Government. This will have to be cleared by the Monopolies Commission as the company has been classified both as an interconnected and dominant undertaking.

Ashok Leyland

Sales of 5,103 Comet vehicles in 1969-70 constituted a record in the history of Ashok Leyland Limited and the company hopes to increase production further in the current year. The Chairman of the company Dr. A. Ramaswami Mudaliar has stated that there has been a steady progress in the indigenous content of the heavy-duty vehicles. The industrial and marine engines are in keen demand. It is stated that there has been some improvement in the supply of steel items in the current year as a result of liberalised imports though prices are very much higher. The expansion scheme to raise the capacity to 7,000 Comets a year by 1973-74 is awaiting Government sanction. Increased output of vehicles will naturally require larger supplies by the ancillary units but expansion plans of many ancillary units are also awaiting Government approval. The capacity for cast iron castings at Ennore Foundries is also planned to be expanded subject to Government sanction. Ashok Leyland has also been highly successful in increasing its export sales which jumped in 1969-70 to Rs. 1.67 crores from only Rs. 57.33 lakhs in 1968-69. Apart from the present markets of Ceylon and Singapore, an intensive export drive is being made in the Far East, East Africa and East Europe, with the help of the British parent company.

Indian Explosives

Indian Explosives Limited has assured the Government of its full co-operation in overcoming the current and anticipated shortage of explosives. The Chairman of the company, Mr. A. W. Hamer, has stressed the need for increasing the indigenous capacity in a short time. There has been acute shortage of different kinds of explosives in the past 12 months and as the scope for raising

production any further within the country is limited, it has been necessary to resort to imports spending sizable sums in foreign exchange. Arrangements are reported to have been made to import explosives worth about Rs. one crore and further orders are being considered for double this quantity. No doubt a new unit has been proposed in the public sector to manufacture explosives but this will take 3 to 4 years to go into production. As such, it is felt that the existing units should be allowed to expand their capacity substantially. Mr. Hamer said Indian Explosives was in a position to raise its capacity appreciably with minimum foreign exchange expenditure as most of the equipment required could be secured from indigenous sources.

Parrys Confectionery Pays More

Parrys Confectionery Limited has acquitted itself creditably during the year ended September 30, 1970. With cheap sugar available in plenty, it was perhaps possible to increase the turnover considerably, even after the cut in selling prices. The net profit, after depreciation and before taxation, has jumped to Rs. 22.40 lakhs from Rs. 2.40 lakhs in 1968-69. The directors have raised the dividend on equity capital to 18 per cent, taxable, from 15 per cent, taxable, previously. A final payment of 11½ per cent, taxable is to be made while the interim dividend of 6½ per cent, taxable, has already been paid. The net provision for taxation is Rs. 15.65 lakhs (Rs. 20,000). The transfer to development rebate reserve is Rs. 6,000 (Rs. 12,300) and to general reserve Rs. 1.66 lakhs (nil). The total dividend amount is Rs. 5.04 lakhs (Rs. 4.20 lakhs). In the previous year, there was a transfer of Rs. 2.26 lakhs from general reserve.

Garware Nylon

Garware Nylons Limited has come on the market to raise Rs. 1.06 crores in equity capital to finance its expansion scheme. After the expansion by middle of 1972 the turnover can rise to Rs. 15 crores from the expected level of Rs. 5 crores this year. It has been indicated that the new shares will rank for dividend from April 1, 1972. Arrangements have been made to import equipment from West Germany and technical experts of the foreign machinery suppliers will supervise the erection of machinery besides fulfilling the performance guarantees. In 1969-70, on a sales turnover of Rs. 4.44 crores, there was a net profit, before depreciation and taxation, of Rs. 154.75 lakhs. Sales in 1970-71 are estimated at Rs. 5 crores and earnings at Rs. 1.90 crores. The public issue is expected to be substantially oversubscribed. There is an unofficial premium on the company's shares of Rs. 18.

India Forge

India Forge and Drop Stampings Limited has been faring well in the current year so far and it has been indicated by the Chairman, Mr. S. Narayanaswamy, that the output for the whole year can be raised to 4,000 tonnes from 2,850 tonnes in 1969-70 if there is no shortage of raw materials. There was an overrun of Rs. 12.50 lakhs in capital expenditure on the expansion scheme which has been fully completed as there were some modifications to imported plant and machinery. This was however met from internal resources. There will be a further sharp rise in sales and earnings for 1970-71 and the disposable profits also may be much higher than in 1969-70.

Varadalakshmi Mills

In spite of higher cotton prices, Varadalakshmi Mills Limited has earned a higher profit in the year ended September 30, 1970 and the directors have raised the ordinary dividend to 15 per cent taxable from 12 per cent taxable in 1968-69. The net profit, before depreciation and taxation, has risen sharply to Rs. 19.15 lakhs from Rs. 13.92 lakhs in the previous year. After setting aside Rs. 8.74 lakhs (Rs. 9.16 lakhs) for depreciation and Rs. 1.10 lakhs (Rs. 3.33 lakhs) for development rebate, taxation claims Rs. 4.53 lakhs (nil). Capital redemption reserve gets Rs. 1 lakh (nil) and general reserve Rs. 2.95 lakhs (nil). The equity dividend will absorb Rs. 2.10 lakhs out of general reserve. The company may find it difficult to maintain its earnings at last year's level owing to a further rise in cotton costs as well as its shortage.

Foods and Inns Ltd.

Foods and Inns Limited is a new company formed for taking up the manufacture of egg powder at its Chembur plant in Bombay. The project is based on technical assistance from the Central Food Technological Research Institute, Mysore and an Indian firm will be supplying the required plant and machinery built with design provided by well-known Danish manufacturers. A poultry farm near Poona has been acquired for the purpose. A sizable portion of the output will be supplied to the Defence Services. The project is estimated to cost Rs. 90 lakhs including working capital of Rs. 10 lakhs. The company came on the market recently to raise fresh equity capital for Rs. 25 lakhs. There is already a paid-up capital of Rs. 10 lakhs. Term loans will provide Rs. 45 lakhs. Production is likely to commence by the end of this year and the annual turnover is expected to be Rs. 1.05 crores.

East Anglia Plastics

East Anglia Plastics (India) Limited could increase its sales during the year ended March, 31, 1970 to Rs. 2.87 crores from Rs. 2.31 crores in 1968-69. However with costlier raw materials and non-receipt of import licences, there was a sharp decline in the net profit, before depreciation and taxation to Rs. 9.82 lakhs from Rs. 17.61 lakhs. The provision for depreciation is Rs. 6.84 lakhs (Rs. 4.45 lakhs) and development rebate Rs. 63,000 (Rs. 1.90 lakhs). A dividend of 4 per cent taxable is to be paid after withdrawing Rs. 5.30 lakhs from general reserve. After repeated representations, the Government has issued the necessary import licences liberally but there may be no marked improvement in working results for the current year as the larger imports were available only for part of the year and there was also a strike for two months. There has also been reduced production of some of the profitable products while profit margins have been affected by the high cost of cellulose acetate flakes. Only in 1971-72, there will be a distinct improvement in working results.

Textool Turns Corner

The efforts to put Textool Company Limited on a sound footing appear to be bearing fruit. The company struck a bad patch since 1966 and till the end of 1969-70 the accumulated losses had amounted to Rs. 210 lakhs against a paid-up capital of Rs. 105 lakhs. Since the reconstituted board appointed by Government took over in August 1970, there has been on improvement in performance. The monthly output is now running at a level of Rs. 15 lakhs against the average of Rs. 9.25 lakhs in 1969-70 and is expected to rise further to Rs. 20 lakhs by May 1971. A new model high speed ring frame, developed by the company, will be produced in sizable volume shortly while it is proposed to increase the production of cone winders and double winders which have been well received in the market. There is also good demand for steel castings, and alloy steels, components of cement and mining machinery while steps are being taken to raise the output of steel which offers a large profit margin. Exports of textile machinery and diesel engines will also be sizable in the current year. The company is also taking steps to diversify its lines and trying to get orders for medium-sized steel processing equipment like cold rolling mills, arc furnaces and spun casting equipment.

The Chairman of the company, Mr. C. G. Rangabhashyam, has stated that the company is making special efforts to complete the partial supplies made in prior years and also fulfil orders on the books in order to improve its relations with customers.

During 1969-70, there was a loss of Rs. 32.8 lakhs in spite of a small cash profit due to stock adjustments and writing off of doubtful debts which had been carried in the books as current assets for a number of years. Profits in the current year are already encouraging and the year may end with a reasonable profit. The expansion and diversification is expected to increase the earnings substantially in the coming years which will enable the company to pay back all the debts.

HMT's Tractor Project

The Pinjore unit of Hindustan Machine Tools has concluded an agreement with Motokov, the foreign trade corporation of Czechoslovakia for the manufacture of Zetor tractors. HMT's initial investment in the project will be Rs. 5 crores. The 8 year agreement provides for the manufacture of 20 h.p. Zetor models initially and higher h.p. units later. The HMT Chairman Mr. S. M. Patil said that initially 2,000 tractors would be assembled from components imported from the Czech collaborators in 1971-72 and cent per cent indigenous content would be achieved in six years. By 1975-76, a capacity of 12,000 tractors would be reached with a turnover of Rs. 22 crores. The price will be in the range of Rs. 18,000.

Voltas' Excellent Results

Voltas Limited has reported excellent results for the year ended August 31, 1970 and the directors have restored the dividend on equity dividend to 15 per cent, taxable, from 7 per cent, taxable, paid in 1968-69. The company suffered a setback in 1968-69 following a 5 month strike. Sales have jumped in the latest year to Rs. 91.30 crores from Rs. 68.27 crore in the previous year, sales on own account rising to Rs. 79.40 crores from Rs. 59.69 crores and on consignment account to Rs. 11.90 crores from Rs. 8.57 crores. The net profit, before depreciation and taxation, has also jumped to a record level of Rs. 311.50 lakhs from Rs. 66.43 lakhs. The sum set aside for depreciation is Rs. 53.45 lakhs (Rs. 55.87 lakhs) and development rebate Rs. 1.60 lakhs (Rs. 2.50 lakhs). Taxation, claims as much as Rs. 156 lakhs (Rs. 7.50 lakhs) while general reserve gets Rs. 100.64 lakhs (Rs. 3.48 lakhs). The equity dividend, of Rs. 64.94 lakhs (Rs. 30.30 lakhs) is to be paid out of this reserve. The company's proposal for a one-for-five bonus issue last year to compensate for the cut in dividend was not approved by Government under the new guidelines. A fresh application will be made shortly. The working in the current year so far has been even

more encouraging, with a 20 per cent rise in sales over the corresponding period of last year and a proportionate improvement in profit margin. Voltas shares have firmed up latterly to Rs. 245 from Rs. 232.

Tata Loco

Tata Engineering and Locomotive Company Limited has done well in the current year so far and there is every possibility of the performance for the whole year being a record. Sales of vehicles in the first nine months have totalled 18,136 against 13,885 in the same period last year when operations were affected by a prolonged strike. Demand for other engineering products has also been better this year which may be reflected in improved working results.

Tata Chem. Bonus

Tata Chemicals Limited has finally obtained Government permission for its bonus issue in the proportion of one share for every five shares held. The company had approached the Controller of Capital Issues in November 1969 but was told that the application would be considered only after the lapse of 12 months from the date of enlistment of the bonus shares issued on the previous occasion. The previous bonus issue was made in 1968-69 in the ratio of one for three taking the paid up equity capital to Rs. 4.32 crores. Under the new guidelines, 18 months have elapsed since the last bonus issue and hence permission has been given for the latest issue which will be made by capitalising Rs. 86.47 lakhs. It is also learnt that the company has been issued a licence for expanding its capacity for soda ash from 600 tonnes to 1,000 tonnes per day. However, it has been stipulated that no effective steps should be taken without getting a clearance under the Monopolies and Restrictive Trade Practices Act.

Indian Oxygen

Indian Oxygen Limited was able to achieve higher sales of almost all products during 1969-70 the turnover increasing to Rs. 17.37 crores from Rs. 15.86 crores in 1968-69. The higher cost of calcium carbide affected sales of dissolved acetylene but there was good demand for industrial oxygen. Electric welding equipment and consumables maintained their upward trend in sales despite consumers' difficulties in getting steel plates. Sales of medical gases also were satisfactory but those of equipment were affected by shortage of matching cylinders. There was also a 43 per cent rise in exports of various gases and electrodes to South-east and West Asia as also

to East Africa. The Chairman of the company, Mr. N. Dandekar has expressed concern over the restricted scope for future development and expansion of activities because of Government's new industrial licensing policy. Several applications for licences are still pending with the Government. Only the scheme for making open arc continuous electrodes at Ambattur factory (near Madras) has been approved and a licence given. The company has however been preparing a comprehensive expansion plan for the next few years, keeping in view the various restrictions imposed on dominant undertakings and it is hoped the new plan which will be submitted shortly will be approved by Government. The company's plea for approval of its joint research agreement with British Oxygen has been rejected and it has been indicated that the company may have to spend large sums on research and development projects. The outlook for the current year is encouraging as there is spare capacity for several products which can be used to meet the increasing demand. The proposal to capitalise Rs. 1.54 crores from reserves and make a one-for-three bonus issue is pending with the Controller of Capital Issues. At the end of September 30, 1970 reserves and surplus amounted to Rs. 5 crores against a paid-up equity capital of Rs. 4.62 crores.

Larsen & Toubro

Larsen & Toubro Limited's sales for April 1 to Dec. 31, 1970 have risen by 35 per cent as compared to the corresponding period of the previous year. Sales for the period April-December 1970 are Rs. 1,569 lakhs as compared to sales of Rs. 1,161 lakhs for April-December 1969.

The company has a record backlog of orders. The backlog stood at Rs. 2,735 lakhs on Dec. 31, 1970, a rise of 25 per cent over the backlog of Rs. 2,190 lakhs on Dec. 31, 1969.

Lower Unit Sales

During the second quarter of the current year, i.e. from October 1 to December 31, 1970 units of the face value of over Rs. 1.75 crores were sold with 4,326 new investors joining the Trust as compared to Rs. 2.30 crores under 5,700 applications during the corresponding period of the last year. Of this, an amount of over Rs. 11.97 lakhs was invested by non-residents under 106 applications. During the quarter, units of the face value of about Rs. 87.79 lakhs were repurchased. The corresponding figure for the last year was Rs. 48.50 lakhs.

The total number of unit holders registered with the Trust as on 31st December 1970 was 3,67,379 the total amount invested in units being over Rs. 90.78 crores.

COMMODITIES:

Soda Ash Shortage

The reported decision of the Government granting a licence to Tata Chemicals Limited for expanding its soda ash capacity from 600 tonnes to 1,000 tonnes daily subject to clearance from the monopoly angle comes not a day too soon as a critical shortage has developed in this vital basic chemical recently leading to a spurt in prices. There has been a sharp pick-up in demand for soda ash after the 1966-67 recession and indigenous production has been inadequate to meet the increasing demand particularly in the past one year. The position has also been aggravated by insufficient wagon supplies in the Western region where the industry is concentrated. There are four companies in the field now. Tata Chemicals with a capacity of 216,000 tonnes, Saurashtra Chemicals (180,000 tonnes), Dhrangadhra Chemicals (45,000 tonnes) and Sahu Chemicals (45,000 tonnes). But against a total capacity of 4.86 lakh tonnes, output has been only at about 90 per cent (only Saurashtra Chemicals exceeded its capacity). Thus against an output of around 4.40 lakh tonnes, demand is estimated at 5.50 lakh tonnes, leaving a gap of over one lakh tonnes. There is no statutory control on prices of soda ash and so long the industry had been making available the requirements of actual users at reasonable prices. But since September last, transport bottlenecks have hampered free movement of stocks and as a result open market prices have flared up to over twice the ex-factory prices. On representations from consumer industries, the Government is reported to have decided to waive the ban on imports and arrange for import of 10,000 tonnes to meet their immediate needs besides taking steps to ensure equitable supplies to both big and small consumers.

Need for Expansion

It will however, be necessary to create fresh capacity on a sizable scale if further deterioration in the supply situation is to be avoided in the near future. While new units may have to be promoted in areas with abundant availability of salt, the existing units will have to be allowed to expand their capacity substantially. Already letters of intent have been issued to Saurashtra Cement and Chemicals for 1.32 lakh tonnes, Sahu Chemicals for 1.10 lakh tonnes, Maharashtra Cooperative Chemicals for 66,000 tonnes and Tata Chemicals for 1.44 lakh tonnes. These schemes can be completed within two years if only the licences are given immediately. Meanwhile, imports

will have to be liberalised and a strict watch on the trade kept to prevent undesirable practices. Already the high prices for this chemical used by numerous industries have affected the working of many small units and some of them are reported to be on the verge of closure because of the shortage. The developments have come about rather unexpectedly and the vacillations over licencing may prove very costly to the economy.

Widening Trade Gap

The trade gap is widening following the almost stagnant exports and increased imports in the current year. The rise in exports in the first eight months has been only of the order of one per cent to Rs. 931.8 crores from Rs. 923.6 crores in the corresponding period of 1969-70. This would indicate that it would be highly impossible to achieve the target of 5 per cent growth in the current year. Imports in the first seven months were higher at Rs. 946 crores against Rs. 939 crores in the same period last year. The trade gap for the seven months increased to Rs. 138.5 crores from Rs. 121 crores. Jute exports alone accounted for a sizable fall in earnings, these declining by as much as Rs. 43 crores in the first five months. Other traditional items like tea, hides and skins, coffee, fish and raw cotton suffered losses but oil cake, spices, cashew kernels, raw jute, cotton piecegoods, cotton yarn and manganese ore showed appreciable increases. Total earnings from traditional items showed a net decline of Rs. 41.1 crores to Rs. 299.2 crores in the first five months. However, exports of non-traditional items like iron ore, engineering goods, ferro-manganese chemicals, iron and steel, clothing, footwear and rubber goods were higher. The earnings from these items improved by Rs. 19.3 crores to Rs. 259.9 crores. Tea exports in the five months declined by 28 per cent or Rs. 134 crores to Rs. 34 crores while despite a fall in quantity, cashew exports fetched a larger sum of Rs. 28.6 crores against Rs. 26.1 crores. Imports of foodgrains declined during this period by over 30 per cent and of fertilizers by over 15 per cent due to better domestic production. Imports of all other items except petroleum crude and products and machinery and equipment registered substantial increases.

Sugar Production Trends

Sugar production in November 1970,

second month of the current season, was about 2.55 lakh tonnes against 2.67 lakh tonnes in the same month in 1969, taking the total for the first two months to 3.13 lakh tonnes against 3.10 lakh tonnes in the corresponding period of 1969-70 season. Offtake from factories in November last was about 3.13 lakh tonnes for internal consumption and 32,000 tonnes for export against 2.42 lakh tonnes and nil respectively in November 1969. The aggregate despatches for the first two months were 6.71 lakh tonnes (5.35 lakh tonnes) for internal consumption and 68,000 (17,000) for export. Stocks at the end of November with factories stood at 16.62 lakh tonnes against 10.63 lakh tonnes a year ago. But with a sharp rise in production from December much above the level of monthly releases, there is bound to be a continuous rise in stocks till the end of May when it may be well over 3 million tonnes. Meanwhile, the Government has ordered release of 2.2 lakh tonnes of levy sugar and 1.2 lakh tonnes of free-sale sugar for January-February.

More Nylon Yarn for Powerlooms

Supplies of nylon yarn to the decentralised weaving sectors are being substantially increased to bring down the fantastic open market prices. According to a Government decision, the monthly release will be 400 tonnes against 150 tonnes at present. Additional imports of nylon yarn are also being considered. Already the supply position has somewhat improved with the State Trading Corporation's recent purchase of 1500 tonnes abroad. These will be arriving in the next few weeks.

Low Cotton Cloth Stocks

Cloth production in 1970 was slightly lower at 4,263 million metres against 4,297 million metres in 1969 but yarn output showed an improvement to 975.5 million kg. from 943.6 million kg. in the previous year. It is not known if the higher production of yarn was absorbed by powerlooms and handloom sectors though the small rise in yarn stocks, by 1.6 million kg. to 10.4 million kg. at the end of December 1970 as compared to a year ago would indicate that the offtake by the decentralised sector was higher in spite of a sharp spurt in yarn prices in the latter half of the year. Latest figures reveal that while production of cloth was lower, stocks of unsold cloth in December touched a new low at 98,000 bales of 1,500 metres or 147 million metres against 166 million metres a year ago. Stocks at the end of 1968 had stood at 394 million metres of cloth and 214 million kg. The overall stocks of sold but unlifted and unsold stocks were also at a new low since April 1970 at 337.5 million metres.

THE CITY CORNER:

Social Obligations of Economic and Intellectual Communities

"Social justice in economic development" was the theme of a two-day conference organised by the Southern India Chamber of Commerce in connection with its Diamond Jubilee. Distinguished economists, industrialists and academicians from different parts of India discussed the implication of economic development in terms of social justice. Among the questions raised in the various sessions included growth or deliberate social policies like progressive taxation that would bring about a narrowing of inequalities. Is it not possible to devise a strategy of growth which will ensure a certain minimum level of living to all the countrymen? Can Democracy achieve both rapid economic development and social justice? The answers were varied coming as they did from participants with different backgrounds. For instance, Mr. S. L. Kirloskar who inaugurated the conference saw an inherent contradiction in the Government's policy, which entrusted the responsibility of creation of jobs to one section—the employers—and in the same breath loudly proclaimed that all people were equal. Unless people were unequal one section of them could not be expected to create employment for the other sections. But Prof. R. J. Taraporewala felt it was the responsibility of the business and investing community to generate employment and it was possible and essential for this community to discharge this responsibility without offending the regulations framed by Government. He regretted that the bigger business houses were after licences for setting up small ventures where there was neither technology nor any other consideration except perhaps easy money. He wanted them to promote a whole breed of new entrepreneurs for small enterprises.

Mr. Malcolm Audiseshiah, former Dy. Director-General, UNESCO,

Mr. H. V. R. Iengar, and Mr. D. C. Kothari were among the participants. Mr. M. A. M. Ramaswamy (Chamber President) and Mr. M. V. Arunachalam, speaking on behalf of the Chamber, explained the objectives of the conference at the inaugural session. Several papers on allied subjects were presented in the three sessions and were discussed at length.

Mr. H. V. R. Iengar, the main speaker at the second day's proceedings blamed the current mood of frustration and anger in the country as due to lack of effective, homogenous leadership enjoying the confidence of the people. The failure of the intellectual community to discharge its obligations to society was no less responsible for the sorry state of affairs, he pointed out.

Judicial Decisions on Tax Laws

A two-day Taxation Seminar organised by the Institute of Chartered Accountants of India in the city discussed the basic principles involved in conflicting judicial decisions on tax laws and arrived at a rational interpretation of a number of them.

The seminar which was attended by over 300 participants including members of the institute, leading tax executives, and Government officials, provided objective, constructive suggestions and remedial measures for the prevailing ills and inequities in assessment. Mr. T. Ramaprasada Rao, Judge of the Tamil Nadu High Court, who inaugurated the seminar, expressed the view that the tax practitioners should not allow themselves to be baffled by conflicting high court decisions. For their part, they should be guided by three factors, namely quickness in appreciation of facts, independent thinking and honest application of the law. He advised the practitioners to see that "anti-social behaviour and

deliberate tax evasion are nipped in the law."

Mr. M. C. Bhandari, President of the Institute, was against high rates of taxation for the reason that it would increase the capitalistic power of the State and decrease the power of the general public. He suggested under no circumstances should the tax rate go beyond 60 per cent.

In the power technical sessions, papers were presented by experts on subjects like income-tax reliefs and rebates, taxation on charitable institutions, procedural returns, income-tax allowable expenses, reliefs and rebates on wealth and gift tax.

Plea for Better Planning of Leather Exports

The annual International Leather Fair was one of the events of the current fortnight in the city. Mr. P. L. Tandon, Chairman of the S.T.C. who inaugurated it pleaded for better planning of leather exports and it was his view that much more than the present Rs. 93 crores worth export seems possible.

The usual Tanners' Get-Together and Fashion Parade also found place in the Fair programme. Mr. A. Nagappan President of the Fair Society pointed out that the industry was alive to the need for stepping up finished leather and leather goods exports. The necessary technology for this was fortunately available at the country, thanks to the work done by the Central Leather Research Institute. The other participants included Dr. A. Lakshmanaswamy Mudaliar and Dr. Y. Nayudamma, Director of C.L.R.I. Mr. D. C. Kothari, President, FICCI gave away the international award 1969, (an HMT wrist watch and a bronze statuette of Saraswati) to Mr. Brian Keech of U.K.

INDUSTRIAL ECONOMIST

A Masterpiece of Evasion and Vagueness

The celebrated British genius for compromise without detriment to freedom of action was never seen more clearly than in her conduct of the Commonwealth Conference to the point of convenient shelving of controversial issues. The communique issued at the end has necessarily to be a masterpiece of evasion and vagueness. But it is not for that reason to be condemned as a mere postponement of the evil day. Regarded dispassionately, the basic issues are not such that intransigence on either side on any of the issues can be defended on grounds of passion for principle. Many of the views which were fervently put forward were un-

duly coloured by the backlog of historical grievances or outdated standpoints. It is true as much of the opprobrium in which South Africa is held by the newly liberated nations of the Commonwealth or the desire to keep the Indian Ocean a haven of freedom from the great power conflicts and the threat of nuclear arms as of Britain's assumption that naval equality with Soviet Russia could be achieved by the sale of naval units to South Africa. The present situation in this part of the world, from whatever angle it may be viewed, is an extremely fluid one. The fight against racialism may be helped by the growing strength of the coloured nations

rather than the weakening of South Africa by the denial to her of British arms. Soviet Russia may not be deterred from aggressive intrusion into the Indian Ocean by British bringing South Africa's navy under her wing. The needs of inter-regional and international trade in South-East Asia and the Indo-African Zone may soon exceed even the most liberal estimates of today. Lastly, the South East African nations may well find that they cannot hit South Africa's naval power without impairing to some extent their own security in a real international crisis.

All these argue against a heedless precipitation of a breach in the Commonwealth which would certainly be far different from South Africa's enforced withdrawal from it. There is a ring of sincerity, and not a mere diplomatic acquiescence in the requirements of a unanimous communique, in the statement: "We believe that international cooperation is essential to remove the cause of war, promote tolerance, combat injustice and secure development among the nations of the world—we are convinced that the Commonwealth is one of the most fruitful associations for this purpose". Whether it is due to the accidents of history, or the ponderous forces of a historical dialectic which is Marxist only in part, the Commonwealth is there with its potentialities for good not less than its frictions and its unsavoury antecedents. Compromise is essential for avoiding a break-up before it becomes necessary. But as Lord Morley said, compromise has its nemesis and it is necessary to see that it is not overtaken by it. At present, the words of the communique and the appointment of the eight member committee, have not affected India's or Britain's stance on the question. Mr. Heath has retained freedom of action while India has made it clear that she will leave the Committee if such freedom is acted upon. If the Committee is steered wisely, it may do the world a world of good.

—PRS

INDUSTRIAL ECONOMIST

C. M. Inaugurates TAFE's Product Training Centre

A proposal to form a State level Agricultural Productivity Council was announced by the Tamil Nadu Chief Minister Karunanidhi while inaugurating the new building of Tractors & Farm Equipment Product Training Centre at the 'J' Farm in Pudupakkam, near Madras. The council, the first of its kind in India, would offer guidelines for accelerating the tempo of farm production in the State.

Stressing the need for mechanisation to modernise agriculture the Tamil Nadu Chief Minister said that the tempo planned to develop agriculture in the State could hardly be achieved by the traditional methods relying solely on manual efforts. The Tamil Nadu Government was forging ahead with plans for building a sound infrastructure for agriculture in the State, said Mr. Karunanidhi. The Rs. 4.5 lakhs Tractor Workshop proposed at Vellore was nearing completion; within

this year itself 16 bulldozers would be purchased at a cost of Rs. 23 lakhs; a Tractor Training Centre would be set up at a cost of Rs. 8 lakhs and six Tractor Workshops and Tractor Sheds costing Rs. 16 lakhs would also be established, announced the Chief Minister.

Presiding over the function Mrs. Sathyavani Muthu, Tamil Nadu Minister for Agriculture, assured that mechanisation would not in any way reduce employment opportunities for farm labourers. While it is true that labour requirements will be minimised due to mechanisation, the demand for skilled workers for operation, maintenance and ancillary services connected with the running of machinery will be increasing. Fitting them to do a more sophisticated work would also ensure better remuneration, said the Minister.

Earlier, welcoming the gathering, Mr. A. Sivasailam, Chairman of TAFE,

said that it was their endeavour to bring about, sustain and intensify, at the national level, an awareness for agriculture mechanisation by appropriate dissemination of knowledge from profitable and economic use of machinery and to enrich the knowledge of the farmer in the improvement methods to increase production quantitatively. Mr. Sivasailam said that TAFE was poised for an expansion of its capacity to increase its manufacture to over 7000 tractors a year.

The product Training Centre conducts classes for main dealer personnel, agricultural students and in special instances for Government officers and farmers in the operation and maintenance of Massey-Ferguson range of farm machinery. The courses conducted in several languages, were aimed at proper understanding at all levels of farming. To ensure that the knowledge imparted was retained and kept up-to-date, the certificates awarded were validated for 18 months only from the date of issue. The candidates had to attend refresher courses at the end of the specified term. An incentive was offered to its dealer personnel in the form of subsidies for the travelling expenses of candidates. Special course programmes for Agricultural University students was provided by the PTC, on location, at their request as part of the curriculum. This aspect, he hoped, would be the forerunner for a school being made available to overseas students from other Asian countries.

The 'J' Farm with 200 acres was bought by the late Mr. Anantharama-krishnan. It has been a model farm growing many of the latest high-yielding varieties of rice and also demonstrated techniques to carry on profitable farming under stress of severe drought.

—(FOC)

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Mr. M. Karunanidhi is seen inaugurating the Product Training Centre of TAFE. The Chairman of the Amalgamations Group. Mr. A. Sivasailam is also seen in the picture

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WORK ON RS. 500-CRORE VIZAG STEEL PLANT INAUGURATED

Prime Minister Mrs. Indira Gandhi inaugurated on January 20, 1971 work on the Rs. 500-crore Steel Plant at Balacheruvu, 18 kms. from Visakhapatnam. She referred to the industrial development of Andhra Pradesh and the importance of the steel plant to the economy of not only of Visakhapatnam but also to the entire country.

The formal inauguration of work was marked by the unveiling of a 53-foot high rocket-shaped pylon symbolic of not only the steel age but the urgent need to produce more and more steel to meet our growing needs but also our aspirations and progress soaring higher and higher.

The Chief Minister of Andhra Pradesh Mr. K. Brahmananda Reddy, earlier welcoming the Prime Minister, said that the occasion was the consummation of the long-cherished desire of the Andhras to have a steel plant. He said that the site for the loca-

tion of the steel plant was ideal and that the export potentialities of steel were immense and these had to be exploited fully.

Diverting Godavari Water

Mr. B. R. Bhagat, Union Minister for Steel said that Visakhapatnam had the distinction of having the first steel



Prime Minister Indira Gandhi speaking on the occasion of the inauguration of work on Visakhapatnam Steel Project

MSA TO BE BIFURCATED

The Malaysian and Singapore Governments recognise that it is in the best interest of both Governments that there should be two separate airlines for Malaysia and Singapore. They have therefore agreed to review the present Inter Government Agreement of May 1966, relating to the establishment of Malaysia-Singapore Airlines as the National Airlines of both countries.

Discussions have accordingly been held between representatives of both Governments with a view to reconstructing MSA for the ultimate purpose of establishing two separate National Airlines. The Deputy Managing Director of MSA, Mr. Lim Chin Beng, has stressed that there will be no interruption of any MSA services. Reconstruction of MSA will be carried out smoothly without any effect on expansion programme and development is not expected to slacken.

Meanwhile Malaysia-Singapore Air-

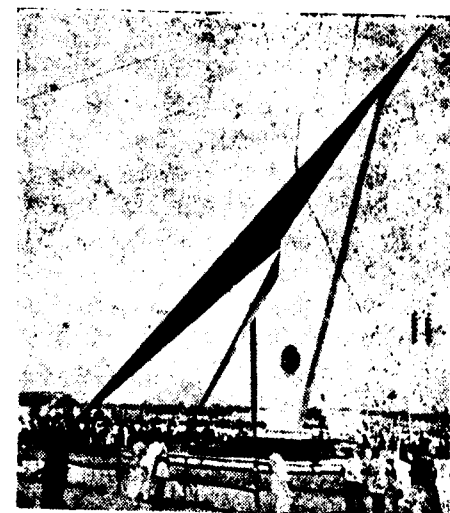
lines will inaugurate its Singapore-London service on Wednesday, June 2, 1971, with a frequency of three flights per week. With a scheduled lapse time of less than 18 hours in either direction (eastbound 17 hours 35 minutes), MSA's service will be one of the fastest between the two points.

MSA's Expanding Horizon

MSA is making a major expansion of its route network and increasing flight frequencies to key destinations. The plans, in response to a rapid growth in passenger volume, are being made possible by significant additions to MSA's aircraft fleet. The company has purchased two additional Boeing 707 intercontinental fanjets which will make a total of five of these high-capacity aircraft. By early next year, MSA will also have seven Boeing 737 medium range jets, and a fleet of eleven late model, larger capacity Fokker Friendship F-27 turboprops.

plant in the country which would have a capacity of 2-million ingot tonnes even in the first stage. He announced that the Central Government had accepted in principle extending all loan assistance for diversion of water from Godavari river to Visakhapatnam for meeting the needs of the Steel Plant and other industries.

He added that the three new steel plants in the South would provide



The Pylon erected at the site of the Visakhapatnam Steel Project

within the next 8 or 9 years, more than 4 million tonnes of ingot per annum.

Earlier, the Prime Minister refuted the criticism in respect of running of public sector industries. While she was aware that certain sections were not functioning well and their effectiveness had to be improved, the criticism was too general. There were many projects in public sector which were running very well and are rendering significant service.

The Prime Minister said that the three steel plants announced were only a beginning. Our needs for steel were growing and this matter was under review. (FOC)

The Special Supplement to INDUSTRIAL ECONOMIST released at the inauguration of work on the Visakhapatnam Steel Project was issued in cooperation with the Andhra Pradesh Government but was not sponsored by it as mentioned in the imprint.

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PROBLEMS OF THE TEXTILE INDUSTRY

Uncertainties relating to raw cotton availability or manipulation in prices have had a disturbing effect on the working of the cotton textile industry. In the past few seasons no new trend in the output of raw cotton has emerged, the yield for all India fluctuating around 56 lakh bales. Only in one season the country was lucky to achieve an output of 62 lakh bales. Against this stagnant trend the consumption has been rising sharply and with the increase in purchasing power of the agricultural income group there has been a larger demand for cotton and blended fabrics. Since 1967-68 the demand for cloth and yarn has been rising on an average by 5 per cent and it is significant to note that at the present moment there is shortage of yarn supplies for handloom and power-loom weavers and mills are not complaining about the lack of demand or difficulty in using capacity.

The industry however is worried about the high price of raw cotton and the absence of a proper relationship between raw material costs and selling prices for yarn and cloth. This position is in contrast with the experience of 1970 when raw cotton prices were ruling at reasonable levels and with a higher output and better selling prices many mills earned the highest profits for many years.

The deterioration in the cotton textile industry since the latest quarter of 1970 has been mainly due to the skyrocketing of prices for raw cotton following reports about serious damage to the crop in Vidharba even while it was

known that the prospects for the 1970-71 crop were not satisfactory. The Reserve Bank relaxed its restrictions regarding advances against cotton and the trade and co-operative agencies got busy in accumulating whatever stocks were readily available. The industrial units also effected heavy purchases for replenishing its stocks and prices jumped by nearly 42 to 50 per cent in a short period. The Reserve Bank belatedly decided to impose restriction on the maintenance of stocks of cotton by textile units and there was also an increase in margins in respect of these advances. Subsequently, it has also been stipulated that heavier margins should be levied on advance against cloth stocks. These new regulations have been helpful in preventing a further speculative rise in prices and have compelled also brisker marketing of woven-goods.

The continued demand for cloth and yarn and the fears of delayed imports were mainly responsible for the spurt in cotton prices and the anxiety of the State Governments to secure for their farmers as large an income as possible on the eve of the elections. Having regard, however, to the sharp decline in prices by nearly Rs. 600 per candy in recent weeks, one gains the impression that the Central Government is not seized of the importance of maintaining staple prices for essential raw materials and making available cotton and blended fabrics at acceptable prices to the consumers. When it was definitely known that the consumption of raw cotton in 1970-71 would be more than Rs. 67 lakh bales and allowing for exports of

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certain varieties of cotton it would be necessary to import as much as 17 lakh bales, the Textile Commissioner did not take serious steps to arrange for expeditious imports of raw cotton.

There will be no harm in authorising liberal imports for some time as cotton prices should be prevented from rising to abnormal levels. In order to ensure against the emergence of undesirable situations, the government should arrange its imports for the next season fairly early. In view of the likelihood of a reduced carry over from the current season it will be advisable to secure imports

SUGAR IN SAD PLIGHT

The sugar industry, particularly in Tamil Nadu, is in sad plight. A number of writ petitions have been filed in the Madras High Court challenging the validity of levy prices for sugar, the lapse of quotas for controlled distribution and the levy of differential excise duties on sugar for free sale and for controlled distribution. These are likely to come up for hearing shortly.

The South Indian Sugar Mills Association is seriously concerned about the heavy accumulation of losses sustained by its members and the difficulties experienced in financing sugar stocks. There is confidence that the formula for fixing levy prices can be successfully challenged as the cost of cane is unduly high; growers are being paid on the basis of a basic recovery of 9.4 per cent whereas the actual recovery is not more than 8.5 per cent. It may be better in current season on account of the better quality of the crops but it will still be much below 9.4 per cent while interest charges on accumulating stocks are increasing all the time.

It is not clear why the Central Government is delaying the revision of levy prices for old season sugar when it has been established that the recovery of sugar was adversely affected in 1969-70 due to the poor quality of cane. As a result of this delay, sales effected out of old stocks are being reflected in heavy losses and it is feared that many mills will be obliged to suspend crushing operations if reliefs were not announced in time and there was also not adequate bank finance. The Reserve Bank has failed to assess the situation correctly as its latest directive to member banks has baffled sugar mills. Under this directive, banks have been told that sugar advances can be allowed to rise to the level of last season and the existing limits can be fully utilised by borrowers. But this overlooks the fact that the peak level of stocks of sugar is likely to be exceeded by nearly a million tonnes and, without an additional allocation of Rs. 100 crores, the industry cannot pay for its cane purchase or maintain stocks. Already many mills are in heavy arrears and some important groups are reported to have paid only 50 per cent of the dues against current purchases. Instead of recog-

of 15 lakh bales and maintain buffer stocks if need be for some time.

There is no justification for any complacency about the problems of the textile industry and definite steps must be taken to improve the yield of cotton per acre and immunise the cotton growing areas from the vagaries of the monsoon. A situation may arise in which the government will find it impossible to allocate the required foreign exchange for financing imports. The drain can also be avoided as all that is needed is greater concentration on cotton growing in the irrigated areas.

nising the practical difficulties experienced by the sugar mills, it is reported that the State Governments are contemplating action against mills for recovering arrears of cane payments. Nothing can be more cruel than on insisting on the fulfilment of statutory obligations by the industry when the State itself is violating its own obligations.

The monetary authorities can prevent an immediate crisis by expanding credit against accumulating stocks. It is unjustified in refusing to do so as the carryover from 1969-70 was nearly 21 lakh tonnes and the latest estimates indicate that output will again be 42 lakh tonnes in the current season.

In the first eight months output is expected to be as much as 36 lakh tonnes and offtake will not be more than 26 lakh tonnes. Stocks will increase by one million tonnes and at the peak level it will be higher by eight lakh tonnes compared to April or May last year. Under the existing arrangements banks cannot lend trading more than what they did in the last season. This would mean that any increase in stock in March, April and May cannot be managed within the existing limits.

The Indian Sugar Mills Association has been representing to the authorities that there should be an automatic revision of limits by 25 per cent and the margins also should be reasonable. The Reserve Bank cannot have any objection to the provision of refinance at the Bank rate as sugar stocks new rising are bound to decline to more or less the previous levels by the end of September. Even if output proved to be 42 lakh tonnes, the carry over may not increase by more than 2 lakh tonnes as consumption is expected to be 36 lakh tonnes and exports may be stepped up to 4 lakh tonnes. Fresh advances against sugar will, therefore, be automatically liquidated and they will not have any inflationary effects. In the light of new developments in 1971-72 a decision can be taken about buffer stocks. But interest charges are increasing all the time and it is only to be hoped that the genuine interests of a major industry will be redressed without further delay and there will be a better appreciation of the peculiar problems now facing it.

Russian Involvement in the Euro-Dollar Market

The 24th Congress of the Communist Party is scheduled to meet in March 1971 when the targets for the Ninth Five Year Plan for 1971-75 will be announced. Hence is the need to assess the achievements of the 8th Five Year Plan. 1970 was the last year of that Plan and it is interesting to note that many of its targets were never confirmed. If the Plan is judged by the draft submitted to the 23rd Party Congress, some lags in achievement will become obvious; but if it is judged on the basis of 1970 annual plan, it will have been over-fulfilled. The administration represented by Mr. Mikhail Sulov has opted for the second alternative. He has stated that the 8th Five Year Plan will have hit the targets for national income and overall production. It will have surpassed targets, according to him, in the case of growth of real per capita income, wages, payments to collective farmers and also the volume of retail turnover. Since the draft of 1966 envisages an increase in per capita income by 30 per cent and retail turnover by 50 per cent and since industrial output has, according to Suslov, risen by over 50 per cent in the last five years, it could be that gaps in achievement are not too wide. Yet output figures available at present indicate that, among key products of heavy industry, only oil and steel are upto the mark.

Oil production is now at 350 million tonnes a year as planned and is expected to go up by 25 million tonnes a year reaching 600-620 million tonnes by 1980. But the output of other industrial items has been behind the targets set in 1966. Thus in the case of electric power, achievement at 687 billion kwh against 862 billion kwh has been planned. The actuals and targets for other items with targets in brackets

are: gas: 195 billion meters (225-240); coal: 620 million tonnes (665-675); lorries: 514,000 (664,000); cars: 324,000 (804,000) tractors: 455,000 (550,000); mineral fertilizers 53 million tonnes (65 million); cement: 94 million tonnes (100-105 million); plastics: 1.6 million tonnes (2.1 to 2.3 million); and chemical fibres: 6.09 lakhs tonnes (7.8 to 8.3 lakhs).

Production of Cars Unsatisfactory

The position is particularly unsatisfactory in the production of cars. The Moskvich plant in the Urals is only now set to reach its ultimate capacity of 200,000 vehicles. In production of Russian Fiats, the 1966 target was 300,000 cars per annum while actuals were 20,000 vehicles. The Zaporozhets car factory in Ukraine has reached atleast its 500,000th vehicle. These vehicles are of mini-size and a new version to Zaz-968 which is guaranteed to run for 100,000 kms is in the prototype stage. Car prices have been pushed up ostensibly as a demand and supply adjustment but really because of a rise in costs. The typical Soviet official car—the 2-litre volga—will cost now £ 4,285 against £ 2,667 formerly. The Volga is selling accumulated stocks. The price of the Moskvich is to go up to £ 3,333 from £ 2,305. There is a four year waiting list for this car.

What is more interesting is the change in the socialistic attitude to the free market economy. It is not as if a free market economy has been voted for. There seems to be fairly conclusive evidence that the authorities are not interested in moving seriously towards market socialism. In fact, enterprises though subject to less detailed control than before have sales targets set for them as well as

what they are to sell. Prices are still fixed and central allocation of resources involves direct orders on mutual sales between factories.

It is quite possible that as the Russian economy gets exposed to the outer world of a free society and as the protest against the *ancien regime* gathers strength at home, it becomes inevitable for the administrators to bend instead of seeking to break. It will not be surprising if in the near future, the price mechanism is allowed to operate through some form of a market economy not only to vindicate the experiments at home with bonuses and enlarged wage funds but also to make Russian goods internationally credible in their prices and quality. With the setting up of an investment bank for the Soviet bloc from the beginning of this year, Russian involvement in the Euro-dollar market is likely to gather momentum which will surely unleash pressures on its usually rigid monetary system.

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Running with the Hare and Hunting with the Hound

The ruling party in the State must have, by now, realised with a jolt, that the policy of running with the hare and hunting with the hound does not always pay. With its inept handling of the sensitive Salem issue which has deeply offended decent people belonging to all religions, the State Government has raised a hornet's nest. The belated attempt of unconvincing, half-true explanations, especially taking umbrage under a similar act of omission of its predecessors in power, cannot absolve the government of its onerous responsibility to have the unhappy situation averted in the first instance. What happened in Salem on January 24 is unparalleled for the sheer affrontery of a group of people, with immunity and police protection, paraded the portraits of a pantheon of Hindu gods in the most obscene, indecent and revolting fashion. Donning the mantle of the eradicators of superstition, these people succeeded in offending not only the religious sentiment but even that of simple sense of decency. One is forced to ask, under what canon of decency can posters exhibiting nude figures in compromising positions be carried in a public procession, with the connivance of authority leave alone the religious aspect of case.

Stifling the Freedom of the Press

The Government cannot disown previous knowledge of the procession, because according to Mr. R. T. Parthasarathy, a member of Rajya Sabha, a memorandum had been submitted to the Collector, about ten days in advance, asking him to intervene in the matter. The easiest thing would have been to refuse permission to take out the infamous procession then and there. Not only was permission sanctioned but even police escort was provided for the procession in which, according to the newspaper reports, many participants walked jauntily with lethal weapons. The government simply ignored the whole affair

for more than a fortnight and now it has soiled its hands further by a desperate attack on the freedom of the press. They have seized the copies of the February 15 issue of *Tughlak*, an independent, non-party, Tamil fortnightly from Madras, alleged to have published the photographs of the blasphemous Salem procession. One fails to see the logic of permitting an act which is certain to wound the religious susceptibility of a section of people, but preventing the report of such an act in a journal with the flimsy excuse of section 292-A I.P.C. (selling obscene or scurrilous pictures, etc.). The action against *Tughlak* is clearly a step in the direction of stifling the freedom of the Press. An amusing argument, put forward by the ruling party through advertisements in some papers, claims that on February 13, the editor of *Dinamani* wrote in his paper that he was in receipt of some photos of nude figures in portraits, which were too indecent to be published. The ad. tearfully asks whether it is journalistic ethics to publish such

photos in other magazines. Clearly no question of ethics is involved but only the legitimate desire of a free-lance journalist to bring to book an unforgivable act of omission by the Government.

Police — The Handy Scapegoat

Rumour has it that the issue of *Tughlak* was confiscated with the less altruistic purpose of preventing its usually scathing, anti-administration remarks from reaching the public on the eve of elections which, if the present trend of events may be taken as an indication, will be fought by all the parties with bitterness with no holds barred. "Punishing" some police officials while allowing the fountain-spring of the hateful campaign and its organisers to go scot-free is only a mockery of justice and is only likely to demoralise the police force, a convenient scape-goat handy on all occasions, from T. Nagar Pillayar episode to the throwing of stones on a leader.

—Forscher

Out of the Inkwell

By RANDOR GUY

TYCOON TALE!

William Randolph Hearst, the U.S. newspaper tycoon, was a typical American boss. Larger than life, rich and autocratic, he was a very difficult man to work under. He took a sadistic delight in dismissing even his very top executives at the mere drop of a hat and for some inexplicable reason (or was it an odd quirk that all these super rich blokes invariably have?). He loved firing his men by sending them telegrams containing the go-get-the-hell-out-of-here-greeting. The teargas filled telegrams were even sent from one part of the skyscraper to other floors down or up! Not surprisingly his executives dreaded the very sight of a telegram on their desks. One expense-account rich executive, who had enough reason to fear the wrath of the Nabob, was shocked to see a telegram on his table one afternoon when he returned with a group of friends. With trembling hands he opened the 'gram and his face brightened into a

smile. "Hope it's no bad news," said his curvy secretary. "No, nothing," he said, relieved, "it just says, my father is dead!"

SMOKING, PLEASE!

Smoking is in the air these days. Some make a new blend to set the trend, as the ad. goes, and people take deep breaths to make it last. The smart Ales say smoking causes cancer. A friend of mine, a resea.ch—bug tells me that fifty per cent of breast cancer in women is caused by men who smoke!! Interesting theory, that, and it only proves there is many a slip between the lip and tip! Now advertising about smoking is prohibited on TV and out in the U.S., you can no longer take a trip to Marlboro Country via the idiot box. What is so nice about smoking, anyway? Never having smoked, I do not know but as my friend, a fellow—writer put it, a woman is a woman but a cigar is smoke! Well, he said it, didn't he? Very smart, these writer guys....

Glimpses.....

Britain Goes Metric

Britain's adoption of the decimal system for her currency, though unconscionably delayed, will be welcomed by all countries as a step in the right direction. It is calculated not only to reduce the bookwork of accountants and the efforts of shop-keeping housewives in their daily work, but also to bring one of the foremost trading nations into line with the rest of the world. The surprise is not that Britain has abandoned her traditional system but that she has taken so long to do it and, even more that she is yet to adopt metric weights and measures. The metric system has no limited scope and extends to quantitative measurements, volume, values, weights and distances. Its desirability on grounds of rationality, simplicity and easy comparability is beyond dispute. And the only obstacle in the way of adoption is the innate conservatism of the average man and, what is hardly different from it, the force of tradition and established habit. The difficulties of the transitory stage are exaggerated by the advocates of change even as they are under-rated by its more passionate champions. In India, these reforms were effected with the momentum of a political and social revolution. And the fact that the Hindus have the credit of discovering the system, and that they were denied such credit for a long time by the rest of the world may also have been a help. There is some compensation in the fact that the Indian Standards Institution sent its experts to assist in the five-year preparation for Britain's decimalisation.

It is somewhat strange that while the decimalisation of currency has been effected ahead of schedule, there is no similar readiness for decimalisation of weights and measures. In

point of fact, the need for the latter has been felt more keenly by British industry and trade since other nations have been complaining for a long time about the quotations and specifications of British tenders being in non-metric terms. It is possible that the imminence of Britain's entry into the European Common Market and the adoption by the latter of a programme for further economic and financial integration with the objective of a common currency in ten years' time hastened the change to decimal currency. But the pressure for similar changes is by no means absent and is bound to be felt and yielded to before long.

Strength of Economic Union

The accord that has been reached among the members of the European Common Market on the steps to be taken towards full economic and monetary union and a common currency in ten years' time is an achievement of great importance not only to the E.E.C. but to world economy and international trade and finance. The hurdles that have prevented the starting of the plan from January 1, as scheduled have been cleared. The initial three-year phase provides for coordination of short-term economic and budgetary policies, the narrowing of fluctuation margin between community currencies, coordination of central banking policies and medium-term financial aid for members in balance of payments difficulties. A currency stabilisation fund to share up the currencies of member nations against speculation is also envisaged. There is no doubt that, if these measures are worked smoothly, they would be coming on top of common tariffs, free movement of labour and other features of the E.C.M. would pave the way for a common currency. It is true that some apprehensions have been felt about the plan entering its

second phase. But one must not forget that even graver misgivings were felt at almost every one of the earlier stages of the E.E.C. that these misgivings were eventually proved to be misconceived. A common agricultural policy was perhaps the biggest hurdle. But though it took some time for them, the leading nations surmounted it successfully. There can, in fact, be no better testimony to the value of the E.C.M. and its power to shape the course of their national economies than the compulsion which Britain and other members of the EFTA feel to join the European Union. It is significant that agreement on the progressive reduction of tariffs has been reached at about the same time between Britain and the E.E.C. With the retirement and death of Gaullie, the E.E.C. has developed a better attitude to the admission of Britain into their fraternity. The grant to the developing nations of the same treatment that had been accorded from the start to the former African colonies of France also shows that the E.E.C. is more and more outward-looking. Though regionalism may still be viewed askance the E.E.C. has shown its potentialities for progress through integration. And that is a lesson which many countries, particularly the States of the Union of India and also Pakistan badly need to learn. It was, and still is, one of the prime objectives of the E.E.C. to become a powerful political force comparable to the two upper powers, the U.S.S.R. and the U.S. But they have been careful to keep it in the background and concentrate on their economic and financial strength. They have been successful in toning down the domination of international finance by the Anglo-saxon nations. They may be able to reduce the evils that flow from the Russo-American confrontation. State Governments in India who clamour for autonomy and intend to utilise it for unwise policies of economic aloofness, if not isolation, will do well to ponder over the record of the E.E.C.

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Nixon's Six-Point Economic Reform

President Nixon's State of Union message has invited a lot of adverse comments as being a clap-trap. The assessment of his anxiety for ensuring a fair deal for the unemployed and for the average consumer stems, however, not purely from electioneering considerations but from the evolving contradictions in the economic situation arising from the juxtaposition of recession and inflation. A careful perusal of the goals outlined by him in respect of his control measures vis-a-vis the fluid economic situation will make this abundantly clear. It is, no doubt, true that the U.S. administration had, in a sense, been caught unawares by the oddities of the recession. Most of the surprise was due to the mistaken belief that the current recession was comparable to the 1957-58 experience. What was missed was the fact that the 1957-58 recession was sharper and deeper and that recovery began at a time when the margin of unused resources was wider than it is now. This fundamental difference should indicate that the pace of economic recovery in 1971 may not be as brisk as the 9.2 per cent rate of growth in real GNP between April 1958 and April 1959, nor is the rate of increase in consumer prices likely to fall to the 0.5 per cent which prevailed over that period. That does not mean that the present situation is out of control altogether or that the measures now being devised against it will be absolutely ineffective.

If Mr. Nixon's message is approached against the background, the worth of some of the economic measures outlined in it will be easy of right assessment. The President did not mince words when he confessed to the U.S. "going through a long nightmare of war and division, of crime and inflation." He has set before the Congress six goals to help tackle the malady. The first relates to the re-

forms of the welfare system. Even its worst critic could not have done better than Mr. Nixon when the latter described it as an outrage against the community and against the taxpayer. The outrage consists in the affront to human dignity arising out of a overplay of the element of charity. The reform seeks therefore to place a floor under the income of every family, establishing besides an effective work incentive and an effective work requirement.

Full Prosperity in Peace Time

The second goal is to achieve what Americans have not enjoyed since 1957—full prosperity in peace time. Mr. Nixon believes that the tide of inflation has turned with the escape from runaway inflation into reasonable price stability. There can be difference of opinion on whether reasonable price stability has been attained. The point is that unwarranted expectations of continued inflation and attempts to catch up with wage and price hikes in diverse sectors of the economy result in a painful hangover of these hikes. Mr. Nixon's answer to this is an expansionary budget which is designed to keep spending at the level warranted under full employment so that such spending will automatically increase the demand for labour and lift employment to the full employment level. But the unemployment situation has certain peculiarities about it. The commonplace impression is that it is a "white collar recession" insofar as there have been mounting layoffs of professional and technical workers. But the point is that the complex relationship between the fall in defence expenditure and white collar unemployment has *ipso facto* hidden most of the increase among blue-collar, service and farm workers. Indeed white collars account for only slightly more than one fourth of the total number of the unemployed. And inasmuch

as there is no labour scarcity in the sense that employers would be willing to hire and train workers without the precise skills, such unemployment can be cured only by artificially creating a demand for labour. That is precisely the logic of the full employment budget now proposed. At the same time, care has to be taken to ensure that expenditure does not expand beyond the full employment level reigniting fires of inflation and undermining prosperity. The big "if" here is whether wage hikes can resist the inevitable hangover referred to already especially because, irrespective of levels of affluence, the canon of productivity has been observed mostly in the breach in wage negotiations. The commitments against productivity are a defect of quality of a psychological situation which resettles in favour of the desired wholesome reform only through the avoidable and painful way of suffering (and realisation based on such suffering).

Ensuring Better Environment

The third goal is towards ensuring a better environment. Black rain, birds languishing in oil slick, increase in the percentage of lead in blood due to inhalation of noxious exhaust fumes, the pollution of water courses by industrial effluents, the thick blanket of smog which is mounting to a level at which there is a possibility of the resultant heat melting the ice caps and flooding the coastal towns—indeed the entire gamut of environmental pollution which is the major headache of the U.S. has called for an extensive anti-pollution drive. There are proposals for expanding the nation's parks, recreation areas and open spaces which could leave a legacy of parks to the next generation. Automobile concerns are doing research in eliminating causes for noxious exhausts via battery propelled engines. This however, is a very long term strategy. Under the prevailing conditions, for many more years, the U.S.A. will have to learn to live with its pollution as best as it can.

Massive Campaign for Cancer Cure

The fourth goal revolves round an equally far-reaching health programme. It is desired to ensure that no American family will be prevented from obtaining medical care because of inability to pay; that there is a major increase in the volume and direction of medical aid to medical schools so as to assure appropriate strengthening of health personnel. Mr. Nixon proposes besides incentives to improve the delivery of health services, to get more medical care resources into those areas that have not been adequately served, to make greater use of medical assistants and to slow the alarming rise in the costs of medical care. Special programmes are also envisaged to encourage better preventive medicine, by attacking the causes of disease and injury and by providing incentives to doctors to keep people well rather than just to treat them when they are sick. And in medical care facilities is included a \$100 million campaign to find a cure for cancer.

The fifth goal is to fiscally improve the strength of State and local Governments. Mr. Nixon has proposed that the Congress "make a \$16 billion investment in renewing state and local government—with \$5 billion in unrestricted funds and with the other \$11 billion provided by allocating \$1 billion of new funds and converting one-third of the money going to the present narrow purpose aid programmes into federal revenue sharing funds for six broad purposes—urban developments, rural development, education, transportation, job training and law enforcement, but with the states and localities making their own local decisions on how it should be spent.

Restructuring of Federal Government

The sixth goal relates to a restructuring of the Federal Government reducing its 12 cabinet departments to eight. These two goals reflect broadly the growing impatience of the regions that

they had all along been on too tight a leash in the wake of a trend towards Centrism which was fostered as a counterpoise to the decentralising forces in the division of powers between the federal and state governments under the American Constitution. This is a local problem and the

economist is more concerned, therefore, over how far the U.S. Congress will accommodate the Nixon proposals in respect of the other four goals and how far the economy itself would react to the strange mix of squeeze and expansion in the fiscal-monetary policy of the administration.

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Cotton Textiles & Jute	30.74
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Playing the Socialistic Tune

I believe that right thinking men in India took trouble to apprise masses of the type of illusion that is being fed to them at every electioneering platform, whether of the Congress(R) or of the CPI or the Marxists. We are indeed a very poor country. Over the last two decades of planning, there has not been, according to a National Sample Survey corroborated by an assessment of the Planning Commission itself, any change in the character of rural poverty, though urban poverty has deepened further. In such a situation, every political party, irrespective of its convictions, is constrained to play the socialistic tune mouthing familiar shibboleths like land ceiling, ceiling on incomes and elimination of monopoly. While this is understandable it cannot be an excuse for soft-peddalling the changing content of socialism and instead sticking on to its primitive type of a struggle between the haves and the have-nots.

Western socialism, for instance, has revealed two types of change: In the capitalistic economies, there is a growing awareness that the economic system has, merely to ensure its survival, accord reasonably well with the needs of welfare of the unprivileged and underprivileged. Indeed over the years a number of checks have been imposed on the ownership and use of wealth in these countries through taxes, wage awards, profit sharing, price control and the like whose sole aim is to make sure that the baker, while he makes bread for society, bene-

fits the consumer as much as he benefits himself. The anti-trust legislation in its diverse facets in the U.S.A. and Western Europe seeks to keep private profit motive from engrossing on common weal to the detriment of the weaker sections of society.

In the communist societies of the Soviet block, there has similarly been a thaw in former rigid stances. Though politicians there are over-anxious to discount the character of the economic change as being revisionist, there has been considerable amount of revisionism forced by pragmatic considerations of productivity. Though official economists of the Soviet Union say that there has been no type of a return to capitalistic techniques of incentives, competition and the free market, the measure of such change has been responsible for crucial realignment of decisions on planning. And consequent changes in the structure of these economies have come to display some liberalism though its dimensions may vary as between a revisionist Yugoslavia or Leninist Soviet Union. In fact only in the case of Peoples Republic of China, there is still a rigidity of pristine communistic shades which also explains why the leaps forward have in many cases been there, mere leaps in the dark or no leaps at all.

The point is that the controversy over socialism vs capitalism has lost its meaning completely in the modern, technologically - controlled societies. Requirements of sophisticated technology dictate that certain decisions de-

mand a higher degree of centralisation and certain others decentralisation. The ideal mix of centralisation and decentralisation is what should decide the complementary roles of the public and private sectors in every economy. And in so far as these are days of multi-national companies operating all over the globe, the campaign against monopolies in India, in the context that the biggest Indian company is an international pigmy, seems a quixotic tilting at the wind-wills. Indeed we are living in an era in which, just as each economy can prosper only by evolving an appropriate mix of centralisation and decentralisation of economic decisions, nations of the world can prosper only by identifying in their inter-relations the optimal mixture of nationalisation and internationalisation of their economic decisions. The reluctance to recognise this elementary truth is at the bottom of much of the stalemate in tackling questions of liberalisation of international trade as well as of disarmament. In fact, the emphasis on the balance of terror rather than mutual advantage is difficult to discard because of the short-sightedness of official policies of leading countries which inhibits wholesome internationalisation of their political and economic decisions. So far as India is concerned, the chase of doctrinaire socialism only confirms that in ideology as well as affluence, we are quite underdeveloped. And so long as the concept of welfare is soft pedalled in favour of vitriolic socialistic talk capable of arousing class conflict, the casualty will be social welfare involving the meagre fortunes of the vast masses for whose sake most reform is deemed to be pushed through.

Liberal Refinancing of Priority Projects

The Governor of the Reserve Bank after consulting the Chief Executives of major commercial banks has decided that the monetary restrictions imposed at the beginning of the busy season should continue and that as far as possible fresh advances should be effected out of fresh additions to deposits. It was not quite realised that the developments in the past few months have come about on account of the Government's own anxiety to expand credit in new directions and that what was needed was the laying down of guidelines for proper use of available funds even in the case of small borrowers. Besides, it has not been recognised that during the period of interregnum advances will necessarily be in excess of deposits and where large amounts were immobilised due to the procurement of foodgrains and accumulation of sugar stocks, no serious accentuation of inflationary pressures was likely. In fact, it has not been properly appreciated that persistence in the procurement of foodgrains which are unlikely to move again into consumption in a short period will result in an addition to money supply and even an increase in open market prices for foodgrains in the deficit areas. The better course should have been to relax restrictions on the movement of foodgrains within larger zones as was done sometime back in the case of wheat. The Reserve Bank's insistence that advances against sensitive commodi-

ties like raw cotton, oilseeds and oils should be restricted is untenable. However, even here there will have to be an increase in limits to the cotton mills because of higher prices. The credit squeeze has no doubt had a salutary effect. But the drop in prices is due more to technical factors and the recent expectations that the actual yield of the cotton crop may not be so unsatisfactory as estimated earlier. The fact cannot be overlooked that there will have to be expansion of credit for seasonal purposes and it will be unwise to restrict refinance facilities where it was abundantly clear that there will be a repayment of the loans with a reduction in stocks of sugar or other commodities.

Affecting the Tempo of Growth

Indeed, the denial of credit for productive purposes may have adverse consequences and slow down the tempo of growth in agricultural production. The Reserve Bank can control effectively undesirable trends through selective control and not through blanket restrictions on the availability of refinance facilities. Actually it will be worthwhile to examine whether there can be compartmental refinance for a larger number of types of advances. As in the case of pre-shipment and post-shipment credit direct loans to farmers and assistance to small entrepreneurs it

should be decided for the time being that there should be 100 per cent refinance for procurement purposes.

Refinance for priority purposes should be made available liberally at the bank rate. If with a proper determination of the viability of new projects and the institutions of safeguards for the use of small loans there can be greater economic activity, the creation of credit would have been worthwhile. It is no use pursuing rigid policies and relying on orthodox measures as dearer money will be only compelling the organised sector to adopt the usurious practices of the unauthorised sectors and creating problems for the industrial units. What is needed is selective quantitative restriction of credit and not dearer money. Even here, it is understandable that there should be an increase in deposit rates for stimulating savings, but there is no justification for raising lending rates and having a wider spread between average deposit rates and average lending rates. The banking system can well manage with a differential of 2½ to 3 per cent against 4½ per cent at the present moment. If it can be agreed that there should be a maximum of 10 per cent for secured advances and 12 per cent for unsecured credit, there will not be an inflation of costs. The present policy of drift should, therefore, be abandoned and a careful policy of over-lending adopted at reasonable interest rates.

F.C.I.'s Decade of Service in the Fertilizer Field

The advent of 1971 for the Fertilizer Corporation of India marks the completion of a "decade of service" as the largest producer of chemical fertilizers in the country.

The Corporation came into existence on January 1, 1961, with the amalgamation of Sindri Fertilizers & Chemi-

cals Ltd. and the Hindustan Fertilizers and Chemicals Ltd., to own and operate complex and growing fertilizer factories in a co-ordinated and efficient manner in the public sector.

The Corporation has an authorised capital of Rs. 200 crores with an annual installed capacity to produce 4,10,325

tonnes of nitrogen and 36,000 tonnes of P 205. The five operating units under the control of F.C.I. at Sindri, Nangal, Trombay, Gorakhpur & Namrup produced, during the year 1969-70, three lakh tonnes of nitrogen and 17,000 tonnes of phosphates to replenish the depleted soils and increase the crop-yield in the country. The

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rapid growth of the Corporation is evident from the fact that in 1960-61, when the F.C.I. was formed, the only operating unit—Sindri factory which was the first public sector undertaking to go into production—was producing 68,863 tonnes of nitrogen.

New Projects

The F.C.I.'s four new major projects in the implementation stage are at Durgapur, Barauni the Namrup Expansion and the Sindri Rationalisation scheme. By 1972, when the plants at Durgapur, Barauni and Namrup Expansion, each with an annual capacity of 1,52,000 tonnes of nitrogen, go into production, the nitrogen capacity of F.C.I. will be 8.29 lakh tonnes annually.

Besides, the Corporation has undertaken the responsibility of setting up

three coal-based fertilizer plants which will be the largest in the world. These will be Ramagundam in Andhra Pradesh, Talcher in Orissa and Korba in Madhya Pradesh. Work on the first two has already started.

The Haldia Project

The Government of India has already approved in principle a Rs. 73 crores fertilizer project to be located at Haldia in West Bengal. The plant will be based on fuel oil available in the country and will have an annual capacity to produce 3,77,000 tonnes of nitrophosphate, 1,65,000 tonnes of urea and 60,000 tonnes of soda ash. In terms of nitrogen, the capacity will be 1,50,000 tonnes annually.

F.C.I.'s store house of technical knowledge, known as Planning and Deve-

lopment Division, is located at Sindri. The Division has set up several projects. The most significant achievement of the Division is the development of know-how for the manufacture of a complete range of catalysts, the key to successful fertilizer production.

Agronomic Services

The Corporation, in addition to being the largest single fertilizer producing organisation in the country, also offers a complete fertilizer technology to the industrialists. It also provides complete agronomic services under the fertilizer promotional programme for the farmers which include proper fertilizer use, soil testing and recommendations regarding dosages for various crops.

Growing Need for Industrial Research

Even with best technology imported and despite low labour cost, price of Indian products is high and India has not been able to compete well in world market. The principal reason for this state of affairs was lack of general awareness on the part of industry to properly appreciate and recognise the importance of research and development, said Dr. Atma Ram, Director General, CSIR, while inaugurating a conference on Research and Development in Industry at Bombay sometime back. He felt that not even minimum R & D effort was there to adopt modern technology to suit Indian conditions. He, however, said that there was growing awareness among the Indian industry of this lacuna. He drew at-

tention to the fact that in Japan 99 per cent of R & D expenditure in industry was incurred by the industry itself. In India this trend was yet to develop. Dr. Atma Ram said that for best results, industrial research is best done 'by industry in industry.'

Five-fold Rise in Research Expenditure

The expenditure on R & D in India has grown substantially during the 'sixties. As per estimates made by the Committee on Science and Technology, expenditure on R & D in India increased from about Rs. 27 crores in 1958-59 to Rs. 135 crores in 1969-70.

The R & D effort in the country is financed mainly by the Union Govern-

ment, and the bulk of the funds forms part of budgetary appropriations. The contribution of industry to R & D effort is quite small in the overall financial expenditure. Private industrial sector is estimated to have spent about Rs. 8 crores in 1969-70 and the State under-undertakings Rs. 5 crores. In the above estimate, expenditure of State undertakings has been considered as part of the government sector expenditure. Thus, R & D expenditure of Indian industry (including the public sector) amounted to Rs. 13 crores in 1969-70. Viewed against the background of annual production, amounting to Rs. 6,000 crores, R & D expenditure of industries is indeed very small (about 0.2 per cent). However, in evaluating the contribution of industry to R & D expenditure, it is necessary to keep in mind that the expenditure of Rs. 13 crores indicates annual expenditure on revenue account only; its contribution would work out much larger if expenditure on capital account were also included. But such segregated and chronological data are hard to come by in the present Indian context.

Need to Get Maximum Value from Exports

The signing of a new trade agreement between India and Russia providing for a growth in exports by 15 per cent annually in the next 5 years has come about at a time when the problem does not relate to a stepping up of export but to a stepping up of production. During the first seven months of the current financial year total exports have fallen short of the corresponding period in 1969-70 by over Rs. 10 crores.

Yet it is expected that India will be supplying goods of the value of Rs. 190 crores and importing goods of the value of Rs. 140 crores. The balance of as much as Rs. 50 crores will be utilised for repayment of old debts. On the basis of a 50 per cent growth in exports, additionally about Rs. 28 crores worth of goods will have to be exported to Russia in 1971. In 1969 the increase in aggregate exports was not probably more than Rs. 50 crores. This would mean that even if this performance was repeated in 1971, which is unlikely in the face of set-backs suffered in 1970, nearly 60 per cent of the fresh increase in exports will have to be accounted for by Russia.

Unless the Union Ministry feels diffident of raising exports even with the availability of the required surpluses, there is no justification for entering into an agreement which will bring about a difficult situation and leave no choice for the government and buyers to purchase their requirements on a cheaper and more efficient basis. If it is assumed that the growth rate is maintained at 15 per cent annually exports to Russia by 1975 will be easily Rs. 350 crores out of a total of Rs. 1900 crores or thereabout which would mean that its share will increase to over 18 per cent from the present level of around 11 per cent. It

has of course been claimed that out of this total as much as 60 per cent will consist of engineering goods and the Soviet Union has agreed to take industrial machinery, rolled steel-products, paints and varnishes and many other items which are not now being shipped. There will also be larger imports of non-ferrous metals, copper particularly, fertilisers, sulphur and other products which are badly needed by India. But when there is a glut of fertilisers in the world market and Russia is not known to have larger resources of non-ferrous metals, it is difficult to understand why a new agreement is being concluded which will limit the scope for manoeuvrability for India especially when different delegations which have visited foreign countries have come back with a feeling that there is vast scope for promotion of Indian exports and Indian entrepreneurs can embark also on joint-ventures with interests in South East Asian and African countries apart from supplying the special requirements of W. Germany and other developed countries.

Unseemly Hurry to Export

In a world where unexpected developments are taking place in many countries a prominent buyer should have the option to secure his requirements from sources which are attractive and from where upto-date equipment or high grade raw materials and components can be obtained. It is necessary to bear in mind this important aspect of foreign trade and make sure all the time that fresh purchases from the Communist blocs are effected on a competitive basis and the goods secured also compared favourably with those from W. Germany, Japan or other sources from the point of view of quality. While everything can be said in favour of closer ties with trading partners where they prove to be advantageous, it is necessary to point out that there should be no unseemly hurry to maximise exports to the Soviet Union and other rupee payment areas to adhere to targets when it is found difficult to raise even exports by an average of 7 per cent and maintain normal relations with existing partners.

SOARING PRICES CHECK EXPORTS

The rate of growth of exports of chemicals and allied products has been declining and this has been causing much concern. Mr. L. M. Jamnadas, Chairman of the Chemicals and Allied Export Promotion Council, addressing the 12th Annual meet of the council pointed out that in the first eight months of 1970-71, exports of this sector amounted to Rs. 21.50 crores against Rs. 20.50 crores during the same period of the previous year. The growth was only 5 per cent. As against this the rate of growth in 1968-69 was 28 per cent and in 1969-70 it was 17 per cent.

The exporter, explained Mr. Jamnadas, was beset with many problems.

Inadequate production capacity, difficulties encountered in obtaining indigenous raw materials, soaring prices of products like rubber, fabrics, steel wire, paper and board—all these affect export growth. Prices of all chemicals were nearly 60 per cent higher than the international prices. As for imported raw materials, apart from the high prices, their supply was not adequate. The Chairman was indignant that there had been great reluctance to expand the list of permissible items of import even to include items not made in the country. Quantitative restrictions were imposed in many cases retarding product development for export.

ESTIMATED R & D ALLOCATIONS

	Rs. Crores			
	1958-59	1965-66	1968-69	1969-70
Central Sector (including Universities)	26.05	74.89	105.74	118.99
State Sector	1.00	3.51	6.09	8.60
Private Sector	0.15	2.43	7.07	8.13
Total	27.20	80.83	118.90	135.72

Social Responsibilities of the Private Sector

By TILAK SHANKER

The protagonists of private sector have chosen to build their defence on two points, which are more a plea for *laissez faire* economy and less based on the realities of today's India. Firstly, private sector in the past had not been allowed to grow and fully participate in the building up of modern India. Licensing and monopolies act are stated as examples. Secondly, it is maintained that efficient functioning has been stifled, thereby demotivating the successful private sector units. Price control and excessive corporate taxation are pointed out as the deterrents.

Neither of these assertions are borne out by facts. Private sector had not only participated and had an impressive growth in the last two decades, but its functioning has been comparable to international standards. In the three five year plans, out of the total investment of Rs. 5,000 crores in industry, nearly Rs. 2,300 crores or 46 per cent of the total had come from the private sector. Even in the fourth plan, private sector has been allocated nearly Rs. 2,400 crores of investment for industrial development as against Rs. 3,900 crores by the public sector. Thus even though the public-private sector investment ratio has moved from 1:4 in the I Plan to 2:1 in the IV Plan, still in absolute terms, private sector's contribution had been significant.

The plea of the private sector, however, is that:

- public-sector's growth had been equally phenomenal and hence it is not fair to isolate private sector alone.
- such a rapid growth of the private sector is entirely due to their efficiency and infusion of new capital from time to time.

- even after such significant growth, top industrial firms in India are infinitesimally small as compared to American or British or Japanese firms.

The above contentions appear at first glance reasonable and valid, but on a deeper probe reveal their true identities, as mere extenuations.

Success of Deliberate Policy

To say that public sector grew from a non-entity two decades ago to a massive industrial empire today, is merely stating the obvious. At the commencement of the first Plan, the 5 public sector units had a total investment of Rs. 29 crores. As of last year, 83 public sector units together totalled upto an investment of Rs. 3,330 crores. This growth had been the outcome of deliberate policy and in spite of the poor functioning of the public sector enterprises.

But it should be noted that primarily this investment had been in Iron & Steel—which is by nature "a high investment, long gestation" industry. As against this, the private sector investment had been in the "creamy" sectors, like light engineering, chemicals and consumer goods, where the capital-output ratio is high, gestation period low and profitability more attractive. It is estimated that while every crore of investment in the steel industry generates additional resources of Rs. 14 lakhs, while an equal amount invested in consumer goods generates 2.5 times additional resources of Rs. 35 lakhs.

Thus investment mix is substantially different in the public sector and any comparison of the total assets is likely to be misleading.

Secondly, it should be noted that whereas the total assets in the public

sector is Rs. 3,330 crores, the assets of the private corporate sector had crossed Rs. 7,500 crores in 1967-68.

Any claims of step-motherly treatment to private sector, thus, is not substantiated by facts.

Yielding Better Returns

It is true that private sector is more efficient and that it has been making better returns on capital than the public sector. It is estimated that the return obtained by Govt. undertakings was only around 3 per cent, while private sector netted 19 per cent. Private sector's strength and better profitability had been due to investment in "creamy" sectors like Auto ancillary 21 per cent (Gross Profit on sales), Bearing 20 per cent, Diesel Engines 18 per cent, Non-Ferrous metals 20 per cent, Electrical goods 12 per cent, etc., and in other consumer goods industry, a flexible organisation structure, managerial competence with suitable rewards for performance and technical excellence. But the most important factor had been the protection given by the Government against either foreign or internal competition.

It is also interesting to note that the growth of private sector had come about in spite of little infusion of capital. Depreciation and borrowings alone contributed for 80 per cent of the resources, while paid up capital contributed to only 10 per cent of the growth in fixed assets.

Market Economy Not Suitable

In this decade as also in future, we would be increasingly concerned with the direction of economic growth and not merely the quantum of economic growth. We have preferred a planned economy as "market economy" is not suitable to our conditions. In our

country with an abysmally low per capita income (Rs. 550), rampant unemployment (15 million) and widespread misery, the private sector expounding the virtues of a "free economy" would appear sadly out of context. Today's need is a private sector with a soul—with social responsibility.

Unlike the West, where social responsibility is a fashionable term, and freely used by firms in their advertisements (several companies in the US have been sued for making wild claims about their efforts to fight pollution), in our country it will have to be real and self-motivated.

How the private sector deals with today's problems and therefore with itself will show it to be, either the "selfish and exploiting" class that critics see it to be else the "greatly troubled, but still in the grip of its original moral purpose" and promise that the optimists see.

C.M. Lays Foundation for Polyester Fibre Plant at Manali

Work on the Rs. 9-crore polyester fibre project at Manali near Madras was inaugurated by Chief Minister Karunanidhi on February 3, 1971. This project, set up by the Indian Organic Chemicals Ltd., has a licensed capacity of 6,100 tonnes per annum.

Laying the foundation, Mr. Karunanidhi said that the Government of Tamil Nadu had created a favourable climate for industrialists to set up new projects in the State. He hoped that the proposed fibre plant at Manali would give a better fibre which could

be blended with cotton and make attractive yarn and cloth.

Manali Petro-Chemical Complex

The Chief Minister observed that the Government of Tamil Nadu was desirous of setting up many more petro-chemical industries based on the Madras Refineries and expressed the hope that it would be possible to set up soon a Rs. 100-crore complex which would generate more than 30,000 jobs. He hoped entrepreneurs

would come forward to set up new industries in the joint sector to provide employment.

Mr. S. Madhavan, Industries Minister, earlier said that the Government was committed to the industrial development of the State and, in that context, he would welcome private capital from any part of the world to start new industries in Tamil Nadu.

Bright Future for Polyester Industry

Mr. B. M. Ghia, Chairman of the Indian Organic Chemicals Ltd., observed, in his welcome speech that the plant was being set up at Tamil Nadu because the State had made spectacular progress in industrial development in the past several years. Also, industrial peace prevailed in the State and that went a long way to help industrial development. Further, the textile industry in the State was widespread and it offered a good potential market for polyester fibre. The industry had to contend with various factors, the chief among them being heavy excise duty. Hence, he appealed to the Government of India to reduce the excise duty which was more than twice the cost of production. He hoped that the plant would go into production in the second half of 1972. That, however, depended on the availability of mild steel as also stainless steel.

Mr. D. S. Dalal, Joint Managing Director of IOCL, proposed a vote of thanks.



Mr. M. Karunanidhi laid the foundation for a Polyester Fibre Plant in Manali near Madras. Picture shows Mr. B. M. Ghia, Chairman of IOCL, delivering the welcome speech. Others (L to R): Messrs. D. S. Dalal, S. Madhavan and M. Karunanidhi

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TOWARDS SELF-SUFFICIENCY . .

"Though the growth of the polyester fibre industry has been spectacular in advanced countries, there is only one such plant in India so far," observed Mr. Ghia, Chairman, I.O.C. Ltd., in a special interview to the **INDUSTRIAL ECONOMIST**. However, he added, the Government had issued licence for the setting up of three more plants in the country in addition to the proposed one at Manali. The Manali plant would have as its raw material, two expensive petro-chemicals, one of which was not yet produced in India, but was expected to be produced by the Indian Petro Chemical Corporation—a public sector unit in Baroda. The other petro-chemical

was available from another unit from Bombay. Both the raw materials would have to be transported over long distances to Madras. Moreover, as the capacity of the textile industry in South India to absorb the new fibre was limited, a large portion of the output would have to be transported to other parts of India involving an additional expenditure of Rs. 60 lakhs.

Collaboration with CHEMTEX

The company, Mr. Ghia said, had entered into collaboration with CHEMTEX Group of companies in New York and it would be getting technical know-how and process equipment from CHEMTEX. The cost of the proposed project would be nearly

Rs. 9 crores, excluding the working capital of Rs. 2½ crores. USAID. would meet foreign exchange to the tune of Rs. 2 crores for the import of equipment and machinery.

Plea for Cheap Power

Mr. Ghia observed that, as production at the polyester fibre plant at Manali would be a continuous chemical process, there should not be any failure of power or fluctuations in voltage. He hoped that the State Electricity Board would extend its full co-operation in that matter and also that the Government would consider favourably the request for a reduction in power tariff.

—PSR

Labour Trouble Afflicts Tyre Industry

A strange predicament of the tyre industry is that even though the industry has the capacity to produce 6.5 million tyres, current output is not more than 80 per cent of this. On the other hand, there are reports about shortage of heavy duty tyres in different parts of the country and some time back the Central Government held discussions with representatives of the industry to check black marketing and rationalise distribution arrangements. The shortage of tyres for trucks, buses, cars and tractors is most acute in some States in North India and the premium over list prices was as high as 40 per cent. This situation is anomalous as there is no shortage of raw materials and components and there is even an embarrassing surplus of natural rubber. The tyre units can function even above rated capacity as they have been expanding all the time and there is surplus capacity in particular divisions. All the units have been allowed to raise their output upto 25 per cent in excess of the rated capacity. But even with the installation of balancing equipment and the partial completion of expanding schemes, total production in 1970 is not expected to be more

than that of the previous year because of a prolonged strike at CEAT Tyres and go-slow tactics adopted by the workers of Good Year, Inchek Tyres and Premier Tyres. Even Dunlop India and Madras Rubber Factory were affected for some time and only latterly there have been a pick-up in production.

Expansion Schemes Delayed

The shortage can be expected to be remedied in two or three months as all the units are now free from labour trouble and attention is also being paid to an increase in the output of those tyres which are in short supply. If there is no interruption in production in 1971 it can be expected that the output can be increased by 20 per cent, if not more. Because of the shortages experienced in meeting internal demand the export effort has suffered a set-back. It has been complained that there has been delay in finalising arrangements for import of machinery to complete expansion schemes because of the wrangle over export commitments. The industry seems to be asking for some safeguards which will not impose on it disabilities

where export commitments have not been fulfilled due to factors beyond its control. The differences in this regard should be ironed out without delay as otherwise the desired growth in production cannot be secured in 1972-74.

The growth in consumption in the current year can be met with the intensive use of existing capacity. There will also be no problem of meeting the demand in the next year with the newly created facilities for installing balancing equipment. Five units have a programme for raising capacity by over one million tyres or in excess of 15 per cent of capacity. It is expected that the growth in consumption under favourable conditions will be about 7 to 8 per cent which would mean that the demand for 1972-73 can be taken care of by these new projects.

A number of licences to new parties have been issued and almost all State Governments have evinced interest in having a tyre plant of their own and a few State Industrial Development Corporations have been granted licences. There are also some proposals establishing new units in the private sector under new auspices.

—(FOC)

INDUSTRIAL ECONOMIST

THE CITY CORNER:

Secure Exports to Finance All Imports —R.V.

Incentives for development of Indian technology and innovation by industrialists, growth of the tertiary sector (banking, insurance, transport etc.) with a view to securing employment, self-reliance rather self-sufficiency in the field of exports/imports, emphasis on applied technology and engineering rather than on work on pure discipline were the keynote of the valedictory address of Mr. R. Venkataraman, Planning Commission Member, at the Exhibition organised by the Southern India Chamber of Commerce. "There should be no restraint on imports but the stress must be on securing the exports to finance all the imports desired", he said.

The Planning Commission Member regretted there was no direction in the employment policy of the Government. There was not enough appreciation of the employment potential of the tertiary sector whose development depended on industrial growth. Spelling out the incentives that would help technological development, he said those industrialists who developed their own innovations must be supplied raw materials without interruption. He advocated a ban on further import of improvements in technology once the import of basic technology had been allowed. All further developments and improvements of the technology bought from abroad should be the responsibility of the industrialists concerned, he said. Prizes and commendation certificates were given by him to the best pavilion in the exhibition.

Italian Trade Delegation Visits City

An Italian trade delegation led by Prof. Paolo Barbi, Member of Parliament, was in the city for three days meeting businessmen, Government officials and others. The visit coming on top of earlier delegations from Italy resulted in substantial trade develop-

ment. During the visit of the Barbi delegation to the city an Indo-Italian joint footwear enterprise was inaugurated. The venture is an export-oriented one and will manufacture

the latest Continental-style footwear for the European and American markets. According to one of the Directors of the company, the export commitments are of the order of Rs. 3.75



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crores to be fulfilled before December this year. The other developments announced during the delegation were: The early setting up of an Italian Consultancy firm at Madras, finalisation of two Indo-Italian joint ventures for manufacture of fuel injection pumps and carburettors at Ahmedabad and Poona respectively and the constitution of joint business group for promoting trade. Mr. Barbi and the 23 other members of the delegation were given receptions by business organisations in the city. All of them appeared to be highly impressed with the growth of the small and medium industries in India. They suggested that products of these industries be exhibited in Italian fairs.

One More Order for BHEL

The chairman of Bharat Heavy Electricals Ltd. Mr. O. S. Murthy, during a visit to the city announced that orders had been placed with them for the fifth 110 MW unit at the Ennore Thermal station. Mr. Murthy said that two 60 MW turbo-alternators had already been supplied and were in operation though they had not

been formally commissioned yet. The construction work on two 110 MW units was going on, he said.

TIDCO to Manufacture Cigarettes

The Tamil Nadu Industrial Development Corporation has received from the Centre a letter of intent to set up a cigarette factory with an annual production capacity of 7,000 million cigarettes. According to a survey made by the Corporation there is a big market for cigarettes in the State. Also, it is a growing market. The Central Government has given letters of intent to six private firms to manufacture cigarettes.

The Coal Strike Crisis

The Southern Railway suddenly cancelled as many as 150 trains on the branch lines following the stopping of loading of coal in the Dhanbad division of the Eastern Railway as a result of employees' strike on that railway. However, after about a week there were reports that special measures were being taken to keep up at least half the normal supplies from the coal bearing areas. Also suppli-

es from the outlying areas like Singareni were being maximised. A week later to the relief of all, the strike was withdrawn and the staff returned to duty. The Southern Railway which was the farthestmost zone from the coal bearing areas, announced restoration of the curtailed services.

The General Manager of the Railway Mr. P. C. Mathew who took pressmen round the Railway pavilion in the exhibition organised by the Southern India Chamber of Commerce as part of its diamond jubilee celebrations, said that the diesel rail car which was very popular on the Mysore-Bangalore route would be introduced on other urban centres like Tiruchi, Trivandrum, Ernakulam and Bangalore. He also thought in the next financial year there might be budget allocation for starting work on the sanctioned electrification of the Madras - Vijayawada section. The General Manager of the Integral Coach Factory, Mr. Sundararajan who was also present said that the factory was at present executing an order worth Rs. 3.5 crores for 113 passenger cars for Taiwan Railways. —V.M.

Committed Judiciary vis-a-vis Committed Executive

Mr. Vidya Charan Shukla, Union Minister of State for Finance, speaking at a reception in Bombay recently, observed that the attitude of the Supreme Court should be causing considerable concern to the public especially because of its failure to interpret fundamental rights according to changing conditions in the country. Much earlier than this, the Tamil Nadu Law Minister, Mr. S. Madhavan, told a conference of public prosecutors in the State that the Supreme Court had better divest itself of some of its jurisdiction in favour of the High Courts in the States. The inducement for both these sets of comments was the same, namely that the judiciary in the land is not sufficiently committed to social changes at least in the dimension in which such a commitment is considered necessary by reformist politicians.

Guarding the Constitution

What is conveniently missed in such a comment is a knowledge of the constitutional purpose behind the type of jurisdiction conferred on the Supreme Court. In the Indian situation, the authors of the Constitution went about distributing part of the powers of a unitary government to the regions to erect a federal set-up without injury to national unity. At the same time they kept a unitary system of judiciary by making the Supreme Court the top most rung and the central piece of a closely knit legal system, the lower tiers of which were constituted by the high courts and subordinate courts. Further in making a unitary set-up federal they took care to empower the Supreme Court adequately to operate as the guardian of the constitution and of the fundamental rights specially written into it.

The result of this has been a twofold characteristic: First the Supreme Court is saddled with a vast jurisdiction of an over-riding type as a final court of appeal and as the final

arbitrer in disputes relating to the interpretation of the law. Those who wish the United States pattern of the Supreme Court copied here conveniently overlook the fact that the jurisdiction of the Indian Supreme Court has been so conceived as to save it from some of the embarrassing and amusing experience of the U.S. Supreme Court. For instance, constitutional pundits have described how a particular State Government in U.S. once threatened to hang any one who dared to carry out a Supreme Court decision and how a U.S. President challenged Chief Justice Marshall—who was responsible for liberalising the American Constitution according to the requirements of a changing society through his famous judicial reviews—to implement his order if he could. Bottlenecks of this type with their implicit quarrels over trivialities have no place in the Indian judicial system.

Judiciary to Safeguard Social Justice

Mr. Madhavan's contention is that litigation at the Supreme Court level is unnecessary in respect of certain things which need not go to it and is too expensive for the common man. There is some point in the first objection inasmuch as the Supreme Court has been asked to decide not only high questions of law but also trivial personal issues relating to individual wills. Even the second objection is patly valid insofar as taking a case to the Supreme Court especially on the civil side is a luxury which not many can afford. The remedy for the first has been already provided in the monetary limits of Supreme Court jurisdiction in certain cases. In most other cases, there can be room for the complaint as voiced by Mr. Madhavan, that the costs of litigation may be out of all proportion to the stakes involved which may be for instance as small as less than an acre. But in most such cases, the real stake is not the property in question, but a parti-

cular interpretation of law. So far as any law is intended to guarantee some type of social justice as inherent in a particular right, it is such justice that has to be safeguarded not only in the interest of the individuals concerned but also of that of the society at large. Any infringement of the right of the judiciary here will endanger such long term social interest.

Failure to Observe Legal Decorum

On the contrary, the complaint as inherent in Mr. Shukla's observation that our Supreme Court is not as forward looking as it should be in a fast changing social milieu, the point left unclarified is whether he would like the Supreme Court to go against the law as enshrined in the fundamental rights chapter. The exaggerated charge of conservatism has soft pedalled the fact that the Golaknath verdict which made it impossible for the legislature to abridge fundamental rights had no retrospective application and that, by the time it became effective, much of the rights conferred in the original constitution had been completely eroded by the amendments made later. Thus the operation of the Supreme Court has in effect been restricted to safeguarding rights pruned to the bone and compelling the executive to observe minimum legal decorum in pushing through its reformist programmes. Justice Mohammed Ismail has recently pointed out how a committed executive has failed to uphold such decorum as it should within its limited competence. If the country has not yet thrown overboard legal and formal decencies, it has been because of the impartiality and independence of the judiciary.

It is time the elite in society—especially the intelligentsia—bestirred themselves to educating public opinion aright on this issue because the politicians who are the leaders of the people are intrinsically inhibited from doing so on grounds of political expediency.

—(FOC)

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INDUSTRIAL ECONOMIST

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Plan Outlay in Andhra Pradesh

By DR. R. V. RAO

Mr. J. V. Narasing Rao Deputy Chief Minister of Andhra Pradesh rightly said before the Planning Commission that if the annual plan for 1971-72 is reduced to Rs. 87 crores and not allowed at Rs. 107 crores as proposed by the State Government, it would be difficult to meet even the cost of continuing schemes. The pressing demands of the agricultural industries and social services too cannot be met. Bulk of the amount would have to be spent for Nagarjunasagar, Sileru, Pochampad and Kothagudem projects and nothing would be left for other pressing needs.

The Deputy Chairman of the Planning Commission observed that the Commission assessed the resources and even after the Central share of Rs. 48 crores, the outlay could not be more than Rs. 87 crores.

It may be of interest to mention that the working group of the Planning Commission itself suggested an outlay of Rs. 99 crores. The State's Fourth Five Year Plan outlay is yet to be finalised. The State Government originally put it at Rs. 635 crores but was forced to accept Rs. 530 crores in view of suggestions from the Planning Commission. But the Commission now wants it to be fixed at Rs. 430.5 crores even though the need for the development of the backward areas of Telengana and Rayalaseema is more pressing than ever before. Actually, the state planners estimate that in order to achieve a growth rate of 5 to 6 per cent during the Fourth Plan, there is need for an investment of about Rs. 1,500 crores which can be broken up into Rs. 650 crores for the Central sector, Rs. 550 crores in the State sector and Rs. 300 crores in the private sector. Adding the current outlay to the investment in the State sector, the

total outlay of the State Plan will be Rs. 650 crores.

In the context of scarce resources, plan priorities assume added significance. The three Five Year Plans of Andhra Pradesh had given the highest priority to agriculture, irrigation and power. Agriculture and allied sections received 13 per cent of the total outlay in the First Plan, 20 per cent in the Second Plan and 22 per cent in the Third Plan. This will go down to about 17 per cent in the Fourth Plan.

MITSUBISHI POWER-TILLER DEMONSTRATION

Farmers who gathered to witness the demonstration of the latest model of Mitsubishi power tiller, at the Sholavaram Panchayat Union Office compound on January 30, were well impressed by its efficient operations with a variety of implements. In this demonstration organised by M. S. India Garage, the power-tiller was worked with a reversible mould-board plough, a rotavator, cage-wheel puddling equipment, one-ton trailer and a sprayer attachment capable of a high thrust to reach the canopy of orchard trees. The reversible mould-board plough with adjustments for depth and breadth including a special hitch which can give a perfect cutting even with a depth of eight to ten inches particularly attracted the attention of the farmers. A special feature of this power-tiller was the automatic braking system that stops the tiller by itself regardless of the main transmission position and thus ensures the safest operation.

High Allocation for Power Justified

The allocations for irrigation amounted to 22 per cent in the First Plan, 31 per cent in the Second Plan and 26 per cent in the Third Plan. It will be 16.80 per cent in the Fourth Plan. The power sector accounted for a higher share, with 39 per cent in the First Plan, 20 per cent in the Second Plan and 27 per cent in the Third Plan. The allocation for power in the draft Fourth Plan is 34.58 per cent. The industries sector accounted for only one per cent of the total expenditure in the First Plan, 5 per cent in the Second Plan and 4.3 per cent in the Third Plan. The outlay proposed in the draft Fourth Plan for "industries and mining" amounts to 7.18 per cent.

The power-tiller is manufactured by M. S. V. S. T. Tiller Tractors Ltd., Bangalore in collaboration with the Mitsubishi Heavy Industries Ltd., Tokyo. In the course of a group discussion of the farmers, presided over by Mr. K. M. Srinivasan, President of the Union, Mr. B. M. Lakshminipathi, Technical Director of the Indian firm explained that the indigenous component in the power-tiller at present comprised 40 per cent and would be increased to 70 per cent from April. At present 1,500 units are working in farmers' fields. The tiller consumes one litre of diesel per hour of ploughing. The cost of ploughing an acre would be about Rs. 16 a day of eight hours. A seed drill and an attachment for application of fertilizers are now being tested at Bangalore and will be added to the accessories. More sophisticated accessories will be designed and added for harvesting and threshing in due course.

— (FOC)

COMMODITIES:

New Pact on Rayon Yarn Prices

The long row over rayon yarn prices has been sought to be settled by a one-year voluntary agreement between spinners and weavers. This has been necessitated by the delay over a Government decision on the Tariff Commission's recommendations on the revised prices for rayon yarn and the representations by weavers, particularly in the decentralised sector, regarding the high prices they had to pay for their requirements in the open market following the expiry of an earlier agreement on supply of a fixed proportion of yarn output at concessional prices to weavers and exporters of rayon fabrics. The new agreement was reached at a joint meeting of spinners and weavers arranged by the Union Minister of Foreign Trade, Mr. L. N. Mishra. However, the agreement would be superseded by any decision that the Government might take on the Tariff Commission's recommendations.

Under the new agreement weavers together will get a larger proportion of 52.5 per cent of the total yarn production at concessional prices against the 45 per cent fixed till recently while the exporters of rayon fabrics will continue to get upto a maximum of 10 per cent of the output as earlier. The concessional prices are unchanged at Rs. 10 per kg., (basis 120 d) for supplies to actual users and Rs. 7 for supplies to exporters. The distribution will also be made as earlier on the basis of consumption though a section of weavers had demanded supplies on loomage basis.

Graded Quotas

However, the impact of the quotas will fall differently on the various spinners. The producers have been classified into three categories. Century and National Rayon, the two biggest spinners, in the first category, will allot 60 per cent of their production to the actual consumers at concessional prices while the second category consisting of Baroda Rayon, South India Viscose and Kesoram will part with 50 per cent of their production at fixed prices. The third group includes the smaller units of J. K. Rayon, Travancore Rayon and Indian Rayon, which will supply only 35 per cent of their production to actual users at the fixed prices. The smaller units will thus have some relief as they will have a larger quantum for sale in the remunerative open market where there is a substantial premium on various counts. The larger units also will be able to reduce the

loss on concessional supplies from the free market sales. Prices for Century and National Rayon yarn have already firmed up since the agreement. A central committee of rayon spinners and weavers has been constituted for running the distribution scheme and work out the details. It has been agreed that any increase in excise duty would be payable by the weavers while any relief in this regard would be shared by the spinners and weavers in the ratio of one to two.

Though the present agreement has been arrived at under the threat of statutory control on prices by Government, it marks a welcome end to a prolonged controversy. The spinners would also appear to have been influenced by reports that the Tariff Commission had suggested a reduction in prices. But in the present context of a sizeable gap between demand and supply of rayon yarn any reduction in free market quota is likely to accentuate the price spurt though the producers are said to have come to some understanding on open market prices. A long term solution would however lie in allowing expansion of capacity of the existing units besides licensing entirely new units.

Slow Pace of Cotton Imports

The reported move by the State Trading Corporation for importing 80,000 bales of staple fibre before June should be helpful to the cotton mills during a critical period. This is part of the 1.50 lakh bales of staple fibre allowed by Government to be imported besides the 13.25 lakh bales of cotton during the current cotton season. The S.T.C. will be getting 30,000 bales from the U.S., 45,000 bales from the U.K., and 5,000 bales from Italy and the shipments will be made between now and June. Further supplies are being arranged from other sources. As regards foreign cotton quotas, licences have been issued so far for import of 1.62 lakh bales of Sudanese cotton, 1.72 lakh bales of Egyptian cotton and 52,000 bales against global quota. Imports of American cotton are yet to be finalised and licences have been given for only about 60,000 bales. The Government has also released Rs. 9 crores in free foreign exchange for importing one lakh bales of raw cotton from countries other than Egypt and Sudan. These will be allocated to mills which undertake to supply cotton yarn at fixed prices to handloom, powerlooms and hosiery units in accordance with a scheme an-

nounced by the Textile Commissioner recently. The large-scale imports being arranged and the arrivals against the new crop in Western India have arrested the continuous rise in prices for most varieties of cotton and even an easier trend was noticeable in many qualities. But with the total indigenous crop, placed at not more than 54 lakh bales, a critical situation may arise after May as mill consumption for optimum working would need about 70 lakh bales. The mills have already been exercising restraint in their purchases and utilising existing stocks in excess of the prescribed levels but a million more bales of foreign cotton are to be arranged from various sources and on the timely shipment of this quantity would depend the working of mills in the lean months. Also, prices for American cotton at origin are reported to have gone up on news that India would be buying larger quantities soon.

Sugar Output Trends

Output of sugar in December 1970 is placed at 6.43 lakh tonnes against 6.37 lakh tonnes in the same month in 1969. This takes the total for the first three months of the current season to 9.56 lakh tonnes against 9.47 lakh tonnes in the corresponding period of 1969-70 season. With the off-take in December of 2.86 lakh tonnes (2.33 lakh tonnes) for internal consumption and 52,000 tonnes (nil) for export the total despatches for the first three months come to 9.57 lakh tonnes (7.68 lakh tonnes) for internal consumption and 1.20 lakh tonnes (17,000 tonnes) for export. Closing stocks at the end of December with factories were about 19.66 lakh tonnes against 14.66 lakh tonnes a year ago.

Meanwhile, the industry is groaning under the huge burden of accumulating stocks which will mount to 3 million tonnes by April end while it is concerned over the non-revision of levy prices for 1969-70 and 1970-71 seasons. Only a provisional price was fixed for last season which continues for this season also. The industry is said to be losing on an average Rs. 32 per quintal at the existing levy and open market prices. The glut conditions have also forced many producers to seriously think of suspending crushing operations. While the monthly releases are quite substantial around 3.5 lakh tonnes, the offtake of levy sugar has not been brisk while the discriminatory excise duty on open market sugar has entailed severe losses for mills. The Vice-President of the South Indian Sugar Mills Association has already pointed out that mills in Tamil Nadu might be compelled to suspend operations by the end of

February if no arrangements were made to create buffer stocks and revise levy prices immediately. Additional bank finance may also have to be provided to nurse the huge stocks. While factories in Tamil Nadu and Andhra Pradesh would welcome a more realistic cane price which would take into account the lower average recovery in these States, all sugar units in Eastern U.P. have decided to stop crushing from February 19 if there is no immediate revision of levy price and the higher excise on free sale sugar is brought down to 25 per cent the *advalorem* rate for levy sugar.

Credit Squeeze on Oilseeds

As a follow-up its dear money policy the Reserve Bank of India has imposed fresh restrictions on scheduled bank credit

against oilseeds, oil and vanaspati by raising the margin from 60 per cent to 75 per cent. It has been stated that the measure has become necessary in view of the high prices for these commodities as compared to the last season despite a higher output of groundnut. At the same time, a minimum margin of 25 per cent has been imposed on advances against cottonseed oil to vanaspati units. The minimum margin has also been raised from 40 per cent to 50 per cent in respect of advances to vanaspati manufacturers against stocks of vegetable oils used as raw material, equivalent to six week's consumption of each factory in the northern zone, and four week's consumption in Western and Southern zones. For stocks above these levels, the margin will be raised from 60 per cent to 75 per cent. The minimum margin in the case of

advances to vanaspati units in eastern zone is unchanged at 40 per cent. The concessions and exemptions for units in the eastern States will also continue as before. There was a slight reaction in groundnut oil prices immediately after the announcement of the new curbs but subsequently prices have hardened, the rate in Madras and Bombay quoting around Rs. 430 per quintal.

The Reserve Bank has also advised major banks to restore the higher margins that prevailed before last October, on advances to textile mills against cotton stocks. Banks have been asked to raise the margin back to 40 per cent from 25 per cent that was prevailing for the past four months. The minimum margin on advances to mills against cloth stocks was reduced last October to 25 per cent.

Problem of P.L. 480 Funds

The problem of utilising the accumulated P. L. 480 and non-P.L. 480 counterpart funds held by the U.S. Government in India has given rise to an unfortunate controversy. The General Accounting Office of the U.S. Congress which is a counterpart of the Auditor-General in India has recommended that our government should agree to a preferential rate for the use of Rupees against Dollars by U.S. Agencies. This recommendation is childish if not mischievous. The intention is obviously to secure more rupees for the same appropriations in Dollars in the U.S. Budget. The U.S. Government does not secure any special advantage by this because its allocation in dollars where the expenditure of rupee or other counterpart funds expenditure are involved is only notional as no transfer of dollars takes place.

When the U.S. Government has been liberally giving grants and loans for implementing various projects and creating services this approach has no great significance from the financial angle except to bring home to the Indian Government that the rupee is over-valued and further devaluation is inevitable in the not distant future. The General Accounting Office of the

U.S. has obviously overlooked the serious repercussions that would follow even by a mere suggestion that the rupee should be purchased at the rates ruling in the black-market. This would clearly mean that there will have to be devaluation by another 50 per cent if the rates in the black market are any guide.

There is actually no difficulty in selling Indian goods as there is a large unsatisfied demand for traditional and engineering goods in South East Asian, West Asian and African countries. With world-wide inflation and relatively lower Indian costs in some directions what is needed is the creation of the required surpluses for export. With stability in the political situation and better co-operation between labour and management a fast rate of economic growth can be achieved. The position in this regard will become clear after the elections are over. There is, therefore, no question of further devaluing the rupee. If any thing, with a continued improvement in the agricultural sector and an activation of the industrial economy there is even the possibility of an upward revaluation of the rupee. The G.A.O.'s proposals for preferential rate, which means sectional

devaluation, should therefore be summarily rejected and the government has rightly indicated its opposition to such a move. The question of utilisation of PL-480 Funds has to be satisfactorily settled. It must be acknowledged that the U.S. Government has been very generous in its approach to the funding operation. The creation of power generating capacity and the implementation of rural electrification schemes have been immensely helped by the grants and loans effected out of these funds. Until recently the sizable imports of foodgrains and other commodities have led to a continued accumulation of PL-480 Funds and even with the grants and loans for various projects there was an unspent amount of Rs. 760.35 crores as on Sept. 30, 1970. The total of all U.S. counterpart funds exceeds Rs. 2,000 crores and there will be an addition to usable funds as the years pass by when repayments are made against earlier loans out of counterpart funds. There will naturally have to be a recycling of these funds on an agreed basis and the U.S. Government cannot think of any other course until such time the balance of payments position improves to such an extent that it becomes possible to think of repatriating these funds at the then prevailing exchange rates

BUSINESS BRIEFS:

Mixed Performance of Cotton Mills

The excellent working results of Madura Mills Limited for 1970 when the cotton textile industry particularly in the South has been going through a crisis due to shortage and high prices of fibre indicate that composite mills which have modernised their spinning and weaving departments and have intelligently diversified their output to include blended fabrics have been able to absorb increased costs without much difficulty. Mills which had the added advantage of low-priced cotton stocks have been even able to improve their profit margins with the help of higher selling prices for uncontrolled varieties of fabrics. This will be evident from the results of most of the composite mills in Bombay, Ahmedabad and elsewhere which will be publishing their preliminary results for last year in the coming weeks. Spinning units turning out higher counts of yarn are also expected to report fairly satisfactory working. But the experience of the industry in 1971 may not be equally encouraging as an entirely different situation has emerged in which a further sharp increase in cotton prices and inadequate supplies of cotton and staple fibre are likely to erode profit margins considerably. There may be some relief to mills from the imports being arranged on a large scale but the statistical position in regard to cotton is expected to remain precarious and while imported cotton may cost more and indigenous cotton will be found prohibitively costly by marginal mills.

Madura Mills Pays More

The experience of Madura Mills Limited in 1970 has however been quite encouraging. The company has been able to earn a much higher net profit of Rs. 397.86 lakhs, before depreciation and taxation, against Rs. 184.37 lakhs in 1969. The directors have decided to raise the dividend on equity capital to 8 per cent, taxable, from 6 per cent, taxable, in the previous year. (In 1969, the dividend was on a capital doubled by a bonus issue against 10 per cent paid for 1968). Depreciation claims Rs. 96.51 lakhs (Rs. 103.12 lakhs) while the provision for taxation is as much as Rs. 99.05 lakhs (Rs. 14.88 lakhs). The transfer to development rebate reserve is Rs. 10.75 lakhs (Rs. 13.15 lakhs), debenture stock redemption reserve Rs. 10.50 lakhs (Rs. 11.11 lakhs) and National Industrial Development Corporation loan redemption reserve Rs. 5 lakhs (same). General reserve gets Rs. 76 lakhs (Rs. 37.15 lakhs). The higher dividend will require Rs. 56 lakhs

(Rs. 42 lakhs) and will be paid out of general reserve. On the last occasion, a major portion of the distribution was available free of tax to the shareholders.

GEC Does Well

General Electric Company of India Limited has done quite well in the current year with a larger turnover and sharp rise in earnings in the six months ended September 30, 1970. Sales improved appreciably during this period to Rs. 16.04 crores from Rs. 13.03 crores in the corresponding period of 1969-70 while the net profit, before depreciation and taxation, nearly doubled to Rs. 125.39 lakhs from Rs. 68.02 lakhs. However, the directors have only maintained the interim dividend on equity capital at 10 per cent, taxable. The provision for depreciation is Rs. 53.61 lakhs (Rs. 44.91 lakhs). The directors consider that the results for the first half year are very satisfactory. The results for the first half of last year were affected by adverse trading conditions but there was a considerable recovery in the second half of 1969-70. It is likely that sales for the whole year may be much higher than the Rs. 31.79 crores for 1969-70 as there is keen demand for the company's products. The proposal for issue of bonus shares in the ratio of five for two by capitalising Rs. 4.38 crores is pending with the Controller of Capital Issues. No indications are also available on sale or issue to the public of equity shares if the bonus issue is approved. The company paid a dividend of 27.5 per cent, taxable last year.

Indian Organic

Indian Organic Chemicals Limited hopes to start trial runs on its polyester fibre plant near Madras by July 1972 and commercial production by the end of that year. The Chairman of the company Mr. B. M. Ghia, told an extraordinary meeting of shareholders in Bombay recently that the necessary land had been bought and construction work finalised. The company's turnover in the current year is expected to exceed Rs. 3 crores against Rs. 2.30 crores in 1969-70. Sales in the first nine months amounted to Rs. 2.08 crores against Rs. 1.67 crores in the same period last year.

Kirloskar Cummins

Kirloskar Cummins Limited has raised the equity dividend for the year ended

September 30, 1970 to 8 per cent, taxable, from 6 per cent, taxable, for 1968-69. The decision of the directors will be appreciated better if it is borne in mind that there was a marginal drop in earnings, before depreciation and taxation, to Rs. 100.3 lakhs from Rs. 102.6 lakhs even with a sizable increase in sales to Rs. 633 crores from Rs. 502 crores in the previous year. Obviously the directors have taken an encouraging view of the future and are confident of maintaining the latest dividend. Also, the higher dividend will require only Rs. 12 lakhs against Rs. 9 lakhs and is comfortably covered by the disposable profit. After setting aside Rs. 35.4 lakhs (Rs. 21.5 lakhs) for depreciation and Rs. 6.50 lakhs (Rs. 4.25 lakhs) for development rebate, the provision for taxation is Rs. 36.1 lakhs (Rs. 28 lakhs). General reserve gets Rs. 22.10 lakhs (Rs. 48.60 lakhs). It is stated that whole of the latest dividend will not be subject to tax deduction at source as it will be paid out of tax-exempt profits.

More from Madras Cements

There has been a spurt in the quotation for the equity shares of Madras Cements Limited by 15 points to Rs. 123 since the company announced a higher dividend of 12 per cent taxable for the year ended September 30, 1970 against 10 per cent, taxable for the previous year. The improved working results which have warranted the higher distribution were rather unexpected as the cement units in this region have been experiencing difficulties over getting adequate wagon supplies and costs also have been rising. The performance of a small-sized unit like that of Madras Cements with a capacity of 2 lakh tonnes a year is all the more praiseworthy—when much bigger units have not been able to maintain their earnings at satisfactory levels. The company's output of cement rose to 2.10 lakh tonnes from 1.78 lakh tonnes in the previous year though clinker production showed only a marginal rise to 1.85 lakh tonnes from 1.80 lakh tonnes. Probably there were large accumulated clinker stocks which came in handy. Despatches also were quite high at 2.10 lakh tonnes against 1.81 lakh tonnes in 1968-69. The net profit, before depreciation and taxation, has risen to Rs. 51.10 lakhs from Rs. 42.18 lakhs in the previous year. The provision for depreciation is Rs. 16.78 lakhs (Rs. 14.39 lakhs) and taxation Rs. 13.65 lakhs (Rs. 11.32 lakhs) while development rebate reserve gets Rs. 3.65 lakhs (Rs. 3.50 lakhs). The transfer to general reserve is Rs. 3.35 lakhs (nil). The dividend will require Rs. 10.79 lakhs (Rs. 8.79 lakhs). On the former occasion expansion reserve got

Rs. 3.50 lakhs while Rs. 3.25 lakhs was transferred from general reserve to complete the allocations. It is proposed to increase the effective capacity of the existing plant and machinery by modernising them and changing over to dry process from wet process after getting the necessary expert advice from Canadian consultants. It is estimated that the output can be raised from the present 600 tonnes a day to 1,000 tonnes after the modernisation scheme costing Rs. 2.50 crores is completed. Meanwhile, the company has decided to redeem Rs. 4 lakhs worth of preference shares in the current year.

Fit Tight Nuts

Fit Tight Nuts and Bolts Limited could not prevent a drop in earnings during the year ended September 30, 1970 in spite of a larger turnover, owing to higher interest charges, costlier raw materials and difficulties in the diesel engine industry. Sales improved to Rs. 301.60 lakhs from Rs. 252.39 lakhs in 1968-69 but the net profit, before depreciation and taxation, declined to Rs. 55.16 lakhs from Rs. 59.59 lakhs. After providing Rs. 23.85 lakhs (Rs. 20.28 lakhs) for depreciation and Rs. 3 lakhs (Rs. 6.10 lakhs) for taxation, the transfer to development rebate reserve is Rs. 11.95 lakhs (Rs. 15.65 lakhs) and to general reserve Rs. 16.75 lakhs (Rs. 17.55 lakhs) after some adjustments. A final ordinary dividend of 10 per cent is payable making with the interim a total of 17 per cent, taxable. The final is to be paid out of general reserve and 40 per cent of it will not be subject to deduction of tax being distributed out of tax-exempt profits.

Kirloskar Asea

Kirloskar Asea Limited has maintained the equity dividend at 6 per cent taxable for the year ended September 30, 1970. The net profit before taxation and after depreciation, was slightly lower at Rs. 6.52 lakhs against Rs. 6.59 lakhs in 1968-69 though sales improved to Rs. 61.34 lakhs from Rs. 53.24 lakhs. The provision for taxation is Rs. 3.30 lakhs (Rs. 1.45 lakhs) while general reserve gets Rs. 3.20 lakhs (Rs. 2.75 lakhs). There was a separate provision of Rs. 2.40 lakhs for dividend in the previous year. The whole of the latest dividend is exempted from tax deduction at source as it will be paid out of tax-exempt profits as in the previous year.

Reckitt & Colman

Reckitt and Colman of India Limited has been able to increase its sales for the year

ended October 31, 1970 by 7 per cent to Rs. 663.8 lakhs. The net profit, before depreciation and taxation, has been almost maintained at Rs. 116 lakhs against Rs. 117 lakhs in 1968-69. After providing for depreciation, development rebate and taxation, the surplus is higher at Rs. 39.9 lakhs against Rs. 34 lakhs. Depreciation claims Rs. 9.4 lakhs and taxation Rs. 65.5 lakhs while the transfer to development rebate reserve is Rs. 1.2 lakhs. After some adjustments and transferring Rs. 1.96 lakhs from development rebate reserve, a sum of Rs. 41.86 lakhs has been taken to general reserve. A final dividend of 7 per cent, taxable, is to be paid. The new shareholders will receive 35 paise per share (paid-up to the extent of Rs. 5). The interim dividend of 7 per cent claimed Rs. 12.25 lakhs which was paid on the paid-up capital as on April 29, 1970. The total dividend amount will be Rs. 27.13 lakhs. The final will be paid out of general reserve.

Rallis India

Rallis India Limited has been faring better in the current year, with sales and profits in the first four months higher than those in the corresponding period of last year. The company is now exploring more profitable lines of activity which will improve its profitability. Only recently, it entered into a sales agency agreement with Coromandel Fertilizers. The Chairman, Mr. J. D. Choksi, has however told shareholders at the recent annual meeting that a substantial improvement in earnings can be expected only after two years when the new lines will be contributing their full share. In pursuance of the policy to merge the subsidiaries with the parent company it is proposed to amalgamate Rallis Chemicals Limited with Rallis India. Searle (India) Limited, another subsidiary, is reported to have done better in the current year.

Excell Industries

Excell Industries Limited is raising additional equity capital for Rs. 50 lakhs to fund part of the funds for its scheme to set up an elemental phosphorus plant at Bhavnagar in Gujarat. The company is already making insecticides, fumigants, aluminium chloride, etc. The new project which is estimated to cost Rs. 1.60 crores will use rock phosphate from Rajasthan. There is already a paid-up capital of Rs. 45 lakhs in equity shares. Out of the new issue 3,450 shares of Rs. 100 each are being allotted to the directors, friends and employees while the balance of Rs. 46.55 lakhs are to be offered to the public. The company made a profit of Rs. 25.66 lakhs, after deprecia-

tion and before taxation on a turnover of Rs. 3.06 crores. Besides the fresh issue, the ICICI is giving a loan in foreign currency for Rs. 11.50 lakhs while bank borrowing will amount to Rs. 40 lakhs. A sum of Rs. 26 lakhs has already been spent out of internal resources and it is estimated that a further amount of Rs. 32.50 lakhs will be available from this source.

Gujarat Polyamides

Gujarat Polyamides Limited has been promoted by Baroda Rayon Corporation Limited for taking up the manufacture of nylon-6 yarn. The Rs. 11 crore plant is to be located near Surat. The company has a licence for producing 1.8 million kg. of yarn. Part of the funds required is to be found through an issue of preference and equity capital for Rs. 4.40 crores. Foreign currency loans for Rs. 382.50 lakhs for import of plant and machinery will be secured from the Industrial Credit and Investment Corporation (Rs. 212.50 lakhs), Industrial Finance Corporation (Rs. one crore) and Central Government (Rs. 70 lakhs out of an Italian credit). Besides these, there will be rupee loans for Rs. 1.25 crores from the Industrial Development Bank of India and Rs. 50 lakhs from the Industrial Finance Corporation while loan capital for Rs. one crore will be raised in the form of 84 per cent debentures; which will be taken up by the Life Insurance Corporation for Rs. 60 lakhs and the Unit Trust Rs. 49 lakhs. The loans from the financial institutions can be converted into equities on a specified basis and for specified amount. Out of the new equity issue of Rs. 309.02 lakhs and preference shares for Rs. 1.1 crores, 67,500 equity shares will be allotted to the foreign collaborators, representing 15 per cent of the c.i.f. cost of plant and machinery. Baroda Rayon will be taking up shares for Rs. 69.18 lakhs while its shareholders will be offered 23,904 shares. The Maharaja of Baroda will take up 20,706 shares and the balance of 1,28,630 equity shares and the whole of the 11 lakh preference shares will be offered for public subscription. The preference shares will carry interest of 9.5 per cent taxable and will be repayable in 12 to 15 years.

Madras Rubber Pays More

Madras Rubber Factory Limited will be distributing a larger sum as dividend on equity capital for the year ended September 30, 1970 following larger sales and a significant increase in earnings. Though the dividend has been maintained at 12 per cent, taxable, it is payable on a higher capital as raised by a three-for-ten bonus issue. The amount required will therefore be higher at

Rs. 29.24 lakhs against 22.49 lakhs for 1968-69. The turnover rose further to Rs. 24.02 crores from Rs. 20.30 crores in the previous year in spite of 'go-slow' tactics by labour. The net profit, before depreciation and taxation, improved to Rs. 173.24 lakhs from Rs. 147.89 lakhs. But for the unhelpful attitude of labour, both sales and earnings, would have been much higher. After setting aside a larger sum of Rs. 52.92 lakhs (Rs. 33.65 lakhs) for depreciation and Rs. 19.50 lakhs (Rs. 20 lakhs) for development rebate, the provision for taxation is Rs. 43 lakhs (Rs. 42.50 lakhs). The balance of Rs. 57.82 lakhs (Rs. 54.44 lakhs) has been transferred to general reserve out of which the dividend is to be paid. It has been indicated that in the first quarter of the current year the performance has been more encouraging and the installation of balancing equipment will help boost production and earnings further for the whole year. The expansion scheme is expected to be completed by the middle of next year as import of plant and machinery is being expedited. The cycle tyre plant with a capacity of 2 million is scheduled to be installed by June this year. MRF's exports set up a new record in 1969-70 at Rs. 58.39 lakhs.

Cochin Refineries

Cochin Refineries Limited has declared a dividend of 18.6 per cent, taxable, for the year ended August 31, 1970 against 21 per cent, taxable, for 1968-69. However, the net dividend in the hands of the shareholders will be only slightly lower at 16.06 per cent against 16.40 per cent as 37.69 per cent of the latest distribution will be exempt from tax deduction at source whereas the whole dividend was subject to tax deduction in the previous year. Thus, the net after-tax dividend will not be less than the amount agreed to be paid to the foreign collaborators.

In spite of a shut-down for over 35 days because of difficulties in transporting crude oil and overhaul of plant and machinery, output was maintained at a satisfactory level. However, the throughput was slightly lower at 2.45 million tonnes against 2.60 million tonnes in 1968-69. But with more efficient operations and a change in pattern of output with larger production of superior kerosene and naphtha, the profitability was higher. With the result though sales dropped slightly to Rs. 37.41 crores from Rs. 39.50 crores, the net profit, before depreciation, was unchanged at Rs. 4.21 crores.

In the current year, the company may have to pay more for its crude supplies, as the foreign suppliers are asking for a price hike in view of the increased tax on profits

of oil companies by oil-producing countries. Negotiations are under way for revision of crude prices. The proposal to use Rostam crude (share of ONGC in its off-shore venture in Persian Gulf) has been dropped as it has not been found suitable even after blending with other crudes. The expansion scheme to raise capacity by 40 per cent to 3.5 million tonnes is making good progress. Engineering designs are being finalised and arrangements are being made to get Government permission for importing plant and machinery. The generation of large internal resources has been helpful in executing the expansion scheme while at the same time enabling the company to reduce its indebtedness by over 40 per cent to Rs. 12.95 crores. Reserves including development rebate amount to Rs. 5.5 crores against the paid up capital of Rs. 7 crores.

Associated Battery

Associated Battery Makers (Eastern) Limited was able to increase its sales by 26 per cent during the year ended August 31, 1970 to Rs. 840.64 lakhs from Rs. 666.13 lakhs in 1968-69. The new Chinchwad factory made a significant contribution of Rs. one crore to the turnover while sales of products other than lead acid batteries amounted to Rs. 56 lakhs. There may be a further improvement in both in the current year. The net profit, before taxation and depreciation rose to Rs. 190.55 lakhs from Rs. 167.91 lakhs in spite of increased costs and it became necessary to impose a metal surcharge on most lead acid batteries in the middle of the year to cover part of the increase in costs. The sum set aside for depreciation is Rs. 28.02 lakhs (Rs. 19.83 lakhs) while taxation claims a larger sum of Rs. 96.43 lakhs (Rs. 75 lakhs) as the provision for development rebate is only Rs. 3.50 lakhs (Rs. 17 lakhs). The disposable surplus is thus lower at Rs. 66 lakhs (Rs. 73.08 lakhs). The transfer to stock reserve is Rs. 2.93 lakhs (nil) and general reserve Rs. 59.71 lakhs (Rs. 18.98 lakhs). A final dividend of 12 per cent, taxable, is to be paid making with the interim, 20 per cent taxable against 18 per cent taxable previously. The latest dividend is to be paid out of general reserve absorbing Rs. 42.48 lakhs while in 1968-69 there was an allocation of Rs. 38.23 lakhs for this purpose. It is expected that a part of the dividend will be exempt from tax in the hands of shareholders being paid out of the tax-exempt profits.

The outlook for the current year is reasonably promising and the Managing Director, Mr. B. W. M. Clarke has stated that sales and earnings so far have been higher than those of the corresponding period of last year. But the Chinchwad factory will not

be able to reach optimum capacity till it gets more battery containers from the main factory at Shannagar (West Bengal) which has to face unsettled labour conditions. The company's free reserves and surplus amount to Rs. 82.87 lakhs (after providing for final dividend) against a paid-up equity capital of Rs. 212.40 lakhs.

Kothari Group Merger

The High Court has approved the merger of five companies of the Kothari group—Blue Mountain, Waterfall Estates, Balmadies, Kothari Textiles and Adoni Spinning and Weaving after hearing the petitions from various interests concerned. The date of vesting of their assets and liabilities in Kothari (Madras) Limited, the new company formed for this purpose will be notified after the Government consent for the issue of equity and preference capital by the amalgamated company is received. These shares are to be allotted to the shareholders of the five companies as proposed in the merger scheme and only the preference shareholders of Waterfall, Balmadies and Adoni Spinning and Weaving are to get back their money. After conversion of all the equity shares of the merging companies, the paid-up capital of Kothari (Madras) Limited will be Rs. 222.50 lakhs in equity and Rs. 18 lakhs in preference shares. The pooled profit of the five companies, after providing Rs. 21.60 lakhs for taxation, for the latest accounting periods was Rs. 33.68 lakhs. The new company may be announcing an interim dividend.

British Government to Take Over Rolls-Royce Engine Production

The British Government's decision to take over the major part of the Rolls-Royce engine manufacturing divisions will ensure continuity of business for overseas customers and mean that Rolls-Royce will carry on powering civil and military aircraft throughout the world.

No other section of the giant Rolls-Royce undertaking is likely to be scrapped. Work will continue on all other current engine production, including the Olympus power pack for the Concorde supersonic airliner and the engines for the Harrier "jump jet" fighter.

The financial difficulties of Rolls-Royce have been building up for a considerable time, although it is only during the past few weeks that they have come to light. But Whitehall sources stress that the technical competence of Rolls-Royce remains unimpaired.

United Carbon Pays More

Shareholders of United Carbon India Limited will be immensely pleased to learn that the company would be increasing the equity dividend to 20 per cent for 1970 from the maiden dividend of 15 per cent in 1969. The entire distribution will be exempt from tax as in the previous year being paid out of tax exempt profits. The decision of the directors is commendable as there was a slight drop in earnings despite higher sales. But there is still a large cover for the dividend. Sales improved to Rs. 3.81 crores from Rs. 3.54 crores in 1969 while the net

profit before depreciation and taxation, declined to Rs. 1.71 crores from Rs. 1.82 crores due to increased costs. The reduced ratio of profit to sales at 44.9 per cent (against 51.4 per cent) must still be considered quite high. After setting aside Rs. 36.26 lakhs (Rs. 34.45 lakhs) for depreciation taxation claims a larger amount of Rs. 53 lakhs (Rs. 25 lakhs) as the provision for development rebate is only Rs. 7.05 lakhs (Rs. 33 lakhs). The disposable surplus is thus Rs. 74.69 lakhs (Rs. 89 lakhs). After some adjustments, a sum of 81.60 lakhs (Rs. 89 lakhs) has been transferred to general reserve. The dividend will absorb Rs. 31.67

lakhs (Rs. 23.30 lakhs) from this reserve.

The company has expanded its capacity from 40 million lb. to 50 million lb. but output in 1970 was only marginally higher. The full effect of the expansion will be felt in the current year. An application has been made for raising the capacity further to 53 million lb. If this is approved, this can be financed to a considerable extent from internal resources as in the case of the first phase. The Rs. 100 paid up shares have firmed up on receipt of the working results, the quotation rising from Rs. 447.50 to Rs. 465 but there was a setback later to Rs. 445 as there was no announcement of a bonus issue.

STOCK MARKET:

Marketmen Watch Developments

In contrast to the buoyancy witnessed since the beginning of the year there has been a mood of caution in stock markets latterly as the Lok Sabha elections are nearing. Listless conditions have been in evidence and losses have been widespread in the principal markets at Bombay, Calcutta and Madras. Cleared scrips have been particularly weak with the recent gains pruned substantially while most cash shares also have lost some ground. The weakness in cleared shares, however, reflects the anxiety of operators who have long positions to square up their deals in view of the heavy carryover charges for outstanding business. In this vulnerable position even small selling has led to sharp declines in values.

The stringent money conditions have also been a bearish factor for the markets. The jump in short-term rates to 12 to 13 per cent in the inter-bank call money market and the reported tight fisted policy of the banking system to meet even genuine, credit requirements of industry and trade have dampened sentiment. There has at the same time been diversion of some sizable sum to the new issues like Garware Nylon, East India Hotels. Yield ideas would also appear to be changing after the Bank Rate was raised by one per cent last month and there is the likelihood of share prices hovering around the current lower levels except in those cases where the companies concerned hold out promise of increased earnings and higher dividends or bonus issues.

Corporate results have no doubt been

quite encouraging with many established and new companies reporting improved sales and earnings for the latest year or expressing confidence of better performance in the coming year. Even the cotton mill industry appears to have acquitted itself creditably in a year of acute cotton shortage and increased costs. Madura Mills has done extremely well in 1970 and the other textile companies which will be announcing their preliminary results shortly may also have at least maintained their earnings. But the current year will certainly be a very difficult year and with consumer resistance to higher cloth prices, it may not be possible to pass on the higher cost of cotton to the consumer.

Engineering units in the eastern region are yet to get out of the recessionary phase of 1966-68 completely. The wagon building units are particularly unable to find the resources to execute export orders while the Railways have not been helpful in the matter of prices for its requirements. Braithwaite one of the biggest wagon-making units, has closed down one of its units for a number of reasons which include paucity of funds, and steel shortage. The Union Government has ordered an enquiry into the closure. The acute shortage of wagon supplies, accentuated by a railmen's strike in the eastern region, has also led to accumulation of huge pitched stocks at collieries while public utilities including the Railways in the South and the West as also consuming industries in distant places have been adversely hit by the transport bottle-

neck. The developments leading to further strained relations with Pakistan following the hijacking of the Indian Airlines plane and its destruction in Lahore have also been a restraining factor for marketmen who were already watching the election scene with special interest.

In Dalal Street, Tata Steel reacted sharply during the fortnight ended February 10, the quotation closing at Rs. 100.75. Century was another major counter to fall back sharply to Rs. 870 from Rs. 911 while National Rayon reacted to Rs. 543 from Rs. 566. Most other active shares also turned weak. In the cash list, however, selective support lifted prices for Fit Tight Nuts, S.I. Viscose, S. L. M. Maneklal and T. Maneklal. Banks also put up a steady front.

In Lyons Range, despite encouraging corporate news like the good performance of General Electric of India in the first half of this year prices for both cleared and cash scrips drifted lower. While Indian Iron weakened further to Rs. 12.50 Hindustan Motor was easier at Rs. 12.60 x.b. against Rs. 15.50 c.b. Birla Jute, Dunlop, Indal, Guest Keen, Orient Power were all subdued. Alkali had sellers at Rs. 28 and Union Carbide at Rs. 28.81. In Madras, S.I. Viscose, Madura Mills Alind and Madras Rubber had buyers at improved levels, but India Cements, Ashok Levland, Trayons and Mettur Chemical found lower levels. Sugar shares like Deccan and E.I.D. looked up on support at the lower levels. Carborundum was a firm spot at Rs. 270 c.d. Madras Aluminium was sought higher at Rs. 178.



A BOLD PLAN TO MOBILISE PLAN RESOURCES

A bold experiment is to be conducted by the Life Insurance Corporation, the scheduled commercial banks and the Unit Trust of India for spreading group insurance and encouraging savings. The Chairman of the Life Insurance Corporation, Mr. T. A. Pai has announced that a deposit-linked-like-insurance scheme will be put into effect shortly with the help of public sector banks and credit institutions in the private sector. There will also be another scheme for promoting sales of Units of the Unit Trust of India. Construction of houses by policyholders through loans from L.I.C. is to be encouraged with the lowering of premiums for mortgaged redemption policies. It is also proposed to give accident cover to the holders of bank accounts and Units. Some changes are being effected in group insurance policies for making them more attractive.

The new schemes have been framed after a working group appointed by the Reserve Bank of India, L.I.C. and Unit Trust of India had examined the question of stimulating savings through the grant of insurance cover at reduced costs. The objective of the Reserve Bank and the credit institutions is to mobilise additional deposits and effect larger sales of Units so that bigger amounts will be available for the execution of plan schemes. The Life Insurance Corporation too would be increasing the volume of its business and realising larger amounts by way of premiums. As the risk involved in meeting claims will not be large, the Corporation will be in a position to add to its assets significantly on the lines of the Deposit Insurance Corporation. It is necessary to point out, however, that the insured under the new schemes would be eligible for cover only

on a stipulated basis subject to a maximum limit and no residual benefit will be derived by them after the expiry of the terms of insurance. The insurance cover will also be automatically terminated on the insured passing out of stipulated age groups.

The move of the LIC and the credit institutions should have far reaching significance, if the incidental advantages derived by depositors, Unit holders and borrowers from LIC are clearly explained to them and the schemes were efficiently administered. It has been indicated that cover would be provided to depositors by charging 1 3/4 per cent towards premium annually. Under this proposal depositors with the scheduled banks in the age group between 18 and 40 will be eligible for a cover which will be twice the amount of the average deposit in a half year period. The only stipulation is that the average balance would not be less than Rs. 1000 in an account in a half year period and that the maximum will be limited to Rs. 10,000 per individual. This cover will however be limited only to the average of deposit in a particular account in the case of those in the age group between 41 and 49. It is not known why such a high level of mortality has been assumed in respect of the latter group when the general expectancy is improving.

The depositor will have option to participate in the scheme and it is quite likely that many will elect to take advantage of the cover that will be available while paying a premium unconsciously. It is not known, however, how the actual cost works out and whether the banks will be prepared to bear some part of the insurance premium on their account. But if the scheme proves to be popular, the

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credit institutions will gain to a considerable extent as a large residual balances will be maintained with them at a cost of perhaps not more than 4 per cent since one to two year deposits alone fetch 6 per cent. There is every justification for suggesting that those who participate in the group insurance scheme should be offered higher rates of interest which are in between those available on the saving bank accounts and fixed deposits. It is however likely that many small depositors will be encouraged to obtain incidental insurance cover and that the growth of deposits will become more pronounced over a period. If it is found that the cost of insurance worked out much more cheaply than estimated, either the quantum of risk can be increased or accident insurance provided simultaneously on a cheaper basis.

The proposal of the Unit Trust of India to afford insurance to the purchasers of Units who agreed to increase their holdings on a stipulated basis for 10 years is likely

TRAFFIC BOTTLENECKS AFFECT INDUSTRIAL OUTPUT

The serious interruption to industrial production as a result of labour trouble, railway bottlenecks and strikes of railway employees is accentuating inflationary pressures and defeating the export effort. Not long ago, a prolonged strike by dock workers at the Calcutta Port had a crippling effect on exports. Difficulties are also experienced by different industries in securing raw materials as a result of wagon shortages or railway strike. Only a few weeks back, railway workers in the Dhanbad area in Bihar went on a strike and loading operations in the vital coal belt were grievously affected.

It has, however, been complained by industrial organisations that wagons allotments to the different coal mining regions are not on the desired scale and hence coal supplies are not being made available to the industrial centres regularly in the desired quantities. The actual allotments however have been far below current needs and it has been reported that thousands of wagon are lying immobilised in West Bengal and elsewhere because of delays in loading and unloading. These delays are due to labour intransigence and troubled political situation. The railway bottlenecks are so serious that the engineering industry in the coal deficit areas are not having enough coal for smelting purposes and it has been actually complained by the President of the Engineering Association (Northern Region) that engineering units would be obliged to stop their operations if adequate supplies were not available immediately. In Ahmedabad a sorry state of affairs exists and mills are living on a hand to mouth basis for their needs of steam coal. It has been actually pointed out by the President of the Ahmedabad Mill Owners' Association that it will be necessary to resort even to block closure if the railway did not arrange to send special rakes for supplying coal.

to have general appeal because the Trust will be paying the premiums to the Life Insurance Corporation and insuring Unit holders on a group basis. Maximum risk will be restricted to Rs. 12,000 for a Unit holder who will invest Rs. 100 in Units every month for a period of ten years. In the early stages however the risk will be only partially covered, no claim being admitted in the first year. In these cases the premiums paid will be refunded. Full risk will be covered only after three years from the date of entry though the payment of premiums will cease after some years.

These proposals are well-conceived and if properly popularised will result in the fast spread of insurance and saving. The only criterion should be to cheapen the cost of insurance, bearing in mind the overall advantage that will accrue to the economy with the mobilisation of larger resources through deposit and sales of units.

Meanwhile, there is another serious threat to steam production because of the strike of railway employees in the steel town of Rourkela. If this strike lasts for a long time, the movement of raw materials and finished goods will be affected and it may even become necessary to curtail production of steel. When there is already a critical shortage of this basic raw material due to troubled situation in Durgapur and Asansol, any drop in production in Rourkela will have a complicating effect. These developments clearly emphasise the vital role played by the railways in the industrial economy.

It is therefore necessary that the Railway authorities take serious note of the developments in the past few months and adopt remedial measures. Unless there is a re-routing of traffic and rationalisation of movement the different industries cannot function properly. The collieries in Bihar are having the problem of disposing of coal as there is an accumulation of stock at the pit heads which is reported to be in excess of 4 million tonnes in Bihar alone. While there is a glut in the mining areas high prices are being charged in the deficit regions. Likewise there is a surplus of cement in the Southern Region while there is an acute shortage in North West India and open market prices are higher by 50 per cent than the controlled price. The cement industry in the South is having unutilised capacity while there is an unsatisfied demand in Punjab, Haryana, Delhi and U.P. This sorry state of affairs is a clear indication of how harmful an effect unplanned, indisciplined and uncoordinated activity can have on national economy. Absence of industrial peace and efficient transport will result in a chaotic situation and it will be idle to expect that the upward trend in prices can be arrested.

Implications of Nixon's Foreign Policy Report

President Nixon's foreign policy report to the U.S. Congress underscores the directional trend towards reducing U.S. commitments abroad through assisting in the building up of the military or diplomatic competence of the countries concerned. One can sense the anxiety of Mr. Nixon, as evidenced in the report, to convince his audience that his administration was bent upon going a new way in both the principles and financial commitments of such a new path. Reduced American presence in Viet Nam hinges, according to Mr. Nixon, in Vietnamisation of the Indo-China war. *Prima facie* this is reflected in substantial improvement in South Vietnamese forces and withdrawal of U.S. troops.

The "Nixon's War"

This cannot obscure the oddity of the evolving military situation in which the effort to protect the withdrawal and the residual U.S. force in the area has compelled an extension of conflict first to Cambodia and then to Laos. Nor has the record of South Vietnamese troops which are to take over ultimately all the military responsibilities of the United States in this region been edifying. A general of theirs has been killed in a helicopter accident and U.S. air strikes at the Democratic Republic of Viet Nam's missile defences across the 17th parallel have drawn protests from Russia and China as well. Indeed if such airstrikes continue, it could invite Chinese intervention, open or covert, which may escalate the conflict just when the U.S. is seemingly winding up its forces and thus not only stagger withdrawals but will also suck in more troops from home. Critics may not be far wrong when they say that the only difference that the Nixon doctrine had made for is to rename the Vietnamese

war as "Nixon's war" instead of being "Johnson's war".

A good deal of hesitancy is noticeable in the U.S. stances on peace negotiations in Vietnam. Indeed the main objection of Mr. Nixon to withdrawal of U.S. troops completely and replace the leaders of South Vietnam by a coalition Government is that so long as the striking power of Hanoi remains formidable, as now, any coalition government will only be a stooge of Hanoi—which explains why a counterpoise of U.S. troops may be necessary for some time, theoretically until the South Vietnamese forces are capable of looking after the area without U.S. help. If all this means, as Hanoi rightly suspects, that the negotiations cannot succeed until the U.S. is in a position to force a military decision, there surely can be no peace. This is not to overlook the equivocation of Hanoi about what it means by a "coalition government." According to the representatives of Hanoi, this will consist of one-third from the N.L.F., one third "from those people in the Saigon administration who stand for peace, independence and neutrality and one-third from other forces who also stand for these principles. Rightly does the U.S. deem these terms an instrument for forcing on the South Vietnamese a government not of their own choice but of Hanoi's.

Polycentrism in Modern Communism

The situation is not without any saving grace either. Dean Acheson on it was who propounded years ago the need for containing communist aggression. This is a cross which distorts the reputation of the bearer, sometimes almost beyond redemption. It is plain as pikestaff that the U.S. is fighting the war of democracy against totalitarianism in the only armour that will look decent according to contemporary

international values. There is no gainsaying the accumulation of abuse that has been shoved on the U.S. in the bargain. But the diplomatic tactics of the U.S. deserves credit not simply for bearing their insults with a smile but specially for ensuring that the war does not become unmanageable. In recognising what he calls polycentrism is current communism, Mr. Nixon has displayed a clear understanding of the nature of modern communism, as being less of an ideology and more and more of national solidarity, which has accounted for the identification as special entities of the states in the bloc. The demarcations are too clear in respect of the Soviet Union and entity are visible in the case of the China, though the lines of separate other communist countries. These shifts in national status and in the overall military equation forces the U.S. to cast aside ready-made diplomatic formula and to shape instead new weapons of diplomacy which, whatever be the embarrassment, will concede to Caesar what is Caesar's.

The Achilles' heel of the report is "trade and trade policy". Mr. Nixon has stressed that the central issue is simply whether the U.S. should pursue a liberal trade policy. He has observed how for 37 years, the U.S. has considered such a policy to be in the national interest. But as he himself has confessed that events in 1970, particularly the failure of the Congress to enact the modest but liberal trade bill proposed by the Administration and the near passage of protectionist trade legislation instead, demonstrated graphically the challenge to this traditional course. The point, however, is that the growth aspirations of developed economies like India depend on how far the administration will resolve the challenge in the manner warranted by the tacit acceptance of generalised system of tariff preferences.

Evolving Common Currency Towards Monetary Union

It is difficult to exaggerate the merits of the agreement recently reached at Brussels for achieving the monetary union of the E.E.C. through evolving ultimately a common currency as a counterpoise of the existing reserve currencies—the U.S. dollar and the British pound. As a first step towards monetary union, short-term cooperation among the E.E.C. Central Banks has been conceded. There has been such co-operation since 1961. What is new now is the provision of financial aid of \$ 2 billion of which \$ 1 billion could be drawn upon automatically by members to meet a short-term crisis. As monetary experts point out, even this facility may not measure up to much, especially when it is recalled that in the franc crisis, credits far beyond this magnitude were required to stem the crisis. The sincerity of E.E.C. membership in favour of economic integration will be clearer only if there is a far reaching agreement on medium term assistance and on currency parities between now and 1980, the date on which the E.E.C. currency will come into being. Indeed the Werner Committee of the E.E.C. had proposed that in the Common Market monetary zone which is to be established in 1980, the parity relationships of various currencies must by then be irrevocably fixed, parallel to elimination of exchange rate margins, complete internal convertibility of currencies and the liberalisation of capital movements.

There are certain obstacles here which have been played down by the enthusiasts of integration. Take the role, for instance, of an exchange equalisation fund which, through appropriate intervention in the foreign exchange markets, should limit fluctuations in parities of E.E.C. currencies within a narrow margin (as the means to the creation of a common currency later on). We may overlook the fact that any such fund cannot conceivably obtain resources any larger than

what the I.M.F. or the existing swap arrangements among member Central Banks can offer. Intervention by the Central Banks so far will mean, in a deficit, the placing of foreign exchange at the market's disposal and in a surplus, its withdrawal into the banks. If an exchange equalisation fund is superimposed on the market, it will lead to a curious situation in which the Central Banks and the exchange equalisation fund will be working at cross purposes. This is precisely what will happen when for overall reasons of economic policy, a central bank may be seeking a tightness in the money market while the fund, in furtherance of its aim of minimising foreign exchange margins will purchase currencies of other E.E.C. countries.

Tantalising Challenge

Suppose on the other hand, the Central Banks themselves are to intervene in the foreign exchange market to eliminate margins within the E.E.C. The stability of a currency within certain allowable margins can be maintained by the Central Banks' buying and selling of dollars on the market at certain prices, with surplus countries buying up dollars at the upper intervention point and deficit countries sel-

BHEL TO PRODUCE FERTILIZER EQUIPMENT

Bharat Heavy Electricals Limited and Nuovo Pignone of Italy have signed a collaboration agreement which will enable BHEL to undertake the manufacture of centrifugal compressors required for the fertilizer and chemical industries. The manufacture will be undertaken at BHEL's plant at Hyderabad. These compressors are of large capacity and highly sophisticated equipment most essential for the production of fertilizers. Their manufacture is being undertaken for the first time in the country. Production is expected to be of the order of about Rs. 3 crores a year.

ling them off at the lower intervention point. Basically the currency of a surplus country will be above the dollar parity and of the deficit country below the dollar parity. If margins in exchange rates are to be reduced to the allowable minimum, either the exchange rate of the deficit country will have to be pushed up or that of the surplus country pulled down. And in both cases the intervention of Central Banks will be at completely arbitrary exchange rates. The position becomes more complicated when the aim is to make them fluctuate in unison against the dollar. According to which criteria should the exchange rates of all the currencies be revised up or down? This is the most tantalising challenge that will confront the foreign exchange experts of the E.E.C. An ingenious method could be to link one E.E.C. Currency, say the Deutschmark with the Dollar, with the other countries of the market intervening only in respect of purchase and sale of Common Market currencies. The net result of this will be as it were to saddle the franc crisis solely on the Deutschmark. Both because West Germany cannot agree to shoulder such vicarious suffering and also because other members of the E.E.C. particularly France, will be reluctant to accord to the Mark the special status that is called for, this scheme cannot work.

Obviously, as a European expert puts it, the path to a monetary union obviously does not lie via a European equalisation fund and a co-ordination of exchange rates, but rather via successive harmonisation of economic, monetary, credit and income policies. The harmonisation of economic and financial policies not only requires co-ordination of taxes, banking laws, wages and many other factors; it also presupposes a homogenisation of mentality and social climate. The requisite harmonisation is sought to be achieved by stages.

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Glimpses

By P. R. SRINIVAS

Agricultural Varsity for Tamil Nadu

Resort to an ordinance for measures which can well wait for the normal processes of democratic legislation is always open to valid objection on constitutional grounds. And on the eve of the elections it may also be construed as an attempt on the part of the Government to seek unfair advantage over its rivals. Nevertheless, the establishment of an Agricultural University at Coimbatore is to be welcomed as a wise step towards raising the level of technical knowledge in this vital sphere of popular welfare.

Agricultural development has in modern times to mark the confluence of different streams of increase in knowledge and improvement in techniques and it would be unwise not to direct and enrich these streams at various stages of their flow. Coimbatore's claims to the location of the university are indeed incontestable. The Agricultural College has the credit of paving the way for the large scale sugar industry. And it has been a centre of research for a long time. The other institutions in the State are clearly in need of co-ordination of their activities and more expert direction. In the sphere of agricultural development on modern lines, much progress has, no doubt, been made in recent times. But there are many loose ends to be tied up. It has also to be remembered that the knowledge of other associated sciences required for agricultural research is of a high order. It is, therefore, necessary that while research is pursued at the higher levels, the discoveries of research and the experience of model farms have to be taken to the ordinary cultivator in an assimilable form. The

University can do a signal service by preparing a large army of agricultural graduates and diploma-holders who will take science to even the most isolated farms in the country.

Gap between Outlay and Resources

The widening of the gap between outlay and resources of the Fourth Plan which is occurring today is of course certain to escape the attention of the parties or the notice of the voters in the coming elections. The parties expect to gain the suffrage of the people by more and more extravagant promises of what they will give to the people if returned to power. And by far the preponderant majority of voters are incapable of apprehending the problem. But the Central and State Governments have before long to tackle the problem either on the basis of cutting down the targets or of increasing the resources or more probably of both. In the wake of strikes and agitations holding out threats of strikes, many a State Government has announced increases in the salaries and dearness allowances and others are bound to follow suit with or without the aid of a special enquiry. The increases that have been announced already are estimated to account for a cut in resources of over Rs. 100 crores. And when all the States have adopted similar measures the cut will amount to as much as Rs. 700 crores for what remains of the plan period.

The old habit of presenting deficit budgets, of which these have already been two in Punjab and Haryana, and looking to the Centre for help can no longer be indulged in for one thing, it has been definitely understood

that if a State Government wants to have a bigger income, it can only be with the additional resources raised by itself and that Central assistance cannot be increased beyond the already agreed levels; for another, the Union Government has announced interim reliefs to its employees which will cost Rs. 425 crores in the Fourth Plan period ending March 1974. Since the rise in prices is far from being halted and the index is very near the level which obligates further relief, the Centre will find itself in a difficult financial position. Even the return of the Indira Gandhi Government with a decisive majority will not make it easy to levy new taxes on a large scale. And that State Governments have never been inclined to do their part of the task of finding the resources for the Five Year Plan. It is futile to speculate any more on possible developments when the outcome of the elections seems more doubtful than ever before.

Reducing Inequalities of Income

The study conducted by the Scientific and Economic Research Foundation has published some findings which ought to stimulate thought on the all-absorbing question of reduction of inequalities of income. It is not clear how far the findings are based on an analysis of "incomes", within the meaning and scope of the Indian Income Tax and how the study has taken into account even such incomes as have escaped the nets of the Income Tax Officer, not to speak of incomes from land and other sources. The lower brackets of the incomes of the self employed and the incomes below the taxable limit cannot possibly have been brought within the scope of the survey. The very large incomes of the top brackets, whether they are earned or unearned, may call for the attention of the Government and the people who want them reduced either out of pure love of the ideals of Socialism or equality or out of pure democratic jealousy.

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What is important from the point of view of national economic progress is that the national income should be so distributed as to uphold the principle of equal pay for equal work, adequate incentive to genuine workers and the increase of purchasing power

in step with the increase in the output of different grades of consumer goods and in consonance with the requirements of further expansion alike of output and demand. One would hesitate to mention in this context the need for margin in in-

comes for savings or the incentives to investment. A national incomes policy is devoutly to be wished. But it would be a will of the wisp if reduction of inequalities is pursued with animus for the rich instead of devotion to economic progress.

Towards Greater Equality

The study of the Scientific and Economic foundation makes clear mention of the fact that there are four important sources of income which among themselves account for more than 80 per cent of the income assessed in India and these sources are salary dividends and interest from securities, property and business and profession. With the progress of industry and business, prosperity becomes less significant while salary business and profession become more important. In all the three years from 1959-60 to 1964-65 business and profession accounted for more than 50 per cent of the assessed incomes above Rs. 10,000 and salary for one fifth. Between 1964-65 and 1966-67, the share of business and profession increased from 52.49 to 64.90 per cent. The income of top one per cent of the earning population as a proportion to the total was 9.7 per cent in 1964-65. And the Study states as its finding that the gap between the rich and the poor among tax-payers in India increased by 19 per cent between 1964-65 and 1965-66. It is also pertinent that income-tax payers (as distinct from earners or recipients of income) was one per cent of all income earners in 1964-65. What is important for the popular politician and the policy maker is that the relative share of the lower 60 per cent of the population was 28 per cent in India, 30 per cent in Ceylon, 34 per cent in the U.S. and 36 per cent in Britain. It is equally important the distribution of incomes in the developed countries in their pre-industrial phase was as unequal as in the developing countries and that it was only in the post-war period that the relative distribution moved "towards greater equality".

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Integrated Approach to Industrial Problems

There is no speculation about the significance of the revised budget estimates for 1970-71 which are expected to be presented to the new Parliament before the end of the month. The budget estimates that will be made available in the next fortnight do not have much significance for the economists and marketmen as they have for planners and even economists. For the budget estimates (actual) for 1969-70 and the revised estimates for 1970-71 will indicate how non-plan expenditure has increased in the first two years of the Fourth Plan. It is clear that non-plan expenditure has got out of control mainly due to the anxiety of the government to please every one and the adverse effect of a continuing rise in prices resulting in the grant of interim relief to government employees.

The Increasing Commitments

The Central government has fortunately escaped any serious upset in its budgetary calculations as tax revenues have been buoyant and the targets for borrowing through open market loans and small saving collections have been exceeded. There has also been a slowing down in the tempo of plan outlay, with Central government deposits with the Reserve Bank remaining at the high level of over Rs. 300 crores at the end of February. A close analysis of budgetary trends seems to indicate that deficit financing in 1969-70 would be practically negligible and even in 1970-71 not substantial. But the State governments are in a bad way and their overdrafts with the Reserve Bank were at a much higher level at the end of February than in the same period in 1970. The full effect of the revisions of emoluments of government employees, teachers and others will be known only over a period. It is quite likely that there will be new additions to the pay bill and these may work out in the aggregate to Rs. 250 crores a year for the Central and State governments.

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There will also be the impact of the final recommendations of the Central Pay Commission. In three years alone there will be an addition to non-plan expenditure by Rs. 1000 crores. Taking the increase in the first two years also into account the total diversion will be of the order of Rs. 1250 crores. It may even be Rs. 1500 crores ultimately. In the absence of strenuous efforts to control the price situation it may become necessary to find additionally Rs. 2500 crores on a conservative estimate to finance the schemes for achieving the allotted physical targets.

Problem of Physical Resources

This would mean that total plan outlay will be of the order of Rs. 27,500 crores in all sectors, and Rs. 16,500 crores in the public sector alone. In the first two years however aggregate plan outlay in the public sector may not be more than Rs. 5000 crores which would mean that the tempo of plan expenditure will have to be raised considerably in 1971-74 if the remaining Rs. 11,000 crores odd has to be spent. The Central government may be in a position to gear up its machinery after a stable government has also been formed. The problem of financial re-

ELECTRONICS COMMISSION

The Government of India have decided to establish an Electronics Commission, with full executive and financial powers. This step has been taken to ensure the necessary balanced development of electronics in the country as rapidly as possible. The Commission will review the entire field of electronics with regard to research, development and industrial operations, with full authority to formulate policy in this field. It will also direct implementation on sound technical and economic principles of all measures, both promotional and regulatory, that are necessary for the country to attain self-reliance in the shortest possible time and in the best possible manner.

sources also may not become immediately difficult. But the State governments cannot pull their weight and there is bound to be a serious shortfall in plan achievements even in financial terms if Central assistance could not be given more liberally. What is more important is the availability of physical resources. There is already complaint that the shortage of steel, aluminium, chemicals, commercial vehicles and others is holding up the implementation of the many projects and the boosting of production. If these shortages cannot be minimised or eliminated with intensive use of existing capacity, the Fourth Plan is doomed to failure.

A continuing rise in prices and disturbed industrial situation will prejudice the prospects for the 4th Plan. It is time that the Central and State governments realise that greater attention will have to be paid to economic issues and agricultural and industrial production should be raised to the maximum extent possible with the existing facilities. There can surely be an increase in industrial output by over 12 per cent against the current annual increase of 6 per cent, with a better use of existing capacity. A sustained growth in agricultural production can generate new constructive forces, though there can also be bad side effects if there was no integrated approach to the problems of agricultural sector. The rapid implementation of rural electrification schemes has also resulted in a big increase in consumption of power. There is a larger demand for consumer goods with an increase in purchasing power of the agricultural income groups. Further strident progress will become difficult if there was no sustained increase in the output of manufactured goods and the shortfalls in availability of cash crops were also eliminated. The Fourth Plan can still be a success if there was correct thinking and no inhibitions with ideologies.

CAN YOU MEET HIS GROWING NEEDS?

His needs will multiply with the years. He will need a lot more than he needs now. He will need money for his college education, for his professional training. He will turn to you for it—are you prepared? Where is the money to come from?

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There is no substitute for Life Insurance.

PRATHIMA 302-1

Fruitless Dichotomy Between Productivity and Social Justice

I believe that policy makers should take a close look at the evolving changes in industrial production *vis-a-vis* the ends of social justice. As Mr. Arvind Mafatlal put it in his Anantharamakrishnan Memorial Lecture in New Delhi the other day, we seem to be involved in a fruitless dichotomy between the interests of businessmen and of the society at large. The illusion seems to be that the two are disparate, the basis for such an assessment being the single-track emphasis of industrialists on production and productivity and of politicians on social justice. It is interesting to note that a lowering of volume of production denies social justice by denying some sections of the community fully or in part certain goods and services which they can otherwise obtain in an abundant measure. Likewise by being oblivious to distributional requirements of social justice, the incomes which are the demand-builders for making production a satisfying exercise will be kept below the optimal level. As Ricardo put it, a social order in which servants under pangs of hunger run riotously upstairs to seize their master's family cake will be disrupted the moment such a riot starts.

What is particularly important in a developing economy like India is that developmental planning having created aspirations among the masses has to be attuned to satisfying them. Such satisfaction depends on popular consensus about the planning experiment, a consensus which, according to Mr. Mafatlal, will not be forthcoming unless the people have a reasonable assurance that they will be the sharers in the fruits of growth. That pinpoints the urgency of having to link industrial development with increases in the purchasing power of the people. There seems to be a misguided impression that increased affluence will automatically achieve this through its percolation to the lowest strata of society. If it were so, Bihar and Orissa with their

giant industrial complexes should be rich in every inch of their territory. The fact however, is that these complexes did not have any impact on prosperity beyond 10 miles of their location.

Partners in Progress

It is in this context that considerable rethinking seems necessary on decentralisation of industry and on the relative roles of the organised and small scale sectors. For quite some years, it has been a facile assumption that certain areas of activity should be earmarked for small industry and that certain segments of community demand should be tied to them. There has also been the other assumption that, for a country with India's massive population, the small sector has a definite logic on the score of its labour-intensiveness. What has been missed in these assumptions is the elementary truth vindicated by fact and theory that except in cases of highly individualised or personalised custom, in all other cases, the small factory has no existence except as an ancillary or fabricator *vis-a-vis* in an appropriate large factory. Either its raw materials originate from the big factory or its finished products constitute part of the inputs of the large-scale firm. The fortunes of the two sectors are so closely intertwined that by placing any handicap on the organised sector the long-term interests of a cluster of small factories gets adversely affected. This is not to overlook the need for the organised sector consciously to accept the rural decentralised sector as a partner in its plan of growth and to undertake the development of the rural sector as an integral part of the total plan of its own investment.

There seems to be no logic on this count in either sector looking on the other as a rival, nor is it correct for the Government to be devising a licensing policy with the sole aim of curbing the jurisdiction of the large-scale industry as the means to build

up the small firm. Indeed Western experience has demonstrated how big firms learn to divest themselves of some responsibilities in favour of the small firms, while the latter for their part unfailingly develop over the years the acumen necessary for becoming big leaving their work to be done by newer, smaller units. This is the industrial chain reaction that sustains and improves increases in gross national product, enlivens rural areas with industrial activity and creates the forces necessary to keep the balance even between town and country. Indeed this is the secret of the vision of Toynbee who postulates the possibility of an unending world city developing through the industrial linkage of cities, towns, suburbs and rural areas along the Atlantic and Pacific seaboard.

Feeding on Hopes

We are a poor country where such visions help only to create the dream state in which the pricking thorns of poverty are taken off the worrying mind. We require here not these hopes but the realities that we can achieve. On this also there has been a lot of discussion with little, concrete action. For instance, since 1960-61, there have been endless disputes over the choice of agro-industries which are to serve as the means to greater rural prosperity. Till now, the industries appropriate to each region of the country have not been identified and the elementary infrastructure facilities for their sustenance have not been provided. Likewise, the talk on production and productivity has soft pedalled on issues so vital for ensuring productivity as, for instance, the introduction of automated techniques for fear of stirring a hornets nest in the form of hostile unions. If such conditions continue to exist, industrialisation will be at a pace and of a type that will keep the masses of us far too hungry and far too long to boot.

—Horace

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Bridging the Communication Gap

In this age of ideological socialism, the private businessman is more often than not depicted as a parasite. It is part of the ideological prejudice to be oblivious of the positive role that private initiative has played in ushering the improvements that have progressively made life more and more comfortable and therefore worth living. The discovery of the power of steam by Watt, of the electric lamp by Edison and of wireless by Marconi — for they are all really discoveries that threw up what had remained hidden — are easily applauded but the persons who have made a commercial proposition of these (without which the discoveries would have been mere academic delights) are denied the approbation because of biased ideologies. It is all a case of "the evil that men do lives after them, the good is oft interred with their bones." It was in the fitness of things that the Madras Management Association should have decided to organise annual lectures by distinguished businessmen, presenting each of them on that occasion with the Business Leadership Awards, for that year. The lectures are organised in memory of a titan in the South Indian business world, the late Mr. Anantharamakrishnan and the award has been instituted by his son, Mr. Sivasailam.

The first award made last year was to Mr. J. R. D. Tata and this year's award has gone to Mr. Arvind Mafatlal, head of the Mafatlal group of concerns. Mr. Tata had called for social and management audit to curb malpractices because some private businessmen indulged in shady transactions. He called upon the honest businessmen to dissociate themselves from such anti-social elements and to constitute themselves into fresh bodies

Serving the Needs of the Community

These points from these two lectures should vindicate the hopes of the organisers that business leadership should rise to the pressing needs of the present, covering the community as well as itself in glory. Indeed for quite a long number of years, the Indian businessman had been keeping to his shell, resigned to all misplaced criticism of him from whatever quarter. The award instituted by Mr. Sivasailam and the lecture that it occasions provides an opportunity for introspection both for the business community and for their critics. In fact, much of prejudice that is the result of a communication gap will get eliminated through this exercise. And anything of adulation in the bargain has to be kept, as it has always been, within limits. The lecturers in the years ahead, it is hoped, will continue the task undertaken by their predecessors both to identify and formulate the means to better business as the inevitable concomitant of better living.

—(FOC)



Mr. Arvind Mafatlal receiving the Business Leadership Award from Mr. Sivasailam

INDUSTRIAL ECONOMIST

Brain Drain from the Planning Commission

A storm in the tea cup seems to have disturbed the Planning Commission. It concerns the general relations between the generalists and technical persons in the top executive and ancillary executive posts in the Commission. It may be recalled that a committee had been constituted under the Chairmanship of Mr. B. Venkatappiah with Mr. Ashok Mitra and Mr. Baveja (Secretary and Joint Secretary respectively of the Planning Commission) as the other members for recommending measures for assuring better efficiency and economy in the working of the Commission. The Committee had recommended the demarcation of two cadres in the technical level. There was to be a "specialist" level—Deputy Secretary rank—where officers are to be designated as Chief, Senior Specialist or Director and an "analysts level", comprising Joint Directors, Senior Research Officers and Investigators. Above these two was to be "a coordinating level" of officers—Joint Secretary or Adviser rank—drawn from the Indian Administrative Service. This cadre would necessarily consist of non-technical officers who would not necessarily be technically experts in every field but would have enough experience and organisation capacity as would enable competent examination of suggestions or advice offered by technical experts in the light of their administrative feasibility. The Committee is of the view that the designation of any one as adviser (Joint Secretary rank) should not be on the basis of pay but according as the person concerned is at the 'co-ordinating level.'

Flutter in the Dovecots

The flutter in the dovecots caused by this recommendation is understandable. There are at present certain technical experts who are drawing higher pay and have been designated as advisers. They should be irked by the Committee's observation that

"merely because a higher rate of pay has to be allowed to a specialist, he should not be designated as adviser, which term will have to be reserved for group co-ordinating officers." The mental reservations against each other between generalists and technical men being what they are, there is absolutely no surprise in the stance of technical men that even if the peculiar exactions of their technical labour are not given the weight they deserved, there should at least be no minimising of the rank that higher pay offered to them over the non-technical co-ordinators seemed to indicate. The contention of the generalists against this has been that their excellence consisted in the feel they had of the bureaucratic side of the work whose nuances were not less peculiar or less technical than that of managing a machine or a technical function.

The Committee seems to believe that the Planning Commission should be given considerably more powers than are at present available to it for creating higher posts and that the flexibility which the Atomic Energy Commission enjoys in this respect should not be denied to the Planning Commission. Generally speaking, such a facility will help sow the insular brain drain problem besetting the latter at present. The present rub lies in that officers at the higher executive levels in the Planning Commission unfailingly go back to their parent department because the Commission

THE DECLINE OF THE PASSENGER TRAINS

The number of passenger trains in the United States in the late 1920s was somewhere near 20,000. Today it has shrunk to about 285. According to a new proposal of the Transportation Secretary of the National Railroad Passenger Corporation it may become as low as 150 trains daily.

—Newsweek

does not have jobs which will offer the same benefits as will accrue to these officers through promotions in the parent department. There is no denying that flexibility for creating posts will provide the Planning Commission with the safeguard against brain drain. There are, however, two questions involved in this which have to be satisfactorily answered. The first is that the commission may not afford such expansion. It has been the common criticism that the Commission has over the years expanded so much that its officialdom is an exact replica of the Central bureaucracy in every department so designated. If brain drain from the Commission is to be arrested, it should be done without exaggerating existing malaise in this regard.

It's the Pay That Pays

The second problem is that there is a severe limit to manoeuvring against such brain drain through job manipulation or multiplication even if it were conceded that the Commission's bureaucracy has still room for growth. It is the hall mark of a developing, technological society that the split between the generalists and technicians gets wider with every effort at developing a mixed cadre of both. The process of easing tension between them will be easier if technical personnel at the higher level recognise that inherently they do not have the mental inclination to put on bureaucratic robes under whatever provocation. In some of the Western countries, technical persons do not worry "over much" on rank so long as the "pay differential" "held out for a mile." In those countries, the practice is for experts to receive many times the salary of their administrative superiors, the unmentioned guarantee being that the superior would not play superior for superiority's sake. It is up to our policy-makers to evolve a similar advantage.

India Pistons to Set Up Plant at Kuala Lumpur

The Government of India has given sanction to India Pistons Limited to set up a factory near Kuala Lumpur, Malaysia, in collaboration with National Development Corporation for production of 25,000 pistons and 10,000 automobile liners a month. The project is to be set up with a capital cost of Rs. 25 lakhs, 51 per cent of which will be borne by the Corporation which is a Malaysian Government agency. The share of India Pistons will be in the form of plant and equipment and will amount to 49 per cent of the capital.

Mr. M. K. Raju, Managing Director of Indian Pistons, was recently on a

visit to Malaysia and he mooted the suggestion to the businessmen there that developing countries must help each other in establishing projects instead of trying to get know-how and equipment from developed countries. This suggestion was readily accepted by the businessmen and the Government as well. The Chief Secretary to the Malaysian Government immediately responded to the suggestion and wanted to know if India Pistons could help Malaysia in setting up a project. Mr. Raju proposed that his firm would set up a unit for manufacturing pistons. The proposal was accepted

by the Malaysian Government and was later cleared by the Government of India.

The proposed plant will go into production in a year's time. A number of Indian engineers will go to Kuala Lumpur to train Malaysian engineers and workers in the production of pistons and automobile liners.

It is quite heartening that this collaboration has been concluded smoothly when ventures of such nature have not been so successful in the past.

Role of Research in Textile Industry

By D. C. KOTHARI

Research in relation to the specialised problems of industry is very necessary. While fundamental research is essential, applied research gives immediate and perhaps more fruitful results. Over the last 25 years, tremendous progress has been made abroad in the sophistication necessary for producing textiles of varied specifications. In our own country too, much progress has been made. But, the problem is availability of machinery. Our textile machinery produced in this country is of the order of Rs. 25 crores per year. It will take a long time for the textile industry to be modernised on this basis of production. What is necessary is an increase in the capacity of the textile machinery producers on the one hand and a crash programme of import of textile machinery on the other, so that within the next five or eight years the bulk of India's textile industry is modernised so as to be able to compete with the rest of the

world. If a bold attempt were to be made in this direction in respect of imports of about Rs. 50 crores worth of machinery in two or three years time, in addition to what is produced here and this could be linked up to export performance, the textile industry's modernisation programme would be given a tremendous fillip.

Developing New Processes

The textile industry has other problems too. Cotton shortage, higher costs of labour, etc., make the industry a high-cost producer and in international markets it becomes more and more difficult for us to compete. The impact of the textile industry on the masses and its social obligations in terms of maintaining reasonable prices for its cloth cannot be over-emphasised and it is in this respect, that research associations can play a vital part in cost production and in developing

new processes. And the research bodies have done lot of work in respect of fundamental and applied research. An emphasis is now being laid on research in respect of textile machinery so that the industry may be able to take advantage of the latest processes available abroad and the improvements that are taking place there.

In respect of finance, what we need is a Textile Development Fund or Corporation to deal specifically with the large amount of money required for rehabilitation. In respect of productivity also, the research associations can play a vital part. That the higher output of labour can result in higher wages without any unemployment and, at the same time, result in higher productivity and higher profits for industry is an outlook that has to be cultivated amongst the working classes and this the research bodies can do successfully.

There is also need for having a fresh look at the growth of this industry and also to the future pattern of its growth. Hitherto, our growth has been on the basis of spinning mills becoming weaving mills. The time has come when we should think in terms of what is happening in other countries, namely handlooms converted to powerlooms, spinning mills selling their yarn to powerlooms, processing and finishing factories established at convenient locations so that the cloth produced by the powerlooms is finished at the finishing stations. This will ensure a dispersal of industry which would also ensure production at reasonable prices.

Availability of Cotton

One of the big problems facing the textile industry is non-availability of cotton. Our consumption has been growing and is in the region of seven million bales and it is likely to increase further. Our cotton yields per acre of land are the lowest in the world, being about 150 pounds per acre and although both Industry and Government have been talking for some time about the need for increasing the yields of cotton, nothing substantial or worthwhile has yet been attempted or done.

Man-made fibres are going to play a more important part in the textile industry than they have done in the past. Today, about eighteen per cent of our production is accounted for by man-made fibres and elsewhere in the world the ratio between man-made fibres and cotton cloth is of the order of 60:40 or even 70:30. It is not inconceivable that by 1975 or 1980 our consumption of man-made fibres will go up to at least 30 to 35 per cent of the total in which case we should plan for it from now on. Government of India should licence quite a few more polyester and other man-made fibre plants and, if necessary, import the intermediates until such time as we are

able to produce them in India. This would, to some extent, alleviate the cotton shortage.

With its large domestic base, India should be in the best position to compete with U.K., U.S.A., Japan and Hong Kong. In fact, it can become the largest textiles trader in the world. But, new capital is not flowing into textiles because of the competition for money from the newer and more sophisticated industries. We have to make the return on the textile industry worthwhile for capital to flow in and for the necessary expansion that we must have if we are to have a greater per capita consumption of cloth.

Diversifying Research Work

It is heartening to read of the reports of the Ahmedabad Textile Industry's Research Association, Bombay Textile Research Association and the South India Textile Research Association, in different aspects of textile production,

spinning, weaving, finishing, chemicals and management and market service. But it would be duplicating the work if all the three bodies were to do research, say, in spinning or weaving. Would it not be better if, for instance, the SITRA which is catering to the South zone of the country were to concentrate its attention on spinning and make the results available to the entire industry? Similarly BTIRA of Bombay could perhaps concentrate on the weaving aspect and ATIRA could concentrate more on the finishing side of the business. In respect of management and marketing also similar allocations of research work could be apportioned among the three associations. In order to make this feasible, it will be necessary that the results of all the three associations are made available to all the textile mills in the country.

(Excerpts from the inaugural address at the Technological Conference of Bombay Textile Research Association, Ahmedabad Textile Industry's Research Association and South India Textile Research Association).

DEVELOPING BACKWARD AREAS

The Industrial Finance Corporation of India has decided to extend financial assistance on concessional terms to small and medium-sized industrial enterprises in backward areas. The facilities to be allowed will help accelerate the pace of industrial development in such areas.

Projects in backward areas which would receive grant or subsidy from the Central Government would also be eligible for IFC's concessions. The concessions will normally be applicable to cases where the total project

cost does not exceed Rs. 1.00 crore; concessional finance for bigger projects would be considered on a selective basis. Financial assistance from the Corporation is available only to public limited companies incorporated in India or registered cooperative societies.

In Tamil Nadu, South Arcot, Tiruchi, Madurai, Ramanathapuram, Kanyakumari, North Arcot, Thanjavur and Dharmapuri are the districts chosen by IFC for offering concessional finance.

Need for Long-term Policy on Crude Oil Production

The agreement signed at Tehran between the oil producing countries in the Persian Gulf area and the international oil companies resulting in an increase in the posted-prices of crude oil by 35 to 41 cents per barrel has far reaching implications for importing countries like Western Europe, Japan and India. The oil producing countries have succeeded in holding to ransom the rest of the world as the crude import bill may increase by over \$ 1200 annually. The international oil companies want the entire additional burden to be borne by the consuming countries.

The immediate effect on India will be an increase in the cost of the crude import bill by Rs. 25 crores annually as all the three oil refineries in the private sector have asked for an increase in prices by 35 cents per barrel in the aggregate while the foreign collaborators of the public sector refineries have also asked for similar adjustments in import prices. As there is provision for an escalation in the f.o.b. price by 5 cents annually, it is quite likely that by 1973-74 the foreign exchange outlay will have to be raised by at least Rs. 50 crores.

The Central Government is puzzled over the latest move of the international oil companies, as its foreign collaborators also in the public sector have been asking for their pound of flesh. Indeed, it has miserably failed in its attempts to reduce the selling price of crude fixed at \$ 1.35 per barrel under the long term agreement concluded with Iran for supplying Darius crude through the Madras Refineries, even while other foreign oil firms were supplying the country's requirements at \$ 1.28 per barrel. It would now appear that this long term agreement contains clauses providing for revision of selling prices for crude on the basis of posted-rates of select companies in Iran and it would be difficult for the government to avoid costlier imports. Petroleum products are likely to become even more costly in the coming

years and with increasing internal consumption, the foreign exchange outlay may become prohibitive. As Western Europe and Japan are big consumers of crude oil, it is expected that some sort of compromise will be reached between the oil companies and the main importing countries.

Bleeding the Consumers

The strategic position in regard to the production of crude oil by West Asian and African countries is sought to be exploited both by Members of OPEC and the international oil companies and the consumers will be bled in the process. There will obviously have to be some manner of international organisation of consumers which will be in a position to bargain with the exporters of crude oil. It is too much to believe that there is no scope for a reduction in the demand for revision of crude prices. Some arrangement must ultimately be reached under which the cost of imports will not be so heavy as now indicated but it is unlikely that the importing countries would be able to avoid an increase in the foreign exchange outlay by at least 10 to 15 per cent.

In order to get over the immediate difficulties the government has agreed to allot additional foreign exchange and permit the foreign oil companies to import usual quantities of crude oil. It is hoped that after August when there will be a seasonal decline in consumption of petroleum products imports could be reduced. This is obviously wishful thinking as new trends in consumption have emerged and with the liberal credit becoming available for promoting agricultural operations and an increase in the volume of road traffic, there has been a bigger demand for middle distillates. The immediate intention is obviously to avoid an awkward situation as the private sector refineries have already indicated that there will be a cut in imports if additional foreign exchange was not allo-

cated. A cut in the throughput of the private sector refineries will have disastrous effect in the coming months especially as two major refineries will be shutting down in the near future for annual overhaul.

Increasing Off-take of Petroleum Products

The consumption of petroleum products is usually at its highest in the first half of every year. With power shortages and increasing dieselisation of railways, the offtake of petroleum products is again on the increase. Naptha is being consumed in increasing quantities with the commissioning of new fertilizer unit. The Union Ministry for Petroleum and Chemicals has asked the oil firms to import their requirements on the understanding that necessary adjustments will be made in the light of subsequent agreements and that there should not be any immediate cut in the output of refined products in a crucial period. Arrangements are also being made for importing kerosene and fuel oil from the Soviet Union and other sources. It is also being explored whether imports of crude oil can be secured from the Soviet Union and the UAR on a cheaper basis.

It has been suggested that the government may acquire a controlling interest in the foreign-owned oil firms so that imports of crude can be arranged on favourable terms after the existing refinery agreement has been modified. While some happy compromise may be reached, the government has to evolve a long term policy for boosting indigenous production of crude oil. It should not also think of choking the consumers of petroleum products further by an increase in the cost of production of the refineries. It should be content with a lower burden of excise duty and sales taxes on petroleum products, as the revenue from these levies will still increase with increasing consumption.

Bumper Season for Coffee Crop

The coffee crop for the current season promises to be an unbelievable all-time record. While the President of the Coffee Board has indicated that the actual output might be 82,000 tonnes the estate owners are inclined to believe that it may be even higher at 85,000 tonnes. The previous best crop was only 72,000 tonnes, a few seasons back. Since then the yield has been fluctuating narrowly and the output was only 63,000 tonnes in 1969-70. As there was a shortfall in the earlier estimate for that season by about 7,000 tonnes, there was a skyrocketing of coffee prices in the latter half of 1970—accentuated by exports maintained at a high level. The government desired to take advantage of the satisfactory prices in world market and earn foreign exchange by even starving the home market of its normal requirements.

Prospects of an Export Record

The procedure now is vastly different and for the first time in recent history there will be a surplus even after providing for exports and international consumption. The Coffee Board is worried that there should not be any undue decline in either export or internal prices as the coffee planters are insisting that they should get a minimum price which will meet increased cultivation cost and afford also a reasonable return on investment. It is therefore likely that exports will be stepped to 35,000 tonnes without depressing prices and foreign exchange earnings will constitute a new record. If there were liberal regular releases, internal consumption may even increase to 45,000 tonnes though it is estimated in some quarters that even on a liberal calculation the home

market may not require more than 42,000 tonnes. Even assuming that there will be absorption of about 80,000 tonnes between exports and internal consumption there will be a carry-over of 5,000 tonnes into the next season. A buffer-stock has to be maintained as it will be difficult to meet the needs of Indian consumers in 1971-72 if there was a decline in coffee output in the next season. Usually the coffee crop proves to be less after a bumper crop and it may not be surprising if it proved to be only 70,000 or 75,000 tonnes in 1971-72.

It will be interesting to examine if

2500 Filter Point Wells in Thanjavur District

Very often, raising of *Kuruvai* nurseries in the Cauvery delta is delayed due to late release of water from the Mettur dam. Tail and ryots of Cauvery channels also face short supply of water at the time of inadequate storage in the Dam. In the project report prepared for the World Bank's assistance, a comprehensive scheme for sinking 15,000 filter point wells, 3,600 medium tube wells and another 3,600 deep tube wells in Thanjavur District is included. The Chairman of the Agricultural Refinance Corporation, Bombay, who visited the Thanjavur District recently was convinced of the need for the irrigation facilities in the Cauvery sub-basin of the district in advance of the release of Mettur Dam water to enable the agriculturists to start *Kuruvai* crop operations earlier than they are able to do at present. The A.R.C. Bombay has sanctioned the implementation of an initial programme of sinking 2,500

any new trends in the yield per acre have emerged. The expert opinion is that the extremely favourable weather condition in the past few months have mainly been responsible for the bumper crop, besides intensive efforts to replant existing acreage and grow better strains. If new experiments will result in a continuous yield, the coffee industry will be in the happy position of maintaining its exports for and meeting the increasing internal consumption. The Coffee Board is now in a position to ensure stable prices with regulated releases, and earn also sizable amounts of foreign exchange through exports. Only it should not allow critics to say that prices were maintained at artificially high level through niggardly releases. There has of course been a drop in values by over 20 per cent from the peak levels but these can decline further by another 10 to 15 per cent.

filter-point wells at a cost of Rs. 100-lakhs, at an approximate cost of Rs. 4,000 per well, in Thanjavur District.

The cost of a filter point well is estimated at about Rs. 4,000 including the cost of materials and electric motor pumpset and pumpshed. Power supply to energise these filter points will be made available close to the filter point by the Tamilnadu Electricity Board.

The intention of the Government is to see that 1,000 filter-point wells are sunk before June, 1971. The remaining 1,500 filter points will be sunk between 1-7-71 and 30-6-72. The loans will be sanctioned by the Primary Land Development Banks in the scheme area. The agriculturists of the Thanjavur District in the scheme area may approach the Banks of their area to obtain their requirements of the loan.

Preserving Elementary Decencies of Civilized Existence

The B. N. Rau memorial lecture of Mr. K. S. Hegde, Judge of the Supreme Court on Directive Principles of State policy should not be dismissed as a jurist's view of the Constitution, though it is often considered that a juristic view is taken to be a reactionary view, forgetting completely the perils that a juristic decision which is not juristic can pose. It was well therefore that Mr. Hegde took pains to resolve the apparent contradiction between fundamental rights and Directive Principles of State policy. On the surface it looks as if the assurance of social justice implies an irrevocable abridgement or cancellation of fundamental rights. To the layman it should appear that the achievement of the goals of social justice should *ipso facto* witness the annulment of fundamental rights. Mr. Hegde however, put the issue in proper focus by pointing that the reins provided by rights were intended to modulate evolution of justice. He employed here the simple argument that what is done gradually and convincingly had much merit in it as compared with that done convulsively and under compulsion. It will be difficult for the "reformist groups" in office and outside to concede that there is a lot to be said in favour of this view.

The reformists believe that the process of judicial review within the letter and spirit of the Constitution will "deliver its equity goods" far too slowly to be safe for this country. The massiveness of poverty, according to them, is such as to aggravate impatience to the point of a revolution, and a revolution is just the situation in which no court will hold the scales even, both because the scales will keep necessarily tilted in favour of the underprivileged and because the role of the judiciary itself will have been seriously circumscribed. If this is a threat, one has not go to involve oneself in replying through mere argument. If the idea is on the contrary to demonstrate that the legalities

necessary for civilised existence will be corroded, there should definitely be an answer.

Product of Best Brains

This brings in the issue of a committed judiciary. The contention of reformists is that the Court, uncommitted except to the letter of the law will by the very process of change be shown up as holding on to out-of-date opinions, while it will be sinning all the while by its decisions against the principal of equity as it should apply under conditions of massive poverty. What surprise one here is the native manner of this plea. It makes the presumption, albeit unexpressed, that the Constitution has become an anachronism. But it is forgotten that it had been shaped by the best brains in the country and piloted through the Constituent Assembly by a towering legal genius in the person of the late Dr. B. R. Ambedkar. What is worse, the heat

GROWING DEMAND FOR HEIL'S RECTIFIER EQUIPMENT

Facilities for the manufacture of rectifier equipment at the Heavy Electricals factory, Bhopal have been augmented with the construction of a specific factory block (No. 7) in this big industrial complex.

HEIL'S rectifier equipment is in great demand and so is Silicon rectifier equipment which is the most modern in this field. Due to its compact size and reliability, Silicon rectifier equipment is increasingly replacing old and big installations. The factory has recently been asked to provide replacement of old rectifier installation on Central Railway. Plans are afoot to raise the annual production of the rectifier equipment to Rs. 10 crores.

HEIL is also proposing to manufacture Silicon controlled rectifier (Thyristor) equipment and electronic control for which the designs are already in advance stage. The rectifier equipment already supplied by the Bhopal factory is working satisfactorily in the big aluminium plant at Belgaum for the last one year.

and fever of reformist counselling would incline a stranger to the view that the Constitution should have run for very many years so as to merit this charge of obsolescence.

The trouble lies in the failure to view court decisions in the proper light. When the Supreme Court struck down certain portions of the bank nationalisation legislation, it acted like that not because it had certain views against nationalisation. When it called into question the abolition of privy purses, it did not act thus because it had a soft corner for the princes and for all that they and the princely order signified. The Court's conclusion was purely on the basis that what was bad in law had to be so exposed so that the common weal which the law enshrines is safeguarded against any erosion by thoughtless action. Mr. Hegde was particularly careful to clarify that the Court did not have any bias in favour of property. He went to the extent of observing that those who could deem property rights as not being incongruent with poverty (and so could remain concomitants under all circumstances) did not visualise the situation in which poverty could annihilate such right.

Turning People to Playthings

Perhaps all this exercise in respect of the fine points of law is wholly fruitless. It cannot be that the reformists are ignorant of these elementary truths. If they still err as they appear to have, it should be because of their zeal for reform which can stand no obstacles. It is this zeal and this prejudice that require to be checked if laws in this country, especially those which will influence unborn millions of the distant and remote future, are not to be made the plaything of politicians through obliging them with a committed judiciary. It is not social justice but the elementary decencies of civilised existence that are at stake here.

Fresh Feasibility Study for Salem Steel Plant

According to a message received by the Madras Office of Messrs Dastur and Company who have been appointed engineering consultants for Salem and Vizag Steel Plants, the Government of India has decided that a fresh feasibility study must be undertaken for the proposed Salem Steel Plant. Though feasibility (technical and economic) has been established both by the Dasturs and a Japanese team, it is pointed out in defence of the Government's latest decision that on those occasions the feasibility was established for mild steel production. With the change in the product-mix from mild steel to special and alloy steels it is contended that a fresh feasibility has become necessary. Both the State government and the Government of India swear that there is no wanton delay on anybody's part to go ahead with the plant. It must however be admitted now that the Salem project which was thought and even declared to be ready for straightaway taking up and which was expected to have a lead of at least five or six years over the other two Southern steel plants has now come to be regarded as one of the three to progress together.

Labour Welfare Centres

The State Labour Welfare Board has decided to set up labour welfare centres at Madras, Coimbatore and Madurai. The centres will provide facilities for games, screening of films, tailoring classes for women, reading room-cum-libraries for the benefit of workers, etc. The Tamil Nadu Government has announced a grant of Rs. five lakhs to a newly started Welfare Fund. Legislation has been proposed providing for suitable contributions from industrialists to the fund. The only other States where such a fund is in operation are Maharashtra and Gujarat.

Advantages of Arbitration

At a seminar on Commercial Arbitration organised by the Indian Council of Arbitration, several speakers stressed the merit of arbitration as a method of settlement of disputes. Arbitration had as its base voluntary settlement and mutual consent and its chief merit lay in the finality, they said. The Chief Justice of Tamil Nadu High Court who inaugurated the seminar however said that arbitration, however acceptable to the different parties, could never become a substitute for law courts. He said it was necessary to educate the business community in the advantages of arbitration and to intensify training in commercial arbitration.

Mr. D. C. Kothari, President of the Council, pointed out that if there should be smooth, unhindered flow of trade between countries, the disputes that were bound to arise in the course of the transactions should be settled expeditiously.

Reorientation of Technical Education

A four-day national seminar on reorientation of technical education urged diversification of diploma courses in view of the demand for technicians with greater depth of knowledge and skills. The seminar which took note of the diversification of industrial activity in the country and the changing pattern of technology felt such diversified courses should be introduced on the basis of scientific analysis of the needs of industry and employment opportunities. It also emphasised a study by experts of the managerial manpower requirements. A technical university in each State would be the answer for the problem of effectively developing technical education in the next decade.

Problems of Hire Purchase Financiers

The Madras Hire Purchase Association led by Mr. T. S. Santhanam met Mr. R. T. Parthasarathi, Chairman of the Joint Select Committee on Hire Purchase Bill, recently at a reception and represented to him the difficulties faced by those engaged in this business. Mr. Namby, Chairman of the Association, said that there were 500 financiers in the State.

While hire purchase transactions have swelled to enormous proportions in the last couple of decades, still there is no law in the country to govern these transactions. They are regulated now by the Contracts and Sale of Goods Acts—a position of incompatibility. This gap was sought to be filled only a year ago. A Bill to regulate hire purchase transactions and provide for healthy and orderly growth of this business and to check fraudulent practices was considered by both the Houses of Parliament and referred to a Joint Select Committee under the chairmanship of Rajya Sabha Member Mr. Parthasarathi.

The Association's leading members made a number of suggestions to Mr. Parthasarathi for incorporation in the Bill. They included conversion of the finance charges in terms of a flat rate instead of on true rate of interest basis as at present and a revised range of charges for new and second-hand vehicles between 7½ and 15 per cent flat per annum and these suggestions were accepted by Mr. Parthasarathi. There were however other suggestions like computing the value of the goods as on date of sale rather than on date of seizure. The Committee Chairman said he could not accept these suggestions as they were calculated to benefit the financiers at the expense of the borrower. The Bill sought to protect the interests of the weaker party, namely, the hirer.

—V.M.

INDUSTRIAL ECONOMIST

Renaissance of Indian Tourism

Unprecedented economic prosperity in many parts of the globe together with greater leisure and the revolutionary growth of air transportation have put tourism at the top of international world business today. In 1969, the total world receipts from travel were over Rs. 11,000 crores. India together with many other countries is accelerating its efforts to meet the challenge of the new boom in tourism ushered in with the advent of the Jumbo Jets (which will in turn be replaced by supersonic and hypersonic aircrafts).

The last four years have seen as a result of various measures a breakthrough in tourism in India with earnings going up to Rs. 37 crores in 1970 from Rs. 22 crores in 1966 and the tourist arrivals reaching 2.75 lakhs in 1970 from 1.60 lakhs in 1966.

One of the significant developments in the field of our promotional work abroad was a marked change in emphasis towards a more dynamic market-oriented strategy. That this has paid rich dividends is reflected in the 30 per cent increase recorded during 1969 in tourist arrival figures. "Operation Europe", a dynamic promotional tie-up with Air India which was started in 1968 has been successful in increasing tourism from Europe by nearly 45 per cent. The Department of Tourism also has a hospitality programme under which foreign travel agents, travel writers, photographers and producers of TV films are invited to India on familiarisation tours. This has helped immensely in improving India's image abroad. Within the country we have mounted a series of campaigns highlighting the role of tourism in promoting national integration, creating tourist consciousness among opinion-leaders and for motivating investment in tourism.

Increase in Tourist Arrivals

If the tourist arrivals in 1969 are any indication, India will face one of its greatest challenges in the field of tourism during 1970's. A total of 2,44,724 tourists visited India in 1969 registering an all time record of nearly 30 per cent over the preceding year. The United States sent the largest number (52,836) followed by Britain (38,037), Germany (14,222), France (12,094), Australia (10,615), Malaysia (8,823) and Japan (8,352). The foreign exchange earnings from tourism (excluding international fares) has been estimated at Rs. 33.11 crores in 1969 as against Rs. 26.42 crores in 1968.

There has been a steady increase in tourist arrivals over the past five years. The figures of tourist arrivals for this period are:

1965	..	1,47,900
1966	..	1,59,603
1968	..	1,88,820
1967	..	1,79,565
1969	..	2,44,724

The Government has set a target of 4,00,000 tourists by 1973 and all efforts are being made to achieve this target.

Air Transportation

At present Indian Airlines, the domestic carrier, is hard pressed to meet the increasing traffic. However, with the decision to acquire Boeing 737 for the airline's trunk routes, the situation in regard to air transportation within the country is expected to improve considerably. The deliveries of the new aircraft are expected to begin later this year.

As group movement by charter flights is playing an increasingly important role in the tourist traffic, Government have done away with the ceiling on the number of charters allowed to land in India. Other restrictions have also been substantially liberalised.

Plan Outlay

In the Fourth Five Year Plan a total outlay of Rs. 25 crores has been made for tourism. Reallising the importance of creating resorts for attracting destination traffic, five major integrated development projects have been included in the Plan schemes. These are a Winter Sports resort at Gulmarg in Kashmir, development of Kulu-Manali area, Beach Resort in Kovalam and Goa and development of selected Buddhist places. Of these the Gulmarg Winter Sports resort is expected to be fully operational by the end of this year. A Ski Training School has also been set up at Gulmarg.

The Government attaches great importance to wild life tourism. To develop this an amount of Rs. 50 lakhs has been provided in the Fourth Five Year Plan. To start with, it is proposed to provide additional accommodation and transport facilities for six selected National Parks and Game Sanctuaries viz. Kanha, Kaziranga, Gir, Periyar, Corbett and Bharatpur-Sariska complex.

THE CASE AGAINST MINISKIRTS

Miniskirts may be easy on the eyes but they are hard on the ears. Clothes absorb sound. With fewer clothes a person reflects more sound waves. Dr. Vern O. Knudsen of California University says that in concert halls, designed with the idea that most audiences will be fully dressed, acoustical calculations may be thrown off, if skirts go up and absorption goes down.

—Science Digest

INDUSTRIAL ECONOMIST

Singareni Steps up Production

By DR. R. V. RAO

Mr. K. I. Vidyasagar, Managing Director, Singareni Collieries said that in December 1970, the collieries broke their all-time record by producing 4.10 lakh tonnes. The Singareni Collieries has made steady progress with the production of 29,85,591 tonnes upto the end of December 1970 compared to the previous years' production of 28,78,551 tonnes for the same period, thus registering an increase of one lakh tonnes. Increase in production was due to the efficient and good work done by the employees and the cordial relations existing between the management and labour force. The Collieries sold all the coal produced. In addition, they had disposed of about 2 lakhs tonnes from the accumulated stocks.

The Collieries are planning for a production of 46 lakhs tonnes in 1971-

72 against 42 lakhs tonnes this year. Three new mines are also being planned.

Open Cast Mining

The Managing Director disclosed that they were exploring the possibility of open cast mining near Ramagundam. New machinery is being obtained from Bangalore. Open cast mining, it may be stated will give more yield with less expenditure and less risk.

Problems of the BHEL

The Bharat Heavy Electricals at Ramchandrapuram is now beset with a number of problems. The first is lack of adequate orders to maintain an even flow of production for the next

five years. Having regard to the long gestation period in the manufacture of electrical equipment, orders for 10 years are essential and crucial in the early period. The 40 crores plant has a capacity to manufacture 900 M.W. of thermal turbines and turbo-alternators. Special raw materials are to be imported and efforts in the matter of import substitution have not borne fruit. The State Electricity Board are not quick in payments. Hence the unit is bound to borrow from commercial banks at high rates of interest. Efforts are now made to diversify production. Centrifugal compressors for fertilizer industry are also proposed to be manufactured. So far as exports are concerned, the difficulty is that countries like Syria have offered deferred payment. The activities of the units, however, have recorded considerable promise and appreciable rate of growth. Value of production in 1969-70 was Rs. 1312 lakh whereas in the previous year it was Rs. 1143 lakhs. Efforts are being made to reduce import content also.

Growing Exports of Marine Products

The year 1970 has proved yet another year of success for the seafood industry. The exports during the year under review reached a new peak of 37,175 tonnes valued at Rs. 35.54 crores as against the previous figure of 30,584 tonnes valued at Rs. 33.07 crores in 1969. In quantitative terms the export growth for the year works out to 21.56 per cent as against 23.27 per cent in 1969 and 14 per cent in 1968. However, in terms of value the growth rate has considerably declined to as low as 7.45 per cent from 49.76 per cent in 1969 and 10.8 per cent in 1968 and this sharp fall is mainly due to the fall in

the prices for frozen shrimps and lobster tails in our major markets.

While both canned and dried items have made substantial improvement in the export front, the frozen sector has shown only a marginal rise. The share of frozen items has declined to 67.42 per cent in volume or 79.21 per cent in value in 1970 from 74.89 per cent in volume or 86.53 per cent in value in 1969. In the case of canned items there has been an improvement from 5.43 per cent to 6.93 per cent in terms of quantity and from 6.68 per cent to 11.13 per cent in terms of value. Dried sector also improved their share from 17.58 per cent to 24.31 per cent

in terms of quantity and from 6.38 per cent to 9.21 per cent in terms of value.

In our overall exports of seafoods, U.S.A.'s share has sharply declined from 55.0 per cent in 1969 to about 47 per cent in 1970 due to her poor imports. In contrast, Japan has improved her position marginally with a share of 18 per cent in volume and 30 per cent in value. Other markets which have registered increase in their shares include U.K., Ceylon and West Germany. On the other hand we are losing ground in the French market particularly for canned shrimps and froglegs.

The year 1970, however, has been remarkably good for our exports of frozen froglegs, canned shrimps, dried fish and dried prawns.

STOCK MARKET:

Weak Sentiment on Poll Eve

Generally weak conditions have been noticeable in the stock markets for some weeks now and all-round losses have been recorded in both cleared and cash sections. The losses in cleared scrips have been more pronounced due to the anxiety of bull operators to lighten their outstanding positions in view of the high carry-over charges in many counters. Cash scrips have not suffered to the same extent as corporate news from many of the new companies have been encouraging in spite of the problem peculiar to different industries. There has however been a sharp contraction of business in the various centres. It is quite likely that there may be no improvement in sentiment in the next few weeks till the election uncertainties are out of the way and a clear picture emerges about the nature of the new Central Government and its economic policies.

Thus, for the present, political developments have induced extreme caution in operators as well as investors. Much is at stake for the investor in the parliamentary elections. Even here, the increasing violence in West Bengal gave rise to doubts if the elections could be held at all along with those in the rest of the country. The skirmishes between rival parties in other States also caused serious concern. It was feared that there might be a worsening of the law and order situation as the poll dates drew near.

Financial stringency was a major economic factor for the subdued conditions in the

markets. The credit squeeze following the hike in Bank rate has affected major industries like textiles, sugar and engineering. With a slackening offtake of cotton cloth, stocks have accumulated with mills and traders, locking up large sums, while the sugar industry has been groaning under the weight of huge stocks which cost considerable sums by way of interest charges. Dearth of funds has also been reflected in tighter credit against shares while the new issue market has siphoned away a good portion of the investible funds from the stock markets. The Reserve Bank's latest stocks liberalising refinance to banks and fixing a ceiling of 15 per cent on the penal interest rate on such refinance have however been welcomed.

Some Encouraging Corporate News

Among encouraging corporate news were the optimistic reckoning of the chairmen of Indian Oxygen, Voltas and United Carbon about their companies' prospects in the current year. Bombay Dyeing and Manufacturing Company Limited has raised the dividend on equity capital for 1970 to 13 per cent, taxable, from 12 per cent, taxable in 1969. Associated Bearing Company Limited has also increased the dividend for 1970 to 12½ per cent (tax free) from 10 per cent following a further rise in earnings. Indian Aluminium Company has announced a bonus issue in the proportion of one share for every two shares held besides maintain-

ing the dividend for 1970 at 14 per cent. The company also expects to earn a much larger profit in the current year. United India Fire and General Insurance Company Limited has declared an interim dividend of 10 per cent for 1970. Mahindra and Mahindra has reported improved results for 1969-70 though the dividend has been maintained at 11 per cent. Associated Battery is paying more to its shareholders while Union Carbide will be distributing a much larger sum as it will be maintaining the dividend on a higher capital. Siemens India which will be coming on the market to raise additional capital for its new schemes has published excellent results.

But in the general context of tighter money conditions, stock market operators have not been eager to extend their commitments particularly as there is rethinking on yield rates. The only sustaining factor for the markets for sometime to come will be the working results and near-term prospects for continued profitability of operations of companies. During the fortnight ended February 25, leading scrips in Dalal Street shed most of their gains made since the beginning of this year while cash shares were less weak. In Lyons Range, there were some firm spots like Union Carbide, Associated Battery, G.E.C., English Electric, and Electric Construction Co. (one for three bonus news) on shortage of scrips and growth prospects. But in cleared list, barring Indian Aluminium on bonus issue news, the others were very weak. Indian Iron as low as Rs. 11.65 and Hind Motors at Rs. 11.90. In Madras, textile scrips like S.I. Viscose, Madura Mills, Travancore Rayons and Lakshmi shed their earlier lustre while other groups were quieter with all-round declines.

PRICE MOVEMENTS

The following were the closing quotations for selected scrips on Feb. 10 and Feb. 25

Madras			Bombay			Calcutta		
	Feb. 10	Feb. 25		Feb. 10	Feb. 25		Feb. 10	Feb. 25
India Cements	5.63	5.60	Tata Steel	100.50	100.50	Indian Iron	12.15	11.56
Mettur Chemical	12.30	12.15	TELCO	228.00	228.00	Hind Motors	12.35	12.25
Ashok Leyland	6.40	6.30	Century	859.50	863.00	Guest Keens	30.50	31.60
S.I. Viscose	164.00	165.00	National Rayon	533.00	522.00	Indian Aluminium	35.10	37.85
Travancore Rayon	19.50	19.60	Tata Chemical	35.40	29.75	Orient Paper	37.90	37.30
Madura Mills	19.00	18.25	Larsen & Toubro	22.24	23.16	G.E.C.	64.75	74.00
Aluminium Industries	7.20	7.10	Great Eastern	39.25	36.00	Ass. Battery	30.00	29.25
E.I.D. Parry	15.10	14.90	Century Enka	365.00	360.00	Union Carbide	29.12	28.94
Madras Aluminium	178.50	178.00	United Carbon	440.00	450.00	CAFI	47.87	45.87
Madras Rubber	20.00	20.00	NOCIL	237.00	232.00	Indian Oxygen	22.92	21.94
Seahasayee Paper	13.25	13.00	Synthetics	180.00	175.00	English Electric	16.00	16.62
FACT	6.15	5.75	Bayer	239.00	234.00	Elec. Construction	24.25	25.44

Wide Fluctuations in Rubber Products

Rubber growers in Kerala have expressed deep concern over the steep fall in prices for the commodity in the past two or three weeks following the slow-down in purchases by the State Trading Corporation and suspension of buying by the co-operatives. Prices fell sharply to Rs. 455 in a week from Rs. 472 per quintal. Even the price before the slump was much below the Government fixed level of Rs. 520 as recommended by the Tariff Commission as the S.T.C.'s support operations had been inadequate to lift the open market prices. While it had agreed to purchase 8,000 tonnes between October end and the middle of December last year, actual purchases have totalled only 3,500 tonnes in 3½ months. At present, it is buying only through one of the four depots in the Kottayam-Calicut area for want of storage facilities. The industry has, however, been maintaining its purchases at a high level but till the expansion schemes are completed, there may be no marked increase in their requirements. Though there has been a slight recovery in prices, it may be necessary for the S.T.C. to lift a bulk of the accumulated stocks with growers if a further fall in prices is to be averted. Latterly, however, there has been a rally in prices to Rs. 480 per quintal on poor arrivals and reports that the S.T.C. might be buying 10,000 tonnes.

Production of natural rubber from April-November 1970 totalled 60,566 tonnes against 54,694 tonnes in the same period in 1969 and 81,953 tonnes for the whole of 1969-70. Against this consumption in the first eight months amounted to 56,715 tonnes against 57,230 tonnes in April-Nov. 1969 and 86,213 tonnes in 1969-70. Imports have been negligible during this period at 2,347 tonnes against 16,161 tonnes (for eight months in 1969-70) and 17,821 tonnes for the whole of 1969-70. But stocks at the end of November 1970 were higher at 37,657 tonnes against 31,716 tonnes a year ago. As output in the subsequent two months must have been around 20,000 tonnes and consumption around 16,000 tonnes, the stock position at the end of January this year must have been even higher. But at the end of November, the break-up of stocks was 8,517 tonnes with estates, 10,493 tonnes with dealers, 15,748 tonnes with manufacturers and 2,899 tonnes in transit. This would show that the industry had a stock of only two months' consumption against the normal level of 3 to 4 months.

As regards the total supplies of all kinds

of rubber, output for eight months was 88,695 tonnes (79,526 tonnes) consisting of, besides natural rubber, 18,458 tonnes (15,542 tonnes) of synthetic and 9,671 tonnes (9,290 tonnes) of reclaimed. Against this consumption was 86,196 tonnes (86,436 tonnes) made up of 56,715 (57,230) tonnes of natural rubber, 20,599 (19,957) tonnes of synthetic and 8,882 (9,249) tonnes of reclaimed rubber. For 1969-70 consumption of synthetic was 30,636 tonnes and of reclaimed 13,885 tonnes, while that of all kinds was 130,734 tonnes.

Record Coffee Crop

Coffee addicts will heave a sigh of relief in knowing that the availability for internal consumption this year (1971) will be as much as 40,000 tonnes. Already prices in pool auctions since the beginning of the year have declined by over 20 per cent from the fantastic levels of 1970 with large scale arrival of the 1970-71 crop. The Chairman of Coffee Board, Mr. H. G. V. Reddy recently indicated at the board meeting in Bangalore that the 1970-71 crop will be an all time record, with the revised estimate placed at as high as 82,000 tonnes against the previous estimate of 75,000 tonnes. Receipts into the pool till February 9 have totalled 39,446 tonnes, consisting of 28,191 tonnes of plantation, 9,533 tonnes of Arabica Cherry and 1,742 tonnes of Robusta. The rate of arrivals this year is much higher than in the last three years. While 40,000 tonnes (33,582 tonnes last year) for internal releases should ensure easy supplies at reasonable prices to the consumer, the Marketing Committee has earmarked 36,000 tonnes (31,202 tonnes last year) for export out of the current crop to quota as well as non-quota countries. There was a shortfall in export to quota countries by 8,797 tonnes, against the allotment of 23,447 tonnes for the 1969-70 year. This was due to shipping difficulties and lack of buying activity on the part of East European bilateral quota countries.

Difficulty Over Cotton Imports

The cotton mill industry is worried about getting adequate imported cotton on time in spite of the Government's serious efforts to arrange imports from various sources. It is felt that its earlier assurance to the industry to secure 13 lakh bales of foreign cotton may be difficult to implement as

there is considerable difficulty in arranging for imports against rupee payment. Egypt may be agreeable to supply an additional 50,000 bales besides the usual 2 lakh bales it gives under the rupee payment agreement. But the U.S. is reported to be not willing to give more cotton than it supplies under the PL 480 programme. So far, only a quota a little over 6.50 lakh bales has been announced of which over 90 per cent has been licensed. The quantities licensed so far are 1.71 lakh bales of Sudan cotton against a quota of 2 lakh bales, 1.79 lakh bales from Egypt against a quota of 1.90 lakh bales, 58,840 bales of global cotton (60,000 bales), 60,116 bales of U.S. free dollar cotton (one lakh bales) and 1.24 lakh bales of PL 480 cotton against a quota of 1.25 lakh bales. Besides these, one lakh bales will come under the yarn sale scheme (i.e. for supplies to mills which undertake to give yarn to the decentralised weaving sector at fixed prices). The State Trading Corporation is also trying to get 2 lakh bales of staple fibre from foreign sources. It would thus seem that mills will have to face critical shortage of cotton after the arrivals against indigenous crop thin down after April. The present easier trend in fibre prices may also get reversed, after some time and the peak levels of January may even be exceeded. Cotton prices had shot up by Rs. 800 to Rs. 1200 per candy for most varieties of indigenous cotton between November and January following the damage to Maharashtra crop from rains but with the arrival of Gujarat crop from the first week of February there was a sharp break in values by Rs. 400 to Rs. 600 per candy from the January levels.

The fall in fibre prices has been reflected in yarn and cloth prices. The boom conditions in yarn seem to be over as with reduced demand from weavers due to sluggish offtake of cloth, spinners have been forced to cut prices for yarn by 20 to 25 per cent for different counts in recent weeks and even then are unable to find buyers who are waiting for a further fall in prices. Financial stringency has also been responsible for the lower offtake and spinners are worried about the more than proportionate decline in yarn prices as compared to the fall in cotton prices. The sluggish demand for cloth since January is partly seasonal and partly due to disturbed conditions in the eastern region as also tight credit position. Prices of cotton cloth of various qualities had risen by 10 to 40 per cent since last November but have come down since January but still are much higher than the levels that prevailed a few months ago. Even prices for controlled varieties are reported to be sold at much high levels and the centre has asked the State Governments to strictly enforce the stamped prices for those categories.

BUSINESS BRIEFS:

Merger Moves of Erstwhile Banks

Shareholders of the erstwhile banks whose businesses were taken by Government will have justifiable concern over the delay in getting any tangible benefit from the compensation amounts paid to the respective institutions. No doubt the managements of these companies are anxious to find a profitable employment for these large sums in such a way that the shareholders will derive satisfactory returns. It is also being studied how the tax liability of these amounts with the institutions and in the hands of the shareholders can be minimised. Five of these companies have already come out with proposals for merger with industrial undertakings which are already running on a lucrative basis. While the merger of Central Bank of India Limited with Tata Engineering and Locomotive Company Limited has been approved by the Bombay High Court and awaits only the sanction of the controller of capital issues, the other four schemes are expected to be cleared by the High Courts in due course. These relate to the merger of Bank of India Limited with Ahmedabad Manufacturing and Calico Printing Company Limited, Union Bank of India Limited with Mahindra and Mahindra, Indian Overseas Bank Limited with Travancore Rayon and the Bank of Maharashtra Ltd. with Swastik Rubber. Canara Bank Limited, Syndicate Bank Limited and Indian Bank Limited are still considering how to employ their shareholders' money while United Bank of India Ltd., United Commercial Bank Limited and Dena Bank Limited have decided to enter the field of development banking and allied activities. Punjab National Bank Limited would seem to be intent on resuming banking operations but is yet to decide on a definite course. Only Allahabad Bank Limited, a subsidiary of Chartered Bank, has decided to wind up business by going to voluntary liquidation.

Bank of India — Calico Merger

There is a slight modification in the scheme for merger of Bank of India Limited with Ahmedabad Manufacturing and Calico Printing Company Limited. The changes in the earlier scheme will overcome the difficulties likely to be experienced by the equity shareholders of Bank of India Limited during conversion of their shares into equity shares, convertible bonds and debentures of Calico Mills. There is however no change in the construction of the

scheme. It is now proposed that for every four Bank of India shares, one 'A' ordinary share of Rs. 25 each and two fractional coupons of one-tenth each of Calico will be allotted along with convertible bonds and debentures as stipulated earlier on a proportionate basis. The 'A' shares will be consolidated into equity shares of Rs. 125 each after May 31, 1974 on giving three months' notice. The shares that remain unconsolidated will be allotted to a nominee appointed by the company for being sold after consolidation and the proceeds will be distributed to the holders on a pro rata basis. Small shareholders of Bank of India may experience some hardship due to this procedure and there may be some relief to them if the new 'A' shares are allowed to remain as a regular feature of the capital structure of the amalgamated company.

Central Bank of India — Telco Merger Approved

The approval for the scheme of merging Central Bank of India Limited with Tata Engineering and Locomotive Company Limited by the Bombay High Court has given rise to hopes that similar proposals relating to other erstwhile banks whose businesses were taken over by Government would also be cleared by the respective courts. Under the proposal, shareholders of CBI are to receive equity shares and debentures of Telco in a certain ratio for their bank shares. It is significant that the High Court held that the merger or amalgamation would not require the approval of the Central Government under the Monopolies Act as the Central Bank of India Limited was not an "undertaking" as defined in the Monopolies Act. It was also held by the court that though the merger would result in expansion of Telco, it would not result in an increase of 25 per cent or more in the value of its assets. This did not require the sanction of the court. Allowing for any likely tax liability, Telco will get additional funds for about Rs. 15 crores (out of the Rs. 17.5 crore of compensation money) from CBI Limited for its expansion schemes.

Bank of Maharashtra

Bank of Maharashtra has announced an attractive scheme of merger with Swastik Rubber Products Limited. Under this proposal, holders of the Rs. 50

paid-up bank equity shares, will get three equity shares of Rs. 10 each and four convertible 8 per cent debentures of Rs. 10 each of Swastik for every bank share. A novel feature of the scheme is that each new Swastik equity share will be treated as paid up to the extent of Rs. 4 amalgamation and the balance of Rs. 6 per share will be considered as calls received in advance and will become paid up in instalments of Rs. 2 every two years after amalgamation. There will also be payment of interest at 12 per cent per annum from the effective date of amalgamation on the outstanding amounts treated as advance calls. Every four debentures can be converted at the option of the holders after five years (i.e. July 1, 1976) into one fully paid up 9.5 per cent cumulative redeemable preference share of Rs. 10 each, one fully paid redeemable convertible debenture of Rs. 25 each and one coupon of Rs. 5. Two coupons can be exchanged for a fully paid Rs. 10 equity share while the preference shares and debentures can be redeemed by June 30, 1984. The existing preference and equity shares of Rs. 100 each of Swastik Rubber will be converted into shares of Rs. 10 each. The company will also not issue bonus or right shares till June 30, 1976. Shareholders of Bank of Maharashtra who do not want to take advantage of the merger will have the option to receive Rs. 64 for every bank share of Rs. 50 held by them. Meanwhile, it has been decided to pay a dividend of Rs. 5 per share by the bank for the period before amalgamation.

Bank of Maharashtra has received a compensation of Rs. 2.30 crores. Swastik Rubber will be utilising the funds got through the amalgamation for financing its ambitious expansion scheme. The company has already a turnover of Rs. 6 crores per annum, including Rs. 80 lakhs from exports. It is proposed to set up a factory at Nasik taking advantage of the special concessions offered by the Maharashtra Government. The gradual increase in paid-up capital will not impose burden on the company.

Union Carbide Excels

The decision of the directors of Union Carbide India Limited to maintain the equity dividend at 15 per cent taxable for 1970 on an increased capital as raised by a one-for-two bonus issue has been well received in stock market circles, especially as only in 1969 the company had repeated the dividend in 1969 on a capital doubled by right and bonus issues. A final dividend of 7½ per cent taxable is to be paid for 1970 while a similar interim dividend has already been distributed. The total quantum of dividend will be Rs. 184.28 lakhs against

Rs. 122.86 lakhs in 1969 and only Rs. 61.42 lakhs in 1968. Sales during the year ended December 25, 1970 increased to Rs. 48.03 crores from Rs. 44.04 crores in 1969 while the net profit, after depreciation and before taxation, improved to Rs. 6.22 crores from Rs. 5.64 crores. After providing Rs. 2.84 crores (Rs. 2.48 crores) for taxation the transfer to general reserve is Rs. 2.30 crores (Rs. 2.28 crores) and to sinking fund reserve Rs. 3 lakhs (same). The final dividend will be paid out of general reserve. The dividend for the latest year even on the increased capital is covered about 1.8 times by the disposable profits.

The company incurred an expenditure of Rs. 3.44 crores (Rs. 2.38 crores) during the year on expanding its facilities. The electrolytic manganese dioxide plant has been almost completed but there may be difficulty in using the capacity fully because of shortage of graphite anodes. The project for taking up the manufacture of hard-facing and wear-resistant products has not so far been approved by Government while the expansion of the carbon electrode plant is also awaiting sanction. Two modern trawlers for deep sea fishing, a new line of activity, have been imported and it is expected that this diversification will prove to be quite remunerative besides helping the country to earn large sums of foreign exchange through export of marine products. The company has commissioned a sewage reclamation plant with a daily capacity of one million gallons to ease the water problem faced by the Trombay petrochemical complex. The company also wants to expand the polyethylene output in view of the increasing demand for this intermediate plastic material.

Straw Products

Straw Products Limited has a project on hand to produce additionally 9,500 tonnes of MG and MF fine tissue papers and speciality products at a cost of Rs. 8.51 crores. The foreign exchanges cost will be Rs. 147.90 lakhs which will be found from a loan of Rs. 76.50 lakhs from the Industrial Finance Corporation and of Rs. 71.40 lakhs from the Industrial Credit and Investment Corporation. The ICICI will also be providing a rupee loan for Rs. 30 lakhs. The company has already made a right issue of equity shares for Rs. 37.50 lakhs at a premium of Rs. 2.50 per share, while a preference issue is to be made for Rs. 20 lakhs. The Industrial Development Bank will be providing assistance for Rs. 3.05 crores and the Life Insurance Corporation for Rs. 75 lakhs. Internal resources will provide Rs. 236.50 lakhs. The scheme is expected to be completed by the middle of 1972.

Indal's Bonus Issue

Indian Aluminium Company Limited has decided to capitalise Rs. 6.01 crores out of reserves and issue bonus shares in the proportion of one share for every two equity shares held subject to the consent of the Controller of Capital Issues. The directors have also maintained the equity dividend for 1970 at 14 per cent, taxable, with the declaration of a final payment of 8.5 per cent, taxable. The interim dividend of 5.5 per cent has already been paid. With the completion of the first stage of the Belgaum project with all its integrated facilities during the year there was a big rise in sales, to Rs. 35.40 crores from Rs. 26.43 crores in 1969. But the net profit, after depreciation and before taxation, is only marginally better at Rs. 5.27 crores against Rs. 5.25 crores in the previous year probably due to a much higher provision for depreciation (than Rs. 1.88 crores made in 1969). Development rebate also claims a larger amount of Rs. 2.52 crores (Rs. 2.05 crores) while there is no provision for taxation against Rs. 59 lakhs. The dividend will require Rs. 168.28 lakhs (same) and if the bonus issue materialises there should be no difficulty in maintaining the dividend on the increased capital particularly as with the full additional capacity at Belgaum in operation in the current year, there will be a further marked rise in production and sales as also in earnings.

The third potline (of 10,000 tonnes) of the smelter and the alumina plant were commissioned during last year while the Government has approved the expansion of the Belgaum smelter by setting up a fourth potline of 10,000 tonnes capacity. This is expected to go on stream by the end of 1971. The sheet rolling plant at Talaja near Bombay is likely to commence production by the same time. There will thus be an appreciable improvement in the company's working results in the next two years. The encouraging results for 1970 and the bonus issue proposal have already sent up the quotation for the Rs. 10 paid up equity shares to Rs. 38.50 from Rs. 35.60 earlier.

Associated Bearing Pays More

The directors of Associated Bearing Company Limited have raised the equity dividend for the year 1970 to 12.5 per cent from the maiden payment of 10 per cent in 1969. As in the previous year, the entire dividend will be exempt from tax deduction at source being paid out of tax-exempt profits. It has been only indicated that a tax provision of Rs. 64 lakhs (nil) has been made after completely availing of the benefits of development rebate in respect of the year

under review and earlier years as also the accumulated relief under Section 80 J of the I.T. Act 1961. The company will now be liable to income tax and may even attract surtax. It is learnt that there was a larger output and sales with a further rise in earnings. The Rs. 100 paid up shares are now quoting around Rs. 302 affording a gross yield of slightly over 4 per cent.

Andhra Sugars Pays Less

Andhra Sugars Limited could not prevent a severe setback in its working results for the year ended September 30, 1970 in spite of its diversified activities. The sugar unit perhaps more than offset any improvement in other divisions. There was thus a slump in the net profit, after depreciation and taxation, to Rs. 19.08 lakhs from Rs. 64.16 lakhs in 1968-69. However, the directors have avoided a drastic cut in the equity dividend which has been only reduced to 9 per cent, taxable from 12 per cent, taxable in the previous year. The transfer to general reserve is a meagre Rs. 48,530 (Rs. 29 lakhs) and development rebate reserve Rs. 4.50 lakhs (Rs. 16 lakhs). The appropriation to gratuity reserve is Rs. 20,000 (Rs. 60,000).

Cooperative Fertilizer Unit

The Indian Farmers Fertilizer Cooperative Limited has secured an industrial licence for setting up a huge fertilizer complex in Gujarat. The project is envisaged to produce 300,000 tonnes of ammonia, and 396,000 tonnes of urea at Kalol and 475,000 tonnes of compound NPK fertilizers at Kandla. The estimated cost of Rs. 91.76 crores is to be met from equity capital for Rs. 27 crores and loans for the balance amount. The Government of India will be subscribing Rs. 18 crores to the equity capital while co-operatives of 10 states have already contributed Rs. 9 crores.

United Carbon

The directors of United Carbon India Limited have explained that the decline in earnings during 1970 in spite of a higher level of production was due to higher costs of raw materials and working expenses while selling prices were unchanged. Though there may be a further rise in costs in the current year it is expected that this can be absorbed with a substantial increase in output and sales following the effective use of the expanded facilities. The Chairman, Mr. C. H. Bhabha has indicated that it will not be possible to pay entirely tax-free dividends henceforth but the "board nevertheless

would try to ensure reasonable rewards to all genuine investors depending on the working of the company". The second phase of expansion of capacity from 40 million lb. to 50 million lb. if approved by Government can be financed entirely with available internal resources and there will be no need to issue fresh equity capital. For the first phase of expansion from 30 million lb., the additional capital expenditure was only Rs. 32 lakhs as the gross capital block at the end of 1970 was Rs. 3.51 crores against Rs. 3.19 crores a year ago but the net block was only Rs. 1.74 crores against Rs. 1.73 crores. And against a paid-up capital of Rs. 1.55 crores, reserves and surplus amount to Rs. 1.95 crores. Development rebate reserve will account for Rs. 78.35 lakhs. The company is thus in a position to capitalise a part of the free reserves and make a modest bonus issue.

Siemens India

Siemens India Limited which will be shortly affording an opportunity to Indian investors for the first time to participate in its equity capital has announced very encouraging working results for the year ended September 30, 1970. The company has been able to increase its turnover during the year to Rs. 25.03 crores from Rs. 20.31 crores in 1968-69 while the net profit, before depreciation, has almost trebled to Rs. 2.21 crores from Rs. 76 lakhs. After providing Rs. 94 lakhs (Rs. 61 lakhs) for depreciation and Rs. 36 lakhs (nil) for development rebate, the transfer to bad and doubtful debts reserve Rs. 6.6 lakhs (nil). Out of the disposable profit of Rs. 89 lakhs (Rs. 29 lakhs) a sum of Rs. 76.88 lakhs (nil) has been taken to general reserve after wiping out a loss of Rs. 12.32 lakhs brought in from the previous accounts. However, a dividend of only 8 per cent, taxable, is to be paid which will absorb Rs. 9.60 lakhs out of general reserve.

The company will be issuing equity shares of Rs. 10 each at par for Rs. 1.20 crores and debentures for Rs. 2 crores for repaying loans and completing the expansion scheme. This will help raise the turnover to Rs. 38 crores by 1973-74 and improve profitability substantially. The debentures will carry interest at 8 per cent taxables and be repayable in 12 to 15 years. Out of the equity issue, the German collaborators will be taking up shares for Rs. 60 lakhs and the balance will be offered for public subscription. The Indian participation in the capital will thus be 25 per cent. The response to the new issue is expected to be overwhelming as there will be a further rise in sales and earnings in the current year and there should be no

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difficulty in paying a much higher dividend (than the latest) even on the increased capital. There is already an unofficial premium of Rs. 3.37 on the company's equity shares.

Mahindra & Mahindra

Mahindra and Mahindra Limited has maintained the equity dividend at 11 per cent, taxable, for the year ended October 31, 1970 though sales and earnings were significantly higher as compared to 1968-69. The turnover increased to Rs. 32.45 crores from Rs. 29.45 crores while the net profit, before depreciation and taxation, improved to Rs. 123.33 lakhs from Rs. 107.67 lakhs. But depreciation claims a larger sum of Rs. 36.99 lakhs (Rs. 25.51 lakhs) and development rebate Rs. 13.42 lakhs (Rs. 4.98 lakhs). Thus, even with a reduced liability of Rs. 30.50 lakhs (Rs. 41 lakhs) for taxation, the disposable profit is lower at Rs. 43.04 lakhs (Rs. 47.86 lakhs) after some adjustments. The allocation to debenture redemption reserve is Rs. 4 lakhs (Rs. 2 lakhs) while there is no transfer to general reserve against Rs. 6.50 lakhs. The equity dividend will require Rs. 34.85 lakhs (same) and preference dividend Rs. 4.06 lakhs (Rs. 4.49 lakhs). While a high level of activity is being maintained, it is proposed to undertake an expansion and rationalisation programme to enlarge the company's manufacturing activities. To find the finance for this programme, apart from the proposed merger of Union Bank of India Limited, the directors are also exploring other sources like the statutory financial institutions for fresh loans. The Rs. 10 paid up equity shares of the company have firmed up to Rs. 17.24 after a publication of the preliminary results.

Southern Trawlings

With the growing recognition of the high profitability of the seafoods industry, many new ventures are being promoted for tapping the rich potential of the Arabian Sea while established companies like Tata Oil, Union Carbide and American Refrigerators are already in the field or are about to engage in trawling operations. The latest company to enter the field is Southern Trawlings Company Limited which will have a fleet of medium sized trawlers operating from Mangalore. The company will be exporting most of its catches for which there is a keen demand in the West. The first batch of trawlers is expected to be delivered by July this year. The estimated cost of the project is Rs. 38 lakhs which will be found from an equity issue for Rs. 20 lakhs, a medium-term loan for Rs. 16 lakhs from the Mysore State Financial Corporation and

Rs. 2 lakhs from the directors. Out of the equity capital of Rs. 20 lakhs, the promoters will be taking up shares for Rs. 5 lakhs and the Mysore State Industrial Investment and Development Corporation for Rs. 4 lakhs. The balance of Rs. 11 lakhs worth of shares will be offered for public subscription.

Walchandnagar Industries

Walchandnagar Industries Limited has suffered a severe setback during the year ended September 30, 1970. The company has incurred a loss of Rs. 95.32 lakhs against a profit of Rs. 58.07 lakhs in 1968-69. The directors have skipped the ordinary dividend whereas a distribution of 10 per cent taxable was made in the previous year and 12 per cent, taxable, in 1967-68. Sales in 1969-70 were marginally lower at Rs. 10.16 crores against Rs. 10.22 crores in 1968-69. Machinery sales declined to Rs. 6.27 crores from Rs. 6.40 crores. But the loss was mainly due to the sugar division due to a slump in open market prices though the factory handled a larger quantity of cane of 2.57 lakh tonnes against 2.32 lakh tonnes and produced 2.55 lakh quintals of sugar against 2.43 lakh quintals. The recovery declined to 9.85 per cent from 10.46 per cent. There is no provision for depreciation against Rs. 35 lakhs in 1968-69. There was also a provision of Rs. 4.25 lakhs for taxation and Rs. 1.25 lakhs for development rebate on the former occasion. After some adjustments, a deficit of Rs. 97.77 lakhs is carried forward.

Larsen and Toubro

In accord with the growing tendency of established companies to absorb wholly owned subsidiaries, the directors of Larsen and Toubro Limited have proposed to merge Willcox Buckwell with the parent company with a view to reducing the tax burden and rationalise the working of various units. Willcox Buckwell India has a paid up capital of Rs. 30 lakhs in equity shares, of which only 13,249 shares of Rs. 10 each are held by outsiders and the balance by L and T. Under the proposed merger scheme, the outside shareholders will be offered five equity shares of Larsen and Toubro for every eight Willcox Buckwell shares, on the basis that the net worth of the latter shares is Rs. 12 per share of Rs. 10. The subsidiary has been operating on a profitable basis and the amalgamation will prove beneficial to L and T shareholders.

Yet another proposal of Larsen and Toubro relates to the purchase of 50,000 equity shares of Utkal Machinery Limited, an associated company promoted by L and T and three West German firms. These



THE TRAGEDY OF BANGLA DESH

Except for the upshot of the use of military power by President Yahya and the Punjabi clique in West Pakistan, the situation in East Pakistan, as it may be called even now, and the prospects ahead have been clear from the time of the general elections. Sheik Mujibur Rehman's hold on the entire population of the eastern wing including the Government employees was unquestionable. And so was the determination of the people to free themselves in any manner that may be necessary from the domination of West Pakistan. The protracted negotiations between the leader of the Awami League and President Yahya were closely followed by the general public mainly because ignorance of the ulterior motives and plans of the ruling circles in West Pakistan permitted the hope that an amicable settlement on the basis of autonomy for East Pakistan to the full extent desired by the people would eventually be arrived at. Such hopes are now seen to be utterly baseless, since the negotiations had been carried on only with a view to gaining time for the movement of the troops and military equipment necessary to defeat the freedom movement in the East. Though this is in keeping with Pakistan's former record in such matters, what is surprising is that Sheikh Mujibur and his supporters had not been unprepared for such a resort to arms and the confrontation with the immensely superior military power. The people had steeled themselves for the coming ordeal. The loyalty of the East Pakistan Rifles and the Police, not to speak of the civil

administration, to their compatriots, has not only deprived a quick or easy triumph to the Pakistani forces, but ensured some military successes which one could not have expected before they were actually achieved. The war between the two wings has gone along the lines made familiar by the guerilla warfare carried on by freedom-fighters in different parts of the world during and after the Second World War. "Bangla Desh" has achieved signal success in the capture of the radio stations at Chittagong and Dacca, the killing of the Pakistani Military Chief and his four lieutenants, in bringing about the surrender of some considerably large groups of Pakistani troops and making as impressive success of their civil and military administration as is possible in the present conditions. These successes have increased the handicap of West Pakistan in having to move troops and equipment through circuitous routes, overflight through India being clearly out of the question. The freedom forces have had mounting successes. The landing of military forces has been made extremely difficult by the destruction of port facilities and the movements of troops within have been made impossible by the blowing up of bridges and railway lines.

World opinion, which would in any case have been on the side of President Yahya and the Western wing, has hardened in favour of Bangla Desh as reports of the successes of the freedom fighters started to flow in. Hard facts

shares will be bought from the Industrial Credit and Investment Corporation of India at Rs. 10.70 per share of Rs. 10. This block forms part of the 124,800 equity shares offered to L and T as right shares by UTMAL in 1964 out of 6 lakh right shares. L and T took up only 20,800 shares and renounced the remaining 104,000 shares in favour of ICICI (50,000 shares) and LIC (54,000 shares) to maintain parity of shareholdings among the four major partners. The three German firms renounced 104,000 shares each in favour of a German financial institution. L & T however gave an undertaking to ICICI and LIC to repurchase the shares at a premium of 70 paise before September 30, 1971. And ICICI has now asked L and T to buy back its shares. UTMAL has started operating on a profitable basis later and has a backlog of orders for Rs. 7 crores which must ensure improved results in the coming years. With a view to facilitating the merger and purchase of UTMAL shares and any fresh issue of capital in future it is proposed to raise the authorised capital from Rs. 5 crores to Rs. 10 crores. An extraordinary general meeting is to be held on March 17 to get the approval of the shareholders for these proposals.

Stewarts and Lloyds of India

Stewarts and Lloyds of India Limited has earned a lower net profit of Rs. 17.19 lakhs, before depreciation for the 52 weeks ended October 28, 1970 against Rs. 19.35 lakhs in 1968-69. But the directors have maintained the equity dividend at 10 per cent tax-

ble. The charge in respect of depreciation is Rs. 6.15 lakhs (Rs. 4.56 lakhs) and development rebate Rs. 96,500 (Rs. 2.31 lakhs). The balance of Rs. 10.07 lakhs (Rs. 12.48 lakhs) has been transferred to general reserve. The dividend will be paid out of this reserve.

Bajaj Tempo

Bajaj Tempo Limited has doubled the equity dividend for the year ended September 30, 1970 to 10 per cent taxable, as there is a larger disposable profit. The net profit, before depreciation and taxation, was substantially higher at Rs. 58.53 lakhs against Rs. 38.67 lakhs in 1968-69 when a sizable loss of Gammon-Shah was written off. As the method for computing depreciation has been changed to straight line basis, the provision under this head is only Rs. 14.40 lakhs (Rs. 28.55 lakhs). Development rebate claims Rs. 2.20 lakhs (Rs. 3.56 lakhs) and taxation Rs. 4.65 lakhs (Rs. 10,000). After wiping out earlier losses of Rs. 10.68 lakhs, and taking credit for the excess provision in earlier years for depreciation of Rs. 38.41 lakhs. Under the new method there is a credit to general reserve amounting to Rs. 67.50 lakhs. The proposed dividend is to be paid out of this reserve, absorbing Rs. 7.93 lakhs (Rs. 3.97 lakhs).

Panyam Cements Pays Same

Panyam Cements and Mineral Industries Limited was able to avoid a serious setback

in working results during the year ended August 31, 1970 though the old kiln had to be stopped for 40 days due to acute water scarcity and there were serious teething troubles with the new kiln. The production of the raw mill was also not adequate. The water shortage is being overcome by arranging for supply from a new large bore-well located nearby while the suppliers are rectifying the defects in the new plant and machinery. The output of clinker was almost maintained at 2.83 lakh tonnes against 2.88 lakh tonnes previously but production and despatches of cement were higher due to use of clinker stocks at 3.31 lakh tonnes (2.95 lakhs tonnes) and 3.34 lakh tonnes (2.89 lakh tonnes) respectively. The net profit before depreciation and taxation was also better at Rs. 95.63 lakhs (Rs. 94.31 lakhs). The dividend on equity capital has been maintained at 12 per cent, taxable. The provision for depreciation is Rs. 49.32 lakhs (Rs. 44.82 lakhs) and development rebate Rs. 27 lakhs (Rs. 28 lakhs). Expansion reserve got Rs. 8.42 lakhs and general reserve Rs. 2.50 lakhs in the previous year.

Ultramarine & Pigments

Ultramarine & Pigments Limited have secured a bulk order from S. Vietnam for export of 150 tonnes of Ultramarine Blue under U.S. aid. The country will earn a substantial amount of foreign exchange from this deal. The first consignment of 30 tonnes left Madras recently. This is the first time Ultramarine Blue is being exported in such large quantities.

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like the lack of cultural affinities between the two wings, the 1000 miles of foreign territory which divide them, the relentless exploitation of East Pakistan in the interests of the politically and economically powerful group in West Punjab are now being seen in their true colour by the jaundiced eyes of the Western powers. The British Press has gone to the extent of confessing that the events in East Bengal have cut at the root of the two-nation theory and affirming that Britain would hold West Pakistan responsible for the safety of Mujibur Rehman. The disintegration of Pakistan under pressure of imponderable national forces is now the theme with many writers in the West. And the Government of Pakistan, far from trying to keep the Western powers in good mood, has little care to safe-

WINDS OF CHANGE IN PLANNING

The resignation of the Deputy Chairman and the three members of the Planning Commission — Dr. D. R. Gadgil, Mr. R. Venkataraman, Mr. B. Venkatappiah and Mr. Pitambar Pant — should be deemed to be more than a formal compliance to the principle of change which the election of the new Parliament with its new Council of Ministers imposes. If the Prime Minister were to live up to the expectation raised by her socialistic promises, it stands to reason that the policy-making body which should help advise on the logistics of the appropriate economic policy should be composed of such members as, in the Prime Minister's opinion, will be competent to deliver the goods. If the Prime Minister was anxious to stress that Dr. Gadgil's team has not lost her confidence in this respect, it is because during its office it has taken up for clarification just those goods which are crucial to the fulfilment of socialistic ideas as, for instance, the development of backward areas and rural employment. While this can justify re-entertainment of the same team, there can be no gainsaying of the need to make the planning body a much more dynamic instrument for counselling on the right means to assure egalitarianism.

It is common knowledge that the Planning Commission has over the years, got covered by the ivy of red tape. There is no department in the Central bureaucracy that does not have its replica in the Commission. Excessive departmentalisation has bred certain deep-seated bureaucratic prejudices that accord ill with the Commission's dynamic aspirations. The need of the hour seems to be to remove such prejudices, a task which may require perhaps larger dimensions of the dynamism than what its present head has assured.

For various reasons, an impression has sedulously gained ground that the Commission cannot, both because of its tradition and of evolving charges, help being a mere arm of the Government. Critics have not been rare who

guard foreign personnel working in East Pakistan. Though the ultimate result of the military operations may be hard to predict, in spite of such successes, it is certain that there can be no return to the old regime. The chances are that Bangla Desh will become independent, foreign recognition of such status flowing in more or less slowly. For India, the proprieties of international diplomatic relations have a specially binding character. But the sympathies of the people and the Government can hardly be concealed. Humanitarian considerations compel the grant of asylum to refugees and care for their needs while in Indian territory. More can and must be done in getting cognisance of the U.N. and the mobilisation of world opinion in favour of Bangla Desh. The issues, strictly speaking, still hang fire. But the denouement cannot be in doubt.

have compared the Commission in this sense to a fourth leg to the administrative tripod. The appeal of such criticism can obviously be on the basis of its rhetoric; for, inevitably, the economic system in the country has veered round to looking for such an advisory body as the Commission to provide it with the desired guidelines. There is greater relevance, therefore, for this body now than when it was fumbling through in the early 'fifties.

The only thing that has to be ensured is optimal structural reorientation. This invites incidentally the question of how best regional planning can be left to be taken care of by the regions. What most economic analysts of our economy overlooks is the elementary fact that our country is a subcontinent with a diversity of endowments of resources and skills ranging from their absolute poverty to abundance. How much of centralised direction will be feasible under these circumstances should be plain as pikestaff. From the days of Jawaharlal Nehru, there has been considerable discussion about grassroots planning. So far there has been little positive action to achieve it. Quite recently, the address of Sardar Ujjal Singh to the Tamil Nadu legislature, has hinted at the proposal to have a planning panel for the region. It may be recalled that even at the inception of the Planning Commission, the administrative bulletins spoke about the organisation of grassroots planning, the constant analogy being about a pyramid with its base composed by the regions and the apex by the Commission. Its only impact has been to constitute planning wings or cells to the appropriate State department which, instead of initiating proposals, served as mass communication channels from the top to the region. The only embellishment which savoured of regional planning consisted of organising planning forums and seminars alongside of the repetition at the regional level of the dialogues between industry, planning wings and the Government.

Interim Budget :

Well-Laid Base for Fresh Tax Efforts

The Union Finance Minister, Mr. Y. B. Chavan, who will be formulating the Budget proposals for 1971-72 is in a happy position, as the tax base built up over a long period is proving to be very helpful in effecting considerable saving out of revenues for financing Plan schemes. This favourable development has come about as a result of revival in economic activity in the past four years and a higher level of industrial and agricultural production. Mobilising additional resources will have to be made only for meeting the increasing needs of the State Governments and for pursuing the egalitarian ideals of the new Government. Though the additional quantum of taxation is not known, an attempt will be made to introduce new items of indirect taxes and step-up direct taxes.

The details relating to the current year present an under-estimate in respect of revenue and over-estimate in regard to expenditure. There has certainly been an increase in revenue expenditure on account of the grant of interim relief to Central Government employees and larger assistance to the States. But it is unlikely that Plan outlay in the Central sector would have measured upto expectations. As it has always happened in the past, actual revenue receipts have been higher than the revised estimates and there were also heavy lapses in expenditure allotments, the exact overall deficit might prove to be much less than Rs. 229.57 crores now indicated. This is borne out by the fact that the actual deficit for 1969-70 was only Rs. 45.53 crores against the revised estimate of Rs. 290.11 crores for that year. What is really encouraging is the buoyancy of tax and non-tax revenues: the tax receipts for 1970-71 were higher at Rs. 3197.50 crores against the Budget estimate of 3134.13 crores. The revenue surplus is, therefore, much higher at Rs. 198.14 crores against the Budget estimate of Rs. 137.81 crores. As there were,

however, larger disbursements to the States and repayments of loans, the capital deficit has increased to Rs. 427.71 crores from Rs. 364.75 crores. The overall deficit is even marginally higher at Rs. 229.57 crores against Rs. 226.94 crores. The actual deficit, however, will be considerably smaller as there will be a decline in expenditure on revenue and capital account, as the outlay on Plan schemes has not been on the desired scale.

Larger Share of Taxes by States

It has been pointed out by Mr. Chavan that there may be a serious shortfall in Plan outlay on Central schemes for the second year in succession. This is due to slow progress of work on the Bokaro Steel Project, fertilizer schemes and in various other sectors. The experience of the State Governments, however, would appear to be different as a scrutiny of the budget estimates of some governments would show that Plan outlay has been much higher than the figures authorised by the Planning Commission and the budget estimates of the States concerned. The availability of larger Central aid has, no doubt, been helpful. Central assistance for Plan schemes has been increased by Rs. 74 crores in the current year as also special assistance to backward States. But these by themselves will not give the necessary relief to the sick States and implementation of Plan schemes in the State sector can be upto expectations only if there were a larger transfer of revenues from the Centre as the State's share of taxes.

The temptation to impose additional taxation for helping the States indirectly may not be resisted and it will not be surprising if in the regular budget new proposals were presented to Parliament calling for mobilisation of additional resources for over Rs. 150 crores, of which the States' share will be more than Rs. 50 crores and the Centre might probably increase its

allocation for Plan and social welfare schemes by Rs. 100 crores. Another way of helping the States will be by raising the outlay on rural employment-oriented schemes for which purpose there is now an allocation of Rs. 50 crores.

The Finance Minister, however, can get all the resources he wants for productive purposes as there is a lot of cushion in the budget estimates for 1970-71. The estimated surplus of Rs. 114.20 crores for 1971-72 can easily rise to Rs. 175 crores as, even on the basis of existing taxation, there will be larger receipts through excise duties and direct taxes. It should not be overlooked that some of the taxes levied last year will yield more in 1971-72 and it will also be possible to raise much more by way of borrowing through open market loans and bank credits for rural electrification schemes, energisation of pumpsets and the like.

The deficit on capital account is placed at Rs. 354.50 crores which may not materialise if allowance is made for larger receipt through open market loans and mobilisation of small savings. The overall deficit of Rs. 240.30 crores even on the basis of existing taxation and conservative estimates regarding capital receipts is Rs. 110 crores less than the overall deficit for 1970-71 before the tax proposals for Rs. 170 crores were announced. After allowing for the State's share of new taxes, credit for revenues from this source was taken for Rs. 125 crores the overall deficit was reduced to Rs. 225 crores. When the Budget was actually passed after some amendment of the proposals the overall deficit was estimated at Rs. 226.94 crores.

Rise in Direct Taxes

Opinion would seem to be sharply divided on the advisability or otherwise of introducing radical measures which will upset the economy at least for a time. Besides, the area for manoeuvring is very limited, as already Income Tax rates on personal incomes are prohibitive, the slab rates

INTERIM BUDGET AT A GLANCE

REVENUE BUDGET

	Rs. in crores		
	Budget 1970-71	Revised 1970-71	Budget 1971-72
REVENUE RECEIPTS			
Tax Revenue ..	3,134.13	3,197.50	3,403.12
Non-Tax Revenue ..	899.75	949.36	990.62
Total—Revenue ..	4,033.88	4,146.86	4,393.74
Less—States' Share ..	743.89	755.43	850.32
Net Centre's Revenue ..	3,289.99	3,391.43	3,543.42
REVENUE DISBURSEMENT			
Civil Expenditure ..	1,498.24	1,524.10	1,646.86
Defence Expenditure ..	1,017.84	1,039.89	1,079.23
Grants-in-aid to States and Union Territories with Legislature ..	636.10	629.30	703.13
Total ..	3,152.18	3,193.29	3,429.22
Surplus on Revenue Account ..	137.81	198.14	114.20

CAPITAL BUDGET

	Rs. in crores		
	Budget 1970-71	Revised 1970-71	Budget 1971-72
CAPITAL RECEIPTS			
Market loan (net) ..	161.70	136.29	167.90
External and (net) (Other than P. L. 480) ..	399.75	354.54	323.77
P. L. 480 aid* ..	132.27	121.78	72.96
Loan repayments ..	825.00	930.00	930.00
Other receipts ..	304.99	562.26	454.96
Total ..	1,823.71	2,104.87	1,949.59
CAPITAL DISBURSEMENT			
Civil expenditure ..	524.35	684.03	393.42
Defence expenditure ..	133.67	142.94	162.43
Railway capital outlay ..	150.00	126.10	151.00
P and T capital outlay ..	35.00	15.80	27.60
Loans and advances ..			
(1) States and Union territories ..	878.25	1,039.49	948.48
(2) Others ..	467.19	524.22	621.16
Total ..	2,188.46	2,532.58	2,304.09
Deficit on capital account ..	364.75	427.71	354.50
Overall deficit ..	226.94	229.57	240.30

* In addition P. L. 480 and other food aid on revenue account will be Rs. 41 crores in the revised estimate and Rs. 24 crores in budget estimate.

being revised only last year. If the assesseees had also to pay wealth tax and other local and State taxes, there will be no balance left out of these excesses. It will be inadvisable and undesirable to tinker, with corporate tax rates as they are already among the highest in the world. There may be a move to bring about a dispersal of ownership of short holdings in closely held companies by imposing penal rates and compelling them to adopt some measures which will bring concentration of ownership. However, the scope for raising additional resources through higher direct taxes is limited, though it is almost certain that there will be an attempt to raise the rates on wealth tax and those on urban property particularly. If, Mr. Chavan is very keen on finding additional resources in order to finance new schemes, there will have to be higher indirect taxes.

It is not known how Mr. Chavan will avoid disincentives to saving and investment through increased direct taxes. There can, however, be indirect compulsion to save more through higher tax rates on incomes and grant of rebates for larger amounts for approved purposes. If instead of granting exemption from Wealth Tax, sufficient investment in industrial securities of approved undertakings granted tax rebate, there will be larger availability of resources for productive purposes. There will, of course, have to be an increase in the percentage of income from 30 to 40 per cent in the aggregate, though there may be sectional rebates for particular purposes.

The whole situation should be carefully watched and a massive tax effort may be made only after the existing apparatus began to yield quick results and industrial production also was raised substantially with co-operation from labour and improvement in the operating efficiency. If there was an increase in industrial production by 10 per cent this by itself would be reflected in larger receipts by way of excise duties and direct taxes.

—Meenam

INDUSTRIAL ECONOMIST

Bright Prospects for Mobilisation of Resources

Mobilisation of resources through open market loans, the small savings campaign and additions to bank deposits has assumed special importance in the context of the Union Finance Minister Y. B. Chavan expressing anxiety to increase the outlay on Plan schemes in the coming years. There is already a sizeable surplus on revenue account and it is quite likely that the actual surplus will be nearly Rs. 200 crores.

The developments in the past four years have, however, clearly shown that an increase in agricultural production by itself can generate large incomes. In spite of the slowing down in the growth of deposits latterly, the additions to bank deposits in 1971 are expected to be more than Rs. 1,000 crores against only Rs. 442 crores in 1968. As it has been estimated, the output of foodgrains in 1970-71 will be around 105 million tonnes and industrial production also will be higher by 6 per cent. It is possible that the Life Insurance Corporation will be able to increase substantially its new business and with a determined effort the additions to Bank deposits can be even Rs. 1,200 crores in 1971. The cooperative credit societies are also becoming more important.

On a conservative estimate it would be possible to mobilise additionally Rs. 100 crores in excess of the Central Budget estimates for 1971-72, which, with the likelihood of a large surplus in the revenue budget, will provide all the resources additionally required for accelerating the tempo of the Fourth Plan. There is, therefore, no justification for thinking in terms of punitive taxation when presenting the regular budget to Parliament in May. It has been assumed in the capital budget that there will be a gross borrowing of Rs. 500 crores in the next financial year. This amount may appear to be larger significantly when compared to the effort of 1970-71. The

gross amount raised in this year in two stages was only Rs. 427.50 crores.

The shortfall in the target for borrowing by Rs. 36 crores in the current year was due to the anxiety of the Central Government to make way for the States and public bodies. It was also not keen to raise additional resources because its ways and means position was very comfortable as a result of shortfalls in Plan outlays. On the other hand the availability of additional resources to the States may be useful as they were starved of funds when in a position to step up Plan expenditure. In the next year the Central Government should proceed to mobilise additional resources only if it had immediate use for them.

Assuming that there will be need for additional resources, the Central Government can hope to increase its net borrowing easily to Rs. 200 crores. There will, of course, have to be a

staggering of the floatation of Central and State loans and issue of bonds by the statutory financial corporations and the State Electricity Boards. This will be helpful to the Life Insurance Corporation, the banking system, Provident Funds and Trusts to plan their investment programmes on a regular and intelligent basis. Even if the scheduled commercial banks mobilised only Rs. 1,000 crores, by way of new deposits they would be obliged to invest Rs. 280 crores for complying with the statutory liquidity ratio. Out of this amount the Centre can hope to get easily Rs. 140 crores while the Life Insurance Corporation will be in a position to allocate Rs. 40 crores for investing in new Central loans. The Provident Funds and Trusts can mobilise easily over Rs. 20 crores, thus completing the target of Rs. 200 crores indicated above without difficulty.

—(FOC)

Fifth Lok Sabha Session

The first week of the new Parliament turned out to be a busy session, what with the President's address, the passing of interim Railway and Central budgets, the discussion on IAC lock-out and concern over developments in East Pakistan.

The President re-emphasised the Government's objective to fight poverty and establish a socialistic order. There were indications of effective implementation of land reforms and the fixation of a ceiling on urban property. The absence of notable Opposition leaders was definitely felt as there were no fiery speeches.

The Railway Budget with a Rs. 33.12 crore deficit was passed but it inspired some interesting discussion. A member even suggested the abolition of the Railway Board to improve the Railways' working. Mr. Hanumanthayya, the Railway Minister, however, had no difficulty in having it all his own way.

The deficit budget of the Union Government presented by Finance Minister. Chavan was rather prosaic without any humorous sallies.

Many Opposition members expressed fears of heavy dose of taxation in store. An allocation of Rs. 50 crores has been made for a country-wide programme for creating more employment opportunities. The objective: Job for atleast one person in every family.

The Parliament was emotion-packed while discussing East Pakistan. Parliament urged the Government to rush to the help of East Pakistan, Mrs. Gandhi, fully sharing the anguish, however, wisely added: "In a serious moment like this, the less we, as Government, say, I think, the better it is." Mr. V. K. Krishna Menon described East Pakistan incidents as a 'national revolution against a colonial regime.'

—Venkatesh

Ills Besetting Railway Finances

The Union Railway Minister, Mr. K. Hanumanthayya, presented the interim Railway budget for 1971-72 to Parliament on March 20 and said that the deficit would be only Rs. 23.69 crores though a mid-year appraisal threw up a deficit of nearly Rs. 47 crores and "that but for the post-budgetary developments throwing up a burden of Rs. 45.65 crores on working expenses, the Railways might still have ended with a surplus of almost the same order as foreseen in the original budget." The increase in working expenses was as usual due to flood disasters, increase in the prices of fuel and other items and theft of railway equipment. But the biggest slice was accounted for by the grant of interim relief to employees which required as much as Rs. 36 crores. Even with these extraordinary developments, the Railways could

have avoided a deficit if only there was a rationalisation of movement and quicker handling of bulk cargo. There was, no doubt, a shortfall in originating freight traffic due to the absence of an increase in steel output and ineffective use of the capacity of major steel plants. The irony of the whole situation is that when the Railways are crying for more traffic, there were complaints about shortages of coal in Western India and the Northwest region despite accumulation of stocks at pit-heads. Likewise, cement units in the southern region were unable to despatch their required quantities to the deficit areas in the North. The shortfall in revenue from goods traffic was offset to a great extent by increase in passenger traffic and the revised estimates indicate gross traffic receipts of Rs. 1,004 crores in 1970-71

against Rs. 1,009 crores in the Budget Estimate. But the loss on account of suburban and other passenger traffic is as much as Rs. 38 crores in a year. With the additional losses and higher working expenses, it is not surprising that there will be a gap of Rs. 23.69 crores in the current year with the present level of operating efficiency of the railways.

In the next year it is estimated that there will be an increase in the freight traffic by 9 million tonnes. Gross traffic receipts for 1971-72 are estimated at Rs. 1,044 crores. With an increase in working expenses to Rs. 765.44 crores from Rs. 731.76 crores, a larger provision of Rs. 105 crores (Rs. 100 crores) in respect of depreciation, Rs. 15 crores (same) towards pension fund and net miscellaneous expenditure of Rs. 17.91 crores, it is expected that net railway revenue will be even slightly lower at Rs. 140.65 crores against Rs. 142.65 crores. As the contribution to General Revenues in the shape of dividend will be higher at Rs. 173.77 crores, against Rs. 165.81 crores, the deficit will be higher at Rs. 33.12 crores against the gap in the revised estimate for 1970-71 of Rs. 23.69 crores as stated above.

If only coal could be moved in the required quantities and there was no shortage of wagons for the despatch of cement, originating traffic can increase initially by 4 to 5 million tonnes. Also if the steel plants stepped up their output by even half a million tonnes, there will be an increase in traffic by nearly 4 million tonnes. If there was also a general improvement in industrial production there will be no reason for complaint due to the lack of traffic. It can therefore be argued that the Railways are in a position to manage their affairs without resorting to a further revision of passenger fares and freight rates. The Railway Ministry is probably anxious to avoid an undue increase in these rates especially as there was criticism last year when an

attempt was made to raise third class fares. But it cannot also resist its temptation to raise more revenues because of the deficits in five years in a row with a devitalising effect on Railway finances. It has been actually stated that as much as Rs. 153.60 crores has been borrowed from the Central Government for meeting bud-

getary deficits of Rs. 65.08 crores and loans on development fund account of Rs. 85.50 crores. These loans have to be repaid out of future surpluses besides the generation of resources for Plan purposes. This will necessarily mean that the revenues have to be augmented with higher passenger fares and freight rates. There is obviously

scope for earning additionally Rs. 50 crores or more without any substantial rise in working expenses. With marginal adjustments in cash and with the elimination of subsidies in freight rates for particular purposes, the Railways can function profitably without unduly soaking industrial users. —(FOC)

Poor Representation in Central Cabinet for South

The Central Cabinet that has assumed office after the Fifth General Election cannot be taken to be greatly different from its predecessor. Most newspaper comment immediately after the swearing-in ceremony sought to overlay the omissions from the new Cabinet. The most conspicuous was of Mr. Dinesh Singh who had recently been moved from Foreign Office to the Ministry of Industrial Development only to be kept out ultimately. Equally conspicuous was the omission of Mr. Bali Ram Bhagat who did really good work in his charge of External Affairs. Over the decades Mr. Gulzarilal Nanda has established his reputation as a colourless politician eager to set right a wrong to the point of revealing desperate agony but ending up by dyeing mighty little. While it is easy to presume that Mr. Dinesh Singh could have incurred Mrs. Gandhi's displeasure by overreaching himself, final comment should, as in all such cases, await the final event, which is not yet. One cannot easily reconcile the new substitution in the Ministry of Industrial Development. The incumbent now chosen is such a stranger that one is prone to conclude that either the Prime Minister herself would be the mainspring behind that Ministry or that its catalytic role for achieving egalitarianism in equity ownership will have become superfluous in the process of exercise of the other weapons in the socialistic armoury of the new Government.

Distinguished Omissions

Among other distinguished omissions, that of Dr. V. K. R. V. Rao is a class apart. Despite all the pedantry blamed upon him, he has the advantage of having been a pedagogue and an administrator — pedagogue at that

There is nothing very spectacular that a politician can achieve in the Ministry of Education where ideas may belong to the Centre but their execution to the States. The latter are, in figurative sense, such a motely crowd that pleasing Tom will inevitably displease Dick and Harry, with the result that

CENTRAL GOVERNMENT CABINET MINISTERS

Mrs. Indira Gandhi: Prime Minister, in charge Home, Planning, Atomic Energy and Information and Broadcasting.
Mr. Fakhruddin Ali Ahmed: Food and Agriculture.
Mr. Y. B. Chavan: Finance.
Mr. Jagjivan Ram: Defence.
Mr. Swaran Singh: External Affairs.
Mr. K. Hanumanthayya: Railways.
Dr. Karan Singh: Tourism and Civil Aviation.
Mr. Raj Bahadur: Parliamentary Affairs, Shipping and Transport.
Mr. Moinul Huq Chowdhury: Industrial Development.
Mr. Siddhartha Sankar Ray: Education, Social Welfare and Culture.
Mr. H. R. Gokhale: Law and Justice.
Mr. S. Mohan Kumaramangalam: Steel and Heavy Engineering.
Mr. K. K. Shah: Health and Family Planning.

Mr. K. V. Raghunatha Reddy: Company Affairs.
Mr. D. R. Chavan: Petroleum and Chemicals.
Mr. Nitiraj Singh Chaudhury: Petroleum and Non-ferrous Metals.
Mr. Om Mehta: Parliamentary Affairs.
Mr. R. N. Mirdha: Home Affairs and Personnel.
Mr. P. C. Sethi: Defence Production.
Mr. K. C. Pant: Home Affairs, Electronics, Atomic Energy, and Science and Technology.
Mrs. Nandini Satpathy: Information and Broadcasting.
Mr. V. C. Shukla: Finance.
Mr. A. P. Shinde: Food.

DEPUTY MINISTERS

Mr. K. R. Ganesh: Finance.
Mr. A. K. Kisku: Health.
Dr. Sarojini Mahishi: Tourism and Civil Aviation.
Mr. Jagannath Pahadia: Supplies.
Mr. Mohammed Shafi Qureshi: Steel and Heavy Engineering.
Mr. K. S. Ramaswamy: Home.
Mr. Siddeshwar Prasad: Irrigation & Power.
Mr. Surendra Pal Singh: External Affairs.

MINISTERS OF STATE

Dr. K. L. Rao: Irrigation and Power.
Mr. L. N. Misra: Foreign Trade.
Mr. R. K. Khadilkar: Labour, Employment and Rehabilitation.
Mr. I. K. Gujral: Works, Housing and Urban Development.
Mr. Sher Singh: Communications.

RAILWAY BUDGET AT A GLANCE

(Figures in Crores of Rupees)

	Actuals 1969-70	Modified Budget Estimates, 1970-71 (As Passed)		Revised Estimate 1970-71	Budget Estimate 1971-72
		Budget	Estimates		
Gross Traffic Receipts	951.28	1,009.00		1,004.00	1,044.00
Ordinary Revenue Working Expenses (net) E.I. after Taking Credit for Recoveries	684.94	700.99		731.76	765.44
Appropriation to Depreciation Reserve Fund from Revenue	95.00	100.00		100.00	105.00
Appropriation to Pension Fund	10.00	15.00		15.00	15.00
Net Miscellaneous Expenditure (Including Cost of Works Charged to Revenue)	14.78	16.54		15.12	17.91
Total	804.72	832.53		861.88	903.35
Net Railway Revenue	146.56	176.47		142.12	140.65
Dividend to General Revenues	156.39	167.09		165.81	173.77
Net Surplus (+)/Shortfall(-)	-9.83	+9.38		-23.69	-33.12
Operating Ratio	83.0%	80.9%		84.3%	84.8%

the person who sought to please will, apart from making enemies also be baited in the bargain. Unless education is taken on vigorously to the concurrent list and concomitant educational policies are insulated from contradictions implicit in the process, educational reform will degenerate as now into sectarian options at braving the neighbour. It is part of the ironies of the current socio-economic tangle that there should be so little of national consensus on so vital a nation-building activity like education. In the evolving situation, one should feel thankful if the Union Ministry of Education does not become a grave of political reputations like the Food Ministry in olden times.

Dr. Triguna Sen who has had to bow out is another peculiar category. As Vice-Chancellor of Jadavpur University, he made a name as an educationist which he quickly lost in the Union Ministry of Education. To observers it looked as if he had made good by his tough line with the foreign oil companies and by the vigour with which he pushed through the dynamic petroleum policy of his predecessor. In politics, one cannot perhaps be too sure, especially when one's reputation in one's home State was necessarily a decisive influence. In the Ruling Congress-Marxist melee in West

Bengal, it was perhaps politically expedient to go in for a change in the incumbent in office at the Union. One can only wish that his successor will take the trend aright and fulfil Mr. Sen's aspirations.

Mr. Sanjivayya has ascended to the Ruling Congress Party gadi. To those who are aware of the anxiety evinced by Mrs. Gandhi to have Mr. Jagjivan Ram vacate that office, it should occur that she should have heaved a big sigh of relief. How the choice of his successor will impact Andhra Pradesh politics is a matter for speculation. In any case the omission of Mr. Raghuramiah who was elevated to Cabinet rank as Minister of Shipping but who has now been dropped has perhaps a secret behind it. Tongues have begun to prattle that he is tipped to Andhra Pradesh Chief Ministership though the why and how of it is and must remain a mystery until such an event actually takes place. The appointment of Mrs. Nandini Satpati as the Minister for Information and Broadcasting will be suspect in the eyes of the critics of Mrs. Gandhi who may decipher in this choice the desire to build the Indira and socialistic images in a lower key than that played by Mr. Gujral. Likewise Mr. Gokhale's choice for the Law Ministry may reflect a desire to move towards a committed judiciary.

Indeed Messrs. Siddhartha Shankar Ray, Gokhale and Ahmed constitute the legal trinity—excluding Mr. Hanumanthayya; and how much weight they will pull in assisting Mrs. Gandhi's crucial legal decisions on the anvil should be anybody's guess. On a par with this should be the guess about Mr. Mohan Kumaramangalam's selection for the Ministry of Steel and Heavy Engineering. Of the lesser lights, the Lok Sabha should reveal the colours.

The inclusion of as many as six M.P.s from Maharashtra (including three Cabinet Ministers) in the Ministry and the total exclusion of some other States from the purview of this appears a bit puzzling. After the rout of the Congress in the 1967 elections, Tamil Nadu lost its share in the Cabinet and for four years now there has not been a Minister with Cabinet rank in the Central Government. Even if it were difficult to include one of the 9 M.P.s elected from Tamil Nadu in the Cabinet, it should be possible to try for some one outside this fold for this purpose. Even from a smaller State like Assam with only 11 M.P.'s to the Lok Sabha two Cabinet rank Ministers have been appointed. It is hoped that in the next phase of expansion Mrs. Indira Gandhi will try to correct this imbalance. —(FOC)

had only nine members. Of course, the return of the party with as many as 184 members had necessitated inclusion of a wider cross-section of members into the Cabinet. Mr. Karunanidhi should desist from any further expansion of the Cabinet. What is important in all such cases is how the Cabinet, big or small, works as a team. No Cabinet has ever been free from internal differences of opinion. Indeed this is as it should be because each party in a democracy represents only certain common areas of agreement beyond the periphery of which there are bound to be differences. Equally true is the tendency of power centres inside a party to shift

according to the push and pull effects of group operations. Only a stranger to human facilities will exaggerate the menace that all this may portend. The only thing that has historically vindicated these fears is that, at some stage in the evolution of parties, groupism develops portentous proportions resulting in splintering. Those who are aware of how the Liberals after Lloyd

George and Labour after Ramsay MacDonald fared in the British elections can vouch for this. It is hoped that such groupism is nowhere in the near future so far as the D.M.K. is concerned,

It is customary to assess a Cabinet on the basis of its allocation of portfolios. Even in this respect, any conclusion applying generalisations is

TAMIL NADU CABINET WITH PORTFOLIOS

Mr. M. Karunanidhi (Chief Minister): Public, Finance, Planning, General Administration, Police and Prohibition.

Mr. V. R. Nedunchezian: Education and Local Administration.

Mr. K. Anbazhagan: Public Health.

Mr. N. V. Natarajan: Labour, Stationery and Printing.

Mrs. Satyavani Muthu: Harijan Welfare and Fisheries.

Mr. P. U. Shanmugam: Food, Revenue and Commercial Taxes.

Mr. S. Madhavan: Industries, Courts and Prisons.

Mr. S. J. Sadiq Pasha: Public Works.

Mr. Si. Pa. Aditanar: Co-operation.

Mr. A. P. Dharmalingam: Agriculture.

Mr. K. Rajaram: Backward Classes

Mr. O. P. Raman: Electricity.

Mr. S. Ramachandran: Transport.

Mr. M. Kannappan: Religious Endowments.

I BELIEVE:

The Garter and the Boot

I believe that the Fifth General Elections in this country will go down in history as a record event. This is not because of the manner in which it has upset the predictions of poll experts. Indeed there is nothing strange about such predictions being far off the mark. The manner in which the Americans voted for Mr. Truman and the British for Mr. Heath provide ample testimony in this regard. In the highly sophisticated Anglo-Saxon set up with its opinion counts and Gallup polls, near credence is given to every gossip and off-the-beat talk of party tacticians with the result casual utterances develop a weight in computation quite disproportionate to their actual import. Added to this is the possibility of random sampling errors where the samples chosen may reveal

an inner wish of the surveyor than impartiality.

A Different Kettle of Fish....

In the Indian situation it is a different kettle of fish. Accustomed as we are to judging purely by externals, opinions are formed not on the basis of the feasibility of party manifestoes as adjudged by random samples from the electorate but on the basis of the strength of the audience at political meetings. There is nothing seriously strange in this. For one thing, any one who has gone in detail through the political pamphlets of contending parties will have noticed their basic similarity in promising the citizens some form of socialistic or egalitarian better life. This has to be so in a poor country where the rivalry in vote-catching

likely to be off the mark. Undoubtedly, the Chief Minister has reserved for himself all the key portfolios—Public, Finance, Planning, General Administration, matters relating to I.C.S. & I.A.S. officers, District Revenue Officers, Deputy Collectors, Police, Elections, Prohibition, Information and Publicity, Cinematograph Act, Passports, Newsprint Control, Prices & Supply of Goods, Tamil Nadu Drainage and Water Board and Slum Clearance Board. This will give the impression of a Churchillian attempt at dominating the Cabinet and there through the party. Such a view, however, overlooks the fact that the Tamil Nadu Chief Minister is a dynamic personality whose will is likely to have its way and so there is no need for any special insulation through portfolios to make it so. All the more reason why the principle of consensus by which the Chief Minister lays great store should become obvious in actual practice. —R.S.

devices leaves little room for cold logic. For another the election had come off as the greatest surprise of the year and had allowed so little time for deliberation that most manifestoes proved to be patchy and ill-integrated in respect of what are deemed to be the essentials of the concerned party programmes. And precisely because of this, computations began to rely on attendance at political meetings. In this part of the country, such an attitude led to gross error of judgment either because the largest crowds were drawn by the appeal of either father-figures like Rajaji or Kamaraj or film artistes. One is reminded in this connection of the manner in which Churchill drew the largest crowds and yet his party lost the election to the Labour Party. Indeed the ire of Churchill over this was so great that he refused the Knighthood of the Garter offered by his king saying that he could not verily accept it because his people had given him the order of the boot. —Horace

A Larger Cabinet for Tamil Nadu

The composition of the Tamil Nadu Cabinet indicates the keenness of the Chief Minister, Karunanidhi to make it an appropriate reflection of differing talents in the party in the process of introducing new blood. Indeed his concern for keeping his feel on the rising generation has been responsible for the induction of younger members into the Cabinet, while the addition of Messrs Anbazhagan, Rajaram and Dharmalingam seems to be an effort at making available directly at the Cabinet meeting a wider spectrum of competent counsel than in the

past. Perhaps the Chief Minister may have been influenced by the desire to disabuse any impression that, having won the election so spectacularly against great stakes, he may play the role of finality Jack at every discussion. The presence of seniors around him should make for a stress on consensus rather than on steam-roller decisions.

Successive Governments in the past in Tamil Nadu had benefited from smaller, compact Cabinets contributing to cohesion. Even the first D.M.K. Cabinet led by Mr. C. N. Annadurai

Where Debt Service Exceeds Loans Received----

The spate of deficit budgets is swelling. And so is the cry in almost every State for a better deal with the Centre and a revision of the allocation of sources of taxation and of the present system of financial devolution. But Tamil Nadu can justly claim that the deficit of Rs. 12 crores for 1971-72 which goes to increase the deficit of Rs. 23 crores for 1970-71 to Rs. 35 crores is in spite of the State Govern-

ment having done "its best by prudently managing its finances, raising adequate resources and minimising wasteful expenditure." It is not to be expected that the interim budget will include proposals for additional taxation or other means of covering the deficit. But allocations which will not brook delay because of its impact on the progress of execution of schemes and projects have been attended to.

A Plan outlay of Rs. 91.13 crores has been provided for with a sum of Rs. 11.7 crores for Centrally sponsored schemes and Rs. 32.67 crores for loans and advances to the agriculturists, the Electricity Board and local bodies. The Madras Corporation is to get more than a crore of rupees. The factors which make for instability and unsoundness in the State's finances are the unplanned additions to the salaries and emoluments of Government employees by the actions of the Central and other Governments and the nature of the financial relations with the Centre. In presenting the budget for 1971-72, Mr. Karunanidhi rightly laid stress on both these aspects of the financial situation. Since it is impossible, apart from the injustices, of any such course to resist the demands of public servants for salaries comparable to those which have been awarded to their employees by the Centre, it is a reasonable demand that changes in this sphere should be decided on only after due consultation with the State Governments.

As for the loans from the Centre and the schedule of repayments, it is sufficient indictment of present conditions that "the total debt service payment to the Government of India during 1971-72 is, in fact, Rs. 16 crores more than the loans we receive from it. What is more, out of a total of Rs. 3,500 crores of Central assistance to the States, Tamil Nadu's share is only Rs. 202 crores, while at the same time the State will derive no benefit from the Rs. 800 crores of special assistance which the Centre has planned to give the States on second thoughts." That the "five year per capita transfer to Tamil Nadu is only Rs. 142.5 as against the national average of Rs. 185.5" is more than a strong *prima facie* case for reconsideration of the present arrangement.

—PRS

INDUSTRIAL ECONOMIST

Fresh Levies for Rs. Three Crores

The State Governments are apparently determined not to raise fresh revenues through new taxes on a large scale pending the outcome of the Budget proposals of the Union Finance Minister for 1971-72, by the middle of May. Otherwise, it cannot be explained why so many Governments have left uncovered large deficits, as much as Rs. 44 crores in the case of Assam. The only three States that have made an attempt so far to levy additional taxation are Gujarat, Kashmir and Kerala. Even here the two former States have made only a feeble attempt while Kerala is proposing to mobilise additionally Rs. 3 crores. When many States have been abolishing the land tax on small holdings, the Chief Minister of Kerala, Mr. Achuta Menon, has announced that the exemption on limit of 2 hectares for agricultural land had been removed and that the exemption limit of two hectares for plantation holdings had been reduced to one hectare. There is also to be a levy on urban land in selected centres on a specific basis per square metre of land. Sales Tax will be imposed on the turn-over of hotels and restaurants on a graduated basis making the incidence heavier on bigger establishments. This is almost skin to the levy of Income Tax on the lines of Agricultural Income Tax, irrespective of whether the establishments concerned were making net earnings or not. These levies will obviously have inflationary effect though the objective would seem to be to siphon away a portion of the profits that would be attracting Income Tax.

P. F. Contribution to Go Up

All the new taxes will fetch Rs. two crores in a full year. It is also proposed that there should be an increase

in bus fares for improving the finances of the State Transport Corporation. This is now working at a loss. In order to compel savings and make available capital receipts it has been decided that the contribution to the Provident Fund by Government employees should be increased to 10 per cent of their salaries. This would result in an augmentation of capital receipts by Rs. one crore. With all these exercises the Government will still have a minus closing balance of Rs. 31.85 crores at the end of 1971-72 against a minus closing balance of Rs. 8.69 crores at the beginning of the year.

Mr. Achuta Menon is seriously worried about mounting Non-Plan expenditure and the absence of scope for mobilising resources through taxation in a big way for implementing Plan schemes. The State is already among the highest taxed in the country and there will be only increase in discontent if further attempts were made to raise the burden of taxation. The main difficulty relates to the balancing of the Revenue Budget as even with an increase in receipts by Rs. 16 crores to Rs. 165 crores in 1971-72, there will be a revenue deficit of Rs. 16.26 crores. It has been emphasised by Mr. Menon that without a new approach to Centre-State relations, there cannot be any increase in the tempo of Plan expenditure. Salaries alone account for 95 per cent of the State's taxed and non-taxed revenues from its own sources and only the devolution of revenues and grants from the Centre are available for Plan purposes. The Central Government is of course agreeable to provide loans for meeting Non-Plan gaps, but this has resulted only in an increase in liability and interest charges which has a snow-balling effect over a period.

The State Government is anxious to increase the outlay on Plan projects though it must be pointed out that the desired progress on certain vital schemes has not been made because of labour trouble and the inadequate appreciation of the issues involved. The Idikki Project which will be beneficial not only for the State but for the whole southern region by making available large blocks of cheap hydel power, is considerably behind schedule. Labour trouble has been holding progress and inflating costs in the process.

Mr. Menon has observed that major irrigation projects will be spilling over to the Fifth Plan for want of resources. The Kerala Government is entitled to a better deal but without more active development of its natural resources by industrialists in the private sector and the Government itself expanding its activities no serious dent can be made on the unemployment problem. There will, no doubt, be an increase in Plan outlay to Rs. 60.60 crores in 1971-72 from Rs. 50.30 crores in 1970-71 but the financial position of the State will be deteriorating all the time and it has been estimated that even if the balance of Rs. 18 crores was raised by way of additional taxation, in the next three years, in order to complete the target of Rs. 50 crores for the whole Plan period, there will be no net addition to the availability of resources for Plan purposes.

There will, no doubt, be an increase in the share of State's in the revenues of the Centre as a result of buoyancy and the new proposals that might be made for mobilising resources through fresh taxation. There should be a further increase in the overdrafts from the Reserve Bank or additional special assistance from the Centre in the form of loans. This is indeed a challenging task for the new Central Government and the reorganised Planning Commission.

—(FOC)

TABLE I

MORE RECEIPTS, MORE EXPENSES AND LARGER DEFICIT

(Rs. in lakhs)

Item	1961-62	1965-66	Estimate Budget 1970-71	Revised Estimate 1970-71	Estimate Budget 1971-72
Revenue Receipts	92.18	1,72.80	2,94.04	3,12.60	3,38.68
Expenditure on Revenue Account	1,01.79	1,80.66	2,96.98	3,20.43	3,49.64
Revenue Surplus(+) or Revenue Deficit(—)	— 9.61	— 7.86	— 2.94	— 7.83	— 10.96

TABLE II

REVENUE RECEIPTS

(Rs. in lakhs)

	Revised Estimate 1969-70	Accounts 1969-70
Share of Central Taxes	46.22	46.93
Grants-in-aid from Union Government	34.99	26.52
State Taxes	1,27.36	1,34.69
Non-tax Revenue	74.35	72.77
Total	2,82.92	2,80.91

Glimpses

By P. R. SRINIVAS

President Enunciates Government's Policies

The President's speech at the joint session of the newly elected Parliament is but a formal statement of the Central Government's reading of the situation in the country and its intentions in regard to new policies and new legislation. He has reiterated that the Government will continue "to press the State Governments for further action in promoting a more equitable agrarian structure" and pursue the objective of imposing a ceiling on urban property." There is also a similar re-affirmation that the "resolve to abolish by appropriate constitutional measures the privy purses and privileges of rulers remains unaltered." One is at a loss to determine what significance is to be attached to the omission of reference to other amendments to the constitution such as those which affect Centre-State relations or the protection now afforded to property rights. The Government is apparently content for the moment with stressing the need for improving the slums and the intolerable living conditions of the urban poor and its intention to create more employment through vigorous pursuit of the new banking policies. A mid-term appraisal of the Fourth Plan with a view to accelerating its progress, a step-up of rural electrification and the appointment of an Electronics Commission are among those which have received special mention in the President's speech. Questions of foreign policy and external relations get only a passing reference or superficial treatment, and the programme of new legis-

lation for the present session is mentioned in bare outlines. Behind the President's speech one can see the ruling party's sense of absolute power for the full term of the present legislature.

Ministry Making in States

A mere reshuffle of small parties and groups and independents only aggravate the headaches of the Governors concerned. Where the old Congress has the support of a sizeable number of Swatantra Party members or other groups, the new Congress finds it hard to secure a majority. And no Governor would, in such circumstances, invite a leader to form a Cabinet which would only aim at the holding of mid-term elections.

In Orissa, the question whether or not the United Front Assembly Party will be able to form a ministry has to be shelved for the present because of the constitutional necessity of getting a vote on account passed by Parliament before March 31 and the need to continue President's rule for some time more. Mr. Biswanath Das, who has been elected leader of the United Front, has expressed the opinion that "it would be too cruel and expensive for the State, if no Government was formed and the State again went to polls." It is amusing to find the octagenarian Dr. Mahatab attributing immaturity to the 72-year old Biswanath Das. The United Front is said to be guarding itself against defections and their success can hardly be indubitable.

In Mysore, defections have had both ebb and flow. While Mr. Veerendra Patil was prompt in tendering his resignation as soon as he received some letters from members about their going over to the other party, the New Congress is divided over its course of action in the present juncture, particularly the question of forming a ministry now or seeking a dissolution and an early poll. The differences extend even to the question of admitting the defectors. And the change of attitude has induced second thoughts in some of them and revived the chances of Mr. Veerendra Patil being asked to return to office. Most significant of all is the statement of the Governor, Mr. Dharma Vira that "it would be unfortunate if a Government was formed merely for the purpose of getting hold of official machinery prior to the poll." For his part he has already two sets of budget papers, one set to be presented to Parliament and the other to the Assembly, so that a vote on account could be maintained as soon as a decision either way could be obtained.

U.P. provides in some ways a contrast to Mysore. While Mr. T. N. Singh has shown no readiness to resign in the manner of Mr. Veerendra Patil, the S.V.D. Government has been rapidly reduced to a minority and the S.V.D. members who had expected to defeat a no-confidence motion agreed to the postponement of the debate when they found a number of their members taking their seats in the benches opposite. While in Kerala, Mr. Achutha Menon is fairly comfortable, though not also mentally easy on the saddle, Mr. Ajoy Mukherjee has shifted from one of getting majority support to one of keeping the support of the various groups by giving each its share of ministerial offices. It is well, however, that there is agreement on a nine-point programme which gives first place to immediate restoration of peace and tranquillity in the State.

INDUSTRIAL ECONOMIST

Oil Find at Aliabet

The striking of oil at Aliabet in the Gulf of Cambay has come about at a time when the Government is seriously worried about the rising cost of crude oil imports as a result of the conclusion of an agreement at Teheran between the oil producing countries and the International oil companies. The Oil & Natural Gas Commission too should feel relieved, as after the spectacular success in oil exploration in the mainland in Gujarat, further efforts have not been successful. It was even reported that the rate of depletion of the crude resources was so fast that the refinery at Koyali could not be fed fully if there was a further expansion of its capacity. The latest feat is highly commendable as there were fears that the off-shore drilling operations might not be successful and would have to be abandoned at an early date. The first drilling operation, on the other hand, has been quite successful indicating that a new oil basin has been struck and fresh exploration can be carried on with greater confidence. Off-shore drilling will begin in the Bombay high region after the new platform is supplied by Japan by the end of next year.

If the efforts to establish new oil reserves prove successful and the difficulties involved in off-shore drilling operations are overcome, it would be possible to secure 2 to 3 million tonnes of crude oil per annum from a contiguous area and feed the existing refineries in the region to a greater extent with indigenous crude than is possible now.

No decision has yet been taken by the Government about the grant of an increase in prices for crude oil asked for by the foreign-owned refineries in the private sector and by the foreign collaborators of the two coast-based refineries in the public sector. The Chairman of Cochin Refineries Limit-

INDUSTRIAL ECONOMIST

ed, Mr. C. R. Pattabiraman, has actually indicated that the French suppliers had asked for an increase in crude prices and that if this had to be conceded, it will be necessary to increase prices for petroleum products. The Government is examining this question and it has been decided for the time being that there should be no change in end-prices.

Exploiting the Needy

An increase in crude import bill cannot, however, be avoided as posted prices have been raised in the Persian Gulf and elsewhere by 35 cents a barrel. Currently four North-African countries, Libya, Algeria, Iraq and Syria have asked for even more striking increases in the share of profits earned by the oil companies and in the absence of a satisfactory settlement, a threat has been held out that there will be a suspension of crude exports. The big consuming countries like the United States, Britain, Western Europe and

Out of the Inkwell

By RANDOR GUY

SCIENCE NON-FICTION -

Reading a clinical thermometer is so casual an affair, you never bother to think about the little bit of interesting history behind it. Years ago such thermometers did not have the constriction—the slight bent inside that holds the mercury from slipping back—in the tube and the reading had to be taken while the thing was still in the patient's mouth or armpit! Not an easy thing, that. It was worse when it came to know temperatures of sick animals. Not merely unpleasant but also positively dangerous—for you stood a good chance of being kicked in the face or some other more sensitive part! Nice thing, they invented the modern version that is safe. Clever chaps, these scientists!

Japan are naturally worried about the latest developments in this field and they regard the attitude of the oil producing countries as unreasonable and an attempt to exploit a position of advantage. As present, West Asia and the African countries account for the bulk of available free supplies of crude and if there was a reduction in exports from these regions, West Europe and Japan particularly would be badly affected.

Since the tendency to hold to ransom important consumers would become more unhelpful as years pass by if competitive sources were not developed, it has been considered advisable to develop new areas. The Alaskan region has been intensively explored by the U.S.A. in recent years and the find of new reserves has encouraged this country to feel that the dependence on the Middle East can be reduced considerably in a short period. The efforts now under way to explore the existence of oil and gas in North Sea may also be successful after sometime while Indonesia is thinking of doubling her output. Oil exploration is also being carried out in the Mekong delta region and there are hopes of tangible results at an early date. Japan, for its part, is examining whether new fields can be established so that dependence on the Middle-East and African countries will be reduced.

The consumption of oil is increasing at an alarming rate and the importance of this form of energy should be minimised by using other fuels like electricity, nuclear power and coal. If there was a multi-pronged approach to the problem of oil consumption such as dispersed exploration and optimum use of various forms of energy, deficit countries can avoid a big increase in their import bill. Fortunately India has abundant resources of hydel power and vast deposits of coal. If these sources of energy can be fully utilised, the growth rate in oil consumption can be reduced. What is needed is an integrated approach to the problems of using different forms of energy.

—(FOC)

A Decennial Picture of the People

This is the centenary year of census-taking in this country. While this will give a special, solemn significance to this occasion, the interest of publicists and economists alike inheres in the particularist details that have been newly introduced for the current enumeration. Indeed the present census is not a mere counting of heads. On the contrary, it is expected to collect diverse data of socio-economic significance. Under the law, information provided to enumerators cannot be invoked in any court of law and will be kept entirely confidential. Such secrecy had been guaranteed in earlier enumerations; but while there was no special need for it in earlier censuses which collected merely demographic information for pure purposes of compiling vital statistics, the present operation seeks to collect certain personal details, as for instance, educational qualification, income, socio-economic pressures of the group to which the individual belongs, etc. on which information will not be vouched unless the individual was sure that it would not be quoted against him in any event.

We Want "Change"

Who does not? Everybody wants change in place, vocation, dress.... But we in Delhi are want of "change." Thirsty, I wanted a sugarcane juice seller to fill me a glass. Before quenching my thirst he accosted whether I have change—a 25 paise coin. I didn't. He just decided rather to forego his business than accept a rupee note and return the balance to me. Shortage of coins affects everybody. The scare and the need is so much that change is

It is the duty of the public to provide this information because the law protects against leakages to their disadvantage. Statistical details regarding income, conditions of work, etc. are so meagre that the little in this direction to which the enumerators have been asked to collect will be worth its weight in gold. It can only be hoped that the individual citizens will not fight shy of furnishing this information.

Many Who Do Not Know Their Age

The bigger problem, however, is to collect data from the illiterate masses. There are many in the villages who do not know their date of birth. It is this ignorance which has been rendering into guesses the census estimates regarding age groups. In fact, it will require all the acumen that the enumerators can command to arrive at reasonably correct answers to their questions about work and employment. It is part of the imperfection in our statistical knowledge that, despite all the fanfare about the Green Revolution and rural prosperity, there

given at a great discount. The rate is even Rs. 5 for Rs. 100.

This was discussed even in the Parliament. The coin shortage is due to some miscalculation regarding demand. The Reserve Bank has been making additional supplies and the mints at Hyderabad and Alipore are being geared up. It is expected that production of coins in the mints is likely to rise from 5,500 lakh pieces in 1970-71 to about 18,500 lakh pieces in the next year.

—Venkatesh

are no reliable estimates either of aggregate or group-wise increases in rural income.

The intriguing nature of the problems involved in enumeration are such that they require for tackling them considerable expertise. It is open to doubt whether such expertise is available in the requisite dimension. The letters' column in the daily Press had already brought to light the deficiencies of the enumerators in this regard. It is reported, for instance, that one of the enumerators calling on a resident in the city could not understand what the designation "Chartered Accountant" meant and went a step further by noting down the qualification as B.L. Insofar as teachers at the elementary and middle school levels have to be inducted and their general information may not be large enough for purposes of collecting the required information, the gap between aspirations and realities of the current census will indeed be wide.

Need for Quick Compilation

Then and now the census authorities will be collecting statistics enough for their village monographs. One can expect them to contain vivid pictures as usual about social customs and taboos, nature of agrarian problems, prior debts, etc. The pity is that some of these monographs prepared in the 1961 census have come our way only now. And ten years in developmental planning is a long enough period to have ushered in many changes. It will be useful if the publication of monographs this time can be expedited so that the continuous quest for socio-economic information by research institutions in the public and private sectors does not end in sheer despair as has been the case very often in the past. Likewise, quick estimates usually released after the census should seek to ensure greater accuracy and more detailed categorisation in order that the lumped up results on that basis do not compare too unfavourably with the final results.

—(FOC)

INDUSTRIAL ECONOMIST

THE CITY CORNER:

Karunanidhi Presents 'Lame Duck' Budget

As is usual in an election year, a "lame-duck" budget for 1971-72 was presented on March 25 to the new Tamil Nadu Assembly by Chief Minister Karunanidhi who holds the Finance portfolio also. It is a non-tax budget showing a Rs. 12 crore deficit. In addition, the budget carries a deficit of Rs. 23 crores coming from the year that has just ended, making up a total budget gap of Rs. 35 crores.

After discussion for a couple of days the State legislature will provide a vote on account for expenses for the first four months of the year. The regular budget, possibly with fresh taxation proposals, will be presented during June.

Mr. Karunanidhi, while presenting the budget blamed the budgetary gap on "the continued neglect" of Tamil Nadu by the Centre. Central Assistance for Fourth Plan, already low at Rs. 250 crores out of a total allocation of Rs. 3,500 crores, had been cut to Rs. 202 crores. Tamil Nadu had not been allocated any sum out of the special accommodation of Rs. 800 crores to States. He felt the Centre should take some responsibility for the increases in the emoluments of the State Government employees. The only way out, according to him, is a constitutional amendment for a radical change in the pattern of revenue-sharing between the Centre and the States.

The estimates of receipts have been placed at Rs. 446.44 crores and expenditure estimate at Rs. 458.69 crores in the interim budget.

SIDCO Offers H.P. Facilities

The Small Industries Development Corporation (SIDCO) of Tamil Nadu added a new dimension to its working when it launched on March 29 a new scheme to assist entrepreneurs in the small sector with hire purchase finance for buying machinery, etc.

This facility is similar to the one offered by the NSIC but the SIDCO

scheme requires only a smaller margin of 5 per cent of project cost to come from the applicant. The interest charged will be 8 per cent and the repayment schedule is also very convenient.

Launching the scheme the Tamil Nadu Industries Minister Madhavan said the Government was considering more important roles for SIDCO. For instance, it was contemplated to transfer the responsibility to grant loans under the State Aid to Industries Act to this Corporation which would be required to do this work in association with industrialists at the different districts. The Minister reiterated the Government's interest in the growth of private sector.

Mr. C. C. Rangabashyam, Chairman of SIDCO, explained the function of the SIDCO. It was operating raw material depots at Guindy, Coimbatore and Madurai. A new depot was being opened at Wall Tax Road in city for supply to industries in North Madras.

He said the hire purchase scheme will also finance the construction of sheds in the Ambattur Industrial Estate and Tiruchi ancillary estate adjoining the plant of Bharat Heavy Electricals Limited.



Photo shows Mr. S. Madhavan, Minister for Industries delivering the address at the inauguration of the Hire Purchase Assistance Scheme introduced recently by SIDCO. To his right is Mr. C. G. Rangabashyam, Chairman of the Corporation.

INDUSTRIAL ECONOMIST

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Art in Steel....

As a major public sector industrial enterprise in a vital sector of the economy, Hindustan Steel Limited communicates with the people of India about its performance, problems and perspectives through various media and at various levels.

The newest medium adopted by HSL for the purpose is the painting canvas. As many as 12 Indian artists stayed at the different units of this giant undertaking and collected impressions for permanent reproduction on canvas. The paintings and sketches produced by these eminent artists together make up the complex drama of steel making which they witnessed.

The paintings were on view in the city recently. The display was inaugurated by a former Tamil Nadu Chief Justice P. V. Rajamannar who said that any theme—science, technology as much as landscape—was as good as any other for an artist provided, of course it possessed outstanding qualities for portrayal.

Mr. D. C. Kothari, President of the Federation of Indian Chambers of Commerce and Industry commended this latest method of communication with the people adopted by HSL. He expressed the hope that HSL would become an efficient, economic production unit under suitable new policies framed by the Indira Gandhi Government.

Strategy of Export Pricing

A seminar on Export Pricing Strategy was another feature of the fortnight drawing attention. Governor Ujjal Singh who inaugurated the seminar stressed it was the competitiveness of Indian products that would decide the level of exports. Pricing strategy was a matter in which experts could advise exporters to the benefit of the country.

Mr. K. Eswaran, a leading exporter from South India, said that while it was for individual firms to decide on its own pricing mechanism, he could

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give some suggestions for over-all improvement on the export front. Small vessels, not affiliated to the Conference Lines exclusively meant for carrying India's exports, doing away with the practice of allowing free sale of import obtained as entitlement by exporters, removal of other official inhibitions were some of his suggestions. It was fallacious to imagine that domestic market should always subsidise exports. On the contrary exports helped to bring down prices for the domestic consumer, by helping the spread of Manufacturing costs over a larger volume of production, said Mr Eswaran.

Overhauling Industrial Licensing System

The President of Associated Chambers of Commerce and Industry, Mr. B. Mitter called for a review and overhaul of the country's industrial licensing system in a speech delivered at the annual general meeting of the Madras Chamber of Commerce on March 23.

The licensing policy, he agreed, was openly biased against large business organisations. By international standards, our largest business organisations were really small and in the export effort they were not really competitive with medium-sized international export houses, not to speak of

the international giants. If the so called large Indian business houses indulged in malpractices, there were ample weapons in the state's armoury and it was a sheer question of law enforcement.

About the Monopolies Act he said that the principle behind it was all right but in actual practice it was going to be distorted into yet another fetter on the operation of industry.

Sardar Ujjal Singh, Tamil Nadu Governor, speaking as the chief guest, advised the business community to help hold the price line. He also cautioned businessmen against unsocial practices. —VM

Problems of Personnel Management

Personnel specialists drawn from industry gave a hard professional look to problems of personnel management in contemporary India in the course of a four-day conference organised by the Indian Institute of Personnel Management. The speeches made at the inaugural session on March 25 set the pace for the discussions in the various sessions that followed. Both Mr. K. Eswaran who welcomed the delegates and others and the Tamil Nadu Governor Ujjal Singh directed attention

to what Personnel Managers could do in three areas—wages, productivity and automation—areas central to the efficient operation of the country's economy.

How do personnel managers influence the determination of wages? How do they contribute to better productivity? What should they do to mitigate the rigours and pains of automation? The first plenary session which was chaired by the Institute's President Dr. Ram S. Tarneja and the

sectional discussions that followed attempted answers to these questions. Even in his speech at the inaugural session, Dr. Tarneja referred to these problems and dealt with the various management tools available to the personnel men. In the context of the rapid technological developments being witnessed in India as elsewhere, personnel officers are to be thoroughly acquainted with scores of different processes in diversified fields, such as procurement, production, finance, audit and accounting, marketing and advertising. More than one speaker stressed the need for modernising the whole process of decision-making in the industrial establishments. Personnel managers in such a modernisation programme would be shifted from the periphery of the Board Room to their rightful seat among the working Directors. Personnel management which should function as an integral part of the top management right from the planning stage onwards, should inculcate in the employers a sense of fellow-feeling, a deeper involvement in what they do and a better understanding of the business functions and the forces at work.

Fringe Benefits

Mr. Harish Mahindra stressed that productivity was more a personnel than a technical function.

In the session devoted to wages, attempts were made to quantify the various services, facilities and amenities provided in an establishment to give an all-inclusive definition of wages. The difficulties of meaningfully assessing expenses like costs of operation of canteen, dispensary, recreation centres, etc. or items popularly known as "fringe benefits" were stressed by some speakers. The area of fringe benefits has become a happy hunting ground of industrial conflict.

Quite some time was taken to explain the concepts of need-based wages, fair wages and minimum wages. The need-based wage has been accepted in India as the minimum wage. The lower limit of fair wage must obviously be the minimum wage; the upper limit is set by the capacity of

industry to pay. It was stressed that the wages actually paid should depend on productivity of labour, prevailing rate of wages in same or similar occupations and the level of national income.

Two sessions were devoted to trade union rivalry and to civil liberties and trade union. Among the participants in these sessions was the Tamil Nadu Labour Commissioner M. M. Rajendran. Several speakers urged trade unions to break totally and wholly from political affiliations. The different parties, more particularly the ones in power, engage themselves in competitive activity in unions as a means of strengthening the party. The need for labour unions to familiarise themselves with the rule of law and respect for the judiciary and other traditional

values was emphasised by three participants.

In the session devoted to automation, two foreign personnel men participated. Mr. M. A. Howe, President of the Institute of Personnel Management, Australia said the results of research carried out in his country had allayed fears of large-scale unemployment from technological change and automation. But such change did seriously affect the nature of jobs and brought with it the need for re-training programmes. Personnel officers had the responsibility to minimise anxiety and hardship, arising out of these, said Mr. Howe.

Mr. E. S. Appadurai of Ceylon said that in the experience of his country, productivity was lower in the state sector than in the private sector. —VM

A Unique Experiment in Education

World Campus Afloat, a unique experiment in education is conducted aboard the s.s. Ryndam organised by the Chapman College of California. This floating university consists of 279 girl students and 149 boy students apart from the faculty members and the crew. The students were drawn from 200 universities of the United States and all the states are represented on board except Alaska. Contrary to the generally held belief about the freedom of the younger generation in Western countries, a certain high standard of moral code and discipline has been imposed on board. All are required to be properly dressed. Drinking of alcoholic liquor has been prohibited. Possession, use or distribution of harmful drugs such as LSD, opium, etc., have been banned. No student may enter the cabin areas of the opposite sex except with the permission of the Dean. Attendance to class is compulsory except when the student is sick.

The ship consists of 14 class rooms, laboratories for science and Oceanography, a carefully selected library,

and a theatre to seat 280 people. The other facilities include a buffet service dining room, a book store, gift shop and beauty parlour. The duration of each semester on board is about four months. No Diploma is awarded after each semester because the students will go back to their respective colleges to continue their degree courses. It costs \$ 800 per tuition. \$ 2450 is charged for passage for each student. But one does not have to be a rich American student to enter this floating university and as many as 42 per cent



Some of the students of the floating university aboard S.S. Ryndam

get free scholarships, and another 26 per cent get educational loans. A minimum of second class performance in the degree course has been prescribed for the entry into the floating university. The courses offered in the ship are mainly Liberal Arts, Languages and Oceanography.

s.s. Ryndam sailed off from Los Angeles on February 1, 1971 and will reach its final port of call, namely New York, on May 21 after visiting Honolulu, Tokyo, Hongkong, Madras, Colombo and South Africa. In between Honolulu and Japan the ship experienced a great turmoil when waves as high as 50 feet were threatening the students of the ship for two full days. Of course, the students faced this natural threat with composure.

World Campus Afloat holds to a commitment which includes to extend education beyond the four-wall classroom to gain varied environmental and academic experiences, to provide a triple learning experience where students learn from each other, from their professors and from contacts in ports of study throughout the world and to maintain an involvement in field research in which "the real" is weighed against textbook theory. —S. Rajath



The XXI All India Conference on Personnel Management and Industrial Relations was held in Madras recently. Picture shows Dr. Ram S. Tarneja, President of the Indian Institute of Personnel Management, delivering the Presidential Address. Also seen are Governor Ujjal Singh, who inaugurated the Conference, Mr. K. Eswaran, Chairman of the Reception Committee. (second from left) and Mr. M. K. Raju, President of the Indian Institute of Management (fourth from left).

STATE BANK CHAIRMAN'S SPEECH

IMPORTANCE OF GUIDELINES
FOR CREDIT FLOW

R. K. Talwar on dilemma facing banks

Shri R. K. Talwar, Chairman of the State Bank of India, has highlighted the need for credit planning and clear guidelines to the banking system as regards the appropriate priorities in lending.

In his speech at the Sixteenth Annual General Meeting of the shareholders held in Bombay on Friday, the 26th March 1971, he said :

Let me extend a warm welcome to you all to the sixteenth annual general meeting of the State Bank of India. The annual report, including the balance sheet as on the 31st December, 1970 and the profit and loss account for 1970, is already in your hands. As you will have observed, during the year the Bank's profit has somewhat dipped inspite of a substantial increase in the volume of business handled. I cannot pretend I am not concerned over it, though I am certainly not perturbed. The lower profit is due mainly to the increased operational costs during the year. We hope our working will show better results in the current year. I believe that even while reorienting their operations for subserving the social good, or rather for that very purpose, the commercial banks, whether in the private or public sector, must continue to make increasing profits year after year and thus strengthen themselves and the country's economy.

Credit Expansion

I would like to take this opportunity to share with you some thoughts on the large credit expansion witnessed over the last three years in the banking system. An indisputable fact is that this large credit expansion has been brought about mainly in pursuit of a deliberate public policy. It was on the assurance of liberal support from the

central banking authority that the commercial banks were able to extend credit in these years on a significant scale to agriculture, small industry and small businesses. This was entirely in accord with the aspirations of the weaker sections of the community, which were attached greater importance than ever before. A major portion of the credit expansion should be attributed to the reorientation of bank lending operations in the wake of this welcome change.

Another area in which credit expansion has taken place over the last few years with the full support of the Reserve Bank of India, or because of it, relates to the food procurement operations—and, to an extent, also the fertiliser distribution operations—of the State governments and their agencies and the Food Corporation of India. Whether the financing of these operations should have been its legitimate concern or not, the banking system was in a position to undertake this activity mainly due to the refinancing support available from the Reserve Bank of India. There was also an unprecedented demand for credit from the sugar industry. Production in this industry reached record levels for two successive years, and the prospect seems the same for the third year also. Due to several factors, over which the industry has no control, the offtake of sugar is very slow and the banks are obliged to provide finance to enable the industry to carry the large stocks.

Banks' Predicament

It is in this context that we should view the recent monetary restraints, and particularly the stringent net liquidity requirements designed to discourage commercial banks' borrowings from the Reserve Bank. It should go without saying that I am entirely at one with the objective of monetary policy, namely to contain inflationary pressures, on the need for which there can be no two opinions. I do not propose to make an extensive excursion into the realm of economics, nor to participate in the controversy over the efficacy of the monetary weapon. Wherever the real roots of inflation may lie, once the inflationary trends set in, no central banking authority can remain a silent spectator without taking such steps as lie within its powers. Yet, I feel, I must draw attention to the predicament in which commercial banks find themselves today. This arises mainly from the modification of refinance facilities, substantially on the basis of which the credit expansion had taken place.

The principle that banks should lend and invest no more than what they possess by way of deposits, and use the Reserve Bank of India only as a lender of the last resort, is indeed unexceptionable. However, a relevant point here is that liberal refinance was made available to the banks with the express purpose of ensuring that the new

shift in the lending policy should not come in the way of the medium and large-scale industries obtaining finance for their legitimate production needs. This support from the Reserve Bank enabled the banks to go all out in extending credit in pursuance of public policy and simultaneously continue to meet other legitimate credit demands. With the curtailment of refinance facilities in the context of inflationary trends, the banks will find it difficult to meet the aggregate demands for credit from their own resources immediately. The squeeze must be felt somewhere and this is where the banks find themselves in a fix.

Credit Planning Needed

Their dilemma is that large and medium scale industries cannot be denied assistance without detriment to industrial production, and the weaker sections of the community cannot be denied assistance without a serious set-back in public policy. Surely the decision cannot be left to the discretion of each individual bank and the situation calls for credit planning and clear guidelines to the banking system as regards the appropriate priorities in lending. I do not suggest there has been no credit planning as such so far; but this planning has merely been directional in nature without bringing within its compass the quantitative allocation of the total flow of credit. What I have in mind is an assessment of the optimum expansion in bank credit that is permissible, and its apportionment among various sectors and sub-sectors of the economy so as to accord with the Plan priorities. With the awareness of the limited resources, I hope that such credit planning will receive the urgent attention that it deserves.

Deposit Rates

Varying views have been expressed in regard to the pattern of interest rates on the deposits in the country. One view is that for an accelerated growth in deposits there should be a substantial increase in these rates. I doubt very much whether deposits, at least in this country, can be considered interest elastic, but this is no reason why the bank depositor should be given a raw deal. Recently there was an increase in the Bank Rate from 5 to 6 per cent. The effect of an increase in the Bank Rate is a rise in the interest rate structure both for deposits and advances. In our country, however, the effect has become lopsided, in that while there has been an all round increase in the lending rates, the de-

posit rates have not correspondingly moved up. Whatever may be the objective of increasing the lending rates, the proportionate benefit ought to be passed on to the bank depositor, who should get what is legitimately his due.

Financial Institutions

In this context I would also like to draw attention to the invidious distinction in the matter of interest rates as between individual depositors and some large financial institutions; it is indeed ironical that the individual depositors should be clearly at a disadvantage vis-a-vis such institutions. In the case of a bank depositor, the shorter the period of the deposit, the lower his return by way of interest. A financial institution like the Life Insurance Corporation of India or the Unit Trust of India, on the other hand, may operate in the inter-bank call money market and command a high return—as disproportionately high as 11 to 12 per cent—on its day-to-day lendings. When these financial institutions were permitted to operate in the inter-bank call money market, even though they are not banks, their entry was justified on the ground that this would improve the liquidity of the banking system. I am not sure that this hope has been fulfilled, since the funds offered in the call money market are mostly the funds which would in any case lie with the banking system and earn interest at the rates applicable to the public. The only result seems to have been a diversion of funds from low-yielding fixed and short-term deposits to high-yielding call deposits, with a consequent rise in the cost to the banking system. The position is more or less the same in the case of the co-operative banks. Some of these banks, taking advantage of their exemption from the deposit rate directives of the Reserve Bank of India, have succeeded in extracting a stiff price from the banking system for their deposits. I urge that not only on considerations of fairness but also of wider issues of investment, individuals and institutions should be put on an equal footing in the matter of return on surplus funds.

Consolidating Gains

As stated earlier, commercial banks have lent to priority sectors and particularly to agriculture at a fairly fast rate. The pace of their branch expansion programme has also been very fast. Severe strains have, therefore, developed on the organisational and trained man-power resources of the

banking system as a whole. The understanding as regards the concept of lending to the priority sectors has not been uniformly clear at all levels and the stipulated criteria in regard to assessment of applications have not been strictly adhered to. Measures will have to be taken to consolidate the gains in respect of advances to the priority sectors as well as opening of new branches. The pace of progress in these two spheres must be related to the growth in qualitative and quantitative terms of the organisational infrastructure, and vice versa. For this purpose, it will be necessary for the commercial banks to realign their organisational patterns so that they may regain their poise and proceed with renewed confidence and vigour.

Agricultural Finance

Of the priority sectors, agriculture poses very hard problems. The credit needs of this sector in the next three or four years seem to be as high as Rs. 4,000 crores. Meeting these needs is an enormous task. Having regard to the resources available, the role of the commercial banks in this field can only be supplementary, at any rate in the immediate future; the responsibility must continue to rest mainly with the co-operatives. It will be imperative for commercial banks to ensure that the credit that has already been extended, or is being extended, is put to the most effective use. This presupposes the creation and strengthening of a machinery which can properly evaluate the proposals at the initial stage and effectively supervise afterwards the utilisation of credit at different stages.

It will be difficult to create such a machinery at every office of the Bank. The Bank's strategy will, therefore, be to move away from scattered lending and shift the emphasis towards intensification of the area approach. Efforts will be directed towards formulation of a programme of banking propositions in respect of a definable area consisting progressively of a village, a cluster of villages, a taluka or a few talukas, leading to integrated and harmonious development covering the various facets of the agricultural economy of that area. We believe that only through a concentrated effort in selected areas could the scarce resources of the banking system be put to the optimum use. To this end we propose to select throughout the country about 150 centres, in course of time, where we shall strengthen our offices so as to be able to take both the initial and follow-up action in dealing with the loan applications. In selecting these centres, we will be guided by consultations with the State authorities, and have a bias

in favour of areas with a preponderance of small farmers, particularly where Small Farmers' Development Agencies are being set up and in districts where we have assumed the lead role. Elsewhere our efforts will, subject, of course, to adequacy of resources, be confined to the financing of only those farmers who come to the Bank on their own and have their land situated not more than ten miles from the nearest office. Here again the Bank's efforts will be to avoid scattered lendings, financing being restricted to a village or a cluster of villages.

Organisational Structure

Last year I referred to the inadequacy of the Bank's organisational structure to meet the problems of control posed by the growing number of the Bank's offices and our desire to have the entire matter studied by a team of management consultants. The services of the Indian Institute of Management, Ahmedabad, were engaged for this purpose and the study has now been completed.

The consultants have suggested a plan of reorganisation to meet the problems caused by the rapid growth and the change in the nature of business of the Bank during the last few years. Broadly, it has been suggested that the work at the larger branches should be organised on the basis of customer-groups to assist in focussing attention on the needs of different types of customers. Handling of the complete range of banking needs of a customer in one department would improve the quality of service which customers expect from the Bank. It has also been suggested that decision-making should be further decentralised not only to expedite the customer's work but also to create a climate for managerial development in the supervisory cadres.

trahed not only to expedite the customer's work but also to create a climate for managerial development in the supervisory cadres.

The consultants have recommended that a system of annual performance-budgeting in regard to deposits, costs and profits should be introduced at each office to enable systematic development of business in each market segment in consonance with the Bank's policies. It has been suggested that management control based on such a scheme of annual planning would provide scope for timely remedial action, at the same time enabling the operating staff to know what is expected of them. Detailed suggestions have also been made to bring about certain far reaching changes at the Local Head Offices and Central Office with specific responsibilities in relation to the management needs of the various aspects of the Bank's business. These recommendations are now being examined.

Staff Relations

It is customary at such annual meetings for chairmen to thank members of the staff for their co-operation during the year. We are fortunate in having been endowed with dedicated employees at all levels, who keep their institution going and prospering. They are our mainstay. I must offer my sincere thanks for their co-operation. We successfully concluded negotiations for major wage settlements both with officers and the junior staff during the year. These settlements have been reached on the basis of major benefits to the staff. It will now be the responsibility of the management and the unions alike to ensure that the return to the organisation in terms of higher efficiency and of assumption of greater responsibilities by the staff would be commensurate with these benefits resulting in greater customer satisfaction.

bilities by the staff would be commensurate with these benefits resulting in greater customer satisfaction.

If I may turn to the banking industry as a whole, the picture of staff relations is none too encouraging. The industry is up against a bewildering variety and multiplicity of disputes. The conduct of negotiations is bedevilled by intra-union and inter-union pressures. The ultimate sufferer is the customer, who is the reason for the very existence of the banks. Indeed, the irony is that the greater the suffering of the customer, the greater the pressure on the managements to settle. They become helpless participants in deals where not reason but power to dictate terms becomes the sole arbiter; and the settlements while apparently solving one dispute seem to be sowing the seeds of another dispute in another wing of the same institution or in another institution. We never seem to reach the end of the road. I can only voice the hope that it will be possible before long to evolve a more suitable machinery for the settlement of disputes so that the atmosphere may become less and less vitiated in course of time, and greater harmony may prevail between managements and unions. Only then will the customer receive more courteous, speedier and cheaper service, to which he is entitled.

I wish to place on record our sense of high appreciation of the valuable services rendered by Shri K. T. Desai who relinquished his office as Vice-Chairman after the completion of his term of appointment on the 7th June 1970. I also thank the Members of the Local Boards and the Directors on the Central Board who ceased to be on these Boards during 1970 for their able guidance and direction.

COMMODITIES:

Quotas for Rubber Purchases

The decision of the Rubber Board to introduce a quota card system from April 15 for purchase of rubber from members of co-operatives by the State Trading Corporation should be helpful in bringing about some semblance of stability in the rubber market. The entry of the S.T.C. last November into the Kerala market has failed to ensure the Government-fixed price of Rs. 520 per quintal to the growers as the volume of S.T.C.'s purchases has not been sizable. In fact, there was a weakening of prices following the suspension of S.T.C.'s operations due to want of godown space, since the beginning of February and prices dipped to around Rs. 457 from Rs. 470 prevailing earlier. The S.T.C. has, however, resumed its purchases from March 1 and will be buying at the daily rate of 100 tonnes. At the same time, the Corporation has been releasing its stocks and has so far delivered about 1,300 tonnes while its purchases since October 25 have totalled 5,700 tonnes. The accelerated buying of stocks with small growers will have its impact on prices only after some time. The quota system which involves the distribution of quota cards to members of farmers' co-operatives will eliminate mutual complaints by the S.T.C. and the co-operatives on the mode of purchases and will also encourage other growers to join the co-operatives. Meanwhile, a panel of the Rubber Board has urged the Government to buy a bulk quantity of 2,000 to 3,000 tonnes immediately from the open market to boost the sagging prices.

Sugar Output and Stocks

With the output in January amounting to 7.69 lakh tonnes against 7.29 lakh tonnes in January 1970, production of sugar in the first four months of the current season totals 17.25 lakh tonnes against 16.76 lakh tonnes in the same period last season. Total despatches in the first four months were 12.37 lakh tonnes for internal consumption and 4.13 lakh tonnes for export against 10.32 lakh tonnes and 17,000 tonnes respectively last season. Closing stocks at the end of January were substantial at 24.63 lakh tonnes against 19.31 lakh tonnes a year ago. Though the monthly releases for both levy sugar and open market sales have been kept high around 3.50 lakh tonnes for some months now, internal absorption would appear to be not more than 2.80 lakh tonnes a month and in the absence of any large-scale exports, stocks with the industry must be rising at an alarming rate till May posing serious problems of financing them. The reported slow-down in crushing opera-

tions since February could not have altered the immensity of the crisis being faced by the mills. Sugar prices in the open market have naturally been subdued. (Production till February end is placed at 23.50 lakh tonnes and stocks at 27.20 lakh tonnes).

Package for Cotton

At last the Union Government seems to have wakened up to the realities of the cotton situation where the industry is unable to meet the increased demand for textiles due to shortage of cotton. The crisis has been particularly acute in that record imports are being arranged to shore up the industry. In this context, it is heartening to learn of the Central Government's decision to launch an intensive area development programme for boosting cotton production. Nine districts spread over nine growing States will come under the package scheme, the area covered rising from 5.8 lakh acres this year to 13.5 lakh acres in three years. The scheme, estimated to cost Rs. 5 to 6 crores in first year, aims at increasing cotton output by 4 to 5 lakh bales in the first year. The programme envisages the enlisting of special staff to popularise the use of improved farm practices among growers in the selected areas and supply of various inputs like fertilizers, pesticides, high-yielding seeds at a concessional rates. Plant protection will receive special emphasis. Production of extra long staple cotton will also be given greater attention. Besides the package scheme, the Government is evolving a massive plan to increase cotton output. While new areas will be brought under cotton where irrigation facilities can be extended, the industry will also be asked to take a more active role in the programme.

The need for a breakthrough in cotton was emphasised by Dr. M. S. Swaminathan, Director of Indian Agricultural Research Institute, recently. He said India had one of the lowest yields per hectare though it rose from 87 kg. in 1950 to 123 kg. in 1970. The shortage of cotton became more and more acute as total production was stagnant around 5.8 million bales in 1965-70 while the spindleage increased from 14.6 million to 17.7 million in the same period. Dr. Swaminathan pointed out that Egypt produced 2.43 million bales from about 0.6 million hectares in 1968-69 while India raised 5.82 million bales from as much as 7.6 million hectares. This was due to the active help given by the Egyptian Government along with use of advanced techniques. He also attributed the low crop in India to the fact

that nearly 85 per cent of the crop is grown under rainfed conditions while low-yielding species accounted for two-thirds the acreage. The quality-wise break-up in increase in production of cotton planned for 1973-74 over the present level is roughly as follows: Coarse varieties (below count 17s) from 9 lakh to 13 lakh bales; lower medium (count 17s to 26s) from 7.2 lakh bales to 10 lakh bales and higher medium (26s to 35s) from 24.2 lakh to 37 lakh bales; fine (35s to 48s) and superfine (above 48s) from 12.5 lakh to 20 lakh bales. Total increase of Indian cotton from 52.9 lakh to 80 lakh bales.

Fall in Textile Exports

There has been a setback to exports of mill-made cotton textiles in the current year. This is attributed mainly to the shortage of cotton and the consequent increase in costs. While cotton piece-goods have barely maintained their previous year's earnings so far, there is a sharp fall in yarn exports. Total exports from April 1970 to the middle of February this year are lower at Rs. 97 crores against Rs. 101 crores in the same period in 1969-70 and it is quite unlikely that the target of Rs. 120 crores for this year may not be achieved. Exports of piecegoods dropped to 361.4 million sq. metres valued at Rs. 56.8 crores from 374.2 million sq. metres valued Rs. 57.8 crores in the respective 11 month periods while yarn exports declined steeply to Rs. 18.8 crores (21.2 million kg.) from Rs. 26.48 crores (35.9 million kg.) Apparels, however, fetched a larger sum of Rs. 5.95 crores (Rs. 4.86 crores) while earnings from hosiery dropped to Rs. 12.8 lakhs from Rs. 25.8 lakhs. Others earned Rs. 14.34 crores (Rs. 12 crores).

Pick-up in Engineering Exports

It is heartening that engineering exports which had struck a bad patch for quite some months till recently have picked up and in February this year shipments of engineering goods were as much as Rs. 12.60 crores against only Rs. 8.52 crores in February 1969. With this, the cumulative total earnings for the first 11 months of 1970-71 come to Rs. 100.69 crores against Rs. 89.34 crores in the corresponding period of 1969-70. It is hoped that exports for the whole year would be about Rs. 120 crores against Rs. 106 crores in 1969-70. Though this falls short of the target of Rs. 140 crores, the industry is confident of not only achieving the 1971-72 target of Rs. 165 crores but of making good the shortfall of 1970-71 as well provided the problems of raw materials and finance are solved. This confidence arises from the large number of enquiries from abroad, particularly from East European countries, for wagons.

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BUSINESS BRIEFS:

Positive Approach to Investment Needed

The Chairman of Industrial Credit and Investment Corporation of India Limited, Mr. G. L. Mehta, has drawn pointed attention in his statement to the shareholders for the latest year to the urgent need for stepping up private sector investment in industry. There is already a shortage of many consumer goods, non-ferrous metals, steel, paper and other products and the existing capacity except in the case of steel is being fully utilised and even exceeded in some cases. But the irony of the situation is that barring a few industries like tractors and automobile tyres, there has been no response from the private sector to take advantage of the shortages and invest in raising capacity for these goods by expansion or through new units. While the hesitation on the part of entrepreneurs may be partly due to the existence of idle capacity in particular directions (as in the case of intermediate goods and capital goods) and the lack of growth of industrial production Government's licensing policies have also contributed to the stagnation in fresh investments. Mr. Mehta has deplored the negative approach restricting the entry of large business houses in certain investment categories and has urged for positive inducements instead to the entrepreneurial categories which are sought to be encouraged. He has also pointed to the need for less administrative control of the economy as it has acquired enough control at the financing stage with the take-over of the major instruments of financial control.

The ICICI Chairman has at the same time reminded the private industrial sector of its obligations in the changed circumstances. Besides ensuring adequate supplies at reasonable prices, by controlling costs, there are other aspects of industrialisation like broadening of the industrial effort and research and development which need greater attention from industrialists. There are also wider issues like increasing employment opportunities and development of backward areas. Financial institutions like ICICI, IFC, and IDBI are already engaged in surveying the industrial potential of various States for identifying projects to develop local resources. Concessional finance is also being provided to start new industries in backward areas while the scope of extended 55 foreign currency loans of Rs. 5 lakhs and less in 1970 while loans for Rs. 47 lakhs were sanctioned to 22 printing presses. The new offices in Calcutta, and Madras should help the corporation extend its assistance

to a larger number of small entrepreneurs. At the same time, ICICI is planning to enter new fields of activity like hire-purchase finance and housing finance besides guaranteeing payments on purchases made by clients on deferred credit terms. A small investment has been made in a hire-purchase company on an experimental basis while a housing finance corporation will be promoted in the near future. A financial management institute has been started in Madras with contributions from industrialists and from ICICI's own resources.

ICICI Operations in 1970

ICICI's operations in 1970 were on a larger scale. Sanctions of assistance for 90 projects totalled Rs. 43.35 crores. As there was withdrawal and non-utilisation of assistance sanctioned in the previous years for Rs. 9.21 crores net sanctions amounted to Rs. 34.14 crores against Rs. 30.02 crores in 1969. The gross sanctions include Rs. 14.52 crores by way of investment in equity and preference shares and debentures and Rs. 28.83 crores in foreign currency loans. Disbursements during the year were Rs. 27.96 crores. The corporation has found it necessary to seek fresh lines of credit in foreign currencies from Britain, West Germany and the World Bank due to the large demand for such loans. But there is no problem of rupee resources with the repayment of earlier loans and remunerative sales of holdings of industrial securities. Sale proceeds from securities amounted to Rs. 253.69 lakhs in 1970 against Rs. 169.83 lakhs in the previous year, the capital gains on these being Rs. 42.42 lakhs (Rs. 29.16 lakhs). There has also been an appreciation in the value of the holdings whose market value was much higher at Rs. 32.20 crores (Rs. 29.64 crores) against the book value of Rs. 29.93 crores (Rs. 28.84 crores). There are also sizable cash balances of Rs. 7.76 crores which should take care of the increased commitments the corporation may enter into in pursuance of its new policies.

With more effective use of funds ICICI has earned a larger profit of Rs. 303.18 lakhs, before taxation, against Rs. 294.32 lakhs in 1969. After providing Rs. 134.92 lakhs (Rs. 133.93 lakhs) for taxation, the transfer to general reserve is Rs. 105.57 lakhs (Rs. 30 lakhs) and reserve against doubtful debts Rs. 30 lakhs (Rs. 25 lakhs). Special reserve gets Rs. 43.50 lakhs (Rs. 44 lakhs). The dividend on equity capital has been raised

to 10 per cent taxable from 9 per cent taxable and will be paid out of general reserve absorbing Rs. 75 lakhs. The whole of the capital gains on sale of investments amounting to Rs. 33.39 lakhs (Rs. 20.09 lakhs) after taxation has been taken to capital reserve not available for dividend. The corporation proposes to issue right shares, by June in the ratio of one for three which will raise the equity capital to Rs. 10 crores. Reserves amount for Rs. 8.23 crores, including Rs. 1.73 crores of capital reserve, not available for dividend purposes.

Guest Keen Doubles

Guest Keen Williams Limited has staged a further smart recovery in 1971 following a big rise in demand for its products and reorganisation of its various divisions. The alloy steel division was perhaps helpful in ensuring adequate steel supplies to different plants. The turnover in the 52 weeks ended January 2, 1971 increased by one-third to Rs. 42.56 crores from Rs. 32.03 crores in 1969. But with remunerative prices and greater efficiency of operations, the net profit, before depreciation and taxation, nearly trebled to Rs. 9.02 crores from Rs. 3.49 crores. The equity dividend has, therefore, been doubled to 16 per cent, taxable, requiring Rs. 1.01 crores (Rs. 50.5 lakhs). The sum set aside for depreciation is Rs. 1.22 crores (Rs. 1.28 crores) besides an additional provision under this head of Rs. 46.73 lakhs (Rs. 46.95 lakhs). Taxation claims as much as Rs. 4.43 crores (Rs. 84 lakhs). Of the balance taxation equalisation reserve gets Rs. 23.01 lakhs (Rs. 19.45 lakhs) and development rebate reserve Rs. 3.25 lakhs (Rs. 32 lakhs). General reserve gets Rs. 1.65 crores (nil). A sum of Rs. 30.14 lakhs (Rs. 24.53) has been transferred to profit and loss account being provisions no longer required. G.K.W. shares have been a favourite in Calcutta for some time on hopes of a bonus issue following the excellent results in 1970 and the quotation is around Rs. 32.50.

Hind Lever Earns Less

Hindustan Lever Limited could not derive any benefit from a big rise in turnover in 1970 to Rs. 119.21 crores from Rs. 108.79 crores in 1969. There was higher output of various products and selling prices also were higher but owing to a steeper rise in working costs and control on vanaspati prices, the net profit, before taxation and before allowing for capital expenditure on scientific research declined to Rs. 5.36 crores from Rs. 6.16 crores in the previous year. The directors have however maintained the equity dividend on 14

per cent taxable, by announcing a final payment of 8 per cent, taxable. After providing for capital expenditure for research and taxation, the disposable profit is lower at Rs. 2.34 crores against Rs. 2.75 crores. The company stepped up its exports to Rs. 4.78 crores from Rs. 2.01 crores. Special stress was laid on exports of traditional items while shipments of synthetic detergents to Soviet Union totalled Rs. 21 lakhs. The research division has been developing new techniques for using non-traditional oils for soap making while arrangements are being made to conduct research on animal nutrition. The Tariff Commission's recommendation on more realistic prices for vanaspati is awaited.

Lakshmi Machine Works

Lakshmi Machine Works Ltd. has produced excellent working results for the year ended December 31, 1970. Though it was expected earlier that the working of the company would be quite satisfactory as sales of textile machinery were stated to have been brisk and there was only difficulty in meeting the increasing demand, the actual results have exceeded expectations. The directors have declared a final dividend of 6 per cent taxable making with a maiden interim of 4 per cent, a total of 10 per cent taxable. There has been a big rise in sales to Rs. 5.48 crores from Rs. 4.17 crores in 1969 while the net profit, before depreciation jumped to Rs. 153.34 lakhs from Rs. 94.20 lakhs. The ratio of gross profit to turnover is quite high at over 27 per cent. After providing Rs. 40.56 lakhs (Rs. 34.53 lakhs) there is a balance of Rs. 112.78 lakhs (Rs. 59.67 lakhs). There is no provision for taxation as in the previous year, but gratuity reserve gets Rs. 3.50 lakhs (nil) and general reserve Rs. 88.14 lakhs (nil). In the previous year, the disposable profit went to wipe out a debit balance of Rs. 58.78 lakhs brought in from earlier accounts. The interim dividend has already been paid while the final is to be distributed out of general reserve. The total dividend amount will be only Rs. 24.44 lakhs. A sum of Rs. 2.50 lakhs (nil) has been written off underwriting commission, Rs. 98,340 (nil) off brokerage expenses and Rs. 7.38 lakhs (nil) on account of debenture issue expenses while in 1969 preliminary expenses were written off for Rs. 46,735. The conservative dividend policy of the directors in perhaps due to the need for providing a large sum for development rebate which may be claimed when there are taxable profits. It is expected that there will be a further rise in sales and earnings in the current year. There has been a spurt in the quotation of Rs. 100 paid up share of the company from Rs. 130 to Rs. 145.

INDUSTRIAL ECONOMIST

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Philips India

Philips India Limited has set a new record in 1970 in respect of sales and earnings. The turnover increased by nearly 25 per cent during the year to Rs. 37.68 crores from Rs. 30.20 crores in 1969. The net profit before depreciation, also rose substantially to Rs. 7.82 crores from Rs. 6.18 crores in the previous year. A final dividend of 10 per cent taxable, is to be paid making with the interim already distributed, 20 per cent for the whole year against 23 per cent, taxable, previously. However, the quantum of dividend will be much higher at Rs. 1.10 crores against Rs. 84 lakhs, as the latest distribution is on a capital increased by a bonus issue in the ratio of one share for every two shares held. Depreciation claims Rs. 1.10 crores (Rs. 91 lakhs) while the provision for taxation is larger at Rs. 4.25 crores (Rs. 3.40 crores). Development rebate reserve gets Rs. 20 lakhs (same) and debenture redemption reserve Rs. 10 lakhs (same). There is at the same time a transfer of Rs. 3 lakhs (same) from development rebate reserve and Rs. 5 lakhs (nil) being provisions no longer required.

Aruna Sugars Pays Less

Aruna Sugars Limited could not overcome the adverse effects of a reduced recovery, low open market prices and high interest charges during the year ended September 30, 1970. While there was a drop in the quantity of cane crushed to 2.6 lakh tonnes from 2.69 lakh tonnes in the previous year, the output of sugar declined more sharply to 21,447 tonnes from 22,887 tonnes due to a fall in recovery to 8.24 per cent from 8.41 per cent. The net profit, before depreciation, and taxation was only Rs. 2.71 lakhs against Rs. 46.65 lakhs in 1968-69. After providing Rs. 10.13 lakhs (Rs. 19.25 lakhs) for depreciation there is a net loss of Rs. 7.42 lakhs which is to be adjusted by transferring Rs. 14.70 lakhs from various reserves. But the directors have decided only to cut the dividend on equity capital to 7½ per cent taxable from 15 per cent though there will be no proportionate reduction in dividend amount as a larger capital as raised by a right issue will be ranking for this purpose. The amount required will thus be Rs. 6.15 lakhs against Rs. 8.82 lakhs in the previous year. In 1968-69, general reserve got Rs. 5 lakhs, dividend equalisation reserve Rs. 6 lakhs and development rebate reserve Rs. 1.50 lakhs. The expanded facilities now being created are expected to be available from the beginning of the next season. To finance the new scheme, a loan of Rs. 25 lakhs has been secured from the Tamil Nadu Industrial Investment Corporation besides

Rs. 60 lakhs from a bank after repaying a loan of Rs. 7.50 lakhs taken from another bank.

Mysore Sugar Earns Less

In spite of a sizable increase in sugar output and better working of the distillery and acetic acid units, Mysore Sugar Company Limited could not prevent a big decline in its earnings during the year ended June 30, 1970. The sugar factory handled a much larger quantity of cane of 4.86 lakh tonnes against only 2.46 lakhs tonnes in 1968-69 while there was not a proportionate rise in sugar output which increased to 44,176 tonnes from 26,304 tonnes. There was a fall in recovery to 9.09 per cent from 10.69 per cent in the previous season. The distillery's output was higher at 87,633 hecto-litres while production of acetic acid improved to 2,080 tonnes from 983 tonnes. It is pointed out that the acetic acid unit can show a much better performance after the difficulties are overcome. Even with higher output in all divisions, the net profit, before depreciation and taxation, slumped to Rs. 66.08 lakhs from Rs. 103.34 lakhs in 1968-69. It was not possible to avoid accumulation of sugar stocks involving heavy interest charges while sales of both levy and open market sugar were not remunerative due to low prices. However, the directors have maintained the equity dividend at 20 per cent, taxable. The sum set aside for depreciation is Rs. 34.36 lakhs (Rs. 38.14 lakhs) and development rebate Rs. 1.58 lakhs (Rs. 38.77 lakhs). There is a small provision of Rs. 3,400 (nil) for taxation.

The company is continuing its modernisation programme aimed at achieving an aggregate crushing capacity of 2,500 to 3,000 tonnes per day. The first phase will cost Rs. 3.20 crores and the second and final phase Rs. 1.40 crores. The old equipment have been sold for Rs. 15 lakhs to make room for new plant and machinery. The financial institutions have been approached for fresh aid to complete the new schemes.

Andhra Sugars

Andhra Sugars Limited has earned a smaller profit of Rs. 82.26 lakhs for the year ended September 30, 1970 against Rs. 115.30 lakhs in 1968-69, mainly due to the adverse working of the sugar division. In fact, it has been stated that the other activities of the company were quite profitable and were helpful in preventing a sharper decline in overall earnings. The distillery and chemical units operated more efficiently while the caustic soda-chlorine plant also contributed to the earnings. The turnover in superphosphate, though lower due to competition

from imports, is considered satisfactory. In spite of the lower earnings the directors have allocated a larger sum for dividend. Though the dividend rate has been cut to 9 per cent, taxable, from 12 per cent, taxable, in 1968-69 it is payable on a larger capital as raised by a four-for-five bonus issue and amounts to 16.2 per cent on the old capital. Besides, some portion of the distribution will be exempt from tax deduction at source. The provision for depreciation has been raised to Rs. 63.18 lakhs (Rs. 51.14 lakhs) (other details of appropriation have already been given). It is expected that the chemical units will show a further improvement in the current year. Meanwhile, new schemes are being considered. The capacity of caustic soda is proposed to be raised by 70 tonnes per day and for this purpose, arrangements are being made to import the required plant and machinery. The additional capacity is likely to be available from 1972-73. Another scheme relates to the manufacture of aspirin for which a letter of intent has been received and the company is trying to arrange the necessary technical collaboration. The project for making De Smet diffusers is awaiting Government approval.

India Sugars

India Sugars and Refineries Limited could earn only a nominal profit for the year ended September 30, 1970 against a net loss in 1968-69. Heavy interest charges and low average price for sugar again affected profit margins. There was also a decline in the recovery to 8.58 per cent from 9.06 per cent in the previous season. As a result sugar output was lower at 19,830 tonnes from 2.39 lakh tonnes of cane against 22,669 tonnes from 2.49 lakh tonnes of cane in 1968-69. But the output of rectified spirit improved to 37 lakh litres from 30 lakh litres. The net profit before depreciation amounted to Rs. 1.90 lakhs against a loss of Rs. 15.45 lakhs in the previous year. There is no provision for depreciation against Rs. 9.50 lakhs. General reserve has been credited with Rs. 1.40 lakhs (nil) while in 1968-69 there was a transfer of Rs. 24.67 lakhs from this reserve to adjust the debit balance of Rs. 24.95 lakhs. The equity dividend has again been omitted. In the current season, the brewery is expected to work more profitably while the recovery of sugar has been better. But in the absence of remunerative levy prices there may not be any big improvement in working results.

Another Bank Merger

Canara Bank Limited is the latest institution whose banking business was taken over by Government to announce its intention to merge with a wellknown industrial concern

Larsen and Toubro Limited. The latter is now engaged in an ambitious expansion and diversification programme and will find the compensation amount of Canara Bank Limited very useful in meeting fresh capital expenditure. Under the proposed merger scheme which has been approved by the Boards of directors of both companies, holders of 5 equity shares of Canara Bank Limited will receive 8 equity shares of L & T, 3 cumulative redeemable preference shares of Rs. 50 each carrying interest at 9.5 per cent, five 8 per cent convertible bonds of Rs. 22 each and one 8 per cent redeemable bond of Rs. 85 each. The convertible bonds can be exchanged for 5 L & T equity shares after five years in the ratio of one for one while the face value of the debentures, which are redeemable at par after 10 years, will be suitably adjusted after taking into account the actual amount handed over to L & T. It has been stated that the value of the equity shares, preference shares, convertible bonds and debentures allotted for every 5 bank shares will amount to Rs. 530 against the current market value of Rs. 382.50. There is also a provision for cash payment of Rs. 80 per bank share to those who opt out of the merger scheme. L & T may be getting a net sum of Rs. 3.05 crores (against the compensation of Rs. 3.60 crores) from Canara Bank Limited after tax liability and payment of dividends already declared by the latter.

Larsen and Toubro has now a paid up equity capital of Rs. 3.99 crores which will increase by Rs. 43.52 lakhs immediately after the merger and by another Rs. 27.20 lakhs later. The company proposes to start new companies for making sophisticated equipment. One company will take up the production of electronic equipment in collaboration with International Telephone and Telegraph Corporation of U.S. and another the fabrication of rubber processing machinery with the help of McNeil Corporation of U.S.A. A third company will manufacture harvesters and tractors in co-operation with Deere and Company, U.S. While the merger and expansion schemes will go to improve the growth prospects of the company, the company's present shareholders are eager to know if a larger dividend can be distributed for 1970-71. As there may be no bonus issues in the near future if the merger materialises and a larger capital will be ranking for dividend after the amalgamation it is thought likely that the directors may take a liberal attitude while deciding on the dividend for the current year. The chairman of the company disclosed at the extraordinary general meeting held recently that the turnover in the first 11 months ended February 28, 1971 was appreciably higher at Rs. 20.20 crores against Rs. 15.02 crores in

the corresponding period of 1969-70 and the turnover for the whole year might be Rs. 26 crores (Rs. 22 crores). The disposable profits in 1969-70 amounted to Rs. 70 lakhs, while the dividend of 10 per cent absorbed only Rs. 39.33 lakhs.

Ceat Tyres' Setback

A prolonged strike for 119 days has adversely affected the working results of Ceat Tyres of India Limited for the year 1970. Sales declined sharply to Rs. 17.31 crores from Rs. 23.09 crores in 1969 while the fall in the net profit before depreciation, and taxation, was more pronounced at Rs. 118.32 lakhs from Rs. 260.70 lakhs in the previous year. However, the directors have decided to maintain the dividend on equity capital at 11 per cent taxable, as they would appear to be confident of a sizable recovery in working results for the current year. Even otherwise, the disposable profit is adequate to maintain the dividend. The charge in respect of depreciation is Rs. 32.29 lakhs (Rs. 39.50 lakhs), and development rebate Rs. 5.08 lakhs (Rs. 4.39 lakhs) but provision for taxation is only Rs. 40.10 lakhs (Rs. 91.81 lakhs). There is no allocation to dividend equalisation reserve against Rs. 10 lakhs in 1969. The entire disposable profit of Rs. 40.10 lakhs has been transferred to general reserve. The Rs. 100 Ceat shares turned quiet after announcement of the results, with the quotation around Rs. 230 but later rallied to Rs. 242.

Martin Burn

There has been an improvement in the working of Martin Burn Limited in the year ended September 30, 1970 though the dividend on equity capital has been only maintained at 10 per cent, taxable. A final payment of 6 per cent is to be paid while the interim of 4 per cent has been distributed. The company's turnover increased by about 42 per cent, to Rs. 10.84 crores from Rs. 7.64 crores in 1968-69. The net profit, before depreciation and taxation, improved by 20 per cent to Rs. 72.86 lakhs from Rs. 60.17 lakhs. After providing Rs. 6.53 lakhs (Rs. 3.45 lakhs) for depreciation and Rs. 5.486 (Rs. 24.100) for development rebate, taxation claims Rs. 36.70 lakhs (Rs. 30 lakhs). The preference and equity dividends will be paid out of general reserve which gets Rs. 23.75 lakhs (Rs. 22.50 lakhs). The transfer to other reserves is Rs. 2.50 lakhs (nil).

Goodyear's Bonus Issue

The quotation of Goodyear India equity shares (Rs. 10 paid up) at one time zoomed to Rs. 62 from Rs. 54 following the decision of the directors to issue bonus shares in the sumptuous ratio of one for one. For this

purpose, it is proposed to capitalise Rs. 2.54 crores from reserves—Rs. 57 lakhs from share premium account and Rs. 1.97 crores out of general reserve. The company had earlier raised the equity dividend for 1970 to 47½ per cent from 17½ per cent in 1969, though the working results were adversely affected by a prolonged strike and there was a slump in profits. The performance in the current year will be quite satisfactory as there is no fear of shortage of raw materials while it is expected that there will be no serious labour trouble. The retiring Managing Director, Mr. R. E. O. Carey, has stated that the expansion scheme to raise capacity to 6 lakh tyres annually is being completed and it will be possible to produce 2,400 tyres daily after sometime. The cycle tyre unit with a capacity of a million is expected to be commissioned in the current year.

A.B.C. Pays More

Quite encouraging results have been reported by Associated Bearing Company Limited for the year ended December 31, 1970. The company's turnover increased by 60 per cent to Rs. 7.90 crores from Rs. 5.05 crores in 1969 while the net profit, before depreciation and taxation, rose even more impressively to Rs. 325.10 lakhs from Rs. 170.04 lakhs. But the dividend on equity capital has been raised only to 12½ per cent, from 10 per cent in 1969. There will be no tax deduction at source as the dividend will be paid out of tax exempt profits. Even the higher dividend will require only Rs. 50 lakhs (Rs. 40 lakhs). Depreciation claims Rs. 65.60 lakhs (Rs. 58.80 lakhs) and development rebate Rs. 25.28 lakhs (Rs. 66 lakhs) while it has become necessary to provide as much as Rs. 64 lakhs (nil). However, there is a much larger transfer of Rs. 170.93 lakhs (Rs. 34.67 lakhs) to general reserve. The dividend will be paid out of this reserve. Additionally, there is a transfer of Rs. 15.86 lakhs from exchange reserve to general reserve. The company's performance so far in the current year is stated to be quite encouraging and there may be a further improvement in earnings in 1971. The Rs. 100 paid-up shares are now quoting around Rs. 312 against Rs. 298 earlier.

THE SURE ANSWER

Mathematicians at Cambridge tried to forecast the result of a horse race by feeding all available information into an electronic computer. After much clicking, the computer, came up with the only certain piece of information it was able to evaluate—"the winner would be a horse".

—S. Rajat

Stewarts & Lloyds

The chairman of Stewarts and Lloyds of India Limited, Mr. S. L. Dass, has said in his statement sent to shareholders along with the balance-sheet that the two Calcutta works worked satisfactorily, in 1969-70, though the execution of a substantial part of orders was delayed due to shortage of rolled sections. The Ghinjuripol works can keep a good portion of its capacity busy if Government promptly places its orders for grain storage structures and other tumbler designs. A project for fabrication of alloy tubes at the Kidderpore works is under way and is likely to be completed by September this year. The restoration of power supply at Ambernath workshop and the extension of fabrication facilities at Madras should enable larger turnover and increased earnings in the current year. Pipework operations have come across stiff competition but the company hopes to get over this by its reputation for high quality work. Production in 1969-70 of manipulated and fabricated pipework increased to 2,379 tonnes from 1,661 tonnes in the previous year. Output of fabricated structures improved to 1,888 tonnes from 684 tonnes while 1,002 tonnes of pipework were fabricated in temporary workshops on erected sites. Sales rose by Rs. 58.49 lakhs to Rs. 3.79 crores while the net profit, before depreciation declined to Rs. 17.19 lakhs from Rs. 19.35 lakhs. The dividend of 10 per cent, taxable (same) will claim Rs. 7.97 lakhs out of general reserve which has been credited with Rs. 10.07 lakhs (Rs. 12.48 lakhs).

Mahindra & Mahindra

Mahindra & Mahindra Limited could report better results for 1969-70 because of an appreciable increase in the output of jeeps to 10,168 (9,116 Jeep Universals and 1052 forward control trucks) from 9,205 in 1968-69. Sales also improved to 10,008 units from 9,303. Large export orders from Yugoslavia, Ceylon and Indonesia are being executed but operations of the steel division were affected by the restriction on exports. However, there were larger imports and sales of alloy steels, which helped to increase the total turnover. Vehicle output in the first quarter of the current year has been 12½ per cent higher than in the corresponding period of last year while sales were still better by 21 per cent. These trends are expected to be maintained in the remaining months of the year. The electronics unit in Bombay is executing orders for the Defence Services while a new unit is proposed to be set up in Nasik for making professional grade electronic instruments. Negotiations are

being conducted with the Maharashtra State Industrial Corporation for concessional finance to implement the new scheme.

Bombay Dyeing Earns More

In spite of the critical raw material situation Bombay Dyeing and Manufacturing Company Limited was able to achieve a big increase in sales and earnings during 1970. The company has raised the total dividend on equity capital to 13 per cent, taxable, from 12 per cent, taxable, with the announcement of a final payment of 9 per cent. Perhaps higher selling prices and diversified pattern of production were responsible for the marked improvement in working results. Sales increased by 24 per cent to Rs. 26.83 crores from Rs. 21.69 crores in 1969 while the net profit before depreciation and taxation, improved by 35 per cent to Rs. 187.16 lakhs from Rs. 138.59 lakhs. Exports however declined during 1970 to Rs. 4.95 crores from Rs. 6.69 crores in 1969 due to stiff competition. While the outlook for exports remains bleak owing to increased cost of cotton, the emphasis on superfine and blended fabrics for the domestic market will ensure highly remunerative prices in the current and subsequent years. The provision for depreciation is Rs. 95.31 lakhs (Rs. 105.61 lakhs). After taking into account the profit on sale of land amounting to Rs. 7.80 lakhs (Rs. 16.89 lakhs), the pre-tax profit amounts to Rs. 99.65 lakhs (Rs. 49.87 lakhs). But taxation claims a much larger amount of Rs. 48 lakhs (Rs. 6.64 lakhs) while development rebate reserve gets only Rs. 10 lakhs (Rs. 23 lakhs). The transfer to general reserve is however larger a Rs. 27.20 lakhs (Rs. 5.80 lakhs), and the final dividend is to be paid out of this reserve.

K. V. Srinivasan Re-elected Regional Chairman of AIMO

At the Fifth Annual Meeting of the Tamil Nadu State Board of the All-India Manufacturers Organization held on March 24, Mr. K. V. Srinivasan was re-elected Chairman and Mr. R. M. Mehta and Mr. A. N. Srinivasa Rao Vice-Chairmen for 1971.

AGE DOESN'T WITHER

A British National Health Service claim form bears the notation—"No person may claim maternity grants while receiving old age pension".

—S. Rajat

Undecided Trend in Post-Poll Session

Stock markets have generally reacted favourably to the outcome of the mid-term elections to the Lok Sabha though the initial rally in prices immediately after the election results were known has failed to stay and there has been a slide down from the high levels which were seen till the middle of March. But the undertone continues to be fairly steady mainly due to the continued flow of encouraging working results, from the corporate sector. Shares of new companies have remained particularly strong as most of these have already entered the dividend paying stage or are about to do so in the coming year. The prospects of a non-Marxist government in West Bengal also had a steadying effect.

The earlier fears of an unstable government at the Centre have disappeared and it is now surmised that the ruling party which had to lean on Communists for its very survival in the previous Lok Sabha can afford to avoid extremist stances on economic issues. The accent on stability rather than on more socialism in Mrs. Gandhi's election campaign has also given rise to hopes of centrist policies though the ten point economic programme of the undivided Congress is still the charter by which the ruling party swears to maintain its socialist image. There have also been no changes in the incumbents of the major ministries in the new cabinet but the allocation of Finance again to Mr. Chavan has

dampened marketmen's enthusiasm as Mr. Chavan has so far not been responsive to the representations for early resumption of forward trading in shares. But this should not be taken as a serious deterrent as even in the absence of clearing facilities share markets have managed to remain buoyant as the basic outlook for the industrial sector continues to be promising.

The Fourth Plan has run into deep waters and has lost its shape. Plan outlays are running short of annual targets, while the resources position has been made intractable by the sharp increase in non-plan expenditure of both the Central and State Governments. The gestures by many State Governments allowing liberal pay increases for their employees cannot but have a disastrous effect on State finances which are already in a perilous state. All the States which have presented their budgets for 1971-72 so far have reported sizable deficits. Hence, all eyes are on the Central budget in May. Before that there will be ample time for marketmen to know the new Government's other economic policies as they relate to its attitude to big business houses and licensing of new industries in the medium sector where special incentives may be necessary to attract new entrepreneurs. The next few months will therefore be crucial for the private corporate sector, and investors as the future growth of industry will depend on the new thinking the Government may bring to bear on its policies.

Meanwhile, company news has been quite pleasing. But for the setback suffered by almost all tyre units in 1970 due to labour trouble, working results in other cases have been encouraging. Lakshmi Machine Works has done extremely well in the latest year and has announced a maiden dividend of 10 per cent. Philips India has set new records for sales and earnings in 1970 and will be paying a larger amount to its shareholders (over 30 per cent as compared to 1969). Bombay Dyeing has earned more from its diversified production while Associated Bearing has already doubled its profit. Guest Keen Williams has benefited immensely from the reorganisation of its various divisions and has doubled the dividend to 16 per cent following a jump in earnings. Goodyear India has announced a one-for-one bonus issue besides deciding to pay a dividend of 47½ per cent for 1970 in spite of a slump in earnings due to a 4-month strike. Hindustan Lever has maintained the dividend at 14 per cent though the profit was lower even with a big rise in turnover. Canara Bank Limited has decided to merge with Larsen and Toubro which is entering into new lines with foreign collaboration. Standard Mills has earned more in 1970 on a larger turnover and has raised the distribution to 28 per cent gross from 25 per cent in 1969.

—PRS



LESSONS OF SOVIET ECONOMIC REFORMS

The Soviet Prime Minister's report on the results of the Five Year Plans in Russia should be of considerable help to the Indian Prime Minister in clarifying to herself and her followers her second thoughts about the implementation of her revolutionary slogans. There have been, and still are, marked differences in objective conditions and Plan objectives between Russia and India, which our planners have been obliged by political pressure to ignore more or less completely. First and foremost is the problem of raising the general standard of living. Though Russia's smaller population might possibly have enabled her to avoid the ugly stain of long bread queues over long periods and other hardships of the earlier stages of Russian planning, her rulers decided to do all that was necessary for the defence and survival of the nation in a hostile world and preparation for a high rate of growth on the strength of heavy industries of sufficient quality, diversity and productive capacity. In India, even a moderate rise in living

standards of the masses was virtually impossible in the face of over-population and a high rate of population growth and the palpable inadequacies of national income and savings for investment. It is incontrovertible that, in these conditions, the accordance of a high priority in policies and plans to the standard of living or to social service expenditure would mean but poor gains in this respect against serious loss of ground in the matter of defence preparedness and establishment of heavy industries and savings for investment. What has happened is that, while heavy industries have been developed more or less satisfactorily, public dissatisfaction with the rise in prices and conditions of living persists and continues.

Russia, on the other hand, attained in a short period, because of a relative insensitivity to the hardships of life, a position of military invulnerability and even capacity for aggression and was able on the strength of her industrial

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Book Review:

A COMPENDIUM ON STEEL INDUSTRY

STATISTICS FOR IRON AND STEEL INDUSTRY IN INDIA 1970, published by Hindustan Steel Limited (Price. Rs. 28) is an attractive and a formidable document. Its usefulness for those who are engaged in the iron and steel industry and trade too obvious to call for special mention. The statistical tables given refer to all aspects of the industry with its several branches of production, the variety of raw materials consumed by the different producers of steel and the subsidiary industries which use the products as their raw material and the consumption of the different categories of these goods both in the internal and in our export markets.

While the ordinary student of our industrial development will be attracted to such a publication, he would also find the wealth of detail about output and consumption too technical to his taste. Nevertheless, the advantage of sizing up in broad outlines the progress of the iron and steel industry and the production of iron and steel goods and the manner and extent of its entry and advance in the export markets is sure to urge even the layman to a careful perusal of its varied contents. Those who can recall to mind the figures of iron and steel production furnished by the League of Nations in the pre-war period will not with feelings of genuine gratification, the fact that India has now gained a place in the world's steel map, albeit small at present, but with potentialities which the producers and consumers of steel will hardly overlook.

It is the special merit of the publication under review that besides being a standard book of reference for the industry and the trades, it enables the lay reader to view the industry in the broader picture of the national economic progress in the present era of economic planning as well as the picture of the iron and steel industry of the world. It is impossible to cover the whole gamut of this statistical publication, which, one would wish, had also contained a sketchy review of the tables which interest the average student. But reference may be made here to the statements which indicate the position of Indian iron and steel industry in the world's steel industry, the growing diversification of products which meet the need of the industries at home and the export markets abroad, the comparative price tables and the relation which the industry and its ancillary and adjuncts bear to the changing picture of India's national economy. It is some comfort to note that though India cannot compare with leading steel producers like the U.S., the U.S.S.R., the U.K., France, Belgium, Canada, Poland and Japan, we are almost on a par with Australia and ahead of Sweden, Rumania and Luxemburg. But it is chilling to note that, while Japan has nearly doubled her output of crude steel between 1966 and 1967, India has only crawled forward from 6.6 million tonnes to 6.7 million tonnes. The foreign trade figures are gratifying because the gains have been secured on a far more difficult ground.

base to turn her attention to the development of her agriculture and of her consumer goods industries. It is because of the successful pursuit of planning on these lines that Khrushchev was able to maintain his defiant attitude and to claim that Soviet Russia would soon level up with the United States in general standards of living. Mr. Kosygin is now able to claim the fulfilment of the tasks set by the party Congress in 1966. He is in a position to promise an abundance of consumer goods as well as a six-fold rise in sale of cars to the population at stable or lower prices. National income had increased by 41 per cent in the last five years, industrial output by 50 per cent and farm production by 21 per cent. In the last plan period, a total of

SIGNS OF SINO-AMERICAN FRATERNITY

It is tempting to read a great deal into the visit of an American table-tennis team into Communist China. Such contacts having been anathema to the Communists for two decades, the change can hardly be without significance. The temptation to regard it as a rapprochement which will lead on to even positive fraternalisation is hard to resist because it comes on top of ventures on both sides and fits in with the nexus of great power relations at the present time and its potential developments in the near future. But if we have to avoid the error of understanding as much as over-estimating the modification of the respective stances of the U.S. and China, we ought to distinguish between the more imponderable trends of world politics as they are dictated or shaped by basic geo-political factors and the tactical changes which can be made within a short range without affecting the broader strategy.

That Peking would like to lighten the stress on its old policy of infuriating the U.S. for various reasons can hardly be doubted. A mollified America is essential for Communist China worming its way into the U.S. The old tirades against the U.S. as the arch enemy of Communism ill accords with the diplomatic respectability which China has gained in recent times. The confrontation between the two super powers no longer fills the whole of the picture of international politics. Western Europe is not only coming into its own but is realistic enough to recognise Communist China as another aspirant to great power status.

11,350,000 flats had been built, an achievement which has not been equalled by any other nation. The next plan will be devoted to a rise in people's material and cultural levels, better upbringing of the rising generation, especially children and improvement of working and every day conditions for women, as also a further growth of defence capability. Mr. Kosygin is, however, realistic enough to confess that "in the sphere of economic competition between the two opposite social systems we still have a long and stubborn struggle ahead." But there is no mistaking the lessons that the Soviet experience holds out for those who are prepared to be reasonably selective in their socialist ideals and methods.

The rift between the two Communist powers has definitely widened. On the U.S. side, it has ploughed the sands of mere opposition to China too long to persist in such sterile negativism. It would be hard to keep Peking out of the U.N. any longer and there are advantages in bowing to the inevitable. If Taiwan is allowed to be an innocuous member of the General Assembly, Communist China may be allowed to take her place in the Security Council. The U.S. and China are alike in the need to draw nearer together in consideration of the relations of each of them towards Soviet Russia.

All these are valid conclusions from the developments that have occurred. Projection of current trends can also be indulged in so far as China's entry into the United Nations and improvement of China's trade relations with the West are concerned. But speculation beyond that point would be lacking in warrant. The old geopolitical theory based on the conflict between the coastal and the land powers has less application today. Air power is almost a decisive factor. Two land powers like Russia and China are, mentally at least, locked together in conflict. Soviet Russia and the U.S. are both equally powerful in land, sea and air. The European Union is well set for moving on from economic achievements to political aspirations. It is not only South East Asia, but the Indian Ocean that is alive with the activities of the great rival powers. In such a situation, it would be an advantage to have the U.N. embrace Communist China as well.

INDUSTRIAL ECONOMIST

East Bengal Events Affect Jute Industry

For the first time in the recent history an entirely unexpected situation has developed in the jute industry on account of the holocaust in East Pakistan. Indian jute mills have been experiencing some problem or other in the post-independence period, as areas growing jute were located in East Pakistan. Moreover, the rapid rise of a modern jute industry in East Pakistan proved a formidable competitor to the Indian industry. The non-availability of good quality of jute and the levy of heavy export duties by the Indian Government weakened the competitive ability of Indian mills.

Exporters Suffer Set-back

In the absence of a proper understanding between India and Pakistan for promoting the use of jute goods, world consumption has not been increasing at the desired rate. Any growth in the quantum of exports of jute goods from Pakistan has therefore been at the expense of India's share and in sacking goods particularly there has been a sharp set-back. The revival of world trade and increase in purchases by the USSR, the South-East Asian countries and others have, however, enabled Indian jute mills to prevent a net big decline in foreign exchange earnings from this source. This has been possible because a drop in exports of sacking goods to the traditional markets has been offset by larger exports of hessian goods, carpet backing and special varieties of light goods. Even now, foreign exchange earnings account for the largest slice of India's export over Rs. 250 crores annually.

In the past few years Indian mills which are mainly located on the banks of the river Hooghly in West Bengal have been going through some difficulty or other, as the output of gunnies has been fluctuating due to violent changes in the yield of the jute

crop, power shortages, labour trouble and delays in implementing the modernisation programme. Prior to the advent of the green revolution the output of jute varied in wide limits because of shifts in acreage between jute and paddy. With the internal consumption of gunnies increasing steadily, and the fairly large volume of exports, the industry needs a minimum of 75 lakh bales of different grades of jute annually. Happily, with a big increase in the output of rice and wheat and fairly stable prices for foodgrains, there has been some stabilisation of acreage under jute in the past three or four years. Even so, yields have been fluctuating because of adverse weather conditions or trouble in the jute growing areas. However it is possible to say that the yield has been stabilised around 65 lakh bales and given favourable weather conditions it can be easily 75 or 80 lakh bales.

It is rather unfortunate that the world's largest producer of golden fibre, East Pakistan should be in turmoil at a time when sowing operations for the new crop are usually undertaken. The operations of the jute industry in that region have also been seriously interrupted and the export trade in gunnies as well as in raw jute has come to a standstill. Reports from producers of jute goods in overseas countries who are dependent on supplies of Pakistani jute indicate that without a replenishment of stocks in the next three or four weeks, operations may have to be curtailed because sizeable quantities out of the current crop have still to be exported from East Pakistan.

It is unlikely that normalcy will return to Pakistan in the next few months. Jute output for 1971-72 may not be more than 40 lakh bales and there will be no exportable surplus. The jute mills too may not be in a

position to maintain production even at 50 per cent of rated capacity as labour will not be available and valuable time would have been lost, before any political or military settlement could be reached.

Prospects of a Record Output

The Indian jute industry has, however, a ray of hope. Fortunately, there is a prospect of sowing operations in West Bengal, Assam, Bihar and Orissa being carried out in a favourable atmosphere and the output of jute may constitute a record of 80 or 85 lakh bales. The industry may not have any difficulty in regard to the availability of jute from indigenous sources though there may be still difficulties in getting matching jute and producing quality goods. But it is quite likely that there will be smuggled import of jute from Pakistan, while restricted quantities can be secured from Thailand. The Central Government, however, will have to watch the situation carefully as new possibilities for developing exports in jute have emerged. Means of exporting limited quantities of jute to meet the needs of Dundee Mills in Scotland and units in western Europe should be evolved.

There will of course be a boom in export from Thailand and other countries, which are growing jute because Britain and Western Europe will be very keen to secure whatever supplies of raw materials could be had from these sources. The Indian industry will, however, have a definite advantage in the 1971-72 season as the crop prospects should be considered satisfactory. The profitability of operations may also be satisfactory as there has latterly been a sharp rise in prices and overseas consumers who were getting their requirements from Pakistan are now turning to Indian Mills.

Need for Quantitative Credit Planning

The chairman of the State Bank of India has drawn pointed attention to the need for quantitative credit planning in the context of growing demand for funds and the non-availability of matching resources. The observations of Mr. Talwar, when he addressed members at the Annual Meeting of the Bank, should be considered thought-provoking. There is danger of rationing of credit if refinance facilities were unduly restricted by the Reserve Bank on the plea that inflationary pressures were being accentuated through unprecedented expansion of credit. The question is whether the new policy initiated by the Reserve Bank on the definite understanding that liberal credit finance should be available is inflationary in character and whether quantitative credit planning will be desirable or feasible. As Mr. Talwar has stated, the weaker sections of society have to be helped with liberal and cheap credit while there should be no interruption to the normal activities of industry and trade through credit restraint.

Large Scale Injection of Funds

It will be incorrect to expect that during a period of transition and the implementation of new policy, the banking system will be able to mobilise adequate resources for meeting all needs and complain at the same time with a higher statutory liquidity ratio. There has no doubt been a big increase in deposits in the past four years, but there has also been a bigger growth in advances with the result that borrowings of scheduled commercial banks, stood at the unprecedentedly high level of Rs. 442 crores on March 19, against only Rs. 267 crores in the corresponding week in 1970. The injection of funds at such a large scale into the economy to the creation of credit which is tantamount of deficit financing of a different type, should certainly call for caution when further

expansion of credit on similar lines has to take place.

So long as small loans to borrowers are properly applied and agricultural inputs are purchased by small farmers and raw materials by small entrepreneurs, there will be no accentuation of inflationary pressures. Besides, loans to priority sectors have accounted so far for only about 250 crores additionally and it should be said that there has been no net big increase in the requirements of industry and trade having regard to the higher level of industrial production and rise in prices. So long as there is no dearth of agricultural inputs, small loans to small farmers cannot be considered unhealthy. Industry and trade has to be fed properly as there is likely to be a big increase in production in the current year.

There will of course be a continuing growth in demand from new directions and the banking system can hope to meet this demand only if it can mobilise matching additional deposits. This development can be expected to take place only over a period of three or four year. What is needed therefore is the evolution of a machinery to find out how credit expansion in different directions has given rise to new problems and whether it had become necessary to regulate credit flows in the light of new developments.

Mr. Talwar was naturally worried about the restricted availability of refinance. While it was possible for the State Bank of India to overcome the difficulties in 1969 with the use of available resources, and a contraction in advances for procurement purposes, in 1970 there was an increase in advances on the latter account besides a bigger demand for funds from industry and trade. Thus total advances jumped to Rs. 1114.53 crores at the end of 1970 from Rs. 839.86 crores at the end of 1969. While deposits rose to only Rs. 1440.95 crores from the 1227.30

crores. This growth should be considered quite gratifying but not quite adequate to meet the new needs. While he scheduled commercial banks as a whole increased their borrowings from the Central banking institution by Rs. 210 crores in 1970, the State Bank of India accounted for as much as Rs. 184 crores out of the increase under this head. This is due to the fact that there have also be an increase in investments to Rs. 447.57 crores from Rs. 358.14 crores. The increase in advances alone was Rs. 274 crores against the increase in deposits by Rs. 214 crores. For the banking system as a whole, the excess of advances additionally granted over fresh additions to deposits was only Rs. 14 crores.

Harmful Effect of Credit Restriction

This clearly indicates that the State Bank of India's dynamic lending policy resulted in an extremely over-extended position by the end of last year. This led to a violent change in policy in the first 3 months of this year after the Reserve Bank decided to raise the Bank rate and curb also refinance facilities. This new policy was responsible for the absence of any significant net increase in advances of the State Bank of India in the first 2½ months of 1970 and even a slight decline in its borrowings from the Reserve Bank when other institutions had been adding to their borrowings and they were also compelled to increase their advances. Any attempt to restrict credit for legitimate and usual purposes when expanding credit in new directions can only have undesirable effects. There is no point in adopting half way measures when intelligent credit expansion can have an electrifying effect on the industrial and agricultural sectors. What is needed is selective quantitative credit control and not a blanket restriction of credit and undue caution may give rise to frustration.

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EEC's Generalised System of Preferences

A Marginal Gesture

At their recent meeting in Brussels, the Foreign Ministers of the European Common Market have decided to admit duty free into that market, with effect from July 1, 1971, certain exports from developing countries under the scheme of Generalised System of Preferences. The value of goods covered by the concession will be \$1,000 million (Rs. 750 crores) and there will be a further benefit amounting to \$30 million (Rs. 22.5 crores) to the developing regions through a reduction in the E.C.M. import tariff. The fact that this decision has been taken should augur well for the resolutions passed at the Second UNCTAD (World Trade Conference) towards easing the entry of goods into the markets of developed countries from the less prosperous.

The E.C.M. Foreign Ministers have clarified that, under their version of the trade liberalisation plan, they will restrict duty-free access to their 1968 imports from the developing world plus 5 per cent of their manufactured imports from other developed nations. Insofar as these trade benefits are to be shared by 91 developing countries, their money worth does not seem significant. If the 5 per cent margin for manufactures is applied, it should however, help countries like India to probe for custom in Western Europe for their non-traditionals. American commentators have said that the concessions now in the offing imply that "from July 1, chewinggum, for example, or corn-flakes made in South America as well as sewing machines, made in India will be granted more favourable treatment than identical U.S. exports." It is expected that the scheme will be extended at a later stage to marginal nations, Turkey, Spain and Portugal—as well as to politically sensitive countries—Taiwan, Cuba and Israel.

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A Member of 'Exception Clauses'

It should be disturbing for India to note, however, that the liberalisation programme has a number of built-in safeguards and exception clauses. All through the history of tariff reform since the constitution of the General Agreement on Tariffs and Trade for breaking the barriers to international trade, it has been, the routine custom that liberalisation and exceptions should go together, and the irony has always been that some of these exceptions make nonsense of the very scheme of tariff abolition. In the present E.E.C. plan, for instance, textiles, shoes and some petrochemical products are among its exceptions. India has reason to feel sore over this. So long, its exports of textiles to Western Europe had not been much. But if Britain joins the E.C.M., India will find its most important buyer for textiles inside that market operating a common external tariff against non-E.C.M. imports. At present, the 1939 Indo-British Cotton Textiles Agree-

WAITING TO SERVE....

Because of shortage of prison accommodation in Sweden, the number of prisoners convicted for minor offences have received polite letters from prison authorities saying, "we would be grateful if you could wait to serve your sentence, until we have room to service you."

MARATHON WASHING

A boy in Durham in California claims the world soap-using record. He washed himself for twenty continuous hours, using 30 bars of soap. He said he hoped to get a lot of publicity and be hired by some manufacturers.

—Rajath Mani

ment provides for Indian exports of these items duty free entry into British with a guaranteed scale of preference margins against other competitors. The agreement has been responsible for raising Indo-British trade in this field to account for over 25 per cent of Indian exports.

Possible Loss of British Custom

Already Britain has moved for renegotiating the agreement with a view to enable it to impose a 15 per cent duty. The British argument has long since been familiar: Other countries have imposed tariff and non-tariff restrictions. Against this background, the maintenance of an open door by Britain will be tantamount to accepting vicarious responsibility for buying all the textiles which the developing countries cannot sell elsewhere. The fact that the E.C.M. has excluded textiles from the concessional 'group seems to vindicate the British case, more so because, for long the United States, whose import of textiles from abroad is a small portion of its domestic output, has found it necessary to revise import quotas downward on the count of domestic market disruption. The exporter in India is not consoled by the fact that all this is the result of the powerful domestic textile lobby in the U.S. He is worried by the manner in which developed nations are getting more bloc-minded and insular in their trading patterns, more so because recently a restrictionist tariff is on the anvil in the U.S. It is these actions, whether in conjunction with others or through individual volition, which have rendered the trade concessions of the developed countries suspect in the developing world. Choosing for concessions a list of exports which have either little prospect of growth or account only for a marginal proportion of the total export earnings of the developing nations concerned cannot any longer gull the developed world about the actual worth of the benefits offered or the nature of goodwill that is behind the offer.

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Recasting Plan Priorities ---

Not many have taken care to assess the importance of the new budgetary trends that have emerged latterly and find out the impact of the green revolution on the generation of additional incomes and savings. No attempt has been made so far to find out the new forces that have been responsible for easy absorption of an output of foodgrains which is higher by 18 million tonnes as compared to 1964-65. Even assuming that there has been an increase in the population by 15 per cent in the last 6 years, there cannot be a proportionate improvement in the intake of foodgrains unless there was adequate purchasing power in the lower income groups. Even so, the need cannot be more than 101 million tonnes on a liberal estimate and there should have been a slump in food prices by now. The estimates of an output of over 105 million tonnes in 1970-71 are correct. A decline in prices may probably take place after the rabi harvest begin to arrive into the marketing centres. There may not, however, be any sharp set-back in prices if farmers kept back stocks or there was large scale smuggling across the borders.

There may probably be a distinct disinflationary effect in 1971-72, if for the fifth season in succession there was an increase in food production and the new efforts to raise the yield of cash crops like raw cotton and oilseeds proved successful. There may also be a faster growth of industrial production. If these happy developments materialise, the third year of the Fourth Plan may not experience any difficulty in regard to the availability of physical or financial resources.

With an indication by Mr. Chavan that the outlay on Plan schemes in the first two years so far as the Centre is concerned may not be more than

Rs. 3,600 crores, the outlay on Plan schemes including that of States in 1969-71 would be only Rs. 5,000 crores. This would leave a balance of over Rs. 10,500 crores to be spent in three years which would mean that without a stepping up of outlay in 1971-74 to an average of Rs. 3,500 crores annually, the Plan target cannot be reached. This situation is rather funny as in the earlier Plan periods financial targets over-reached and there was a shortfall only in physical targets. On present indications, however, it would be a great achievement if aggregate expenditure could be raised to Rs. 2,800 crores.

Larger Assistance to States

Mr. Chavan may try to take advantage of the present situation by keeping ready some schemes which can be implemented if there were unutilised allocations. The States also may be given larger loan assistance where it is found that the construction of particular projects like Kalinadhi, Srisaillam or Idikki can be hastened.

It will be possible to find additionally Rs. 300 crores without resorting to fresh taxation at the Centre because there is likely to be an increase in tax and non-tax revenues by atleast Rs. 150 crores on the basis of existing taxation over the estimates recently presented. While with a faster growth of bank deposits and an increase in the resources of institutions like Life Insurance Corporation and Provident Fund, capital receipts can be higher by another Rs. 150 crores. It is needless to say that with a higher level of agricultural and industrial production there will be a faster growth of deposits.

Immediate attention has to be paid to a recasting of the Plan and re-

ordering of priorities so that the volume of investment can be increased. It is very necessary to take advantage of the new climate for promoting new forms of activity in the different sectors as additional production capacity will have to be created for meeting the growing needs of the economy. The existing shortages can be overcome to a great extent by using unutilised capacity, but after the saturation point had been reached, there may be a hold up of new schemes due to the lack of physical resources. It is here that the reconstituted Planning Commission will have to do a lot of thinking and formulate new schemes which will dovetail closely and intelligently the short-term and long-term needs. While the work on the three new steel plants will have to be hastened, much better results can be achieved. If after the three units of Hindustan Steel started functioning at near rated capacity, it was possible to execute new expansion schemes which will add to production significantly in a short period.

Formulation of Second Line of Schemes

What is imperative now is the formulation of a second line of schemes which will be supplementary to the existing projects and which can be implemented when it could be evaluated that larger allocations would be absorbed in particular sectors. It is not a question of core or non-core schemes which were visualised in earlier Plans when there was a paucity of resources. Supplementary schemes have now to be kept ready for filling gaps in expenditure allotments, when it becomes clear that there will be unutilised surpluses. If this new approach proves helpful and bottlenecks arose on account of a paucity of resources, then it may be decided to increase the quantum of deficit financing, taxation or borrow from the open market additionally. No useful purpose would be served by giving rise to fears about lack of resources when there is actually a "surfeit".

Glimpses

By P. R. SRINIVAS

Both in her reply to the debate on the President's address to the Central Legislature and in her speeches at the A.I.C.C. session of the Ruling Congress, Mrs. Indira Gandhi has shown her awareness of the need for a change in the tone and tenor of the revolutionary slogans which secured for her such an overwhelming triumph at the polls. The change should augur well for the future of the nation, since it may be deemed to signify a new consciousness of the responsibilities of office instead the kind of opportunism which such a secure tenure of office for the next five years may induce in most people. It is this consciousness that prompts the Prime Minister to stress the importance of her colleagues in the Party as well as the Cabinet in recognising the scope for their earnest and sustained efforts to realise the social ideals for which the electorate has cast its votes in such a decisive manner. There is need for modulating the electoral promises in accordance with the practical conditions in which the Government has to function. Mrs. Gandhi is only too keenly aware of the lack of homogeneity in her following in the legislature, the presence on the one side of some who are lukewarm, to say the least of it, to the ideals held aloft by her and, on the other, of groups whose revolutionary ardour takes little account of practical limitations. Above all these political calculations, there is the simple fact that the national economy has both the potentiality for a big leap forward and the possibility of stagnation or setback which may have disastrous consequences. It is understandable, therefore, that the Prime Minister emphasises now that no unduly interpretation or relentless implementation of the Monopolies Act should be followed but that, subject to certain limitation, the large industrial houses should be allowed to expand while care is to be taken to ensure that

certain sections do not unreasonably exploit the other sections of society.

In the same spirit, the Prime Minister rules out the question of subsistence allowance for the unemployed which some sections have clamoured for, in utter disregard of our poor financial resources and the colossal dimensions of unemployment in this country.

If rumours are to be believed, the Prime Minister has got over the mood in which she first threw the gauntlet to the Syndicate and inflicted on the old guard a most humiliating defeat and is inclined to gather under her wing as many of the members of the old Congress as are now inclined to join her in the right spirit. Whether this is due to her search for balancing the weight of the extremists in her party or it is due to a genuine love of a rapprochement, it certainly augurs well for more level-headed policies being followed by the Centre.

Towards a Beautiful Madras

The passage of the Slum Areas (Improvement and Clearance) Bill is an important step towards the solution of a problem in which sanitation and public health, the aesthetic standards of urban areas and the well-being of the poorer classes are all equally involved. What was at the beginning an ordinance of questionable constitutional propriety is now being turned into an act of the State's Legislature. It is the result of the Government's recognition of the inadequacy of the State Housing Board, the necessity for continuous effort on a number of fronts and the importance of providing financial resources at each stage of the work in the future. The passage of a comprehensive legislation on the subject should not of course blind the newly constituted Slum Clearance Board to the colossal proportions of the task before it or the complexity of the tasks ahead. Credit must, no doubt, be given

to the Housing Board in respect of new construction, though there has been criticism about the flats being not quite suited to the needs and means of the classes concerned. But there are 600,000 slums in the City of Madras and the problems of acquisition, resettlement and construction cannot be solved merely by waving the big stick of statutory powers. The proposal to constitute a metropolitan area of 450 square miles is to be welcomed, since it will give the Slum Clearance Board ample room for adjustment of conflicting claims and facilitate the improvement of the city, its roads and streets, from an aesthetic point of view which is not to be viewed askance as prompting our indulgence in a costly luxury. Apart from the resources which the State Government can command on its own, there are facilities offered by the L.I.C. and the revolving fund of Rs. 200 crores set up by the Centre for such purposes.

A Crash Programme for Power Generation

The D.M.K. is apparently well placed for a good start in making good its electoral promises to the people at large. Unlike Mrs. Gandhi at the Centre, who is obliged to keep an eye on the reactions of her followers of either wing, Mr. Karunanidhi can rely on the support of a homogenous and overwhelming majority in the Assembly and can even afford to bid for the goodwill of the opposition groups. Besides the Slum Clearance Bill, the Government is giving statutory form to the ordinance establishing an Agricultural University in Coimbatore. The Agriculture Minister was in the happy position of being able to announce that the Centre has sanctioned a grant of Rs. 2 crores for the purpose. With such a grant, the University and its affiliated institutions should be able to give a fresh forward to its agricultural development. Though the gap between the State's idea of Plan outlay and those of the Centre still persists, the Government is planning to go forward with its programme.

for increases in the economic generation of power. The statement of the Electricity Board anticipates an increase of Rs. 640 lakhs to Rs. 670.2 lakhs on its revenue and total expenses at the same level provide for allocations to depreciation and general reserve amounting Rs. 1,235 lakhs. Five new schemes costing Rs. 25 crores have been provided for, while ten other schemes, all of them hydro-electric, are being considered. The thermal station at Ennore is to be supplemented by two others of which one will be at Basin Bridge.

Need for a Coherent Opposition

The opposition parties are apparently getting over their crushing defeats at the polls. The old Congress has pledged itself to work within and outside the legislatures "for providing a

democratic and radical alternative to the ruling party." The committee has decided to convene the A.I.C.C. at Bombay on May 15 and 16 to secure the approval of the rank and file for a new organisational structure and a revised programme to fit the new role. In arriving at this decision, it is prompted mainly by the fact that it had secured 15.2 million votes in the general elections, which suggests that it has still a sufficiently large following in the country which it is its duty to strengthen and enlarge other parties might take similar steps. And it is a great help for such healthy developments that Mr. Madhu Limaye, the S.S.P. leader has testified to the essential fairness of the elections after his own personal scrutiny of the ballot papers and has declared the allegations about the use of invisible ink and

chemical treatment of the ballot papers as utterly baseless. Though many might feel baulked of a juicy sensation, it is well that these talks are laid at rest and the parties are induced to accept with grace the verdict of the people. How far these trends will help in the formation of a viable opposition which will serve the primary purpose of placing alternative policies before the public and educate the voter on their pros and cons and the merits of each issue, it is still difficult to say. The old Congress still continues to swear by "radical" policies, while the leftist parties in the opposition will continue to look ineffective or superfluous. The Jan Sangh and the Swatantra are yet to make their plans clear. The opposition parties should strive for a wide common ground among themselves.

Purposeful Role of State Planning Commissions

The announcement of Chief Minister Karunanidhi about the appointment of a State Planning Commission in the next three months and a directive for submission of its report before the end of the current financial year will be welcomed as a step in the right direction. Such commissions are corollary of separate State plans. And the idea of such plans was the natural result of the State ministers' anxiety to remain in the good books of the common people in their respective territories. There was also the desire to appear favourably in comparison with the neighbouring States. State plans had thus little to do with separatism.

This trend slowly gained in strength and reached a high point when the Chief Ministers and the National Development Council succeeded in getting the Central Government to cut down the Central projects and make block grants to the States on the basis of an agreed formula in regard to division of the amounts made available to the States for their plan outlay. Room for grievances about unfair treatment could not be avoided. And in the present conditions of demand for increased

autonomy in most of the States the tendency to make State plans more or less ambitious and include in them schemes which may not altogether fit in with the all-India Plan may be expected to continue.

A Wide Field with Good Prospects

All this, however, strengthens, rather than argue against the constitution of State Planning Commissions which the Central Planning Commission may well find a help, and not a hindrance to their work. So far as Tamil Nadu is concerned, such a Commission has become most desirable, and even necessary, because of the nature of the economic developments of recent years. Food production is definitely over the hump. Staple industries are fairly well established while the industrial complexes based on the refinery and on Tuticorin Port are in an intriguingly formative stage. Power generation and distribution have well-marked lines of further expansion, while rural electrification is in an advanced stage, particularly in comparison with most other States. At the same commercial crops call for planned

development. The industrial complexes cannot be expected and indeed, cannot be allowed to grow without the help of specific, well-conceived plans. There are also the schemes for creation of employment in the rural areas in which the Centre has evinced at least as keen an interest as the State Government. The policy of liberal bank advances to small scale industries, small farmers and the self-employed has been worked out by the nationalised banks and other agencies in concrete details. The aim of providing one earning member to each family is in these conditions quite as visionary as it might have seemed at first. Programmes for housing accommodation, which can be more hopefully attempted in the urban areas, can before long be taken to the villages. All these point to a wide field where the well-directed efforts of a State Planning Commission may produce good results. It would be necessary, however, that the Commission should work on scientific lines and give more attention to the systematic collection of relevant data before it begins to give shape to its schemes and prospects. —PRS

INDUSTRIAL ECONOMIST

THE CITY CORNER:

Symposium on Indian and American Trade Practices

An interesting symposium compared and contrasted the labour situations in the two democratic societies, India and the U.S.A. Three American labour specialists serving on the panel acquainted the participants drawn from Government, management and trade unions, with the Labour Law, practices and procedures obtaining in their country. An Indian panelist examined their relevance and validity in the Indian context.

Collective bargaining claimed the main attention of the panelists. The free collective bargaining in the U.S. does not permit Government interference, and all legislation is procedural in character fostering free bargaining. The impediments to introduction of free bargaining into the Indian set up, as listed in the symposium, were (1) weakness of the Indian unions militating against equality between the bargainers—management and the union; (2) multiplicity of unions engaged in keen competition in the political and non-union fields, (3) lack of dedicated union leadership, (4) the short-term and limited nature of the agreement as distinct from the American comprehensive labour contracts, and finally (5) not enough good faith in collective bargaining shown by Indian management.

The consensus at the end showed that with suitable modifications, some of the American practices could be applied in India.

The symposium, organised jointly by the Madras Management Association, Indian Institute of Personnel Management and the U.S.I.S., had the benefit of participation by American experts. Messrs. Oyden Fields, Pank Yager and James McFadden and the Tamil Nadu Labour Commissioner, M. M. Rajendran.

INDUSTRIAL ECONOMIST
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Planning Commission for Tamil Nadu

A Planning Commission has begun functioning in Tamil Nadu under the Chairmanship of Chief Minister M. Karunanidhi.

Mr. Karunanidhi who announced the Commission's constitution to pressmen on April 6 said that it would make an assessment of the State's resources—material, capital and human—and formulate a plan for their most effective and balanced utilisation. A purely advisory body, it would make only recommendations and it was for the Government to implement or not implement them.

A press release said that Mr. E. P. Royappa, hitherto Chief Secretary to Government, had been appointed Deputy Chairman (functioning head) of the Commission. It also said that the Commission would have full-time and part-time members, a Secretary and a Deputy Secretary who would be named later.

The release which spelt out the Commission's objectives points out that it would be a great help to Government in its implementation policies, to promote people's welfare ensuring social economic and political justice. The policy of Government to establish an economic system where there would be no concentration of economic wealth and means of production to the common detriment, would be particularly taken note of by the Commission in formulating programmes.

Tamil Nadu Collectors Confer

The District Collectors of Tamil Nadu discussed during a one-day conference a number of proposals to implement the scheme for rural employment sponsored by the Centre.

The Central project envisages an assistance of Rs. 12.5 lakhs a year re-

curing (besides a non-recurring sum to start the scheme) for providing jobs to 1000 persons in each of the districts (except Madras) fetching Rs. 100 a month per person.

The Collectors acquainted the Chief Minister, who presided, with the scope and conditions obtaining in their respective areas. They also explained some draft proposals of employment.

Mr. Karunanidhi stressed the need for choosing such employment schemes as would confer permanent benefits on the population of the area.

The Chief Minister later explained to pressmen that his Government had represented the Centre that this scheme would provide employment only to 15,000 people. In view of the State's backwardness compared to many other areas in the country, he had pleaded for greater allocation under this from the Centre.

ISI Code on National Building

A national building code has been released by the Indian Standards Institution. One of the main aims of the code is to unify the existing bye-laws of various municipalities and corporations and the provisions in the handbooks of Central and State government departments.

The ISI Director-General, Mr. S. K. Sen commended the code to the municipal bodies in Tamil Nadu at a conference in Madras attended by representatives of Government and local bodies. He suggested the setting up of a cell in the P.W.D. and said such a cell would facilitate continuous exchange of views between the code users and the code maker, the ISI. The code, he said, had a direct bearing on the work of the professional engineers, architects and would be of great help to them in their day-to-day work.

A Bee in the Bonnet

Going round the All India Small Industries Exhibition now on show here, one finds ample evidence of the rapid growth of this sector in recent years. Starting almost from a scratch in 1954, the number of registered small scale units stands today in the vicinity of two lakhs, besides an equally impressive number of un-registered units. President Giri, who inaugurated the exhibition on April 2 rightly drew attention to the employment potential of this sector. In the registered units alone, some 31 lakh people are employed. This Exhibition has been organised in connection with the Second Afro-Asian Conference on Small Scale Industries to be held in New Delhi in the third week of this month. Thirty-two countries are to participate in this conference. International agencies like ILO, ECAFE and UNIDO are also taking part. The UNIDO seminar on financing small industry in Asia is also being held now at Delhi.

The vast array of exhibits in the Small Scale Industries show includes TV production, precision machines, engineering goods, drugs and pharmaceuticals, textiles, plastics, ancillary items and a wide range of consumer goods. Fourteen State Governments and through them some 2000 small scale entrepreneurs are taking part in the exhibition.

Delhi is the largest single centre of small scale industries in the country. According to a census taken in 1969, there were 25,232 industrial units functioning in Delhi. Total capital investment is estimated at Rs. 129 crores. In 1968, the small scale units in Delhi produced goods worth Rs. 280 crores. Almost all the small units have come up and have flourished after the Plan era.

Machine 'Ka Pani'

Walking along the crowded market streets of Delhi, I have often mused over the lot of the small trader. Mobilising his few rupees together, he invests them in one consumer goods or the other and hopes to sell them at profit and eke out his livelihood. With summer on at every street corner in Delhi you notice a boy or a man telling *Machine Ka Pani* (cold water) at 3 paise per glass. The demand for cold water is such in these dog days, I thought that in this seasonal business a section of the 'have-nots' will be making sizable chips. Despite protests from within, I ventured to taste this *Machine Ka Pani*. Glass in hand, I asked the 'Pani-Wallah' about the income he would make, with all pent-up jealousy. He told me he got some Rs. 10 or so daily from selling water. My envy grew. "Good business", I remarked. But, with a grunt he revealed that he is being paid Rs. 50 per month by the owner of that water trolley. He made it clear how by investing in a trolley of that kind, man can earn by other's labour a sum of not less than Rs. 200 a month: Well, money makes money. That too easily!

The Travel Dome

Cali-Cloth people have a direct appeal in their sales endeavour. Take for instance their Travelling Dome which carries fashion from one place to another. Their fashion is now in Delhi with a bang, what with daily fashion parades and display and sales right in the middle of Connaught Place. The Travelling Dome reminds one of the cinerama show of the Americans. It is only a revival of the practice that was in vogue in the company some 10 years ago. The cost of this show is estimated at three or four

lakh rupees. But the sales per day at the Travelling Dome exceeds Rs. 15,000. Cali Cloth exports stood at Rs. 77.55 lakhs in 1969. It has gone in excess of Rs. 3 crores in 1970. An impressive record indeed!

Raising Delhi's Plan Outlay

While addressing the budget session of Delhi Metropolitan Council, Lt. Governor A. N. Jha indicated that Delhi's Fourth Plan outlay would increase from Rs. 155.6 crores to Rs. 162.6 crores. Besides, the Planning Commission had accepted in principle that the additional resources raised in Delhi would be added to this outlay. Further, two thirds of the increase in the Small Savings collected in a particular year would also be made available for Delhi's Plan. Mr. Jha hoped that development work, especially for the benefit of weaker sections, would be accelerated in Delhi during next year.

Conference Galore

New Delhi will host the III Asian International Trade Fair. This will be sponsored by the Indian Government with the support of U.N. agencies. The fair will be held next year in November-December. The First Asian World Trade Fair was held at Bangkok in 1966. The Second was at Tehran in 1969.

—Venkatesh

POPULATION EXPLOSION

Two thousand persons had to be turned away from a symposium arranged by the University of California at Berkley. The subject of the symposium was 'Population Explosion'.

FRAGILE PARCEL

In California, an American was puzzled when he received by mail order post two crash helmets for use while riding motor cycle. The package contained the words in big letters FRAGILE.

—Rajesh

Forecasting Agricultural Prosperity with a Difference

Though in great humility Dr. Norman E. Borlaug had stated in his Coromandel Lecture that "ten fingers and one very mediocre brain cannot accomplish what has been accomplished in increasing world wheat production," it can hardly be gainsaid that the amber revolution has been the result of his singular initiative and innovation ability. When in 1943 he went to Mexico to assist its government find a more efficient technology for wheat production and when later in 1960 he was asked by the Food and Agriculture Organisation to make a survey of wheat production needs from Morocco as far as India, he became convinced that it was a task for two decades. What was more intriguing was the diversity of climatic conditions and disparities in the competence of the appropriate technological base. But insofar as Indian and Mexican conditions were comparable and India had besides a reliable team of agricultural scientists, the problem got narrowed to identifying techniques which could multiply yields manifold and then demonstrating them in as many of the farms as possible. Dr. Borlaug was aware that "the farmer who has lived close to starvation will not risk the change for an increase in production of a 5 per cent or 10 per cent. If you can demonstrate, that, on his own land, it is possible to double, triple or quadruple the productivity of his plot and if the government policy is such that it will make it possible for him to apply this from an economic standpoint, he will move as has been so vividly demonstrated by the farmers in India." Moreover, the moment policy makers realise the role of agriculture as a tool of economic development the chances are that the inter-industry balance between agriculture and industry (and therefore, between town and country) will get to be redressed as should in countries whose mainstay is farming.

Easy to Sin by Pessimism

It is gratifying to record that, since the problems of agricultural development have been studied more closely than ever during the past 25 years, the Second Development Decade may be regarded as having commenced under very good auspices so far as the developing countries are concerned. It is easy to overlay their failures. As the F.A.O. annual review records, many facts can be marshalled to support such a view. In per caput terms, there has been little increase in food production in the developing countries taken as a whole. Their food imports have risen steeply and their previous net export of cereals has turned into a large net import. Even so, there has been only limited improvement in food consumption and nutrition and rising food prices have been a source of inflation in many countries, or have necessitated stringent controls. Although food imports have been obtained on concessional terms, there has been an implicit reduction in the ability to import other goods. This has been made all the more serious by the decline in their agricultural export earnings. More-

over, many developing countries are still unable to cope with major harvest failures. It is easy to sin by pessimism.

Yet a look at the record production growth suggests that not all has been failure. Total agricultural production of developing countries has expanded over the past two decades by 2.9 per cent. The F.A.O. observes in this connection: "This has been a creditable performance both historically (no other period is known when such a rapid growth of agricultural production was shown by any large number of countries) and in comparison with developed countries, whose agricultural production rose no faster!" All this apart from the encouraging performance of the fishery and forestry sectors. Fish catch has, it is reported, increased by 9 per cent per annum between 1948 and 1969. Output of high value forest products such as plywood, pulp and newsprint has increased by 9, 16 and 18 per cent respectively in the same period. The rub in the overall picture lies in the uneven performance as between individual countries and in the same countries over time. "While production increased rapidly in the

GUIDELINES FOR COMMERCIAL BANKS

Commercial Banks in Madras as elsewhere have received a set of guidelines from the Reserve Bank of India governing special credit schemes with particular reference to employment potential. The guidelines have been prepared on the basis of the Thakkar Committee report.

The guidelines call for delegation of authority to branch agents "coupled with adequate control over the exercise of such discussion by them" in order to make these special schemes a success.

The Reserve Bank communication stresses that the availability of guarantee cover under the credit-guarantee corporation's scheme of

comprehensive credit insurance (coming into force from April 1) should not mean any dilution of standards in appraising loan proposals, nor should it mean that assistance should be restricted to the classes of borrowers or to the limits of amounts for which guarantee facilities are available under the scheme. The assistance should be need-based consistent with the economic viability of the proposition to be financed.

Attention of commercial banks has been drawn to the need for mobilising deposits more vigorously so that they may be able to deploy sufficient money for small enterprises and self-employment ventures.

recovery period immediately after the Second World War and has done so again with the recovery from widespread bad harvests of 1965 and 1966, there was a long period in between when the overall progress," according to the F.A.O., "was extremely slow."

Small for the Sake of Mere Smallness

Imputing all these reservations in their calculations, F.A.O. experts have made what are described as medium-term forecasts for cereals. Taking 1969 as the base when for all the food importers in the developing world, aggregate cereal production was 24 per cent above the 1964-66 average, they comment that even in 1973 none of these countries will become net exporters. So far as India is concerned, the experts feel that, by 1973, it will become virtually self-sufficient in food. By the same period, Pakistan will be able to meet domestically 95 per cent of its food requirements. So far as Indian aspirations are concerned, major difficulties centre round the implementation of rice packages. The essence of the strategy followed in India has been the adoption of a local

improved variety of rice which, because it requires an intermediate level of technology requiring less cost, less risk and labour discipline than the new high yielding varieties is assimilable by a wide base of small holdings. In fact the hue and cry raised on ideological grounds against large holdings has been written into the agricultural policy of the Government to the extent of going in for small farms for the sake of their mere smallness. And pilot projects are already under way for organising small farmers' development agencies in chosen blocks with a view to inducing small farmers to take to modernised agriculture. But the trouble is that this programme requires relatively more in the line of an integrated set of incentives, institutions and services.

It is possible to deduce many of the constraints which require to be tackled for assuring a green revolution. First there is the major ecological constraint that most of the known, high-yielding rice varieties are not ideally suited to the irregular rainfall or the flooding of the main monsoonal sowing. And although the present

varieties can grow ideally under the controlled irrigation of the dry season, the latter in some places is too short for a second crop to be had from the existing varieties. As regards possible institutional constraints, the majority of countries not excluding India have now introduced diverse production incentives and institutional support measures. These are characterised by high internal prices and purchasing arrangements for rice, together with the supply of necessary inputs (if required under subsidies) such as fertilizer and pesticide. The main headache is that the cost of inputs being what it is, the agricultural support price has to be high enough to make the investment worthwhile. It is part of the uncertainties of agricultural pricing that the quarrel over procurement prices is sought to be viewed with the vagueness of Sir Roger De Coverley that much can be said on both sides, the two sides being the consuming public or consuming industry and the growers. This is not to glide over the fact that implementation of price guarantees for basic foods has generally been found to be more difficult than for commercial crops such as cotton or sugarcane. While the commercial crops are grown in well-defined areas and by a limited number of farmers, a large proportion of cereal farmers live too far from official purchasing points to take advantage of the guaranteed price. In fine, the basic agricultural question in developing countries is not whether there will be prosperity. On the contrary, there will be an abundance of it. But the real question is about the price that will have to be paid for it, without assuming off hand that price control or price support will creak through administrative rigidity as well as listlessness. On this, the last has not been said precisely because the price is made to favour growers or consumers as per compartmentalised, short-term decisions. This basic weakness of price strategy cannot bide any further delay in its rectification.

Indian Leaf Tobacco Development Company Gets FICCI Award

The Federation of Indian Chambers of Commerce and Industry (FICCI) has given an award to Indian Leaf Tobacco Development Company Limited for corporate initiative in agriculture. The award was recently presented by Prime Minister Mrs. Indira Gandhi to Mr. A. N. Haksar, Chairman of ILTDC at the 44th annual session of FICCI. Indian Leaf Tobacco Development Co., is the sister concern and tobacco supplier of India Tobacco Co. Ltd.

News has also been received that ITC has recently concluded an agreement with the Sudanese Tobacco Corporation for the export to Sudan of manufactured cut tobacco, printed material to manufacture cigarette packets and tipping material for cigarette. These Indian products, which have never been exported out of India before, are worth over Rs. 50 lakhs in value. This is the second substantial export order obtained by ITC in recent months, the first being one for the export of cigarettes to Russia valued at Rs. 1 crore.

It may be recalled that Indian Leaf Tobacco Development Company Ltd. was awarded the Government of India's certificate of merit for outstanding export performance during 1966-68 for having earned foreign exchange on exports of unmanufactured tobacco to the tune of Rs. 15 crores.

The development of ITC and ILTDC

makes interesting reading. In India, tobacco was imported by the Portuguese into Goa before the end of the 16th century from where it made its way to Akbar's imperial court. Painting and manuscripts of the 15th and 17th centuries testify to the prevalence of the smoking habits in the royal courts of Rajput and Mughal India. But no tobacco suitable for cigarette was available then in India.



Mass production of Cigarettes at Bangalore Factory

Experiments in Tobacco Manufacturing

Tobacco suitable for manufacture of cigarettes was not grown in India until ITC (the then Imperial Tobacco Company Ltd.) started experiments in

tobacco manufacturing in 1906. The company was responsible for the formation of the Indian Leaf Tobacco Development Company Ltd., which is its sister concern and leaf supplier. In 1920 both the companies introduced the virginia Flue cured variety, started its cultivation and then developed its growing by independent farmers for domestic use and export purposes. ITC's first exports were made in 1933.

India Tobacco Company was the first to start manufacture of cigarettes in India. Its first factory was started in Monghyr in 1906. This was followed by four more factories—Bangalore in 1912, Saharanpur in 1928, Calcutta in 1934 and Bombay in 1942. A printing factory at Tiruvottiyur, near Madras, was established in 1949. This factory manufacturing a wide range of cartons and labels for the cigarette industry is considered to be one of the most modern printing establishments in the East.

Large Investments on Research and Development

ITC and its sister concern ILTDC have invested largely in research and development. Extensive research facilities and laboratories are maintained in Calcutta and Rajahmundry. These are manned by highly qualified scientists and agronomists. The research establishment at Rajahmundry assists the farmer with expert advice on



ILTDC's Tobacco Farm at Rajahmundry



A view of the Litho Printing Department at Tondiarpet

OF CABBAGES AND KINGS

An Exposure to Ultra-modern Writing

Modern poems, like modern girls, reveal much more than what they are clothed in. *Walrus* is simply fascinated with the types of experiments done with them (poems, of course!) in France and elsewhere. For anybody with a penchant for the curious, a rich fare awaits in the field. The lettrism of Isidore Isou, the dadaism of Tzara, the *merz-poems* of Kurt Schwitter and *poesie Concrete, Cinctique, spatiale, phonetique* or *physiologique* are but some of the fashionable names of experimentation which is bound to titillate, if not elevate, people with the temperament of *Walrus*. For those who would like the cadence of crisp, cooing sounds *Walrus* produces below a few lines from *Hurlyburlyric rock*, a super pop poem by Francois Dufrene which begins with an incantation:

"(Cantale Cant Carto, Onion Oxonian)

Hoof!

diet diary diarrhea

Dulles, Dulles and Dolly daily shoes

Neither nose, tongues nor noise eyes use

Bamboozle Zula benzoline

Ooze hullabaloo benzoin

Crambo bowling limbo Boing

Wing Wing swine swan swan wink wink

Quick quick queen queen king king aching.

Another piece by Heri Chopin on *Writing a theoretical article* concludes as follows:

"Ah

doing a theoretical a tea-oretical a toreautic article I can't write a theoretical article I've done too many the best thing is to write a theoretical article to stop the writing of theoretical articles that's the job and I'd rather have a glass of wine then t.t. theoretical tea."

Such exposure to ultra-modern writing on the part of *Walrus* had its deleterious side effect which made him compose the following lines last midnight after a tortured sleep:

"Indra Thantra Swatantra

Dharma is Marma

Nidhi? Madhi? Vidhi?

Fix sex with kicks"

—*Walrus*.

cultivation and curing of tobacco by innovating new strains and types of tobacco required for domestic use and exports, developing pesticides, providing pure seeds, giving interest free cash loans and making available fertilizer on credit.

It is interesting to note that facilities are provided for training the employees of both the companies. ITC's Technical Training Centre at Bangalore provides systematic and formal technical training to qualified personnel. Similarly, ICTDC's training school in Huhsur in Mysore State teaches skills required to grow Flue Cured Virginia tobacco not only to its employees but

also to Government personnel. The labour-management relationship is quite cordial in both the companies. ITC and ILTDC firmly believe in collective bargaining as a means to achieve healthy industrial relations. They actively encourage the growth of trade unionism in India and are among the first few companies in the country to start long-term agreements with their unions. It is gladdening to note that in ITC, bonus is linked to productivity. This goes a long way in increasing the rate of production besides keeping the employees contented.

ITC and ILTDC provide employ-

ment to 12,000 people and as tobacco is a seasonal crop, to 23,000 additional workers during the tobacco season.

Increasing Indian Capital

ITC is an Indian company which has overseas shareholding. But the company voluntarily increased the share of Indian capital to over 25 per cent and has made a commitment to increase it still further to 40 per cent within the plan period. To-day there are over 21,000 investors from the general public in India have made original cash investments of over Rs. 6 crores.

I BELIEVE:

Sociological Pressures in Urban Areas

From the time Gandhiji raised in his own way the cry "back to villages", down through the two decades of planning, the sociological picture of the urban areas has had a rich element of artificiality imputed to it. It was conveniently assumed that much of the social tension in urban areas is a defect of quality, a weakness inherent in the body politic of the city as representing an overt or open fight for living space and working opportunity.

Much of the fallacy in this approach has been aggravated by the application of exotic comparisons. The Toynbee picture of a World City arising through the overlapping expansion of urban areas all along the Atlantic seaboard of North America is a speculation of the possible and not of the probable. In any case the picture loses its validity in contemporary India where the urban pockets are tiny specks on a vast rural canvas. It is of course true that the scope for expansion in respect of the four metropolitan areas is not as unlimited now as it appeared to be a decade ago; but that is not to say that it is too limited by any contemporary tests of population migration, development of industrial belts

and growth of urban service sectors. If despite all this, there is still some frenzied talk about the explosive urban problem, it should be because of universalising particular stresses revealed in certain sensitive sectors.

It is complained that multi-storied buildings aggravate traffic problems. It once stressed that the office-goers escaping from their multi-storey perches will make for such overcrowding at every bus stop that no transport service, whatever be its peak-hour fleet strength, can ever manage. What is overlooked here is what is happening before our very eyes now. It is common knowledge that the replacements for city transport fleet are already insufficient, yet now routes have been opened or taken over from private operators. The wait at the stop has, no doubt, got longer but can it be pretended that the breakdown point has been reached? In the same way, the traffic potential of the city's arteries is still large enough to service the "pour from a few more sky-scrapers."

Lack of Love for Rural Retreat

What is peculiar to the Indian situation, which poverty alone cannot ac-

count for, is lack of love for a rural retreat unlike as in the West. Historians will vouch for the fact that the preference for a rural retreat developed in the West even when the towns were not as congested as they are now, that is long before people developed frayed tempers. It behoves the Government to induce a love for retreat in India so that housing colonies in the suburban areas are habited not only by the richer sections. There have been marginal aberrations insofar as, in certain suburbs, slums spill over into the rural retreats preserving very much their urban form and content. This is an indication that town planning in urban areas requires quicker supplementation in rural areas as well. It used to be said that the Englishman's home was his castle. It would be better if Indian homes, high and low, became so not through the "Civilised necessity of ever-closed front doors" but because of really greater *lebensraum*. When the peace of the home is enhanced in this fashion, political speeches will be listened to as a recreation and will not be used as inducements to break skulls all around.

—Horace

INDUSTRIAL ECONOMIST

Agricultural Season at Thanjavur

By S. VISWANATHAN

Thanjavur District has been taken as one of the few districts taken in the country for the intensive agriculture district programme. The programme has been in operation in the district since 1960.

Over this period great strides have been taken in increasing agricultural output. The success of the programme in this district has contributed to a considerable extent to the comfortable surplus in the agriculture production of the State.

Over the decade the labour has become more prosperous. He earns better, eats better, affords education to his children and in all, leads a better life. A decade ago his average income levels were in the region of Rs. 1-50 to Rs. 2 per day. Even this was restricted to the agricultural season which worked out to less than 100 days in a year. Today on an average, an agriculture labour gets Rs. 3 during normal sowing, seedling and other operations and Rs. 6 per day during harvest. Thanks to the programme of increasing the number of crops to three in a major portion of this district and to that of better fertilizer application, insecticides spraying and the like the opportunities towards fuller employment have increased manifold. It is gathered that the areas where three crops are sown, an agriculture labourer is assured of employment for nearly 310 days a year which compares very favourably with that of an industrial worker.

Peculiarity of Thanjavur

The whole of Thanjavur District to a width of 60 miles is a vast table land with just 120 feet difference in altitude. There are two monsoons, the one extending from June to September-October and the other from November

to January. For centuries the sowing used to start with June. Harvest of this crop is naturally made before the onset of the next monsoon in October. Thus the period of maximum sun (April to June) and the rain is not made proper use. As pointed out by Mr. A. Venkataraman, Joint Director of Agriculture, stationed at Thanjavur, if only agricultural operations could be advanced by a month, harvest can be performed without fear of the onset of monsoon. They could also be saved from the cyclone havoc normally experienced during November. With this end in view the Government has recently decided to sink 2,500 filter point wells in Thanjavur district. The Agriculture Refinance Corporation has sanctioned Rs. 1 crore for sinking 2,500 such wells in Thanjavur district. This scheme will help to raise *Kuruvai* nurseries in May itself, in advance of the release of water from Mettur and provide supplementary irrigational

facilities. On a crash basis the State Government is planning to sink 1,000 of the 2,500 filter point before June 1971 and the rest before June 1972. Each filter point well is estimated to cost Rs. 4,000 including the cost of materials, electric motor pumpset and the pump sheds.

Changing the Old Practice

This programme will be changing the age old agricultural practice in the district of depending solely on monsoons for raising the traditional single or two crops of paddy. As pointed out by Mr. Venkataraman, water management appears to be the number one problem. If only this is assured, he is confident of raising three crops in the entire district which can fully meet the demand of entire State for rice.

Certain interesting experiments are being carried to raise cotton as a third



IR. 22—Sustaining the Green Revolution

INDUSTRIAL ECONOMIST

Government Introduces Credit Guarantee Scheme

After long cogitation, the Central Government has thought it advisable to introduce a comprehensive credit guarantee scheme so that the stability of the banking system was not affected and at the same small loans could be granted without undue restraint to small borrowers engaged in agricultural and transport operation and those in the retail trade and small business. From the beginning, it was quite clear that some form of credit guarantee should be instituted, as in the early stages bad debts were bound to be incurred by the banks because of the lack of proper care when extending new loans or the misapplication of resources or abuses. It has however been emphasised by leading bankers that except where some new experiments did not succeed to the extent anticipated, and adjustments had to be affected, there is every prospect of loan repayments coming in steadily and the small borrowers appreciating advantage of cheap and regular credit.

A Silent Revolution

There have no doubt been complaints against corruption and abuse of facilities available for taking loans for priority purposes. But these complaints have been exaggerated and in the initial stages the ignorance of the borrowers of the procedures involved had been responsible for some exploitation and diversion of funds. But judging by the larger offtake for fertilisers, pumpsets, tractors, agricultural implements and other items, there is every reason to believe that bank credit is being properly applied and a silent revolution is taking place in the countryside and in the small industries sector. The transport services also have been rapidly developed

and the vigorous expansion of credit for these purposes will be highly beneficial so long as there is no dearth of the required inputs.

It will be, however, ensuring the proper use of funds if simultaneously with the guaranteeing of these loans by the newly formed Credit Corporation of India, the lenders could also issue a system of credit cards, which will compel the use of loaned funds for the intended purposes. There will have to be inspection squads in the rural side and for small industrial units so that they can go round and find out how their borrowers are faring and to what extent the loans proving to be helpful in boosting production. It is necessary to think on these lines without delay, as the banking system, co-operative societies, state financial corporations and land mortgage banks may be handling large amounts in the coming years and it may ultimately turn out that with increasing monetisation of the economy and the displacement of the money-lenders, agricultural credit alone might account for more than 400 crores annually, which is the estimate of present needs.

It has been disclosed in Parliament by Mr. Y. B. Chavan, Union Finance Minister, that between June 1969 and November 1970, the amount of outstanding loans on account of direct finance to farmers excluding plantations increased to Rs. 197.73 crores from Rs. 38.02 crores, those granted for road transport operations to Rs. 35.32 crores from 6.69 crores and those for retail trade and small business to Rs. 73.43 crores from 19.22 crores. It will be seen from these figures that there has been a spectacular growth in these credits. Thus advances under these categories rose by Rs. 243 crores with agriculture accounting for Rs. 159

crores. These details relate only to 14 nationalised Banks, which account for about 60 per cent of total advances of scheduled commercial banks. Since priority credit took away 50 per cent of fresh advances, it is reasonable to presume that about Rs. 400 crores pumped into these three sectors in 1970, on account of the scheduled commercial banks alone. This figure may go up to even Rs. 500 crores in the current year as the growth in all advances of scheduled commercial banks may be as much as Rs. 1000 crores.

A Remarkable Picture

This is a truly remarkable picture and even if there were bad debts for 1½ per cent, which is unlikely, the amounts unrecoverable may not be more than Rs. 6 crores in a year. Against this the Credit Guarantee Corporation will be receiving even in the first year premiums of 7 to 8 crores from Banks alone. It may have to act more briskly than the Deposit Insurance Corporation as it will be dealing with a larger number of institutions and for different purposes. It has now been stated that the premium of ½ per cent per annum will have to be paid in advance in forwarding instalments and institutions concerned will have to ensure all outstanding advances and not merely new advances. Even though the scheme is to be optional, in the first instance, it can be expected that all major banks and other institutions will participate in this scheme and make it a success. If banks are now protected against 75 per cent of the losses that might be incurred, and there is a growing volume of business, the Reserve Bank must help the lenders to create suitable machinery and make such changes as are considered necessary for ensuring proper application of scarce resources.

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crop in some tracts. Even jute growing is attempted in some areas.

Thanks to the package programme, the soil conditions of the entire district has been fully analysed. IR-8 crop taking 135 days is found to be too long for Kuruvai. The Rice Research Station at Aduthurai which developed the ADT-27 which became highly popular with the farmers has also introduced another successful paddy variety Karuna which takes 115 days. The yield is also high ranging from 2 to 2.5 tonnes per acre. Though IR-8 yields are occasionally higher—it ranges from 1.5 to 3.5 tonnes per acre, because of the longer duration it takes it has not been found possible to fit it within the frame work of water availability.

Problem of Water Management

Water management more than water heavy releases from Mettur contribute availability is the problem so far as Thanjavur district was concerned. The copious rains concentrated at mixed points of time and the corresponding heavy releases from Mettur contribute to too much stagnation. The flat bed-type of the entire table of the district has contributed to a very difficult drainage problem. If only the available water could be stored and used, three other districts of Thanjavur's dimension could be fully irrigated, said Mr. Venkataraman. They have worked out a scheme estimated to cost Rs. 49 crores to modernise the water system and another Rs. 10 crores scheme for building roads. The assistance of the World Bank is sought for this purpose.

In recent years it has been possible to stabilise production at higher levels. The district is highly fertilizer-conscious. They are also reconciled to spending on crop protection measures. But unfortunately the procurement machinery is not very effective. Poor roads and the lack of collection and

storage centres compel the farmers to dispose of the produce all simultaneously. The result: Not very remunerative prices for the farmer. Mr. Venkataraman has suggested the building of storage and collection centres at number of points which alone get fair price to the farmer.

The agriculture department has developed a number of Seed Farm and also State approved farms for experimentation with new practices. The reception appears to be very good. In

the Experimental State Farm at Kattuthottam near Thanjavur, exotic varieties pest control measures and water management techniques are experimented apart. The Indian Council of Agricultural Research is also helping in this regard.

The average return on paddy is in the region of Rs. 500 per acre. Cotton cultivation, if clicks, can assure a return from sugarcane is also higher. Thus rice is not found to be sufficiently remunerative.

A PIONEER PROGRAMME

The Intensive Agricultural District Programme popularly known as the 'Package Programme' sponsored in Thanjavur district aims at developing a package of agricultural practices most suited to the tract and popularising them among the farmers rapidly through various extension education techniques and also at making available to the farmers the necessary inputs for adopting the package of improved practices at the right time with in their easy reach.

The State departments of Agriculture, Co-operation and Rural Development are mainly responsible for implementing this pioneer programme of providing package of scientific services and agricultural supplies. They are assisted in their endeavour of other departments like irrigation, revenue and non-official institutions like co-operatives and panchayats.

The Extension Organisation in this district has been staffed intensive to meet the special needs of the programme. The Agricultural Department is headed by a Joint Director of Agriculture and he is assisted by a team of subject matter specialists consisting of an agronomist, farm management specialist, plant protection specialist, information officer, training officer, seed specialist, agricultural engineers, soil chemist and water management specialist.

There is one Rice Research Station at Aduthurai, within Thanjavur district, which continuously works on problems connected with the rice culture in the Delta.

A Soil Testing Laboratory, capable of analysing 45,000 soil samples in a year, is functioning in the district. At present, this laboratory is concentrating its attention on preparation of village fertility maps by analysing representative soil samples for every five acre unit.

A Tractor Workshop has been located in the District at Tiruvarur as part of the project to promote mechanized cultivation. It affords servicing facilities to private tractor owners, and to design, new implements and machines suited to Thanjavur conditions.

To tap the underground water and make it available for irrigation, a special cell headed by an Agricultural Engineer with necessary operating staff, is functioning in the district.

From Traditional to Modern

As a result of the I.A.D.P. activities, high yielding varieties have spread to more than 75 per cent of the delta. The nitrogenous fertilisers consumption has increased six fold. The use of pesticides has also increased considerably. As a result of all these, the total production of paddy in this delta has registered a substantial increase. But above all these material changes, what is considered as the most significant contribution of I.A.D.P. to Thanjavur district is the change in the outlook of the farming community. The Thanjavur farmer, once considered as highly traditional in outlook, is no longer so; but is quite willing to try and accept new ideas and practices.

INDUSTRIAL ECONOMIST

COMMODITIES:

More Cotton and Oil from U.S.

The agreement signed with the U.S. on April 1 for the supply of 1.57 million tonnes of wheat, 2.5 lakh bales of cotton and 75,000 tonnes of vegetable oil under PL 480 will be welcomed as timely. The value of the commodity aid is Rs. 112.5 crores. While the wheat import will go to help achieve the target of 5 millions tonnes of buffer stocks the availability of the other two items should ease the critical supply situation in the country in these commodities and help atleast arrest the rising price trend if not bring it down. With a short crop, the gap in supply of cotton and its demand is over 16 lakh bales and the Government has been making serious efforts to locate sources for supply of this magnitude. This however includes staple fibre which is much cheaper than cotton and for which there are ready sources in Western Europe. The present agreement on cotton imports is only formal as the U.S. Government has been authorising India to import some of the cotton over the past few months in response to the latter's requests. In the case of edible oil in spite of a larger oilseed crop, prices have remained firmly high due to increased demand for individual case (as for vanaspati manufacture) and for direct consumption as cooking medium.

NEW LICENSES

There has been a surge in applications for industrial licences since the beginning of 1970, indicating an improved investment climate. It has been pointed out by the Minister for Industrial Development, Mr. Moinul Haque Chowdhury in Rajya Sabha recently that the liberal issue of licenses in the middle sector without rigid capacity considerations, along with the raising of the exemption limit to Rs. one crore, has led to considerable encouragement of medium and small entrepreneurs. The number of applications in 1970 totalled over 3,033 (including 807 applications for carrying on business) against 1420 applications received in 1969 and 1000 applications in 1968. Of these, 1248 were for establishments of new undertakings and 378 for substantial expansion. The number of licences issued was 364 and letters of intent 430. It is significant that out of these only 20 licences (including one "carrying on business" licence) and 22 letters of intent were issued to firms belonging to larger industrial houses. In all, 319 letters of intent were issued for "setting up" of new industrial undertakings and for effecting substantial ex-

pansion. In the first quarter of the current year, 59 licences were issued which compares with 57 and 47 in the corresponding periods of 1969 and 1970. They were for other than carrying on business. Four of the latest batch were issued to larger business houses. As regards pending licences applications from the 20 bigger undertakings 119 applications were pending disposal as at February end. Of these, 22 relate to the period upto the end of 1969, 71 to 1970 and 27 to the first two months of 1971.

Tyre Supply: Position Eases

The shortage of tyres (of particular sizes and rayon tyres) experienced in November-December last year due to the accumulated effect of prolonged labour strike or go-slow in most of the producing units has eased considerably since the beginning of the year and as the Chairman of Madras Rubber Factory recently told the company shareholders that the position has changed into one of supply meeting demand with the factories now fully in operation. The tyre companies have at the same time taken concerted efforts to ensure equitable distribution at approved prices. It is stated that the supply position would have been even better but for the interruption to production in a leading unit in North India due to power shortage. It has been explained by a spokesman of the Automatic Tyre Industry of India that the acute shortage in the retail market in the second half of last year was created by stagnant output (4 million tyres for the whole year, same as in 1969) and the preference given to vehicle and tractor producers to enable them maintain full production. Supplies to vehicle units were actually higher in 1970 or 2.09 lakh tyres against 1.87 lakh in 1969 while tractor units got 70,000 tyres against 55,600 in the previous year. Exports also shot up, earnings jumping to Rs. 5.15 crores from Rs. 3.69 crores. If only there are no disruptions to operations, output for 1971 can go upto 4.8 million.

Guarantee for Small Loans

The scheme of credit Guarantee Corporation of India for loans to small borrowers in the priority and neglected sectors has come into force from April 1. Under the scheme, the corporation will provide cover on a specified basis for loans extended by scheduled commercial banks to transport

operators, traders in fertilizers and other goods, professional and self employed persons, owners of business enterprises and farmers engaged in cultivation and allied farm activities. It will reimburse to the banks 75 per cent of the loan amounts which are treated as bad or doubtful debts and the balance will have to be borne by the lending institution. A guarantee fee of 1 per cent will be charged on amounts outstanding on account of eligible facilities. Suitable safeguards have been provided to ensure proper use of the facilities under the scheme. The corporations guarantee in automatic and in bulk to all banks concerned in respect of the eligible categories of borrowers and will cover unsecured and other facilities also. It is, however, not in substitution of securities wherever they are available and can be expected to be furnished in normal course.

There are certain quantitative limits for cover in various categories. In the case of transport operators individuals or associations of not more than six can take loan to finance the cost of vehicle on the road upto Rs. 50,000. Similarly the guarantee is available for loans to individuals firms or co-operatives selling fertilizers around whose turnover does not exceed Rs. 2 lakhs. For traders in other goods, the turnover limit is Rs. one lakh. Loans to doctors owing clinics or nursing homes should not exceed Rs. one lakh to engineering consultants and architects Rs. 50,000 and other professional and self-employed persons Rs. 20,000 for eligibility under the scheme. So also, the original cost price of equipment used for business by individuals or firms should be less than Rs. 50,000. In the case of farmers, the loan amount should not exceed Rs. 1,000 for financing seasonal operations and Rs. 5,000 for financing reclamation or improvement of land or construction of wells, purchase of pumpsets and other equipments.

Alcohol Prices

The Central Government has accepted the recommendation of the Tariff commission for fixing a single uniform price for ex-distillery prices of industrial alcohol, based on a weighted average price with other additions like transportation charges. It has also agreed to the suggestion that the ceiling on molasses transport charges should be reduced to Rs. 100 per kilo litre from Feb. 1 from Rs. 150 allowed earlier. Absolute alcohol will be priced 10 per cent higher than that 20 per cent of molasses production to be released for free sale and an amendment to the molasses control order has been notified. There is also an extra element of Rs. 6 per kilolitre of alcohol for being used for construction of storage facilities.

BUSINESS BRIEFS:

New Government Move Worries Cotton Mills

The working results of almost all the cotton textile mills, both spinning and composite, announced so far for the latest year reveal that the industry managed to increase its turnover and also earn appreciably higher profits as compared to 1969 which was itself a fairly satisfactory year. The latest performance must be assessed particularly against the high cost of cotton and chemicals and it speaks for the resilience of the mill industry to absorb the higher cost to a significant extent. But the improved profitability has been mainly due to higher selling prices for uncontrolled varieties including blended fabrics while the modernisation and renovation of existing machinery have also helped reduce costs. The diversification and modernisation schemes are being implemented by established companies on a continuing basis as may be evidenced by the brisk off-take of textile machinery produced indigenously. But many Chairmen have expressed serious concern over the future outlook of the industry. Since the beginning of 1970, cotton prices are stated to have gone up by over 70 per cent and the position in this regard has become more acute in the current year. A poor crop and uncertain imports will spell a crisis for many units in the closing months of this cotton season (July-September) besides eroding their profit margins considerably. The industry's repeated pleas for an upward revision of prices for controlled categories have gone in vain, and many mills are stated to have increased the proportion of uncontrolled varieties in their production even at the risk of penalty to make up for the uneconomic cost of cotton.

But the decision of the Government to increase the penalty for non producing coarse cloth upto the capacity stipulated for it and to raise the quota for coarse cloth production for each mill will make difficult even this manoeuvre. Under the latest decision the penalty is being raised from 8 paise per metre to 25 paise for any shortfall in output of coarse and medium cloth while the quota is to be increased from the present 25 per cent to 40 or 50 per cent of capacity for each mill. The Government has also decided not to allow any price rise for controlled cloth till the Bureau of Industrial Costs and Production completes its study and submits its recommendations. This may take another 9 months. Meanwhile, consumers will have to face a shortage of these varieties and

possibly higher prices both for these and superior varieties.

Kasturbhai Group

The Kasturbhai group of mills has reported improved working during 1970. Five of the seven mills have earned larger profits on higher turnover. Obviously the emphasis on high-priced varieties has been helpful in improving profit margins. Arvind Mills Limited has maintained the equity dividend at 24 per cent, taxable. The bonus issue in the ratio of one for three has not been approved by the Controller of Capital Issues and a fresh application has been made. The new shares if issued will rank for dividend from this year. Ashoka Mills Limited has raised the distribution to 21 per cent (including a bonus of 3 per cent) from 18 per cent in 1969. The third company Arvind Mills Limited is also paying more, the distribution being 21 per cent (including a bonus of 3 per cent) against 18 per cent while Saraspur Mills Limited will be maintaining the dividend of 18 per cent on a capital increased by a one-for-three bonus issue. Ahmedabad New Cotton Mills Limited will also be repeating the dividend of 18 per cent while Raipur Manufacturing Company Limited will be paying the same quantum of dividend, by declaring a dividend of 18 per cent on a capital increased by a one-for-two bonus issue against 24 per cent in 1969. Nutan Mills Limited will be distributing a bonus of 6 per cent besides maintaining the dividend at 12 per cent.

Arvind Mills has earned a larger profit of Rs. 194.91 lakhs (Rs. 159.74 lakhs) on a turnover of Rs. 9 crores (Rs. 8.15 crores). The provisions include Rs. 41.87 lakhs (Rs. 46.98 lakhs) for depreciation, Rs. 7 lakhs (Rs. 14.50 lakhs) for development rebate and Rs. 71 lakhs (Rs. 44 lakhs) for taxation. The transfer to general reserve is Rs. 66.20 lakhs (Rs. 54.25 lakhs) and general reserve Rs. 8.80 lakhs (nil). The dividend will absorb Rs. 36 lakhs (same) from general reserve No. 1.

Sales of Ashoka Mills jumped to Rs. 6.99 crores from Rs. 5.80 crores and the net profit to Rs. 64.83 lakhs from Rs. 48.74 lakhs in 1969. Depreciation claims Rs. 22.25 lakhs (Rs. 25.90 lakhs), development rebate Rs. 5.50 lakhs (Rs. 10 lakhs) and taxation Rs. 17.50 lakhs (Rs. 4.75 lakhs). Transfer to general reserve No. 1 is Rs. 12.10 lakhs (Rs. 6 lakhs) and to general reserve No. 2 Rs. 7.40 lakhs

(nil). The dividend will absorb Rs. 10.50 lakhs (Rs. 9 lakhs) from reserve No. 1.

Aruna Mills increased its sales to Rs. 4.24 crores from Rs. 4.35 crores and the net profit to Rs. 65.44 lakhs from Rs. 59.23 lakhs in 1969. The charge in respect of depreciation is Rs. 17.74 lakhs (Rs. 22.74 lakhs) development rebate Rs. 5.75 lakhs (Rs. 7 lakhs) and taxation Rs. 19 lakhs (Rs. 16 lakhs). General reserve No. 1 gets Rs. 15.70 lakhs (Rs. 13.40 lakhs) and general reserve No. 2 Rs. 7.20 lakhs (nil). The dividend will absorb Rs. 10.50 lakhs (Rs. 9 lakhs).

Saraspur Mills has earned a slightly lower profit of Rs. 48.70 lakhs (Rs. 50.84 lakhs) though sales were better at Rs. 4.97 crores (Rs. 4.27 crores) in 1969. The provisions include Rs. 17.43 lakhs (Rs. 22.43 lakhs) for depreciation and Rs. 17 lakhs (nil) for taxation. After wiping out a loss of Rs. 3.34 lakhs, the transfer to general reserve No. 1 is Rs. 3.80 lakhs (nil) and general reserve No. 1 Rs. 5.10 lakhs (nil). The dividend will require Rs. 7.20 lakhs (Rs. 5.40 lakhs).

Ahmedabad New Cotton Mills increased its sales to Rs. 4.76 crores from Rs. 3.90 crores in 1969 and the net profit to Rs. 44.05 lakhs from Rs. 43.34 lakhs. Depreciation claims Rs. 16.68 lakhs (Rs. 18.57 lakhs), development rebate Rs. 5.50 lakhs (Rs. 4.25 lakhs) and taxation Rs. 10 lakhs (Rs. 5.25 lakhs). The transfer to general reserve No. 2 is Rs. 3.90 lakhs (nil) and debenture redemption reserve Rs. 2.50 lakhs (same). The equity dividend will absorb Rs. 5.34 lakhs (same) from reserves.

Raipur Manufacturing Company also earned a larger profit of Rs. 65.93 lakhs (Rs. 51.38 lakhs) on a higher turnover of Rs. 4.43 crores (Rs. 3.53 crores). After setting aside Rs. 20.85 lakhs (Rs. 25.96 lakhs) for depreciation, Rs. 5.25 lakhs (Rs. 2 lakhs) for development rebate and Rs. 17 lakhs (Rs. 12.50 lakhs) for taxation, the transfer to general reserve No. 1 is Rs. 17 lakhs (Rs. 10.90 lakhs) and general reserve No. 2 Rs. 7.60 lakhs (nil).

Nutan Mills has also been able to raise its sales to Rs. 3.33 crores from Rs. 3.17 crores but the net profit was lower at Rs. 32.62 lakhs (Rs. 37.41 lakhs). The provisions include Rs. 11.35 lakhs (Rs. 14.09 lakhs) for depreciation Rs. 10 lakhs (nil) for development rebate and Rs. 60,000 (nil) for taxation. After wiping out the loss of Rs. 6.78 lakhs brought in, the transfer to general reserve is Rs. 3.20 lakhs and general reserve No. 1 Rs. 60,000. The equity dividend will claim Rs. 5.40 lakhs (Rs. 3.60 lakhs).

Standard Mills Pays More

Standard Mills Company Limited has benefited from the improved working of the textile unit and higher output of the chemical division. Total turnover improved to

Rs. 27.68 crores in 1970 from Rs. 24.56 crores in 1969 with the net profit, before depreciation, and taxation, higher at Rs. 379.39 lakhs against Rs. 328.23 lakhs. The equity dividend has been raised to 28 per cent gross from 25 per cent (including a jubilee bonus of 5 per cent) in 1969. Even the higher distribution is covered nearly $3\frac{1}{2}$ times by disposable profits. Depreciation claims Rs. 153.35 lakhs (Rs. 141.39 lakhs) and development rebate Rs. 23.85 lakhs (Rs. 21.05 lakhs) while there is a provision of Rs. 38.25 lakhs (nil) for taxation. The balance of Rs. 163.94 lakhs (Rs. 165.80 lakhs) has been transferred to general reserve. The dividend will be paid out of this reserve, requiring Rs. 49.17 lakhs (Rs. 43.90 lakhs).

Binny Omits Dividend

The experience of Binny Limited is rather disappointing in 1970. This was due to adverse working of the cotton textile mill in Madras due to labour trouble which affected productivity. Even the interim report had indicated that a steep rise in cotton prices and labour trouble were affecting profitability. The directors have been obliged to skip the dividend. The net profit, before depreciation, was only Rs. 11.59 lakhs against Rs. 175 lakhs in 1969. In the absence of a co-operative attitude of workers, the improved facilities created under the modernisation and renovation schemes could not perhaps be put to effective use. The sum set aside for depreciation is Rs. 122.98 lakhs (Rs. 114.04 lakhs) while development rebate claims Rs. 31.05 lakhs (Rs. 67.28 lakhs). After providing for these, there is a debit balance of Rs. 142.44 lakhs against Rs. 6.32 lakhs. Last year, debenture redemption reserve got Rs. 3 lakhs. Only the preference dividend is to be paid while an equity dividend of 6 per cent was paid on the last occasion requiring Rs. 40.80 lakhs. But it was necessary then to withdraw Rs. 51.70 lakhs from general reserve for paying the equity and preference dividends. After transferring Rs. 2.58 lakhs from reserves, a debit balance of Rs. 142.41 lakhs has been carried forward.

Trichinopoly Mills

Trichinopoly Mills Limited has raised its dividend on equity capital for 1970 to 15 per cent taxable from 12½ per cent taxable in 1969 following a big rise in the net profit, before taxation and after depreciation, to Rs. 9.93 lakhs from Rs. 4.86 lakhs in spite of costlier cotton as selling prices for yarn were quite remunerative. There is a provision of Rs. 2.82 lakhs (nil), for taxation while development rebate claims Rs. 2.52 lakhs

(Rs. 2.12 lakhs). General reserve gets Rs. 2.35 lakhs against Rs. 95,852 for dividend equalisation reserve in 1969. The equity dividend will require Rs. 2.10 lakhs (Rs. 1.75 lakhs).

WIMCO Earns More

Western India Match Company Limited has reported improved earnings for 1970 following an increase in output of matches by 15,000 cases with the same capacity. Production of paper however, declined to 5,581 tonnes from 6,284 tonnes in 1969 and of potassium chlorate to 5,066 tonnes from 5,180 tonnes. Despatches of salt to outside consumers were also lower at 20,433 tonnes against 40,194 tonnes. But the larger output of matches offset the fall in other products, and there was an improvement in the net profit, before depreciation and taxation, to Rs. 223.56 lakhs from Rs. 217.75 lakhs. The dividend on equity capital has been maintained at 12 per cent taxable but the quantum involved is more at Rs. 59.40 lakhs (Rs. 49.50 lakhs) as it is payable on a capital increased by capitalising Rs. 82.5 lakhs out of reserves. The claim in respect of depreciation is Rs. 33.55 lakhs (Rs. 32.55 lakhs) and development rebate Rs. 4.35 lakhs (Rs. 4.51 lakhs). The provision for taxation has been increased to Rs. 112.37 lakhs (Rs. 106.30 lakhs) while general reserve is credited with Rs. 73.29 lakhs (Rs. 74.39 lakhs). The dividend is to be paid out of this reserve.

Herdillia Chemicals

Shareholders of Herdillia Chemicals Limited will welcome the improved working results for 1970. Obviously, with no great difficulty in getting its raw materials from indigenous sources and an assured market for its various petrochemical products, it was possible to utilise the existing facilities more fully. But a maiden dividend will have to wait for more propitious times as there is still a large debit-balance and arrears of development rebate also remain to be claimed. The current year's working is expected to be more satisfactory and it may even be possible to wipe out the accumulated loss completely. Sales and other income rose sharply to Rs. 741.65 lakhs from Rs. 553.38 lakhs in 1969 while earnings before depreciation jumped to Rs. 167.25 lakhs from Rs. 73.16 lakhs. After providing for depreciation Rs. 104.31 lakhs (Rs. 103.89 lakhs), there is a surplus of Rs. 62.94 lakhs against a loss of Rs. 80.73 lakhs earlier. The surplus has gone to reduce the debit balance brought in from the previous accounts of Rs. 169.58 lakhs to Rs. 106.62 lakhs. The Rs. 10 shares of Herdillia are quoting around Rs. 17.25 in Bombay.

Southern Trawling

Southern Trawling Company Limited came on the market recently for raising capital for Rs. 11 lakhs in equity shares of Rs. 100 each. The company had been promoted to undertake finishing and processing of marine products mainly for export. It will be acquiring a fleet of 10 medium-sized trawlers and operating them from Mangalore on the West Coast. A factory will be set up near Mangalore for freezing shrimps and other marine products. The first batch of trawlers will be afloat by July this year. Already the company has commenced its activities with the help of other factories and exported frozen shrimps worth \$ 50,000. The project will cost about Rs. 38 lakhs. The issued capital will be Rs. 20 lakhs of which directors and friends have subscribed Rs. 5 lakhs and the Mysore State Industrial Investment and Development Corporation Rs. 4 lakhs. The Mysore State Financial Corporation will be extending a substantial medium-term loan (Rs. 20 lakhs) while the balance will be obtained from other sources. As the promoters have vast experience in the line it is expected that the company will operate on a highly remunerative basis within a short time. The Managing Director, Mr. V. A. Kurien has indicated that they hoped to declare a maiden dividend of 10 per cent in two years. The turnover in the first year is expected to be Rs. 65 lakhs and the profit Rs. 10 lakhs before taxation. Mr. B. C. Mody, a director, has disclosed that a similar project is being taken up by the promoters in collaboration with the Gujarat Government. The new company would be floated in the next two or three months on the same lines as Southern Trawlings. The response to Southern Trawlings public issue has been quite encouraging as there is already an unofficial premium of Rs. 9 on the shares.

Usha Martin Black

Usha Martin Black Wire Ropes Limited has reported excellent working results in 1970. There has been a more than doubling of the net profit, before depreciation, to Rs. 87.76 lakhs from Rs. 42.64 lakhs in 1969. The dividend on equity capital has been raised to 10 per cent taxable from 5 per cent while an additional 5 per cent is to be distributed as bonus to celebrate the completion of a decade of working. After setting aside Rs. 17.18 lakhs (Rs. 16.52 lakhs) for depreciation and Rs. 24.70 lakhs (nil) for development rebate, the transfer to general reserve is Rs. 47.69 lakhs (Rs. 6.25 lakhs) after writing back Rs. 1.75 lakhs (Rs. 11,254) from reserves. There is no liability for taxation as in the previous year. The dividend will be paid out of general reserve and will amount to Rs. 8.88 lakhs (Rs. 2.96 lakhs).

Tube Investments Pays More

Tube Investment of India Limited has decided to increase the dividend on equity capital for the 17 months ended December 31, 1970 to 15 per cent taxable, from 10 per cent taxable for the previous 12 months. A final payment of 8 per cent taxable is to be made while the interim dividend has already been distributed. The company was able to improve its production and sales in the latest accounting period when turnover rose more than proportionately to Rs. 18.57 crores from Rs. 11.63 crores in 1968-69 in spite of disruption to production in some divisions due to shortage of steel and other raw materials. The net profit, before depreciation and taxation, also was significantly higher at Rs. 216.98 lakhs against Rs. 127.64 lakhs in the previous 12 months period. Depreciation claims a larger sum of Rs. 72.23 lakhs (Rs. 45.51 lakhs) and development rebate Rs. 10.56 lakhs (Rs. 5.05 lakhs). There is also an additional allocation of Rs. 2.49 lakhs (nil) under this head in respect of earlier years. There is a transfer of Rs. 5.21 lakhs (nil) to debenture redemption reserve and Rs. 13.65 lakhs (Rs. 13.25 lakhs) to general reserve. The total dividend amount required is Rs. 56.25 lakhs (Rs. 37.50 lakhs).

Madras Rubber

The chairman of Madras Rubber Factory Limited, Mr. K. M. Cherian, has held out hopes of much better results for the current year. He told the annual meeting recently that the experience in the first five months ended February 28, had been quite satisfactory and if the same trend continued the results for the whole year would be better than in 1969-70. The cycle tyre unit, which commenced production from March 1 will be raising its output gradually while the brake chamber diaphragm, a new line of the company, is undergoing field tests. The full benefit of the expanded capacity for automobile tyres from the installation of balancing equipment last year will also be available this year and if there is no labour trouble, production of tyres must show a sizable increase. Work on the expansion scheme to raise capacity to 6.1 million tyres is also proceeding apace. Part of the equipment has been shipped and the whole scheme is scheduled to be completed by the end of 1972. Mr. Cherian has called for a helpful Government policy in regard to exports. The ban on export of nylon tyres to U.A.R. also needs to be lifted if the export markets already built up are to be sustained. M.R.F.'s exports of tyres in 1969-70 totalled Rs. 58 lakhs in spite of stiff international competition.

Avery India Repeats

Avery India Limited has done better in 1970 though the directors have only maintained the dividend on equity capital at 13.8 per cent. Sales improved during the year to Rs. 4.05 crores from Rs. 3.44 crores in 1969 but other income declined to Rs. 7.88 lakhs from Rs. 11.07 lakhs. The net profit, after depreciation and before taxation, rose to Rs. 1.10 crores from Rs. 93.45 lakhs. After providing Rs. 73.34 lakhs (Rs. 61.58 lakhs) for taxation and development rebate, the surplus is higher at Rs. 36.93 lakhs (Rs. 31.87 lakhs).

Roneo-Vickers

Roneo-Vickers India Limited, a wholly-owned subsidiary of Roneo Limited of U.K., will be affording an opportunity to Indian investors to participate in its capital. The company at its Faridabad factory near Delhi is now manufacturing franking machines, steel furniture and other office equipment. There are plans to diversify the lines of production by taking up the manufacture of Roneo duplicators which had been imported till 1961. The present paid-up capital is Rs. 29.26 lakhs in equity shares of which shares worth Rs. 29.25 lakhs are held by the British parent company for considerations other than cash. It is proposed to issue fresh capital for Rs. 15.74 lakhs in equity shares of Rs. 10 each at par. Of this 7,390 shares will be reserved for the U.K. company's cash subscription while the balance of 1.5 lakh shares will be offered to the public. The company is on a pre-earning basis and paid a dividend of 10 per cent taxable for the year ended November 30, 1970.

Union Carbide

Union Carbide India Limited has been continuously expanding and diversifying its facilities which have helped to increase sales and earnings steadily. The shareholders have also benefited from the issue of right and bonus-shares at frequent intervals. There is however some difficulty in getting the Government's approval for new schemes like the project for taking up the production of hard facing and wear-resistant products and the expansion of carbon electrodes capacity. Licences for these two are yet to be received. The new electrolytic manganese plant is also unable to work at rated capacity due to difficulty in getting graphite anodes within the country. The company incurred a capital expenditure of Rs. 3.44 crores in 1970 against Rs. 2.38 crores in 1969. The authorised capital is being raised to Rs. 30 crores from Rs. 15 crores by the creation of 15 million shares of Rs. 10 each. This may be an indication about a fresh bonus issue or a right issue.

K.I.C. Raises Dividend

Krishna Industrial Corporation Limited has earned a large profit of Rs. 4.80 lakhs for the year ended September 30, 1970, before taxation, against Rs. 64,364 in 1968-69. The dividend on equity capital has been raised to 10 per cent taxable from 6 per cent taxable previously. Development rebate claims Rs. 31,000 (nil) and general reserve is credited with Rs. 1.75 lakhs (nil). The transfer to dividend reserve is Rs. 2.64 lakhs (Rs. 1.59 lakhs). Last year, there was a withdrawal of Rs. 1.30 lakhs from general reserve to complete the appropriations.

Sylvania & Laxman Impresses

Sylvania and Laxman Limited, a new company engaged in the manufacture of various kinds of electric lamps and accessories for some years now, has been able to wipe out its debit balance and announce maiden equity dividend of 6 per cent gross for the year ended September 30, 1970. The dividend is not liable to tax deduction at source. The company's turnover improved appreciably to Rs. 2.62 crores from Rs. 7.75 crores in 1968-69 while the net profit, before depreciation, rose even more impressively to Rs. 39.41 lakhs from Rs. 14.41 lakhs. After providing Rs. 7.84 lakhs (Rs. 6.84 lakhs) for depreciation and Rs. 18,215 (Rs. 52,589) for development rebate, the debit balance of Rs. 20.30 lakhs has been wiped out. Even then it has been possible to declare a dividend and still carry forward Rs. 4.99 lakhs. The company is implementing new schemes for making fluorescent powder, coils and lead-in-wires. Trial runs are being conducted in the lead-in-wires plant while the coiling equipment is getting ready. Equipment for producing mercury vapour lamps have also been ordered from foreign suppliers. There are also proposals to take up the manufacture of high voltage lamps, small lamps, auto lamps, telephone switch board lamps, G.L.S. lamps, tungsten filament (coils) and lead-in-wire electrodes for which a letter of intent has been received. The Industrial Credit and Investment Corporation has given a loan in foreign currency for \$ 289,000 (Rs. 21.07 lakhs) for importing plant and equipment needed. The Industrial Finance Corporation will be lending Rs. 30 lakhs in rupees of which Rs. 3 lakhs can be converted into equity shares at a premium of Re. 1 per share in the fourth and fifth years from the date of complete disbursement of the loan. The new schemes for manufacture of raw materials will reduce on imports and facilities uninterrupted expansion in the coming years. Even now glass shells and tubes are being supplied to other manufacturers.

Mysore Sugars

Mysore Sugar Company Limited is raising fresh capital for meeting part of the expenditure on its new schemes to expand its crushing capacity and also modernise and renovate existing machinery. It had been indicated recently that the capital needs for this purpose may come to Rs. 3.2 crores. The Chairman of the company has told the shareholders that the decision to raise fresh capital was necessitated by the difficulty in getting bank finance. It is now proposed to capitalise reserves subject to Government sanction and issue bonus shares in the ratio of one share for every shares held. After the bonus issue, right shares will be issued in the proportion of one for two at a premium of Rs. 2 per share. As a result of the bonus and right issues, the paid-up equity capital will be doubled to Rs. 108 lakhs. To facilitate the increase in paid-up capital is being raised to Rs. 2 crores. It is also proposed to mobilise additional funds for Rs. 50 lakhs through deposits.

Garware Nylon

The directors of Garware Nylons had a difficult problem in deciding on the allotment of equity shares offered to the public recently. The issue was oversubscribed more than 82 times. It must be mentioned that special care has been taken to ensure sufficient weightage to small applicants. Under the allotment scheme, lots are to be drawn in respect of applications upto 1950 shares while a graded firm allotment has been adopted for requests above this number. The company received over Rs. 22 crores in application money. Six out of 100 applicants for 56 shares, 7 out of 100 for 100 shares, 8 out of 100 for 150 shares, 10 out of 100 for 200 shares, 28 out of 100 for 500 to 950 shares and one out of two for 1000 to 1950 shares will get 25 shares each. For those who applied for 2000 and above, the allotment will be 25 shares for 2000 shares, 50 for 3000 to 5950 shares, 75 for 6000 to 6950, 100 for 7000 to 12450, 150 for 12500 to 14950 and so on. Those who applied for one lakh shares will get 1000 shares, and 2 lakhs—2000 shares.

National Organic Chemical

With a substantial improvement in production of various petrochemicals and not much difficulty in marketing them at attractive prices, National Organic Chemical Industries Limited was able to report vastly improved working results for 1970. There has been a further improvement in output in the first three months of the current year in spite of a shut-down of all plants for four weeks for complete overhaul and for a short period in March 1971 can be expected to show a larger

turnover and earnings which will help to reduce the debit balance substantially. In 1970 sales jumped to Rs. 23.52 crores from Rs. 15.95 crores in 1969 while the net profit, before depreciation, rose sharply to Rs. 524.28 lakhs from Rs. 196.79 lakhs. This is encouraging in view of the increase in working expenses on account of higher prices for naptha, and drums and enhanced duty on fuel. There was also need to provide as much as Rs. 332.82 lakhs (Rs. 329.65 lakhs) for depreciation due to the large capital outlay on plant and machinery, after transferring Rs. 3.78 lakhs (Rs. 82.08 lakhs) to capital expenditure. There is thus a disposable profit of Rs. 191.46 lakhs against a loss to Rs. 281.37 lakhs. There is also a large sum to be claimed towards development rebate when there are taxable profits. NOCIL'S Rs. 100 shares are quoting around Rs. 245 as it is hoped that the company will start paying dividend in the next one or two years.

Electric Construction

Electric Construction and Equipment Company Limited has done extremely well in 1969-70 with a substantial increase in sales and profit. The directors have declared a final dividend of 10 per cent taxable on equity capital making with the interim a total of 20 per cent taxable. There was no payment last year but a bonus issue was proposed in lieu of dividend. This was turned down by the Controller of Capital Issue under the new guidelines and the company is taking up the matter again with the CCI. During the year ended October 31, 1970, sales rose by 50 per cent to Rs. 9.56 crores from Rs. 6.35 crores in 1968-69 while there was a more than doubling of the net profit, before depreciation and taxation, to Rs. 126.35 lakhs from Rs. 57.75 lakhs in the previous year. Depreciation claims Rs. 26.07 lakhs (Rs. 26.49 lakhs) and development rebate Rs. 3 lakhs (Rs. 7.50 lakhs). The provision for taxation is much higher at Rs. 42 lakhs (Rs. 3.50 lakhs) while general reserve gets Rs. 41.81 lakhs (Rs. 25.05 lakhs). The interim dividend has already been distributed and the final is to be paid out of general reserve.

East India Hotels

The public issue by East India Hotels of the Oberoi group of \$5,47,333 equity shares made sometime back was oversubscribed by nearly four times. The director's have in consultation with the Calcutta Stock Exchange tried to satisfy as many applicants as possible. According to the allotment scheme, all those who applied for the minimum of 50 shares will get 25 shares while applicants for 100-200 shares will get 50 shares, for 250-300 shares 75 shares, for 400-750 shares 100 shares and for 880-1000 shares 200 shares. Above this, 250 shares will be allotted to ap-

plicants for 1,050-1500 shares 300 shares for 1,550-1,800, 500 for 2000-3000, 600 for 3,350-6250, and so on. Those who applied for 50,000 shares will get 2,800 shares.

Anil Starch

Anil Starch Products Limited could not avoid a big fall in earnings in 1970 even with a higher turnover due to stiff competition and higher working expenses. Sales improved slightly to Rs. 7.47 crores from Rs. 7.16 crores but the net profit, before depreciation and taxation, declined sharply to Rs. 22.42 lakhs from Rs. 59.32 lakhs in 1969. It was not possible to provide for depreciation amounting to Rs. 30.21 lakhs (Rs. 28.98 lakhs) and the debit balance of Rs. 7.79 lakhs has been adjusted with a transfer of Rs. 4.48 lakhs excess provisions no longer required, and Rs. 3.12 lakhs from development rebate reserve. The equity dividend has been halved to 10 per cent taxable and the equity and preference dividends will be paid out of general reserve. Last year, taxation claimed Rs. 9.97 lakhs while development rebate reserve got Rs. 2.85 lakhs and general reserve Rs. 17.27 lakhs. The earlier proposals for issuing honour shares in the ratio of one for three, is being received and the controller of Capital Issues, who rejected the proposal on the ground that more than two such issue cannot be allowed within five years, has been approached for capitalising Rs. 25 lakhs out of reserves.

Atul Products Pays Same

Atul Products Limited has maintained the ordinary dividend for 1970 at 14 per cent taxable though its working results were considerably better as compared to 1969. With a pick-up in demand for its products the expanded facilities could be effectively utilised and there was a significant rise in turnover to Rs. 14.77 crores from Rs. 12.17 crores. The net profit, before depreciation and taxation, also jumped to Rs. 261.76 lakhs from Rs. 197.26 lakhs in the previous year. After setting aside Rs. 106 lakhs (Rs. 103.05 lakhs) for depreciation and Rs. 36.60 lakhs (Rs. 45 lakhs) for development rebate and providing Rs. 25.50 lakhs (nil) for taxation the transfer to general reserve is as much as Rs. 95.99 lakhs (Rs. 52.77 lakhs). The equity dividend, which will be paid out of general reserve, will require Rs. 57.40 lakhs (Rs. 56.12 lakhs) and is well covered.

Borax Morarji Repeats

Borax Morarji Company Limited has maintained the equity dividend for 1970 at 15 per cent, taxable, despite a set back in working results. There was a drop in turnover to Rs. 1.66 crores from Rs. 1.91 crores in 1969 while the net profit before deprecia-

tion and taxation, declined to Rs. 27.46 lakhs from Rs. 34.89 lakhs. The charge in respect of depreciation is higher at Rs. 4.23 lakhs (Rs. 3.66 lakhs) and taxation claims Rs. 13.60 lakhs (Rs. 16 lakhs). After transferring Rs. 64,761 (Rs. 16,000) to development rebate reserve, the balance of Rs. 8.98 lakhs (Rs. 15.07 lakhs) has been taken to general reserve. The equity dividend will be paid out of this reserve absorbing Rs. 6 lakhs (same).

Vulcan Laval

Vulcan Laval Limited has earned a much larger profit in 1970 following an increase in the turnover to Rs. 3.25 crores from Rs. 2.76 lakhs in 1969. The net profit, before depreciation and taxation, has risen to Rs. 34.45 lakhs from Rs. 23.63 lakhs. A dividend of 6 per cent, taxable, has been declared for the first time since the company offered its equity shares for public subscription in the middle of 1969. The provision for depreciation is Rs. 12.64 lakhs (Rs. 8.34 lakhs). There may be a further increase in turnover and earnings in the current year. The company has plans to widen the range of its products.

American Express

American Express Company has earned record profits for 1970 and the directors have raised the last quarterly dividend to 35 cents per share from 30 cents paid over the previous four quarters. The Chairman and Chief Executive Officer Mr. Howard L. Clark told the Board of Directors recently that the consolidated net earnings rose to \$85.2 million from \$74.5 million in 1969, an increase of over 14 per cent. Consolidated earnings from operations showed a 25.2 per cent rise to \$72.1 million. Total revenue income was up to \$1,310 million from \$1,170 million while consolidated assets rose to \$4,660 million from \$4,150 million at the end of 1969. Sales of travellers cheques worldwide set new records and exceeded forecasts by a comfortable margin. Outstanding cheques at the end of the year were higher at \$827 million against \$757 million a year ago. There was also a substantial rise in card membership to over 3.5 million card holders and in charge volume. Operating earnings of property and casualty insurance subsidiaries showed a 42.5 per cent improvement due to better underwriting results. Net premium income increased by 6.2 per cent to \$807 million while net investment income before taxation improved more than proportionately by 19.7 per cent to a new high of \$55.9 million. The American Express International Banking Corporation continued its growth at a satisfactory rate, total overseas deposits and credit balances exceeding \$900 million and disbursements rising to \$564 million. The American Express Reservation Inc., which has

become a leading hotel, motel, car rental and computer reservation service, however incurred also loss due to high start-up expenses. The 2.30 preferred shares will get the regular payment of 57½ per cent dividend and the 1.50 preferred 37½ per cent.

H.V. Contactors from HEIL

The Heavy Electricals factory at Bhopal has successfully manufactured, for the first

time in India, High Voltage Contactors require for starting large motors in paper mills, rubber plants, mining industry and large auxiliary drives for power houses.

The import content in the contactors built at the Bhopal factory is less than 10 per cent and efforts are being made to eliminate even this small percentage.

The contactors are versatile units for use at 3.3 kV, 6.6 kV and 11 kV A.C. and they are rated for 500A, 250A and 75A respectively.

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STOCK MARKET:

Economic Uncertainties to the Fore

The principal stock markets have displayed subdued sentiment after the flutter immediately following the election results in the middle of March and values of both erstwhile forward scrips and cash shares have retreated from the high levels touched in March and were ruling weak till the second week of April. Turnover also has been very poor as operators as well as investors became aware of the various economic uncertainties that have come to the fore in the wake of the Ruling Congress victory at the polls. The Railway and Central budgets will dominate the thinking of marketmen in the weeks ahead till the budget proposals are known.

It is now feared that fresh heavy taxation cannot be avoided in the May budget as the Finance Minister has left a wide gap in resources of Rs. 240 crores and taxation in the past few years has averaged Rs. 100 crores. As Mr. Chavan has indicated that there may be an upward revision of the annual Plan outlay in May, it is on the cards that fresh imposts will be quite heavy and may again fall on commodities to a major extent. Thus the private corporate sector may feel less alarmed about the budget and

the pronouncement by various Government spokesmen including the Prime Minister would seem to assure private industry that it will have an useful role to play and can bank on Government's confined solicitude where it does not conflict with the ruling party's stand on particular issues. The licensing apparatus would also seem to have well geared to dispose of pending applications. But the Foreign Trade Minister's remarks that the take-over of import trade would continue to cover almost the entire trade has given rise to genuine misgivings if the Government would adopt a realistic attitude in carrying out its economic programmes. Ceiling on urban property is only one of the radical measures contemplated. The crack-down on the textile industry imposing a stiffer penalty for non-production of coarse cloth upto the specified capacity and even raising the quota for this unremunerative category from 25 to 45 per cent along with the refusal to grant any interim price increase for controlled categories have not only affected the future outlook of this biggest industry but has also made other industries with similar pricing problems depressed.

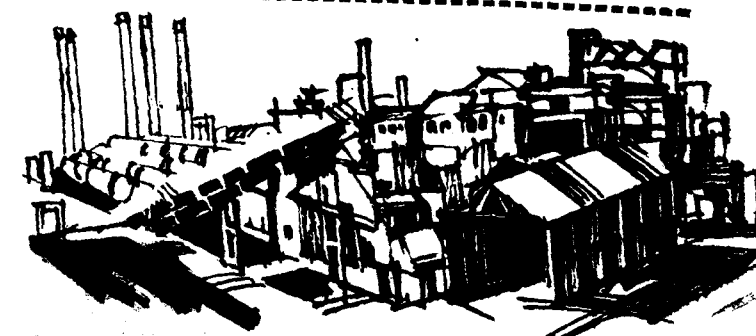
Corporate news has been on the whole very satisfactory. Many cotton mills have sold more and earned more and maintained or increased the quantum of dividend for the latest year. The Kasturbhai group, Bombay Dyeing, Standard Mills, Madura Mills and others have done well but are uncertain about the prospects for the current year due to the high cotton prices. Wimco will be paying a larger sum to its shareholders following an improvement in earnings. Delhi Cloth and General Mills Company Limited (D.C.M.) has got the sanction for its four-for-five bonus issue by capitalising Rs. 7.73 crores from reserves. The company's working so far this year is also reported to be very encouraging. But Binny Limited has shipped the dividend as the cotton textile unit's working was affected by low productivity of labour. Phillips Carbon Black has maintained the dividend at 15 per cent for 1970 and Kamani Engineering Corporation has declared a payment of 9 per cent. Tube Investments has earned a larger profit and raised the dividend for the 17 months ended December 31, 1971. Mysore Sugar has announced a bonus-cum-right issue. National Organic Chemical Industries (NOCIL) has reported a much improved working in 1970 and output and earnings in 1971 are expected to be even higher, though a maiden dividend will have to wait for some more time. Atul Products has also earned much more but has only repeated the previous payment of 14 per cent for 1970.

PRICE MOVEMENT

The following are the closing quotations for selected scrips on March 15 and April 5:

Madras			Bombay			Calcutta		
	Mar. 15	Apl. 6		Mar. 15	Apl. 6		Mar. 15	Apl. 6
India Cements	5.64	5.70	Tata Steel	102.00	101.00	Indian Iron	11.25	11.15
Mettur Chemical	12.40	12.25	Telco	234.00	236.00	Hind Motor	12.50	13.10
Dalmia Cement	14.60	14.60	Century	876.50	855.50	Birla Jute	20.70	21.70
Madura Mills	17.75	18.50	National Rayon	541.00	516.00	Guest Keen	31.80	32.80
S.I. Viscose	172.00	171.00	Tata Chemical	30.00	29.75	Indian Alum.	38.15	37.95
Ashok Leyland	6.37	6.45	Larsen & Toubro	21.64	24.00	Dunlop	37.70	38.25
Indian Overseas Bank	170.00	169.00	Century Enka	358.75	345.00	Orient Paper	38.40	38.50
Madras Aluminium	182.00	178.00	Ceat Tyres	242.50	248.75	Zuari	15.19	15.19
E.I.D. Parry	14.60	13.60	United Carbon	430.00	400.00	Avery India	14.25	13.75
Lakshmi Machine	135.00	142.00	MICO	455.00	442.50	Goodyear	54.75	56.75
Binny	80.00	77.50	Hardillia	17.60	17.12	Union Carbide	29.62	31.82
Seshasayee Paper	13.75	13.65	NOCIL	247.00	241.00	India Carbon	31.37	32.25

A SPECIAL SUPPLEMENT ON CEMENT INDUSTRY



CEMENT INDUSTRY RECORDS IMPRESSIVE PROGRESS

The cement industry recorded the most impressive progress in regard to the creation of additional capacity by over 1.5 million tonnes in 1970 through the completion of many expansion schemes of existing units and the commissioning of new units in the public and private sectors. The efforts made in the past few years to bring about a dispersal of the industry and an increase in capacity in the deficit areas have been fruitful. Three new units came into being in Assam, Rajasthan and Madhya Pradesh, one in the public sector, and two in the private sec-

tor. Another unit also came into being in the public sector in Tamil Nadu with the State Government making a debut in this field. The share of the public sector, however, is still very small and it should be said that the spectacular progress recorded by the industry since the partial decontrol decision was taken sometime back has been mostly on account of the established units. Among Associated Cement Companies, India Cements, Birla Jute, Kesoram Industries, Chettinad Cement Corporation, Digvijay Cement and a few others, over 4 mil-

lion tonnes of new capacity has been created and the capitalisation per tonne has been kept at a level which is much lower than what would be incurred now by any new unit.

Need for Greater Borrowing

Immediately after the revision of prices and the policy of partial decontrol in 1967, it was felt that the industry would be able to generate adequate internal resources and it would be possible for old and new units to embark on ambitious schemes. But





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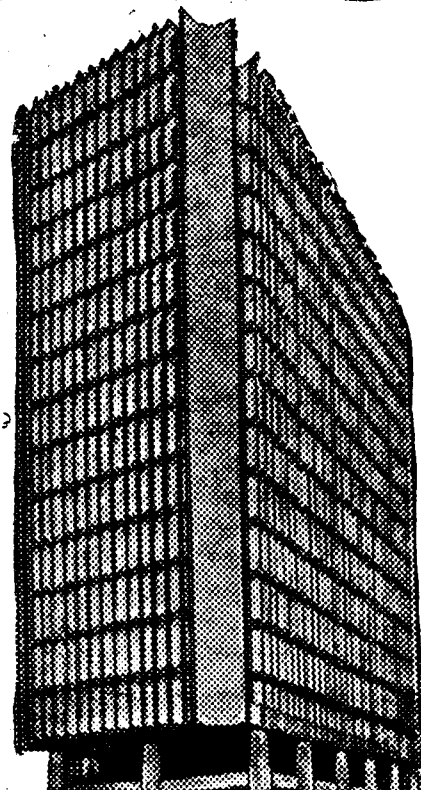
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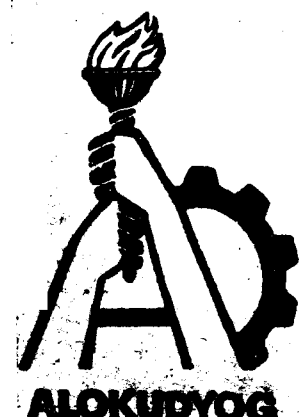
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INDUSTRIAL ECONOMIST

only the established units formulated new schemes to be implemented in two stages. It was, however, found before long that the anticipated accretion to internal resources could not take place and there was also an unexpected increase in the cost of new plant and machinery. It became necessary for A.C.C., India Cements and others to borrow to a greater extent from financial institutions than earlier estimated and with the uncertainty about the continuance of the system for pooling freight rates and the delays in revising retention prices, it was felt that a cautious policy would have to be adopted in regard to the execution of new schemes

Dispersing Development....

In fact, in the absence of a liberal pricing policy, A.C.C. is having second thoughts about new schemes while India Cements may proceed with the installation of two new kilns having a capacity of 4 lakh tonnes annually only if it became clear that there will be no difficulty in transporting cement from surplus areas in the South to deficit areas in the North. Alternatively, if conditions were more propitious, new units might be set-up in Maharashtra or other areas which had no freight disadvantage from the point of view of consumer centres. It is now generally recognised that there will have to be further expansion only in Rajasthan, Uttar Pradesh, Madhya Pradesh and Bihar as these are the re-

gions which have a deficit in regard to their requirements of cement. In Rajasthan additional capacity has been created in a big way with the exploitation of existing limestone deposits. There are good reserves in Madhya Pradesh, but these are located in inaccessible areas and rapid development cannot take place without creating the required transport facilities. Besides, it will have to be examined whether there will be need for conserving available limestone deposits for feeding the steel plants that are already in operation and those that would come up. With the limitations imposed by the availability of limestone deposits in convenient areas, a conscious effort has been made to bring about a more broad-based and dispersed development. Associated Cement Companies particularly has done commendable work in this regard. Besides increasing its capacity for producing portland cement in many of its units in North Indian States, blast-furnace slag is also being used on a large scale for being intergrinded with portland cement.

In 1970 there was an increase in the rated capacity of all units to 16.26 million tonnes from 14.77 tonnes in 1969. But the output of clinker rose to only 12.60 million tonnes from 11.71 million tonnes because of the difficulty in moving cement. This will be evident from the fact that the cement production rose by only 4.1 lakh tonnes to 13.54 million tonnes. There was thus an accumulation of clinker stocks. A.C.C. accounted for nearly half of the

SIEMENS BAGS CONTRACT TO ELECTRIFY CEMENT PLANT AT KUFA

The little town of Kufa situated on the banks of the river Euphrates in South Iraq has been chosen for the site of a 700-tonnes-per-day wet process cement plant. This will give an industrial boost to this region which till now has been essentially agricultural.

The contract for the entire job on a turn-key basis—except for the civil engineering construction, has been given to Associated Cement Companies Limited. This is especially commendable because this, Rs. 3.7 crores, contract was won in the face of international competition.

Siemens India has been entrusted with the complete electrification of the plant which includes the supply of H.T. and L.T. switchgear, transformers, instrument and control panels, H.T. and L.T. cables—as well as the erection, commissioning and engineering for the whole scheme.

The Jaipur Udyog (Nigeria) Limited

This is a wholly owned subsidiary of The Jaipur Udyog Ltd. It has obtained the Management Agency of the Government-owned cement plant at Ukpilla in the mid-Western State of Nigeria with annual capacity of 1,50,000 tonnes. A team of Indian experts of the Company is already in Nigeria and it is hoped to commission this cement plant very shortly. This venture of exporting cement technical know-how is the first of its kind in the Indian cement industry.

additional capacity in the past year, its total rising to 6.57 million tonnes from 5.88 million tonnes. But there was only a modest increase in the output of clinker to 4.47 million tonnes from 4.28 million tonnes and even a less pronounced increase in cement production to 5.17 million tonnes from 5.07 million tonnes.

It had been earlier expected that production will have to be raised to 18 million tonnes by 1973-74. This, is however, unlikely as it was only 13.54 million tonnes in 1970. There may, at best, be further expansion of capacity to 18-19 million tonnes and even if the industry operated quite efficiently, availability may not be more than 17 million tonnes at the outside limit. If it is argued that currently despatches can be increased by one million tonnes without railway bottleneck, the industry may meet a difficult situation by the end of the Plan by a careful rationalisation of movement and effective use of its capacity. Thereafter, however, serious shortages may emerge if there was no definite policy and apart from the schemes of the Cement Corporation of India, the units in the private sector too were helped to forge ahead. It should be realised that the cement industry will have more important role to play in the new order that is now being proposed and it will be idle to expect that the growth in cement production will be equal to the increase in consumption over a period without adequate profitability and planning. —Meenam

NEED FOR FIRM PRICE POLICY

An anomalous state of affairs exists in the cement industry. Manufacturers in the southern region are experiencing considerable difficulties in utilising their capacities fully and raising production even when there is a large demand for this building material in the North West Region where the open market prices are much higher than the controlled rates. This is because the Government has been unable to formulate a clear-cut price policy and provide the equalisation fund with the necessary resources for pooling freight expenses. The Railways also have not been able to allot the required wagons for the movement of cement from the southern region to Punjab, Haryana, Himachal Pradesh, Uttar Pradesh and even West Bengal.

Cement producers in Tamil Nadu, Andhra Pradesh and Mysore parti-

cularly are worried about the absence of efforts for meeting the growing demand for cement with a rationalisation of the movement of railway wagons and the prompt payment to the select units concerned towards the extra freight charges incurred by them in transporting cement to consuming centres in distant regions. The Government is, no doubt, in an awkward situation as vexatious litigation has been going on for the past three years and it has not yet been possible to take a definite decision about how retention prices should be paid to the old and new entrants. A uniform price of Rs. 100 per tonne is now being paid to all cement units. Only a marginal increase in prices has been effected to off-set the increase in production costs and freight charges and hence the amount credited to the freight pool is not adequate for

compensating the producers for the additional expenses incurred by them towards freight charges.

Movement Restrictions Affect Production

If only cement could be moved freely to different parts of the country, there can be an increase in consumption by over 5 lakh tonnes annually and even 1 million tonnes under favourable circumstances. With the prospect of a larger Plan outlay in 1971-72 and greater emphasis on the construction of residential houses, there is bound to be a big improvement in the demand for cement in the coming months. It is roughly estimated that the cement units in Tamil Nadu, Mysore and Andhra Pradesh, which have an aggregate capacity of

6 million tonnes among them are utilising only less than 80 per cent of the rated capacity. This would mean that more than a million tonnes of output is being lost either due to labour trouble, operating inefficiency or the difficulty in transporting cement by rail over long distances.

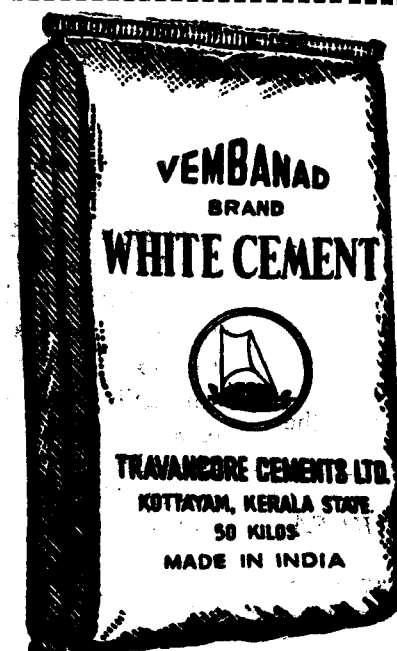
Delayed Disbursements

There will be a big increase in demand in the current year with a boom in the construction of houses, road building programmes and implementation of irrigation and power projects. Luckily, the industry has got the required capacity at the present moment and output can be stepped up on the required scale for the next one or two

years. But an impossible situation will arise in the remaining three quarters of 1971 if there was no advance planning and the Government did not also take a decision about the reimbursement of the additional expenses incurred by cement users on account of freight charges. There is already a complaint that the amounts due from the Government on this account are outstanding for a long time and the ways and means position of many cement units have been considerably strained because of these outstandings raising capital expenditure on new projects and accumulation of stocks.

Government should anticipate the difficulties that will arise in the coming

years and formulate price policies in a realistic manner and also make arrangements for transporting cement from the surplus to the deficit regions. Without intelligent anticipation serious shortages may emerge after two or three years. This is because the cement units have completed the expansion schemes formulated some time back and are prepared to embark on fresh schemes. There is no longer any controversy about how the industries should be developed as it is recognised that new capacity should be created in deficit regions to the maximum extent possible. Undue anxiety for dispersed development should not retard natural growth and the emergence of needless shortages. (FOC)



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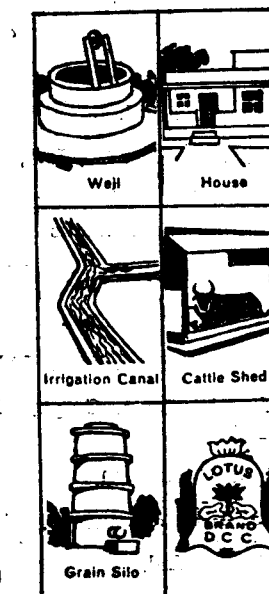
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TREND OF CEMENT PRODUCTION

1969-70

Sl. No.	Name of Member	Rated capacity	Cement ground Performance during 1970	% age of cement production to capacity Col. 4 × 100 Col. 3	Rated capacity	Performance during 1969 Cement ground Col. 7 × 100 Col. 6	% of cement production to capacity Col. 7 × 100 Col. 8
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	The Associated Cement Cos. Ltd.	65,67,540	51,73,601	78.7	58,81,828	50,65,385	86.1
2.	The Andhra Cement Co. Ltd.	2,34,750	1,88,793	80.4	1,89,000	1,92,153	101.6
3.	The K.C.P. Ltd.	2,54,000	2,03,713	80.2	2,54,000	1,76,023	69.3
4.	Kesoram Cement	2,00,000	2,47,120	123.5	2,21,000	1,65,408	74.8
5.	Panyam Cements & Min. Ind. Ltd.	3,78,000	3,13,455	82.9	3,78,000	3,43,318	90.8
6.	Bagalkot Udyog Ltd.	2,52,000	2,18,355	86.6	1,98,000	2,01,385	101.7
7.	Mysore Cements Ltd.	4,10,670	3,86,607	94.1	4,00,000	3,02,667	75.6
8.	Mysore Iron & Steel Ltd.	88,965	81,446	91.5	89,000	82,723	92.9
9.	The Travancore Cements Ltd.	50,800	47,198	92.9	50,800	52,241	102.8
10.	Chettinad Cement Corporation Ltd.	2,33,330	2,00,407	85.9	2,00,000	1,92,662	96.3
11.	Dalmia Cement (Bharat) Ltd.	4,67,040	5,03,539	107.8	4,67,040	5,24,122	112.2
12.	India Cements Ltd., Talaiyuthu	8,13,000	6,59,551	81.1	6,29,546	5,13,902	81.6
13.	The India Cements Ltd., Sankaridrug	4,00,000	4,28,159	107.0	4,00,000	4,84,431	121.1
14.	Madras Cements Ltd.	1,90,000	2,00,900	105.7	1,90,000	1,91,700	100.8
15.	Tamilnadu Cements	1,83,330	36,722	20.0	—	—	—
16.	Ashoka Cement Ltd.	2,00,000	1,64,167	82.0	2,00,000	1,61,762	80.8
17.	Assam Cements Ltd.	82,500	54,900	66.5	—	—	—
18.	The Birla Jute Mfg. Co. Ltd., Satna Cement Works	5,55,000	5,93,366	106.9	5,55,000	5,91,659	106.6
19.	Chittargarh Cement Works	2,00,000	2,34,594	117.2	2,00,000	2,45,434	122.7
20.	The Cement Corpn. of India Ltd. Mandar	80,600	49,623	61.5	—	—	—
21.	Dalmia Dadri Cement Ltd.	1,93,200	2,14,138	110.8	1,93,200	2,08,020	107.6
22.	The Hindustan Sugar Mills Ltd.	1,68,215	76,127	45.2	—	—	—
23.	The Industrial Devp. Corpn. of Orissa Ltd	4,00,000	2,43,057	60.7	4,00,000	2,01,780	50.4
24.	The Jaipur Udyog Ltd.	10,22,000	7,80,087	76.3	10,22,000	8,87,194	86.8
25.	Kalyanpur Lime & Cement Works Ltd.	3,50,000	2,62,426	74.9	3,50,000	2,62,731	75.0
26.	Orissa Cement Ltd.	4,01,000	3,83,555	95.6	4,01,000	4,53,669	113.1
27.	Rohtas Industries Ltd.	3,15,000	3,14,680	99.8	3,15,000	3,09,514	98.2
28.	Saurashtra Cement & Chem. Ind. Ltd.	5,13,665	4,00,409	77.9	5,33,000	4,49,020	84.2
29.	Shree Digvijay Cement Co. Ltd.	8,40,000	7,37,844	87.8	8,40,000	6,76,071	80.4
30.	Sone Valley Portland Cement Co., Ltd.	2,15,000	1,44,026	66.9	2,16,000	1,95,359	90.8
Total		1,62,59,605	1,35,42,565	83.2	1,47,72,414	1,31,30,333	88.8

SIZABLE CEMENT CAPACITY IN SOUTH

Abundant availability of the main raw material, namely, limestone, has conferred a natural advantage on the development of the cement industry in the southern region. The operation of a freight pool system has also

enabled the cement units in the region to market without difficulty their surplus production, after meeting the regional requirements, in the deficit areas of North India and even export increasing quantities to neighbouring

countries like Ceylon. The units in the southern region comprising Tamil Nadu, Andhra Pradesh, Mysore and Kerala account for about 40 per cent of the country's cement capacity and this proportion would have been much

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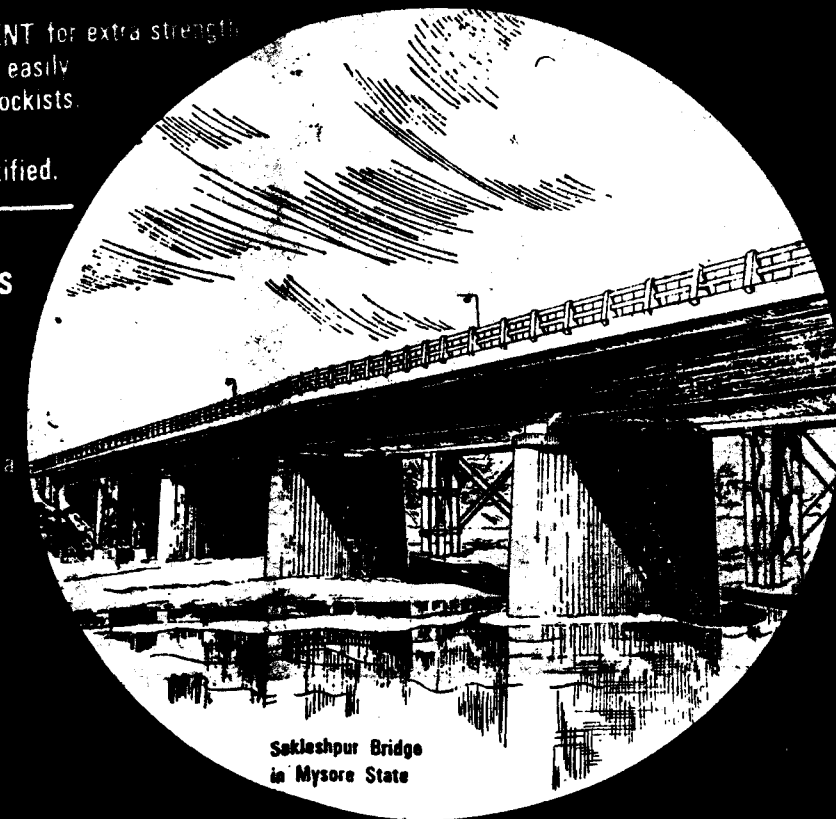
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higher by now but for the slow-down in demand for some years in the wake of the recession.

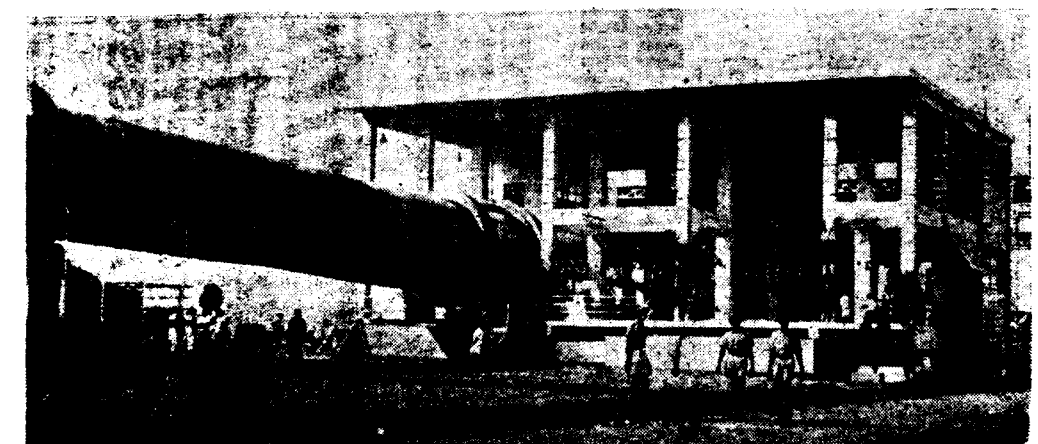
The Biggest in the Region

India Cements Limited which operates its factories in Thalayuthu (Sankar Nagar) in Tirunelveli district and Sankaridrug in Salem district, both in Tamil Nadu, is by far the biggest in the region. The company has an ambitious scheme to create additional capacity for one million tonnes over a period. The first phase which is virtually completed entailed establishment of two more kiln at Sankarnagar taking the capacity there from 5 lakh tonnes to 9 lakh tonnes per annum. The third new kiln at Sankari nearing completion, will raise the capacity there from 4 lakhs tonnes to 6 lakhs tonnes.

Output of clinker and cement at both factories in 1970-71 is expected to be much higher than in 1969-70. In

1969-70 the Sankarnagar unit produced 5.42 lakh tonnes of clinker and 5.14 lakh tonnes of cement and the Sankari unit 4.38 lakh tonnes of clinker and 4.77 lakh tonnes of cement. The two additional kilns at Sankarnagar would be contributing much more in the latest year to the total output and earnings. The company manufactures

both Portland and Pozzolana cement. Dalmia Cement (Bharat) Limited, has a capacity to produce 4.7 lakh tonnes at its factory at Dalmiapuram near Tiruchi from three kilns. But production has averaged over 5 lakh tonnes. The company has also other interests. The dead burnt magnesite plant at Salem which meets the



Kiln with Burners Platform at Chettinad Cement Corporation Ltd.

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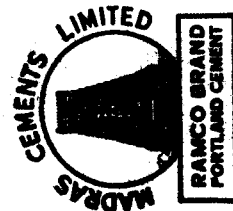
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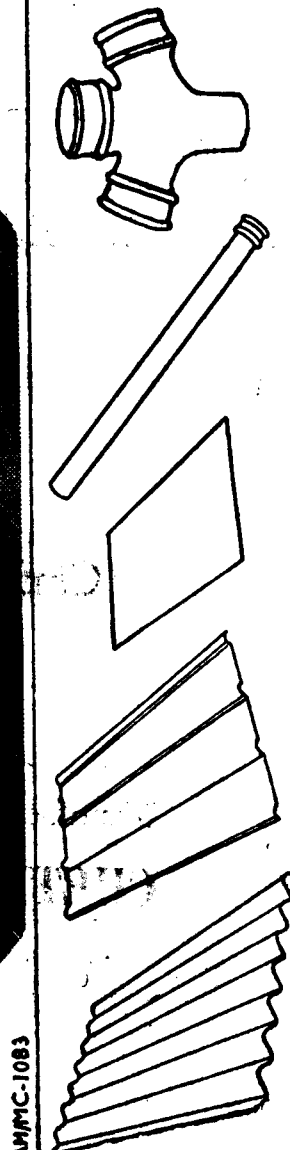
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INDUSTRIAL ECONOMIST

refractory requirements of steel units is being expanded to 72,000 tonnes from 36,000 tonnes. Dalmia Cement has also been deriving considerable benefit from its cashew exports.

Associated Cement Companies Limited has four of its units in the South-Madukkarai in Tamil Nadu, Shahabad and Mancherla in Andhra Pradesh and a new unit at Wadi in Mysore State. The Madukkarai unit which had a capacity of 2.82 lakh tonnes will be able to increase its output to 4 lakh tonnes a year with the installation of a kiln shifted from the group's Patiala unit. The Wadi unit has also completed its expansion and has at present a capacity of 4 lakh tonnes. The Shahabad Heavy Engineering unit manufactures cement and other industrial machinery. A.C.C. is also setting up two granulated fertilizer units a Krishna and Sevalia with 50,000 tonnes capacity.

A New Comer Operates Profitably

Madras Cements Limited, a new-comer, has its factory at Thulukkappatti in Ramanathapuram district. Though the capacity is only 2 lakh tonnes, the company has been operating on a fairly profitable basis as its output has been kept at a high level. Production of cement in 1969-70 actually exceeded capacity at 2.10 lakh tonnes though

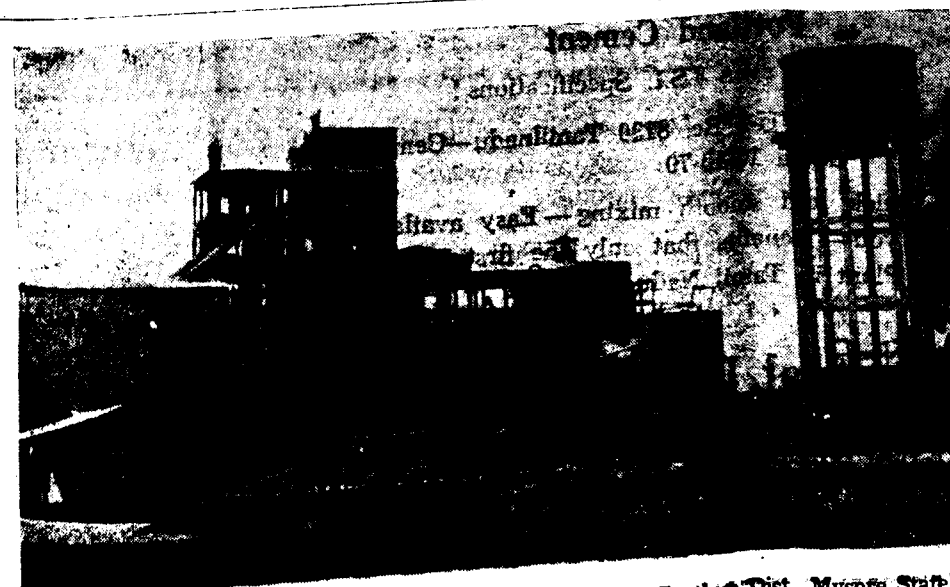
clinker production was only 1.85 lakh tonnes as there were accumulated stocks of the latter. There is a proposal to switch over to the dry process from wet process and at the same time raise the effective capacity by two-thirds by modernising the existing machinery.

Chettinad Cement Corporation has also been able to utilise the capacity of its Karur unit effectively in 1969-70, with output exceeding the rated capacity of 2 lakh tonnes. The profitability of operations will improve distinctly in the current year (1971-72) as the second kiln with a capacity of 2 lakh tonnes will be in operation for the whole year.

The first unit of Tamilnad Cements at Alangulam, a State-owned undertaking, with a capacity of 2 lakh tonnes, went into production in February last year. The second unit of similar capacity will be adding to the company's production substantially with current year (1971-72).

Impressive Performance

But the most impressive performance has been by Mysore Cements, which after the change in management a few years back, has been put on a sound footing and has started earning sizable profits and paying attractive dividends. The factory in Ammasandra



View of Mysore Cements Ltd. factory near Ammasandra (Tumkur Dist., Mysore State)

CEMENT SUPPLEMENT

in Tumkur District of Mysore State has a capacity of 4 lakh tonnes. The use of dry process for making cement has been highly profitable. There is a scheme to put up a new unit in a deficit area like Madhya Pradesh. An application has been made to the Madhya Pradesh Government for a mining lease as adequate limestone deposits have been located near Itarsi.

Bagalkot Cements also in Mysore State has been able to achieve improved production after affecting major repairs and rehabilitation of its plant. It has taken up an expansion scheme which will raise its capacity to 4.3 lakh tonnes of cement including blast furnace slag cement from the present 2.5 lakh tonnes and production will go upto 5 lakh tonnes after switch over to dry process, now being done.

Mysore Iron and Steel, a State-owned company, has also a small cement unit with a capacity of 90,000 tonnes. There is also the unit of Cement Corporation of India coming up in the State, with a capacity of 2 lakh tonnes.

The only cement plant in Kerala is the small-sized unit of Travancore Cements near Kottayam with a capacity of 50,000 tonnes of white cement. The company has no expansion plans.

Besides the A.C.C. unit at Mancherla and Shahabad, there are four units in Andhra Pradesh. The plant of Rayam Cements and Mineral Industries in Kurnool district had some difficulty last year in utilising its expanded capacity of 3.6 lakh tonnes due to acute shortage of water and serious teething trouble with the new kiln.

Andhra Cement's unit at Vijayawada and K.C.P.'s Macherla factory have not been able to utilise their capacity of 2.3 lakh and 2.5 lakh tonnes fully and their output has been around 1.90 lakh tonnes each. Kesaram Industries has also commissioned its factory in Telengana. The first kiln has already started contributing to the company's turnover. The second kiln with another 2 lakh tonnes capacity is being installed and may be ready shortly.

THE DEVELOPING DALA COMPLEX

By P. KUMAR

The Geological Survey of India found out the existence of limestone quarries in Mirzapur district, U.P. in 1961-62. There is already cement factory at Churk, which draws its essential raw materials from the mines of Ghurma. The Geological Survey of India suggested to the Government of Uttar Pradesh two places for the establishment of a cement factory viz., Dehradun and Dala. The idea of Dehradun had to be dropped because of paucity of industrial power. The choice fell on Dala because of availability of raw materials, power, water and labour. The Government of U.P. decided in 1964 to take up the work of construction in three phases.

Limestone quarries are situated at Kajarhat, about a mile away from Dala. The limestone resources are expected to be sufficient to meet the require-

ments of the factory for about 100 years. The local limestone is of a superior quality. For the present, two hillocks are being blasted simultaneously to ensure proper blending. The life of these hillocks is estimated to be 15 years.

The plant was supplied, after global tenders, by Messrs. F. L. C. (Five Lille Cail) Company of France, in collaboration with Messrs. International Equipment Corporation, New Delhi. The F.L.C. Co. also sent four French Engineers to look after the work of lay out. The work is nearing completion and the production of cement is likely to start, after inauguration, very soon.

The entire project is to be completed in three phases. In the first phase, the expenditure will be Rs. 11.4 crores

and the rated capacity will be 1,200 metric tonnes (i.e., about 24,000 bags) of cement per day. In the second phase, the total expenditure will increase to Rs. 19.4 crores and the rated capacity will expand to 2,400 metric tonnes of cement per day. In the third phase, the total amount spent will increase to 25 crores and the rated capacity will be expanded to 3,600 metric tonnes of cement per day. It is remarkable that the daily production capacity of the Churk cement factory is 28,000 metric tonnes per day. This expenditure relates only to the factory. After completion of the first phase, the factory is likely to employ about 1,000 whole-time skilled and unskilled workers. On completion of the three phases, the factory is likely to provide permanent employment to about 2,000 workers.



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BREAKTHROUGH IN EXPORT FRONT

The achievement of a growth rate of 8.5 per cent in exports in 1970-71 against 4.8 per cent in 1969-70 under extremely difficult circumstances has given rise to confident expectations in Government circles that the Plan target of 7 per cent for growth in exports for the Fourth Plan can be fulfilled. The recovery in the latter half of 1970-71 has come about in an unexpected manner as upto November last year there was no indication that the ground lost in the earlier months would be regained. Actually in April-September 1970 exports were lower by Rs. 20 crores as compared to the corresponding period in 1969, the value of exports for the previous six month period being Rs. 799.11 crores. The earlier shortfall was of course due to a prolonged strike at the Calcutta port which by itself accounted for a drop in the value of exports by Rs. 40 crores. The clearing of the accumulated stocks of tea and gunnies after August and an increase in exports of engineering goods and iron ore along with other items actually enabled the country to have a favourable balance of trade of Rs. 25 crores in the last quarter of 1970. The level of exports for December 1970 at over Rs. 151 crores actually constituted a new record, and with maintenance of the upward trend, in the first three months of this year, it is now estimated that total exports for 1970-71 will be Rs. 1530 crores, against Rs. 1413 crores in 1969-70. According to provisional figures, exports in the eleven months ended February 1970 amounted to Rs. 1395 crores and it is estimated that in March exports would be at least Rs. 135 crores. The total is thus expected to be Rs. 1530 crores giving an increase of around 8.5 per cent. This would mean that in October-March of 1970-71, exports rose by Rs. 137 crores compared to the same period in 1969-70.

There were larger exports of iron ore, engineering goods, chemicals and plastic products, ready-made garments and hosiery goods. There was actually a decline in value of exports of gunnies. This clearly indicates that non-traditional exports have been helpful in boosting value. It has also been indicated that the unit prices for tea and engineering goods were encouraging. There was a revival in demand for tea in the international market while with the increase in world steel prices, engineering goods could be sold more remuneratively.

What is however more interesting is the demand for non-traditional products in the Middle East, African and Asian countries. Though it is stated that there was a decline in exports to USA, UK and West European countries, Japan and Australia did a much larger volume of business while there was an expansion of the trade with the East European countries. In the absence of full data relating to the direction of trade, it is difficult to say whether there was a significant increase in the quantum of free foreign exchange earnings; but even after allowing for a larger trade on rupee payment basis there should have been larger free foreign exchange earnings. As there is an unsatisfied demand for engineering products and Indian firms and technical experts can execute turn-key projects in African countries and South East Asia, there is scope for increasing exports under these heads by even Rs. 50 crores in 1971-72. What is needed is easier availability of steel and non-ferrous metals so that exports of machinery and electrical equipment can be increased.

The outlook for 1971-72 can, therefore, be viewed with optimism though in order to overcome the slack of the first year of the plan period, an increase in exports of over

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10 per cent will have to be achieved. This would mean, on a larger base, a more strenuous effort as additional exports will have to be for Rs. 153 crores, against Rs. 117 crores in 1970-71. Engineering goods, iron ore, chemicals and other items can probably account for Rs. 100 crores. It is possible to fulfil export targets indicated above with larger exports of gunnies, tea and coffee. Tea exports have

been looking up while coffee exports can be raised easily as a result of a bumper crop. It is necessary to boost internal production of steel, aluminium and other industrial raw materials. The improved climate in the international market can be advantageously exploited if only there was a growth in industrial production also by over 10 per cent in 1971-72 against only about 6 per cent in 1970-71.

GUIDELINES FOR FINANCIAL CORPORATIONS

The Union Cabinet has, after prolonged consideration, decided to issue broad guidelines to the statutory financial corporations about how loans should be converted into equities when fresh assistance is given to industrial units in the private sector. There can certainly be no objection to the issue of convertible debentures or stipulations for converting specified proportions of new loans into equities, but the feeling somehow gained ground that the Government is trying to exploit its monopolistic position to its advantage and before long there would be a dominant ownership of shareholdings in the industrial units and there can also be interference with day-to-day management of all major companies. Hitherto the policy of the Life Insurance Corporation and other lending institutions has been to refrain from participating actually in the management of industrial units, in which they were vitally interested. But the opinion in Government circles is in favour of active participation and deriving the best advantage out of the investment that has already been made in prominent industrial units.

With the nationalisation of banks and the control by Government of a large proportion of newly created savings in incomes through the Life Insurance Corporation and other statutory institutions, the Government will necessarily have to provide a large part of the borrowed funds, of bigger industrial units. And so long as there is heavy incidence of direct taxation, borrowings in the form of debentures, medium term loans and deferred credits will constitute a huge proportion of total capital employed. In fact, with the capital cost of paper mills, aluminium units, petro-chemicals, fertilizer and other units being high, there is anxiety to have large borrowings. In the case of a new big venture which will be raising its resources shortly, the debt equity ratio will be even higher than 2:1. There will necessarily be foreign credits and rupee loans coming from Government owned sources.

As the broad guidelines fail to lay down specific procedures, it has to be only stated that the statutory corporations comprising the Life Insurance Corporation, the Unit Trust of India, the Industrial Development Bank, the Industrial Credit and Investment Corporation and the Industrial Finance Corporation may not insist on conversion of new loans where the amounts did not exceed Rs. 25 lakhs. Where the loans range between Rs. 25 and Rs. 50

lakhs, discretionary powers have been given while there will be compulsion to convert at least a small proportion of new loans if they were above Rs. 50 lakhs.

It has not been clarified whether the Government-owned corporations will be entitled to convert any portion of debentures of industrial units even where the debt equity ratio was less than 1:1. Also where debentures were offered will the public be entitled to similar conversion terms or will they be available only for the privileged lenders?

These doubts still persist and there will be preparedness on the part of industrial borrowers to seek the assistance of the statutory corporations only if it is known that borrowing from these sources will not be costly, ultimately.

There is also no rational approach to the question of the premium for conversion as it is being fixed at a very low level when the market quotation is very high. This insistence has created complications, and the foreign collaborators are insisting that their share in the equity capital should not be affected by the conversion of new loans into equities and if these loans had to be taken there should be a corresponding issue of equity shares at a suitable premium which will help the foreign collaborators to avoid a decline in their ownership of the equity capital.

While thinking on what should be the extent of foreign participation in equity capital is undergoing fundamental changes, it is necessary to allay misgivings of industrial borrowers as further development should not be hampered. In the light of experience acceptable procedures can be evolved though it will be advisable to adopt in the earlier stages a cautious approach. The objective should be to ensure a reasonable return on investment over a period and convert only small proportions of loans into equities without affecting the rights of existing shareholders.

On the question of management also the institutional lenders have a right to be represented on the boards of directors and there should be interference with the working of industrial units only if things went wrong. There should be no attempt to seek special privileges or unfair advantages and the guidelines would have served their purpose only if they succeeded in fostering fresh industrial development in the private sector and proved helpful in enlarging the base of the capital market.

Another Successful Year for A.D.B.

The Asian Development Bank can take credit for raising the volume of its development assistance to \$ 384 million in 1970 from \$ 41.6 million in 1968. The Bank has a soft loan window in its special funds and loans made therefrom have aggregated to \$ 55.70 million against \$ 22.0 million in 1969. It may be recalled that the first loan of the A.D.B. was made in January 1968. The concessional loans in the last year (1970) were availed of by Afghanistan, Cambodia, Indonesia, Laos, Malaysia, Nepal, Singapore and the Republic of Vietnam. The A.D.B. is only seeking to function as the World Bank in miniature in the South East Asian region. Like the World Bank, the A.D.B. has been diversifying its activities and enlarging the proportion of concessional loans in its aggregates of developmental assistance and has been soliciting the support of richer nations in the form of contributions, on a triennial basis, to its Special Funds which are a counterpart of the World Bank's soft loan window, the International Development Association, which operates on the basis of such three year subscriptions.

Increase in Lending Rate

The A.D.B.'s latest annual report records for instance, that "the most significant policy development in the Bank's operations in 1970 was the increase in its regular lending rate from 6½ per cent to 7½ per cent, effective from 28th May." The reasons adduced for the increase are that the yields on long term bonds have gone up by one per cent everywhere, that the costs of two bond issues for 1969 and 1970 were higher than the old lending rate and other international banks like the World Bank, the Inter-American Development Bank and the European Investment Bank had al-

ready raised their lending rates. What is more, the maintenance of a lower rate has led to a tapering off to an insignificant amount the participations in early maturities of loans by bankers in the United States, Europe and Japan. The A.D.B. has made clear that while its new lending rate will apply to all loans approved after May 28, 1970, "in the case of loans to development banks approved prior to that date, it had been agreed that they would be charged the rate prevailing at the time the amount of a subloan was credited to their accounts." However, with the decision to increase the Bank's rate of interest, an offer was made to them of a fixed lending rate of 6½ per cent on the uncommitted portion of their loans and it is reported that development banks have availed of the offer.

The loans advanced this year are assisting a wide spectrum of developmental projects in a large number of countries. The Bank is providing \$ 6.1 million in two loans to Ceylon in respect of the Colombo Port Tanker Berth Project and the tea factory modernisation scheme. The harbour is to be deepened to take tankers up to 60,000 dwt. and a dredger and tugboat are also to be provided. The tea loan is the second such offered to Ceylon and will be used in the construction of factories, installation of machinery and provision of electric power, etc., The A.D.B. is assisting likewise Malaysia's Besut agricultural development project, Nepal's jute development programme and Pakistan's rice milling project and cotton spinning milling project. The list is well nigh endless.

Pre-Investment Surveys

The A.D.B. has also been assisting in making pre-investment surveys. It is completing a regional transport

survey covering Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and the Republic of Vietnam. At the request of the Fourth Ministerial Conference for Economic Development of South East Asia, it has made a policy-oriented study of the economy of the region in the 'seventies. It has on hand a study to ascertain the training facilities currently available to development banks and to examine the possibilities for improvement in this respect. In March 1969, the A.D.B. approved a financial contribution of \$ 300,000 to support the establishment and operation of the proposed Asian Vegetable Research and Development Centre in response to a request from the Government of the Republic of China on behalf of seven participating countries. What is more, the Bank is obtaining from the World Bank and the developed nations such technical help as is warranted by their rich experience in technology. For the first time, the Bank participated with other lenders in 1970 in financing Indonesia's Pusri fertilizer plant. The Bank assisted in the appraisal of the project and shared in the financing, on concessional terms, jointly with the International Development Association, the United States and Japan.

What is crucial so far as India is concerned is the role that she should play in A.D.B.'s developmental activities. It is common knowledge that so far India has kept itself aloof from regional politics as had been on the anvil of recent conferences of other South East Asian countries. The aloofness has created a situation in which India is seemingly turned closer towards Africa and West Asia. The disadvantage of this trend consists in the more viable custom that South East Asia can offer for Indian expertise and goods especially because some of these economies are more sophisticated than those of West Asia or Africa. It is time India woke up to this reality and acted as befits the situation and in accordance with its long term responsibilities of a large Asian nation. —S.R.

Encouraging Trends in Foreign Trade

Recent trends in foreign trade have been quite encouraging and the Union Minister for Trade, Mr. L. N. Mishra is fortunate in being able to enunciate a policy which has ensured continuity of imports of raw materials and components on a liberal scale. But for the strength imparted to the balance of payments position by the improvement in the food situation, and an increase in invisible exports, an extremely difficult situation would have arisen by now with diminishing foreign aid. In spite of larger imports, the deficit for 1970-71 may not be more than Rs. 120 crores against Rs. 157 crores for 1969-70. The deficit for the last financial year would have been even much lower had it not been for the serious shortfall in the output of raw cotton and steel.

It is needless to emphasise the importance of eliminating the weaknesses in the agricultural economy and making the best use of the existing industrial capacity. The fertilizer industry is still functioning inefficiently and imports are still sizable. A balance between exports and imports can be achieved even with a big increase in raw materials and components required for the electrical goods manufacturing industries, tractors and others. The target for growth in exports of 10 per cent can be reached if only Mr. Mohan Kumaramangalam can revitalise the working of Hindustan Steel and other public units and with the availability of large quantities of steel, aluminium and other non-ferrous metals and exports of non-traditional items can be increased. At the same time, on the import front, it should be possible to reduce the outlay on raw cotton, oilseeds and fertilisers which may account for a saving of easily Rs. 100 crores.

Liberal Import Policy

Mr. Mishra is conscious of the need for helping industrial units to secure

their requirements of raw materials and components and the import policy recently announced is the most liberal conceived so far. With the efforts that are likely to be made for disposing of expeditiously applications for imports and the new facilities that will be given to exporting houses, small industries and weak units, there is bound to be a fuller use of industrial capacity in many directions. Mr. Mishra has, however, taken care not to hurt established industries by liberal policy because the process of import substitution is to be carried one step further by the banning of imports of as many as 174 items. The petro-chemical, industries particularly are coming into their own and there are many spheres in which imports can be displaced in a big way. While the mistakes committed immediately after the devaluation of the rupee by flooding imports should be avoided, care should be taken at the same time to prevent the emergence of scarcities. As inflationary pressures can be checked with a better use of existing capacity and an increase in supplies of critical items, it should be the objective of the Government to administer the foreign trade policy in such way as it does not merely meet the marginal needs of export oriented industries but brings about a situation in which unit cost can be reduced with a larger output. This will result in the pricing of the export trade on a more healthy basis and eliminate the complaint voiced in some corners that the exports of some items are causing heavy losses because the Government is not alive to the need for stepping up production of these items.

70% of Import Trade Thro' Govt.

As a result of the latest decision, Government agencies will be canalising through themselves additionally 52 items taking the total to 112 items and it is estimated that by March next

year nearly 70 per cent of the import trade will be handled by many State agencies. Apart from imports of food-grains edible oils and raw cotton, raw cashew, steels of different kinds, intermediates, non-ferrous metals, raw silk and various other items will be imported on a bulk basis. The objective is to derive the benefit for the country of cheaper buying and the leakage of foreign exchange that is reported to be taking place. But the misuse of licences and the inflation of the value of exports might be exaggerated, as in foreign trade relations there are some practices which are difficult to be eradicated. What is needed is competitive buying and efficient selling and the freeing of controls wherever possible. Probably it is difficult to imagine relaxation of foreign exchange controls liberally in the foreseeable future, as there will have to be restricted expenditure on imports in some directions. There will have to be either a quantitative restriction of imports or the levy of heavy revenue duties, which have a restrictive effect.

Unless something is devised by which there can be parallel buying and selling by public sector and private sector agencies, the abuses on either side cannot be prevented. The developments in the last few years clearly show that the techniques of the developed countries have been so perfected that even with the slightest suggestion of shortages, prizes have been wriggled up, by international cartels. This happened in the case of sulphur some time back and aluminium and steel last year. The Government has to be very careful in assuming new responsibilities and it should not hesitate to take advantage of the experience in expertise of important industrial consumers and established importers when taking important decisions. Foreign trade policy must be fashioned not merely at sectionally stimulating exports but for building up an industrial base which will become more integrated. It will be possible to pay for imports through exports in increasing volume.

ECAFE's Concern for Social Justice

This year's session of the Economic Commission for Asia and the Far East at Manila met at the commencement of the Second Development Decade. That explains the predominant stress in the latest annual survey of the ECAFE on the achievements of the 'sixties which comprised the First Development Decade and the prospects for the 'seventies, the ensuing Second Development Decade. The developing economies of the South Asian and South East Asian region represent a mosaic of diverse aspirations and fulfilments. Some of them have been implementing an economic planning programme oriented to the mixed economy pattern in order to ensure a smooth transition from a stagnant past to a dynamic future. The ECAFE developing region, being dominated by India, the progress achieved and the promises ahead of this country have been specially noticed in the annual survey.

The United Nations General Assembly, it may be recalled, in its declaration for the First Development Decade, called on "both developed and developing countries to accelerate progress towards self-sustaining growth of the economy of the individual nations and their social advancement so as to attain in each underdeveloped country a substantial increase in the rate of growth, with each country setting its own target, taking as the objective a minimum annual rate of growth of aggregate national income of 5 per cent at the end of the Decade." It is comforting to record that in the world as a whole, this target has been achieved. There were, however, marked differences in that the growth rate for individual areas has been as: Middle East: 6.5 per cent; Latin America: 4.9 per cent; ECAFE region: 4.4 per cent and Africa: 4.2 per cent.

It is this difference that compels an analysis of actual results so far as the ECAFE's developing region is con-

cerned. The survey notes that, among the right features, the breakthrough in agriculture in a number of developing countries, the financing of development through a larger proportion than usual of domestic resources, the continuance of industrialisation in a manner that improved sectoral viability, the strengthening of the basic infrastructure and the improved competence of administrations for planning and pushing through diverse developmental programmes deserve special mention. The disappointments were the stagnation of per capita income growth at an annual 2 per cent because of increase in population, the stagnation in foreign aid when the demand and capacity for its utilisation had both increased and the accentuation of inequalities.

Limited Benefits

Even the breakthrough in agriculture has been confined to holdings of rich farmers which had good quality soil and assured irrigation facilities. Insofar as improved packages have covered only a segment of even these, the benefits of the agricultural breakthrough should be deemed to be very limited.

When the prosperity of agriculture which was the mainstay of the economy had not percolated to the majority, there could be little social betterment. In the sphere of social expenditure, housing has had a meagre deal. The ECAFE survey cites reports of a nearly 50 per cent increase in the housing shortage, adding that the slum population of Calcutta accounts for half the city's total population. In public health and sanitation, though there has been a considerable advance in the eradication of certain diseases which were previously mass killers, the progress in respect of general medical services and health care has, however, been slow and uneven. Only 11 per cent of the population in

developing regions had protected water supply.

The major worry is about jobs. According to the survey, estimates made for seven Asian countries gave unemployment rates ranging from 5 to 12 per cent and showed that the incidence of under-employment varied between 7.5 and 37 per cent. And unemployment incidence was most severe among the educated youth. Herein lies the seed of social discontent which has all along been nurtured by growing disparities in income and wealth. Much depends on how the unemployment and education problems are solved and inequalities contained within less incendiary limits.

There has been of late considerable awareness in India of deficiencies in education and the aim should be to translate this awareness into action more expeditiously than ever. Without this reform, it will be difficult to prevent universities from manufacturing, as now, prospective clerks of various tiers.

Basically, however, the revival of the economy hinges on the right economic policies being pursued. It is the contention of the ECAFE survey that there is no room for the belief that an increase in inequalities is inevitable before the take-off stage. Hence it calls for land reforms and other social welfare legislation. It sees great concentration of economic power in the industrial sector calling for the vigorous application of anti-monopoly and restrictive trade practices legislation. It considers progressive income taxes as having been robbed of their teeth by excessive concessions in respect of savings and investment. It deems excessive resort to credit creation for financing development as having accentuated income inequalities in a number of countries through unleashing inflationary pressures, while absence of scientific manpower planning has inhibited the creation of job opportunities in the dimension necessary to nutguate the qualities.

—R.S.

Glimpses....

By P. R. SRINIVAS

A Great Moral Victory

The developments relating to East Bengal's bid for independence have in every respect followed a ding-dong course which despite the balance in favour of Bangla Desh, makes it difficult to appraise the position or foresee the trends with any accuracy. To those who thought that the "rebels" in East Bengal had no chance against the military might of West Pakistan, the manner in which Sheikh Mujibur Rahman and his followers have been able to hold their ground and even inflict reverses on Pakistan's armed forces would, no doubt, be a welcome surprise. But whether, in the event of indefinite continuance of armed hostilities, Bangla Desh would be able to secure a military triumph is subject to more or less the same doubt as at the beginning. The declaration of independent Bangla Desh, the maintenance of a Mukti Fouj and the assumption of all the formalities and panoply of a duly constituted Government, while the West Pakistan army continues to massacre unarmed civilian population, must in themselves be reckoned a great moral victory.

There is no doubt that the fight put up by the people of East Bengal has had its effect in mollifying the rigidity of the pose of legality which the Western powers thought it proper and wise to adopt in relation to the uprising in East Bengal. It is also possible that, once Russia has stepped down from the fence, the U.S., Britain and the other nations would be inclined to follow the same course, though in more furtive ways. American opinion is shocked, for the first time, at the gross abuse of U.S. arms and ammunition by Pakistan and recognises the bearing which their instrumentality in the massacre of its own citizens in East Bengal has on its attitude

of aloofness on grounds of non-interference in internal affairs. While a war of attrition, with organised commando activity, is still a possibility, more successes for the "rebel" forces, now heart-searchings in the foreign Ministries of European powers and imminent collapse of Pakistan's national economy, particularly in respect of foreign exchange, point to some swift moves comparable to Soviet Russia's action in the war over the Suez Canal. India, in the meanwhile has her hands full with Pakistan's mounting charges against India and the diplomatic situation created by the Pak. Deputy High Commission in Calcutta declaring its allegiance to the Democratic Republic of Bangla Desh and proceeding to function as such. After ignoring the "silent" group for some time, the Government of Pakistan has appointed a new Deputy High Commissioner and asked for the Calcutta premises of the office to be handed over to the new incumbent. The Indian Government has taken the position that, while it will accept the change in the Deputy High Commissionership, it must consider the eviction of its present occupants an "internal affair" of Pakistan. Well might the Indian Foreign Minister say to the Pakistan Ministry "I thank thee, Jew, for teaching me that word!"

Regional Self-reliance and Intra-regional Co-operation

Mr. Ferdinand Marcos, the Philippines President of this year's session of the ECAFE has only slightly reduced the traditional emphasis on the necessity of foreign aid for the economic development of the countries of the region. And what is more, he is inclined to harp on the old theme about the gap between the richer and poorer nations which, he added, is not likely

to close in the foreseeable future. The gap is, one may be sure, gauged on the per capita income of the various countries estimated by the accepted statistical methods. But comparisons with the wealth and ways of life of the Western countries are pointless since, for one thing, their standards are impossible to attain in the countries of this region and for another, they are neither necessary nor, perhaps, even desirable. The well-being of the people, from the subjective and the objective angles rather than the per capita consumption of all the costly gadgets of labour-scarce countries of the West, should be the goal of economic policies of the developing countries. And such well-being is not difficult to achieve, if the traditional lines of thought are abandoned in favour of new ones.

The habit of regarding large scale foreign aid as the indispensable means of securing development apparently dies hard. Mr. Marcos attributes the virtual certainty of the gap perpetuating itself to what he calls "the trial of poverty", namely, the onerous terms of foreign aid, inclusive of the tying of loans, the persistence of barriers to trade with the advanced industrial nations and the growing need for international resources for the development of the ECAFE countries while the relevant facts are incontrovertible, it is time that the countries of this region put more stress on self-reliance than trade or aid from the Western nations, if only because there is little gained by persisting in the old attitude. The donors are bound to consider the advantages and disadvantages of proffering aid to the developing countries. The promptings of enlightened self-interest will not be exaggerated, if they are not ignored altogether. Tied loans only signify the anxiety to secure some incidental advantages for industry and trade at home. Trade barriers are not going to be lowered to lever up industry abroad. While some help from abroad may be expected in spite of all this, too much reliance should not be put

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on trade or aid from countries outside the region. Fortunately, self-reliance is not the same irritatingly empty platitude that it was even a decade and a half ago. While the economies of

most countries of the region are by no means complementary, the presence of Japan, an advanced industrial nation in the region and the industrial development of India open up new vistas

of intra-regional co-operation which increase vastly the effectiveness of regional self-reliance. It is heartening to find that Mr. Marcos calling on the ECAFE to marshal its resources

Constraints on a Dominant Sector

Both the Prime Minister and Mr. D. C. Kothari were quite cautious not to tread on sore toes while addressing the recent annual session in New Delhi of the Federation of Indian Chambers of Commerce and Industry. The Prime Minister was of the view that whatever growth is achieved by the economy has to come through whatever competence and drive which the private sector reflected. This was because, according to her, 85 per cent of the economy was in that sector. This arithmetic may appear startling at first sight. For, one would recall to his mind how the Railways and public sector corporations are accounting almost for a 50 per cent share. Perhaps if the Railways were excluded and the aggregates included only other public sector enterprises and 20,000 or more private sector units, the ratio could work out between the private sector and the public sector to be as 2:1. If the Prime Minister's calculation represents the correct position, it could only be by including the farm sector where private entrepreneurship is the order of the day.

Legacy of the Second World War

The quarrel is not, however, certainly over the shares of the two sectors. For what is imperative is to know who should contribute how much. On this the Prime Minister seems to have taken the stand that, since private enterprise dominates the economy, its failure to live upto the goals set in the Plan would justify the encroachment of the State into that field. It is in this context that Mr.

Kothari has highlighted some familiar constraints on private entrepreneurship. Prime position in this regard should be given to the system of Government regulation of industry. It is nobody's case that, in the second half of the century, there should be pristine *laissez-faire*. Indeed the world has travelled so far away from it and, in the ruling circumstances of its sophisticated living, it cannot breathe without a high degree of statism roped in for delivering social good. But the point is whether the controls currently imposed on Indian industry are devised aright towards this end. The major part of these controls is a legacy of the Second World War. There have been progressive additions to them ever since. The process has gone on so irrationally that there is a multiplicity of controls which, apart from their being a paradise for lawyers, hit the nose at every turn. Indeed as Mr. Kothari put it, the entrepreneur is "unable to do any creative activity without stumbling across some rigid rule or other."

Another problem on which there has been considerable regional interest is the degree of fiscal or other autonomy that the regions should have. In his address, Mr. Kothari has suggested that the various States can be allocated a certain amount of foreign exchange as also certain powers of licensing so that such decentralisation would ensure speedier disposal of applications and quicker establishment and expansion of industries. There can be no surer way to confusion than this. Indeed as the Prime Minister

cautioned, "we have a national market and the allocation of foreign exchange must be fitted into an overall scheme of national priorities." Those who have been observing the implementation of planning decisions at the grass-roots will concede that lapses have been the result not of deficiency of fiscal power but of the willingness to push through at the requisite speed the programmes that fall within regional jurisdiction. In any case the external reserves of the nation are not so abundant and the case against centralisation so strong as to merit the type of autonomy which the outgoing president of the FICCI has called for.

Setting up Export-Import Bank

The other issues touched upon at the inaugural session related to industrial relations and exports. On the former, there will be general agreement with the suggestion of Mr. Kothari that there should be some closer link than now between wage increase and productivity. The formula for this cannot be universal, though certain general principles in this regard can be identified. But the point is that the unions, employers and the Government should begin a dialogue on this question as early as possible so that the machinery of production is not put in the reverse gear because of disturbed industrial peace. As for exports, Mr. Kothari has asked for the setting up of an Export-Import Bank which can have tie up arrangements with the World Bank so that a scheme of refinancing export credits by the World Bank itself or by the Central Banks of developed countries can be evolved. The Government, for reasons best known to itself, has so far been unreceptive to this idea. —PRS

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S.T.C. Moves Ahead

The State Trading Corporation has maintained steady improvement in its foreign trade business. Its exports were around Rs. 70 crores in 1970-71 against Rs. 55.10 crores in 1969-70 while its imports stood at Rs. 140 crores against Rs. 102.60 crores in the same period. Domestic business (internal trade transactions) accounted for Rs. 5 crores in 1970-71 against Rs. 5.40 crores in the previous year, thus raising the total volume of S.T.C. business to Rs. 215 crores in 1970-71 against Rs. 163.10 crores in 1969-70. According to S.T.C.'s estimates, the trade figure for 1971-72 will be Rs. 270.80 crores composed of exports worth Rs. 90 crores, imports Rs. 175 crores and internal trade Rs. 5.80 crores. Thus while exports rose by 27 per cent and imports by 37 per cent in 1970-71, the corresponding growth rate will be respectively 28 per cent and 25 per cent in 1971-72. Exports now account for half the value of imports. Gross trading profit in 1970-71 was Rs. 16.54 crores (Rs. 16.75 crores in 1969-70). The S.T.C. Chairman, Mr. P. Tandon has stated that the Corporation's developmental export losses at Rs. 5.5 crores in 1970-71 were above last year's Rs. 1.8 crores and that next year the losses would be cut back to Rs. 1.7 crores. Profit estimated for next year is Rs. 13.71 crores which is expected to be exceeded in actual practice.

Costs-Sales Ratio Encouraging

As an administrative organisation, great interest attaches to the costs-sales ratio. Details provided in this respect are encouraging. The ratio of total costs to sales was 2.4 per cent in the current year and is budgeted to go down to 1.9 per cent next year. In money terms total costs in 1970-71 were Rs. 5.1 crores against Rs. 4.5 crores last year. The rise was due to in-

crease in wages, new office accommodation for headquarters unit in New Delhi, opening of new foreign offices and higher insurance and interest charges. It is expected that total costs including all overheads, warehousing interest charges, etc., will go up very little to Rs. 5.2 crores and that the virtually stationary trend in costs in recent years will be repeated. What is important is that the special virtue of a stationary trend inheres a progressive increase in business turnover vis-a-vis that stability. Though there can be no denying of the improvement in the sales competence of the S.T.C., it can hardly be overlooked that the S.T.C.'s special position as a monopolistic trading agency (which is further reinforced by the pressures of ideological stances in favour of public sector units) has conferred certain special advantages which, according to knowledgeable critics, are yet to be adequately reflected in its price-policies.

Among the sales items, S.T.C. has done particularly well in respect of its agricultural products. Exports of these have increased to Rs. 13.5 crores against Rs. 10.98 crores in 1969-70 while the figure for imports is Rs. 57 crores for 1970-71 against Rs. 45.6 crores in 1969-70. The S.T.C. Chairman has clarified in this connection that the Corporation's main business relates to sugar, rice and pulses in which international traditions are excessively competitive. In order to offset any unfavourable results on this score, the S.T.C. is planning to take up business in new lines comprising fruits, flowers, vegetables, processed foods, herbs, timber, tea and coffee where it can effectively utilise its marketing skills. In sugar, S.T.C. loses heavily because the international price is very much lower than internal price and the loss is offset through premium imports. While rice exports fared well, those of

pulses had not been good enough. It is reported that the Corporation has sold fruits, vegetables, oranges and onion to Singapore, that mango sales abroad have doubled and that rose exports this year will remain a holding operation until the two-lakh new plants begin to flower next season.

Slackening Export Efforts

The wagon deal being what it is, there is little surprise that the Railway Equipment Division did not manage to export actually anything during the year, but enough is in gestation to show results next year. Its search for new orders gathered momentum and a contract for 3,600 wagons, the largest ever, was won in Yugoslavia. The Engineering Division's export pace has slackened and it will improve provided steel becomes easily available. It may be recalled that the export turnover of this Division in 1968-69 was only Rs. 0.83 crores. It was pushed to Rs. 8.92 crores in 1969-70 and is likely to be Rs. 9.50 crores now, the restraint being shortage of steel billets. Export of textile machinery for the S.T.C. turnkey contract with the United Arab Republic was maintained and new contracts were signed. A variety of new goods—power cables, alloy conductors and aluminium extrusions—were also begun to be exported. Of great significance in this regard is the contract for supplying steel castings to the United Kingdom. An important development has been the setting up of a turnkey department in this Division to organise consortia of manufacturers for quoting in international tenders. Such contracts are being probed for in respect of heavy and light engineering goods.

In respect of chemicals, it may be recalled that the formation of Minerals and Metal Trading Corporation has transferred to it fertilizer imports from the S.T.C. The latter is now trading in chemicals worth Rs. 25 crores against Rs. 12.62 crores. Sales of

cement in the Middle East, our natural market, have picked up to 340,000 tonnes from 115,000 tonnes last year. Because of this year's sugar surplus, exports of molasses and alcohol were revived through selling 135,000 tonnes of molasses and 13,000 tonnes of alcohol. In salt, Japan, our principal buyer, did not buy at all because of adverse freight. This will reduce exports to 400,000 tonnes from 600,000 tonnes. The position is being retrieved through developing new markets in Taiwan and South Korea. The U.S.S.R. began buying Indian synthetic detergents through the S.T.C. after a lapse of 3 years. Some non-traditional

exports of drugs and pharmaceuticals have also been developed.

In respect of raw materials, the import policy for 1970-71 providing for the canalisation of these imports through the IRMAC (Industrial Raw Materials Assistance Centre) seeks to distribute them through the S.T.C. off-the-shelf at competitive prices. This IRMAC is to develop later as an indenting house. It was given certain advance licences under free foreign exchange, rupee, AID and credit sources. Certain items like tool and alloy steels, graphite electrodes, hot rolled sheets in coils and cold rolled and cold

annealed sheets and several chemicals like nitro cellulose cotton, phthalic anhydride, sodium cyanide, etc., were identified for import in consultation with industry. Contracts concluded were Rs. 4.16 crores, while sales by IRMAC were Rs. 2 crores. In leatherware, exports of shoes at 1.5 million pairs fetched Rs. 6 crores in 1970-71 against 1 million pairs fetching Rs. 3.97 crores. Russia is the principal buyer. Exports of shoe uppers to the United States faced bottlenecks, the main problem being the long freight lead. Once jumbo jets begin operating and these exports are airlifted, this difficulty will disappear.

THE CITY CORNER:

Inter-city Express Trains

Fast inter-city express trains connecting Madras with important Southern cities will be a reality soon. Already two such trains are being operated between Madras and Bangalore (Brindavan Express) and Madras and Madurai (Pandyan Express) by the Southern Railway.

The Railway's General Manager, Mr. P. C. Mathew at a Railway Week meeting said that the inter-city east express trains would be in operation as soon as rolling stock and diesel locomotives were available.

He also announced that the Railway had increased its revenue earnings by Rs. 10 crores during the year 1970-71 and the current year is likely to show an increase in earnings of Rs. 20 crores.

More Powers for Centre....

An important Minister of the Central Cabinet has given his comments on the frequently voiced demand of the DMK for more powers for the State. Mr. Mohan Kumaramangalam, a constitutional lawyer of eminence,

emphasised the need for the Centre to retain with it important powers to discharge its responsibilities to the people in its own sphere. The Minister for Steel and Heavy Engineering told a city meeting recently that it was not in the larger interests of the country to talk vaguely for more powers for the States. Instead, any such demand should be strictly within the limits of suggestions of patriotic jurists who have given their considered thought to the subject. As far as Tamil Nadu was concerned, it was good that a committee under the Chairmanship of former Chief Justice Rajamannar had been constituted to study the question of Centre-State relations in depth. He would plead with the DMK leadership to await the Rajamannar Committee's recommendations.

Naval Vessels Visit City

Four naval vessels visited the Madras harbour recently. Anchored for three days at the south quay were I.N.S. Ambala, a submarine depot ship, Brahmaputra, anti-aircraft frigate,

Kiltan and Kavarath, anti-submarine frigates. INS Ambala, mother ship for submarines with sophisticated ship for shop facilities is the only one of its kind in India.

Pressmen paid their visit to the naval vessels. Vice-Admiral to Krishnan, Flag Officer, Commanding-in-chief, Eastern Naval Command, said India would ere long have its own facilities of build ship submarines while frigates were already under construction in Mazagon docks in Bombay.

Making Meenambakkam Jumbo-Worthy

A parallel taxiing track for a length of 8,000 feet is to be constructed at the Meenambakkam airport to supplement the existing 10,000 feet long runway. The Rs. 1.5 crore project has been undertaken to make this airport jumbo-worthy. Also, the parallel track would reduce the occupancy time and enable clearance of aircraft to the apron near the terminal building immediately after touch-down.

Mr. C. R. Rao, Joint Director-General of Civil Aviation, was in Madras recently to inspect land acquisition near the Meenambakkam airport for the purpose.

—V.M.

Consequences of Credit Curbs

The Reserve Bank's expectations about an improvement in the money market with the imposition of credit curbs have not materialised. The basic contradictions in its credit policy should be realised if orderly conditions are to prevail in the money market. Instead of recognising the inherent difficulties in the situation, unimaginative restrictions on the grant of advances to industry and trade continued resulting in a discouragement of aggrandisement on the one side, and accreted inflationary pressures on the other. The Union Finance Minister, Mr. Y. B. Chavan, had admitted in Parliament that the sugar and textile industries are suffering greatly on account of the denial of full credit and the reduction in limits for textile units particularly has thrown the operations of this major industry out of gear. It has now been recognised adequately that the increase in prices of raw cotton which has taken place on account of the actions of the Maharashtra Government and the unexpected shortfall in output has necessitated larger bank advances even with the holding of smaller stocks. Likewise, finished goods have a greater value and the expected increase in margins imposed by banks have resulted in serious hardship for the borrowers and many mills have been obliged to pay penal rates because of their inability to comply with the new margin regulations. It is anticipated that greater difficulties will be experienced by these units in the coming weeks as imported cotton will be received in large quantities and there will also be a slackening demand for cotton yarn during the slack season.

Predicament of Sugar Mills

The sugar mills have been blamed

for not making payments against cane purchases promptly and it was disclosed in Parliament that the arrears for the current season alone amounted to over Rs. 54 crores. With the heavy carry over from the last season, mills have added their stocks by over 7 lakh tonnes in the current season. It is expected that when the peak level is reached by the end of this month to 35 lakh tonnes, it will be higher by 4 lakh tonnes as compared to the stocks at the end of the same month in 1970. Though it was clear that stocks had to be maintained at a higher level and levy prices too had been raised in many zones, banks were refusing to revise limits, simply because they had to borrow from the Reserve Bank at penal rates and the monetary authorities did not agree to provide refinance against sugar advances. It is only now that instructions have been issued to scheduled commercial banks for increasing advances by Rs. 23 crores over the peak level of last year in the hope perhaps that this increase will have to be purely temporary. For, after stocks touch the peak level of 35 lakh tonnes at the end of April there will be no further rise in production in May. Thereafter, there will be a regular decline until by the end of September stocks will be only marginally higher at 22 or 23 lakh tonnes. The sugar mills cannot therefore be blamed for not making payments to cane growers promptly especially as losses are being incurred on current sales.

The credit situation, however, will not improve until the slack season of next year as there will have to be fresh advances for procurement purposes in the next three months while there is a glamour for small loans from borrowers in the priority sectors.

If these have to be extended on the scale of 1970, nearly 50 per cent of fresh advances might be absorbed in this manner compelling banks to borrow from the Central Bank institutions against the refinance facilities. If these are not made in an ample measure, there will have to be either curtailment of credit to new borrowers or a reduction in the assistance to industry and trade.

It is now clear that the policy of overloading will have to be continued for one or two years. If the Reserve Bank is afraid to disclose large scale deficit financing, through refinance facilities, there will have to be deficit financing on Government account for procurement purposes. For, the load on the Banking system has become severe because of the locking up of advances for over Rs. 150 crores in food grains and for over Rs. 160 crores in additional sugar stocks. The banking system must be able to manage the new situation with some difficulty and the whole situation will be corrected by the end of 1972.

MICROWAVE TO COVER 30 PER CENT OF RAIL ROUTE

As part of their modernisation programme, Indian Railways will bring 30 per cent of the total route kilometreage of over 59,000 under the Microwave Radio Relay system by the end of the Fourth Plan. This advanced system of communications has already been commissioned over 4,160 kilometres, including Madras-Vijayawada, Madras-Mysore-Hubli-Gutakal and Olavakkod-Madurai-Tiruchirapalli, sections of Southern and South Central Railways, where it forms the largest single integrated microwave network in the developing countries of Asia. Microwave schemes covering an additional 10,700 route kilometres are now in progress. Another 2,700 route kilometres will be taken up during the Fourth Plan.

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I BELIEVE:

Distressing Apathy Towards Services

I believe that the recently published assessment by the Union Public Service Commission of the results of the I.A.S. and allied services examination of 1968 reveals a disturbing trend in the approach of our young men to careers. It is nobody's case that because a number of bright young men have swayed away from Government jobs, there should be something wrong with them. In fact time and again the curriculum in our universities has been blamed for being capable of rolling off clerks rather than intellectuals and in that sense they have been fulfilling the expectations of Lord Macaulay who introduced the nucleus of such a curriculum far back. The rub lies on the contrary in that the decision of students has nothing to do with such a choice as would expectedly belie Macaulay's hopes. The details of the U.P.S.C. assessment will make this amply clear.

The Commission points out, for instance, the decrease in the proportion of first class candidates both in the total of their own group and in the overall aggregate. What is interesting is that second class graduates have scored over first classes. This will justify an examination of the very principle of classification. For all practical purposes the subjects taken being of the post-graduate standard and the papers set being of that model, the second classes could not have outdistanced the first classes except if it be either many of the second classes missed their first because of the many factors affecting their competence at the hall or they had compensating increased ability at the oral rather than the written examination. Cases are

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counted for this situation. The position is unlikely to improve in the future when UPSC examinations will be held in all the fourteen languages on the schedule, with the definite possibility of students in Hindi-speaking areas scoring better over all the rest.

What saddens even more is the comment of the UPSC that many of our university youth are either ignorant about the existence of these Central Services Examination or they do not wish to compete. It is difficult to believe that in the current age, when youth is so alert about its interests, there could be any such ignorance. It could only be that our young men are just not interested. The reason such unwillingness deserves to be probed. Basically there may be reluctance against taking Government jobs. Both the comparatively of its remuneration and the monotonous conditions of bureaucratic service could have been deterrents. If so, it is not a calamity, because career is made not on considerations of mere security of tenure but on the basis of the scope available for displaying initiative and for staying on as an intellectual for as much time as possible on the job. But the point is that painting such a rosy picture may after all be erroneous.

Tendency to Rebel

Of late there is a tendency among our young men to rebel against established values both as the result of an imparted influence as compared with activity. It can only be hoped that such mental lassitude, with all its attendant frustrations, has not yet encompassed any but a minority of our youth. In any case, social psychologists will have to be on the watch to warn the body politic of any large-scale deterioration, so that much of the avoidable evil can easily be nipped in the bud.

—Horace

Jute Industry Poised for Progress

The Central Government has to decide correctly on the steps to be taken to help the Indian jute industry to take advantage of the new opportunities available to it for boosting the country's foreign exchange earnings. It is indeed a tragedy that East Bengal, which is the largest producer of raw jute of good quality, should be in turmoil and the output of raw jute as well as gunny should be affected seriously. Jute is a seasonal crop and if it is not sown over large areas, the output is bound to be seriously affected in 1971-72. As 70 lakh bales of jute are produced every year and half of it exported, it will not be surprising if there was a steep fall in the yield of the crop because sowings are completed usually in March and April and new crop supplies begin to be received even in August. The availability of this natural fibre from East Bengal would be confined only to the stocks already on hand and the quantity that might still be procured.

Need to Step up Production

From the manner in which the raw jute market has been behaving, there is reason to believe that immediately there is no shortage of supplies. This may appear rather strange as May, June, July, August are usually lean months and only stocks on hand will be used for carrying on operations. Happily, the current crop in India proved to be satisfactory while it is likely that large quantities have been smuggled across the borders from East Bengal. This is perhaps the reason why raw jute prices have not risen appreciably after the initial spurt. It should be said that there has been actually a rise in prices by only ten to 15 per cent in the off season even with the confusion in East Bengal and the earlier anxiety shown by overseas

buyers to get their requirements. There has obviously been a large influx of supplies of jute and immediately the problem of jute mills is to step up production.

The representatives of the Central government and jute mills have been holding discussions regarding the stepping up of the output of hessian and special varieties particularly and the arrangements to be concluded for enabling mills to operate on a three shift basis on all days. There are some inherent difficulties in achieving balanced production as the earlier phase of modernisation concentrated mainly on the replacement of spinning machinery. Also on account of the high cost of new equipment, it was considered desirable to install only half the number of spindles that were sought to be replaced and use them on intensive basis. Subsequently broad looms for producing carpet backing cloth and special varieties were installed with the result that there will be a problem of finding adequate spinning capacity and for changing the pattern of production in a manner which will offset the slump in demand for carpet backing cloth experienced some time back.

There may probably be some favourable factors on account of absence of serious competition from Pakistan temporarily. It would be possible to decide on remunerative changes in the pattern of production after studying the pattern of exports from Pakistan. While overseas consumers may prefer to eat into their stocks and evade further development before deciding to place large orders with Indian mills, it would be reasonable to assume that higher average prices could be secured in 1971-72 on Indian exports and a larger volume of production can be

easily marketed especially as internal demand has been rising.

Record Foreign Exchange Earnings

Even if there was an end to hostilities in East Bengal in the next few months, it is unlikely that jute mills in that region would be able to function normally before the end of the year and stocks of jute will be available to feed them on the required scale. On the other hand, with satisfactory prices at the time of sowings in important growing areas in North-East India and widespread rains, it is likely that the output of jute will exceed easily 75 lakh bales in 1971-72 and with the availability of clandestine East Bengal jute for at least 25 lakh bales, the industries should be in a position to step up its output by at least 30 per cent. If exports could be increased by 15 per cent at more remunerative prices, foreign exchange earnings in 1971-72 can easily exceed Rs. 300 crores. There need not also be an undesirable rise in prices for goods intended for internal consumption.

The jute industry is in a position to raise its output substantially and market it without difficulty. These improved prospects have been responsible for livelier trading in jute shares in Calcutta Stock Market. It is only to be hoped that with the improved political situation in West Bengal, there will be no serious interruption to production due to labour intransigence. Prompt arrangements will of course have to be made for overcoming power shortage by maximising generation with the existing capacity and purchasing power from Orissa and Bihar if need be. Any new opportunity should be utilised for putting back the jute industry on its feet and creating conditions in which the exports of gunnies will continue to fetch sizable foreign exchange earnings through exports besides making it worthwhile also for investors in jute shares.

Meeting the Cotton Crisis

A shortfall of five lakh bales in the output of raw cotton in 1970-71 resulted in an exaggerated rise in prices which cannot be justified in any sense and the industry and consumers are being exploited on the score that the cotton grower should be given a fair deal. While it must be argued that the farmer has not benefited to any great extent by the jumps in prices and the trade is culpable, there are reasons to believe that the cotton growers have benefited substantially as the rise in prices came about much earlier than the marketing of the current crop. If it is borne in mind that in one year, prices have risen by 50 per cent even after a drop from the peak levels, and cotton prices have doubled in a three year period, the cotton grower is certainly much better off than his counterpart raising other cash crops. Even granting that considerable damage was suffered by the crop in Vidarbha, the yield will still be 53 lakh bales against the previous season's output of 57 lakh bales and the earlier estimate of 60 lakh bales. Assuming that the average price realised on sales was higher by 40 per cent, cotton growers would still be 30 per cent more than in the previous season even after allowing the trade to make substantial gains.

It is quite likely that the present artificial levels would disappear the next season when the output becomes normal, though it would be difficult to bring them down to reasonable levels without careful planning for bringing in imports. Also the new crop will not arrive in volume before December and no clear indications of the size of the crop for 1971-72 will be available before November. It is, therefore, improper to compel the industry to produce larger quantities of control-

led varieties of cloth or levy a higher penalty for non-compliance, as proposed by Mr. L. N. Misra, Union Minister for Foreign Trade, unless a proper scheme was evolved for manufacturing controlled varieties of cloth on the basis of adequate availability of imported cotton specially for this purpose.

Need for Massive Import

The Indian Cotton Mills Federation has been repeatedly emphasising the need for the relative imports of at least 16 lakh bales for overcoming the deficit in cotton availability and maintaining production at satisfactory levels. When imports have not been arriving on a large scale and prices for indigenous cotton may rise further after May, the industry will be compelled to increase the prices further for uncontrolled varieties which might meet with consumer resistance if there was attempt to increase the quota for controlled variety. Even now it has been calculated that the higher penalty alone will involve a loss of Rs. 30 crores in a year while it will be much more, if the quota was increased to 40 or 50 per cent, as suggested.

The move of U.S.S.R. for supplying raw cotton in order to be processed into cloth is intended to ensure exports of Indian goods at reasonable prices and mills may be agreeable to handle the orders on the basis of fixed margins for profits. But it will be difficult to pursue a similar course for manufacturing controlled varieties unless the Government agreed to allocate additional quantities of cotton and took over the output of controlled varieties themselves. Even here, the difficulty lies in different units

having different patterns of cotton and also in not having any large unused capacity. With heavy losses being sustained now with the use of high priced cotton it is apprehended that the experience in the current year may be extremely disappointing. The encouraging results for 1970 were mainly due to the availability of low priced stocks.

The Government should, therefore, examine carefully the whole situation before arriving at different decisions. The ruling prices for raw cotton are entirely unjustified and the farmer should be helped to improve his income through higher yield and not higher prices. The income derived by him in 1969-70 was quite reasonable and the yield per acre could be raised easily by 50 per cent in the rainfed areas and nearly doubled in the irrigation areas. Cotton textiles must be available at reasonable prices without choking the mill producer. It will be possible to control the price situation only with arrangements which will ensure a sustained growth in production with adequate availability of raw materials from indigenous sources.

PRODUCTION OF CHEMICAL INDUSTRY IN 1970

For India's chemical industry, 1970 was a year of accelerated growth. Statistics compiled indicate a rise of 15 to 25 per cent in the production of synthetic fibres, plastics chemicals and resins and petro-chemicals. The output of ethyl alcohol was up by 7.2 per cent over the preceding year. Also, 33 important petro-chemical items were being produced in 1970 as against only three in 1960. In 1970, the output of most of the antibiotics, sulpha drugs and vitamins went up in varying degrees. The production of Tetracyclines was more than doubled and that of most commonly-used sulpha drugs increased by 15.7 per cent.

Need for Massive Power Generation

A fascinating but almost unbelievable picture of the power needs of the country by 2,000 KW has been presented by Dr. K. L. Rao, Union Minister for Irrigation and Power, when he addressed the Indian Institute of Engineers (London) in Bombay on the occasion of the centenary celebration. From the present level of power generating capacity of 16 million KW there will have to be, according to the estimates of the Central Water and Power Commission, 200 million KW by the end of the century. This will indeed be a stupendous achievement and may be considered almost impossible of attainment but Dr. K. L. Rao has pointed out that this can be done through a process of redoubling capacity every decade and even if the proposed capacity was created the per capita consumption will be only 1,000 units by 2,000 A.D., which is the world average just now. This will however mean a 12-fold increase in consumption from the existing level.

Need for Nuclear Power Stations

The attainment of this target will call for heavy reliance on nuclear power stations as it is estimated that even with the full exploitation of the hydel potential only 80 million KW of capacity can be created. Coal-based thermal stations will account for 60 million KW. The balance of capacity of 60 million KW will have to be accounted for by nuclear power plants. Dr. Rao has even stated that serious problem of coal supplies will arise by the middle of next century and the country's reserves of fossil fuel which are fairly large, would have been exhausted.

By 1980-81 a target of 52 million KW of capacity will have to be reached, which will be shared to the extent of 14 million KW by the northern region, 13 million KW each by the western region and southern region, 11 million KW by the north east region

and 1 million KW by the north western region. This would indicate that there will be more or less uniform development all over the country though there may be regional disparities in consumption. There will have to be integrated regional development for power generation and transmission culminating ultimately in the creation of an All India grid. It will also be necessary to take steps to reduce generating and distribution costs as electricity charges have been rising and the electro chemical and other industries are handicapped unduly on account of heavy fuel costs.

Installing Big Generating Sets

Big generating sets will necessarily have to be installed and there is already a keen awareness of the importance of this aspect of the problem. Not long ago, 50 KW sets were considered large and thermal generation at Neyveli station in Tamil Nadu was considered quite economical but at Ennore Thermal Plant 110 MW sets will be installed after the first two 60 MW units, while at Kalpakkam the generating sets will have a capacity of 200 MW each. It is even now being examined whether a 400 MW set can be installed at Kalpakkam or in another centre so that the cost of generation can be considerably minimised.

The absence of uniform loads at all the distribution centres have been responsible for heavy transmission losses in Tamil Nadu. These are now being overcome to a great extent by strengthening the grid and creating a larger number of sub-stations so that high-volt transmission can be attempted over longer distances and losses eliminated as far as possible.

The Central Water and Power Commission is already reported to have formulated plans for the current decade and it is hoped that instead of the present five year cyclical planning,

there will be longer perspective planning. This will facilitate the construction of big hydel projects in a region on a staggered basis, while thermal capacity is created simultaneously to firm up power availability. The western and northern regions must be formulating their own plans and there will probably be greater emphasis on hydel development in the northern region. The scope for exporting large quantities of power from Nepal which has huge water falls resources but cannot utilise them to its own advantage will have to be explored. In the western region there will probably have to be greater emphasis on thermal generation though some new hydel schemes can be implemented. In North-East India it will be easy to lay emphasis on coal-based large-sized thermal units for utilising the huge reserves of low grade coal. There can of course be new hydel projects. It may probably be advantageous to give priority to thermal schemes.

In the southern region according to the estimates of the Central Water and Power Commission there will have to be an increase in generation capacity to 13 million KW from around 42 million KW. At present Tamil Nadu is accounting for nearly 50 per cent of this capacity. It is expected that there will be an increase in generating capacity to 5.5 million KW by 1973-74. There will have to be vigorous planning for doubling this capacity to 11 million KW by 1978-79; if this is done the target of 13 million KW fixed by CPWC to be reached in 1980-81 may not be difficult. The task of gaining the initial momentum will however require liberal allocation of resources and considerable advance planning since what has been achieved over a long period will have to be packed in the fifth plan. Even for locating the projects, considerable investigation will be needed as there will have to be a balance between hydel and thermal and nuclear power.

The Idikki and Kalinathi projects will obviously have to be accorded the highest priority as between these two projects, the first in Kerala and second in Mysore, additional capacity for at least 1.5 million KW can be created at comparatively low capital cost. The Hogenekal project on the Cauvery will also have to be executed on a joint basis between Tamil Nadu and Mysore as for its part this scheme will add to the grid by at least another 800 MW. The remaining hydel potential of Kerala and Mysore will also have to be tapped, as there are huge water power resources. In Andhra Pradesh the Srisailem Project may be made to yield a larger capacity. There can also be intelligent exploitation of the irrigation waters of the Nagarjunasagar Project on the Krishna River and the Kochampad and other schemes on the Godavari. These will be helpful in augmenting capacity by 1 million KW.

But hydel projects alone may not be able to add more than 5 million KW in 1974-79. The new schemes however will have a long gestation period in some cases and there will have to be creation of thermal capacity in a big way in Andhra Pradesh and Tamil Nadu. This can be done at Kothagudem and Ramagundam while the opening of a second mine cut at Neyveli is inescapable. In that event, the old proposal of the Tamil Nadu Electricity Board for creating a super thermal station with an ultimate capacity of 1 million KW can be revived. There may of course be new thermal stations at Tuticorin and elsewhere based on coal, but it may be found that nuclear power generation would be cheaper than power generated on imported coal. With huge hydel capacities in Kerala and Mysore and balanced power development in Tamil Nadu and Andhra Pradesh the re-

gional grid can be closely integrated and it will be possible to operate the different power stations on integrated basis.

Need to Form Southern Grid

There is no escape, as Mr. Karunanidhi, Chief Minister of Tamil Nadu pointed out when he inaugurated the first two generating sets at the Ennore thermal station from forming a southern grid which will be capable of pumping large blocks of power in either direction under the control of a central agency with statutory powers. There will also have to be a pooling of rates and uniform charges for all classes of consumers so that there is no distortion in industrial development on account of disparity in electricity charges.

Air-India as Joint Stock Company

Air India wants to get itself converted into a joint stock company like the commercial and industrial undertakings in the public sector. This would enable the Corporation to acquire a high degree of flexibility in its structure, operations, management, ability to change its organisation, methods and procedures in keeping with the needs of the changing world. An industrial or commercial enterprise, particularly with air transport, badly needs this flexibility, the Corporation points out.

The Corporation feels handicapped, at least in some respects, by the rigidity of the rules governing the Air Corporation Act. Flexibility is, of course, what the Corporation needs urgently in the context of its paradoxical

1969-70 record—increased revenue but diminished profit.

In 1969-70, the Corporation's utilisation of capacity, volume of traffic, volume of cargo, overall load factor and revenue recorded increases of 13.9 per cent, 21.6 per cent, 17.7 per cent, 3.9 per cent and 11 per cent respectively. But its operating surplus shrunk by 10.8 per cent. The quantum of 1969-70 operating surplus was 2.5 million sterling.

A Strange Paradox

A thirteen per cent spiralling of costs, a worldwide phenomenon, is the explanation to this paradox. Fuel and wages formed the bulk of the Corporation's costs. Air India is an age-

ing fleet of Boeing 707-s. Their maintenance and overhaul were additional burdens on the Corporation.

This disturbing trend of downward profits despite rising revenues does not seem to have the prospect of reversal in 1970-71 also. In fact, the prospects for the financial year 1970-71 (now ending) is likely to be worse than 1969-70.

This much about the past. But 1971-72 promises to be the most critical. Air India intends to spend 43.6 million sterling to press into service three or four Boeing 747-s and enhance its capacity by 150 per cent.

Air India itself is well aware of the remedies for the prevalent malady—raising employee productivity, the highest possible rate of equipment utilisation and a relentless pursuit of economies wherever possible.”

(UNI)

Energy from Ennore . . .

By 1972 all the 57,000 villages in Tamil Nadu would be electrified thanks to the efforts of the Government in implementing vigorously rural electrification schemes. To achieve this and to promote industrial and agricultural development, the Tamil Nadu Government desired the establishment of more thermal or nuclear power plants as the hydel resources had already been tapped.

Mr. Karunanidhi, Chief Minister of Tamil Nadu, while formally inaugurating the Ennore Thermal Power Station near Madras, a State Government venture, built at a cost of Rs. 75 crores. The Chief Minister outlined the need for a southern power grid and a uniform electricity tariff for industrial and agricultural use in the region. He sounded optimistic that the Centre would give due consideration to his suggestion and take steps to implement it.

Mr. Karunanidhi observed that Tamil Nadu had made "rapid strides" in the field of power. Under rural electrification, as many as 18,000 villages had been electrified during the last four years.



Chief Minister Karunanidhi is seen formally inaugurating the Ennore Thermal Project

The Tamil Nadu Government has been allotting sizable quantities in its budget allocation for power developments. With the result that the State has the highest per capita consumption for power among all the States in the country. The State has the highest per capita consumption of 120 unit for all States in the country. Naturally its investments had proved to be sound one for prosperity. The result can be gleaned from the fact that the best transmission network taking power to every nook and corner of the State can be seen in this State. Out of 15 lakhs pump sets energised in the country, over a third are in Tamil Nadu which has contributed in a rich measure to the transformation from a marginally deficit food position to comfortably surplus one in the last four years.

The installed capacity in Tamil Nadu as on March 31, 1971 was 1365 MW. This is supplemented by 600 MW from Neyveli. During the Fourth Plan an additional fresh capacity to the extent of 1235 MW is planned to be added.

Plea for Common Power Tariff

The Industries Minister, Mr. S. Madhavan, releasing a souvenir brought out by the Electricity Board on the occasion, echoed the Chief Minister's demand for a common power tariff for the whole of the Southern States. Uniformity in power tariff, the Industries Minister noted, was inevitable in the context of the industrialists' demand for reduction of power rates in the State. He assured the State Government was alive to the demand.

Mr. O. P. Raman, Minister for Electricity who presided, shared the Chief Minister's view that there was little scope for the exploitation of hydel power. He disclosed the Government was pleading for a second

thermal station at Neyveli, a third unit at Kalpakkam and a nuclear station at Tuticorin.

Mr. N. V. Natarajan, Labour Minister, unveiled the foundation slab for a 8-bed hospital for the project employees. According to the Labour Minister, the project, started about four years back, had provided employment for 3000 workers, office staff and engineers. The Minister felt proud over the sound industrial relations that have been built up between the officers in charge of the project and the employees.

Earlier, Mr. C. G. Rangabashyam, Chairman of the Tamil Nadu Electricity Board, welcomed the gathering. Mr. A. Subramaniam, Chief Engineer, proposed a vote of thanks.

The thermal plant will generate 450 MW of power. Only two 60 MW units were commissioned on that day, and another two units of 110 MW each to be commissioned later will constitute the first phase of the programme. A fifth and final unit of 110 MW will be set up in the second phase. Work on this project was started in November 1964.

—R.S.



The impressive row of generators in the Power House

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COMMODITIES:

Coffee Crop Sets up All-time Record

Thanks to very favourable weather conditions, the coffee crop for 1970-71 will set up an all time record. It has been announced by the Coffee Board that receipts of the current crop into the coffee pool so far have already exceeded even the revised crop estimate of 82,000 tonnes at 85,000 tonnes and it is expected that another 15,000 to 25,000 tonnes would be received in the remaining period of the current season. This would mean a total crop of over one lakh tonnes for the whole season against only 62,000 tonnes in the previous season and the earlier record of over 78,000 tonnes in 1966-67. The pressure of supplies of such a magnitude has already been felt on internal prices and the consumer has started getting his requirements at more reasonable prices after a long time. Already there has been a slump in pool auction prices in recent weeks and dealers have been staying away expecting a further fall in prices. While the Coffee Board has resumed sales of coffee beans through its depots since the beginning of the year, the trade also has been handling a larger volume. But the heavy pool receipts have posed a problem to the Coffee Board in effecting prompt payment to the growers as it was not prepared for such glut conditions. The larger growers get an initial payment of Rs. 2 per point and the small growers Rs. 3 per point. This is much less than what they got in the last season. The Board has already reached the sanctioned credit limits for its operations which were fixed on the basis of a crop of not more than 80,000 tonnes. In the altered circumstances, it has been obliged to seek fresh assistance from the Central Government besides arranging with some pool agents for payments to growers out of their own resources pending reimbursement by the Board. The situation is expected to improve with fresh credit facilities and progressive disposal of the coffee from the pool in the coming weeks. The Board has however taken care to meet the full needs of small growers to avoid hardship to them. Coffee estates will be deriving considerable benefit from a much higher crop in the latest year and any fall in prices realised will be offset by the sharp reduction in unit costs.

The Coffee Board should have no big problem in deciding on a liberal quota from the current crop for the internal market which has been steadily growing and can absorb easily 42,000 to 45,000 tonnes in a year. At the same time enough coffee can

be spared for export to both quota and non-quota countries. But even allowing for an internal release of 45,000 tonnes and export sales of 40,000 tonnes, the industry would be burdened with a surplus of 20 to 25,000 tonnes. It may be necessary for the Coffee Board to arrange for buffer stock with a view to preventing any slump in prices. This will also be helpful in the next season particularly as the next crop is expected to have been affected by lack of blossom showers in the growing areas.

Cotton Mills Avert Crisis

Cotton mill circles are heaving a sigh of relief that the Centre would not go ahead with its earlier decision to raise the quota for coarse and medium varieties of controlled cloth from the present 25 per cent to 40 to 50 per cent of the production of each mill and also increase the penalty for any shortfall from this quota from 6 paise to 25 paise per metre. The Government has taken a realistic stand and given time to the industry to carry out its assurance to reserve not less than 25 per cent of its capacity for producing controlled cloth and not allow any mill to circumvent this obligation by paying the prescribed penalty. A high level committee has been decided to be set up to work out the details of a scheme to step up the production of medium and coarse varieties of cloth. The Government's action in the wake of the revelation that output of controlled cloth gradually declined from the statutory level of 25 per cent fixed in May 1968 to 13.3 per cent in the last quarter of 1969-70 and only 1.1 per cent in January-March 1971. No doubt the industry's inability to stick to the quotas arose from the fantastic rise in prices for indigenous cotton of lower counts and the Government's refusal to allow a price increase for controlled cloth.

Disastrous Impact

The impact of earlier decision of the Union Government to increase the penalty for non-fulfilment of quota regulations in respect of production of coarse and other controlled varieties and also double the quota on the mill industry would have been disastrous. Rough estimates place the loss from these steps for the whole industry at over Rs. 100 crores, though a part of this loss can be made good by higher prices on uncontrolled

cloth. It is pointed out that since the controlled prices were fixed in April 1967, the cost of cotton which formed only 50 per cent of the selling price, has more than doubled while wages, stores, interest charges, overheads, etc. have risen by 20 per cent over the 1967 levels. Thus, the total cost of producing Rs. 100 worth of controlled cloth is now Rs. 160 to Rs. 170 involving a loss of 35 to 40 per cent. Taking the average ex-mill price fixed as Rs. 1.25 per metre, the loss per metre is 75 to 87 paise. The total mill cloth output is taken as 4,200 million metres and allowing for export production, the quota for production of controlled varieties at 40 per cent can be easily 1,500 million metres. The loss on this at the current ex-mill prices, it is pointed out, will be over Rs. 125 crores. While mills managed to cut their losses on coarse varieties by producing less than the 25 per cent quota as the penalty was only 6 paise per metre, this will be made difficult if the penalty is raised to 25 paise and the quota to 40 per cent. It is felt the whole situation could have been avoided by allowing a suitable increase in ex-mill prices for coarse cloth to absorb the increased cost of indigenous cotton.

S.T.C. to Buy More Rubber

In response to representations from rubber growers in Kerala, particularly the small growers, the Union Government has directed the State Trading Corporation to purchase sufficient quantities in order to stabilise the price. The Rubber Growers Association had pointed to the Foreign Trade Minister, that production in the first 10 months of the current season was 66,176 tonnes of which the S.T.C. could buy only a little over 6,000 tonnes while the bigger estates had directly sold 12,500 tonnes to manufacturers. The balance was being sold at an average price of Rs. 460 per quintal against the notified price of Rs. 520. The association urged that the S.T.C. should immediately buy at least 10,000 tonnes as a buffer stock and release it only after the open market price had improved to the notified minimum level.

Procurement Price for Wheat

In an effort to protect the farmers' interests and due to stiff opposition from State governments in the main wheat growing areas

to any cut in farm prices, the Union Government has decided to maintain the procurement price for wheat for 1971-72. The Agricultural Prices Commission had again suggested a reduction in the government purchase prices as it thought that the improved productivity of wheat should be reflected in cheaper prices for the consumer and the burden of subsidy to the Government should be lightened. But the State Chief Ministers took the stand that any cut in prices would act as a disincentive to the farmers and in fact most of them wanted a rise in procurement rates. The Centre has however decided that procurement prices of all varieties of wheat other than the indigenous red variety would continue to be Rs. 76 per quintal. The State Government would fix the prices for indigenous red variety in consultation with the Centre but it will be at least Rs. 2 less than the price for standard variety. The Union Government at the same time decided not to change the issue price of Rs. 78 per quintal though with an increasing indigenous content due to reduced imports, the public distribution

system has involved a larger subsidy. When imports completely cease next year, as indicated by the Food Minister, the pool price will be equal to the indigenous price and unless the issue price is raised or the procurement price reduced, the subsidy element will be quite substantial.

The Government has, however, accepted the Commission's recommendation to raise the procurement target for wheat in 1971-72 to 4 million tonnes from 3.2 million tonnes in 1970-71. The Food Minister also assured the growers that arrangement would be made to move all stocks lying in the open before June end. The Deputy Food Minister indicated that the Centre's subsidy in 1971-72 would amount to Rs. 35 crores which included a sum of Rs. 25 crores required to build up and maintain buffer stocks as suggested by the APC. With larger availability in the open market, the off-take from the public distribution system has been going down and total stocks of grains with the Central and State Governments have increased to 5.8 million tonnes. This is a

comfortable level exceeding the targeted buffer stock level of 5 million tonnes.

Kerala Rubber Marketing Federation

The Kerala State Co-operative Rubber Marketing Federation, with its Head Office registered at Cochin, will soon start functioning.

It will have an authorised share capital of Rs. 1 crore consisting of one lakh shares. Its membership would be open to the State Government, the Rubber Board and Societies engaged in rubber marketing in Kerala. Associate membership will be available to marketing societies outside Kerala. They could avail of the facilities offered by the Federation, but would not have the power to vote.

The Rubber Board has resolved to provide Rs. 5 lakhs towards share capital and Rs. 10 lakhs for working capital during 1970-71 and Rs. 10 lakhs towards share capital and Rs. 15 lakhs for working capital during 1971-72.—(UNI)

Plight of Tamil Nadu Sugar Units

The Tamil Nadu branch of the South Indian Sugar Mills Association has pinpointed the special disabilities of the industry in the State due to the low recovery from cane and its high cost, differential duties on levy and open market sugar and uneconomic levy prices. In a brochure, the association has analysed the factors going to inflate the cost of manufacture. It has been pointed out that the factories in Tamil Nadu are losing on an average Rs. 13.60 on every bag of levy sugar based on an average cane price of Rs. 94.35 per quintal (recovery taken as 7.8 per cent) and including interest charges of Rs. 9 per quintal. The loss on sale of free sugar is even more, because the 37.5 per cent duty is based on a tariff value higher than the actual realisation, and actually works out to 42 per cent. As regards cane price, it is stated that cane accounts for 70 per cent of the total cost of sugar, and recovery in

Tamil Nadu has never reached, the base figure of 9.4 per cent to which the minimum cane price of Rs. 7.37 per quintal is linked. Apart from denying the grower any incentive to cultivate better cane, levy sugar also costs more in Tamil Nadu. It is now Rs. 169.24 against only Rs. 147 in Maharashtra.

Locking-up of Funds

Sugar mills in this State also face the problem of accumulation of stocks much more than their counterparts in other States. Levy allotments to Kerala and northern States are not lifted, because of the high prices. At the end of the 1969-70 season, Tamil Nadu factories were saddled with stocks upto 55 per cent of the total production (against 34 per cent in Maharashtra). This locking-up of funds in stocks has made it difficult to meet interest charges, payments to

growers and arrears of cane cess and purchase tax to the State Government. The association has expressed the fear that if the situation is allowed to continue, many mills will have to suspend operations and even close down in some cases.

It has therefore been suggested that besides a realistic cane pricing policy, levy prices for sugar should be revised upward. The cane price of Rs. 7.37 per quintal must be linked to a minimum recovery of 8.5 per cent instead of the present 9.4 per cent, with a premium of 8.7 paise for every rise of 0.1 per cent in recovery above 8.5 per cent. This would eliminate variations in sugar prices in different zones in the country by equalising raw material costs. The association has also urged the removal of differential duties on levy and open market sugar and fixing a realistic tariff value. Also the building of a sizable buffer stock by Government would help stabilise the industry's finances. The State Government can also reduce substantially the cane cess and purchase tax if not abolish them.

BUSINESS BRIEFS:

Urgent Need for Fresh Aluminium Capacity

Aluminium producers in the country have been having a good time for some years now and the quick expansion of capacity by almost all the manufacturers of virgin metal aided by Government's policy of maximum substitution of copper by aluminium to save on foreign exchange has enabled the industry to market its increasing output on an assured basis at remunerative prices. But for the setback two years ago when there was a slackening of internal off-take due to cut-back on power outlays by various State governments, the growth of the industry would have been more impressive. Selling prices also are much higher than two years ago when large exports helped the units to avoid a slump in internal prices.

The bigger units, Hindustan Aluminium and Indian Aluminium have had no problem of utilising their expanded capacities—the former's 80,000 tonnes and the latter's 72,000 tonnes—effectively and deriving the full benefit of capacity production. What is more significant is that both of them are proceeding with their next stage of expansion to be in a position to meet the surging demand in the next few years. The demand is expected to rise at an accelerated rate if the industry's efforts to popularise the use of aluminium in construction, transport and packing bear fruit. The power sector of course will continue to provide a major outlet. Madras Aluminium is also raising its capacity to 18,000 tonnes in the first phase from 12,000 tonnes and the expanded capacity is expected to be available by the middle of the next year.

Aluminium Corporation however has had some labour problem which came in the way of good use of its capacity but the position has improved since 1969. The company has a proposal to set up a new unit in Orissa with a capacity of 30,000 tonnes. All the producers are expected to show a further rise in turnover and earnings for 1970. The outlook for the industry is promising which accounts for the high premium at which aluminium shares are quoting.

Consumption of aluminium is estimated to have risen to 1.78 lakh tonnes in 1970 from 1.40 lakh tonnes in 1969 and it was necessary to ban exports to meet the increasing internal demand. Progress of schemes in the public sector has been tardy and it is suggested that the existing plants should be enabled to expand their capacity still further to avert critical shortages and also to reduce working costs. The latter have tended to rise continuously in recent years

due to higher power costs and costlier chemicals and stores. The industry is awaiting the recommendations of the expert group which has gone into the cost structure of the industry and will be suggesting fair selling prices for aluminium and its products. The main producers will also be creating fabricating facilities to improve their profitability.

Indian Aluminium

The availability of all the three new potlines at Belgaum helped Indian Aluminium Company Limited to increase its output of virgin metal in 1970 to 61,665 tonnes from 41,561 tonnes. With the aluminium plant at Belgaum gradually raising its production, there may be no difficulty in maximising the output of the Belgaum smelter which has a capacity of 30,000 tonnes. There was, however, only a small increase in the output of semi-fabricated products, to 22,737 tonnes from 20,378 tonnes in 1969. Of the total output of virgin metal, the Belgaum unit accounted for 27,210 tonnes (1,128 tonnes) while the Alupuram smelter set a new record at 18,257 tonnes. But the Hirakud smelter produced only 16,196 tonnes against 22,576 tonnes due to prolonged strike early in the year. The total turnover increased by only one-third to Rs. 35.40 crores from Rs. 26.43 crores in 1969 as the demand for aluminium paste and powder was slack. The net profit, before depreciation and taxation, also improved by only 14 per cent owing to start-up expenses at Belgaum smelter. The provision for depreciation is Rs. 290.21 lakhs (Rs. 187.95 lakhs) while there is no allocation for taxation against Rs. 59 lakhs previously. The company has applied for permission to capitalise Rs. 601.79 lakhs out of reserves—Rs. 124.91 lakhs from capital reserve and Rs. 475.88 lakhs from general reserve and issue bonus shares in the proportion of one share for every two shares held. After the bonus issue, the paid-up equity capital will rise to Rs. 18.02 crores.

The directors of Indian Aluminium have expressed concern over the rising costs of production. The Orissa government has raised the electricity charges besides levying a coal surcharge. The company is contesting the action of the Kerala Electricity Board in increasing the tariff rates for the Alupuram smelter. It has been stated that the fourth potline at Belgaum with a capacity of 10,000 tonnes which will be ready by this year-end will cost only Rs. 4 crores as all the allied facilities creat-

ed in the first phase can be used for raising output by one-third.

HINDALCO Pays More

Hindustan Aluminium Corporation Limited has stepped up the dividend and equity capital for 1970 to 12½ per cent from 10 per cent in 1969 following a further sharp rise in sales and earnings. The company has also decided to capitalise a part of its sizable reserves and issue bonus shares in the proportion of one share for every four shares held. The consent of the Controller of the Capital Issues is expected to be received shortly. Production of virgin metal rose again to 78,191 tonnes during the year from 72,231 tonnes in 1969 while there was also a larger output of products and alumina. Gross sales crossed the Rs. 50 crores mark and amounted to Rs. 50.68 crores against Rs. 41.33 crores, showing a 22 per cent increase. This was partly due to higher selling prices. Net sales, however, increased only to Rs. 39.82 crores from Rs. 34.27 crores due to the heavy incidence of excise duties. The net profit, before depreciation, increased more sharply by 34 per cent to Rs. 13.57 crores from Rs. 10.11 crores in 1969. The provision for depreciation is Rs. 381.66 lakhs (Rs. 364.56 lakhs) and development rebate Rs. 33 lakhs (Rs. 400 lakhs). A sum of Rs. 243.33 lakhs (nil) has been transferred to reserve for contingencies. The surplus profit of as much as Rs. 6.99 crores against Rs. 2.46 crores has been taken to general reserve. Even the enhanced equity dividend will require only Rs. 100.40 lakhs (Rs. 80.32 lakhs) while preference dividend will need Rs. 45.73 lakhs. Both will be paid out of general reserve. The equity dividend is covered by seven times by disposable profits. The plough-back out of current earnings is thus as much as Rs. 12.57 crores and will help in executing the expansion scheme without much dependence on external rupee sources.

The company is implementing a fresh expansion scheme in two stages to raise the capacity to 1.2 lakh tonnes from the present 80,000 tonnes. It expects to increase the capacity to 1 lakh tonnes by the middle of 1972 and to 1.2 lakh tonnes by the end of 1973. The expansion is estimated to cost Rs. 40 crores. Besides this, an application has been made to Government for expanding the fabrication capacity at a cost of Rs. 8 crores. Mr. D. P. Mandelia, Special Adviser to the company has stated that the new schemes will be financed by internal resources and borrowings. Hindalco's work-

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ing in the current year so far has been satisfactory though it has been necessary to restrict production due to power cuts in U.P. The company's subsidiary power company has not been able to step up generation of electricity due to difficulty over coal supplies.

Century Excels Again

Market expectations of further growth in sales and earnings of Century Spinning and Manufacturing Co. Limited for 1970 have been fulfilled. The directors of the company have announced a higher final dividend of 29 per cent taxable against 25 per cent taxable in 1969 making, with the interim, a total of 45 per cent for the whole year against 40 per cent previously. The higher dividend has been greeted with a sharp rise in Century's quotation to Rs. 885. Gross sales have risen sharply to Rs. 52.62 crores from Rs. 48.39 crores in 1969 while the net profit, before depreciation and taxation, increased more than proportionately to Rs. 14.85 crores from Rs. 12.51 crores. After setting aside Rs. 288.61 lakhs (Rs. 339.52 lakhs) for depreciation and Rs. 706 lakhs (Rs. 450 lakhs) for taxation, the transfer to development rebate reserve is Rs. 16 lakhs (Rs. 43 lakhs) and Rs. 307.73 lakhs (Rs. 265.37 lakhs) to general reserve. Dividend equalisation reserve gets Rs. 110 lakhs (Rs. 100 lakhs). The interim dividend absorbed Rs. 56.73 lakhs (Rs. 53.23 lakhs) while the final dividend requiring Rs. 102.92 lakhs (Rs. 88.72 lakhs) will be paid out of dividend equalisation reserve. The total dividend is thus covered nearly three times. The gross block has gone up to Rs. 41.01 crores from Rs. 39.60 crores in 1969 but net block has dropped to Rs. 13.30 crores from Rs. 14.70 crores. The company's cement plant at Raipur with a capacity of 800 tonnes per day is scheduled to go into production by the end of 1972 while the rayon wood pulp project in U.P. is awaiting Government clearance.

Polyolefins Impresses

A larger output and a higher proportion of its off-take by the remunerative internal market has enabled Polyolefin Industries Limited to report pleasing results for 1970. In spite of a shutdown of the plant for two months early in the year and interruption to production due to shortage of raw materials, the output of high density polyethylene increased to 18,100 tonnes from 17,000 tonnes in 1969. At the same time, internal sales jumped to 13,000 tonnes from 8,000 tonnes while exports declined to 4,700 tonnes from 10,295 tonnes in 1969. With the result, the turnover was appreciably higher at Rs. 9.75 crores against Rs. 7.03 crores. The attractive internal prices for a larger volume was

reflected in a jump in the net profit before depreciation, to Rs. 1.71 crores from Rs. 88 lakhs. After setting aside Rs. 74 lakhs (Rs. 71.56 lakhs) for depreciation, the accumulated losses have been reduced to Rs. 55 lakhs from Rs. 1.52 crores. As the existing capacity can be more fully utilised and internal sales will increase further, earnings for the current year are expected to improve further. This would enable payment of a maiden dividend after wiping out the remaining losses though there will be a large sum to be claimed towards development rebate when there are taxable profits later. Meanwhile, the company's application for raising its capacity to 30,000 tonnes is still pending with the Government. This expansion, if sanctioned, can be implemented with the company's own internal resources.

CAPI's New Issue

The expansion scheme of Chemicals and Fibres of India Limited to raise the polyester fibre capacity to 6,100 tonnes would seem to have been sanctioned as the company has announced its decision to raise fresh capital by way of issue of right shares and new shares to the public. The Government has agreed to the offer of 1.78 lakhs equity shares of Rs. 10 each to the existing Indian shareholders at a premium of Rs. 15 per share in the ratio of 10 new shares for every 109 shares held. Fractional shares in the denomination of one-tenth of a share will be issued after rounding off entitlement. Any shares which are not taken up by the Indian shareholders will be offered for public subscription along with 2.67 lakh shares at a premium of Rs. 15 per share.

TOMCO's Sales Up

Sales and other income of Tata Oil Mills Company Limited have exceeded the Rs. 50 crores mark (at Rs. 50.25 crores) for the year ended March 31, 1971. This is an increase of 27.5 per cent over the previous year's figure. Export sales also have risen to over Rs. 2 crores from Rs. 1.84 crores in 1969-70 with larger shipments of frozen shrimp. Good progress has also been made in setting up joint ventures abroad. It is stated that the company's sales have doubled in the past three years. Earnings for 1970-71 are understood to have been encouraging. It may be recalled that the company made a right issue recently in the ratio of one for two.

Tata Textile Group

All the three mills of the Tata Textile Group have reported improved working results for 1970. Two of them have raised the distribution on equity capital while the third

has returned to the dividend list after a number of years. Ahmedabad Advance Mills Limited and Svadeshi Mills Limited have increased the dividend to 12 per cent from 9 per cent taxable in 1969 while Tata Mills Limited has resumed payment of dividend with a distribution of 6 per cent. Ahmedabad Advance was able to nearly double its earnings following a large turnover. The company also proposes to raise fresh capital for Rs. 21 lakhs by way of a right issue at par in the ratio of one-for-five.

Mahindra Ugine's Maiden

Mahindra Ugine Steel Company Limited, which manufactures a wide range of alloy and special steels, has reported excellent results and it has been possible for the directors to declare a maiden dividend of 7 per cent gross on equity capital for 1970, though the plant went into full production only two years ago. There was no difficulty in using the capacity effectively while blooms secured from outside sources were also rolled. Sales in 1970 jumped to Rs. 8.25 crores from Rs. 4.93 crores in 1969 while there was a more than trebling of the net profit, before depreciation to Rs. 260.44 lakhs from Rs. 81.62 lakhs. Depreciation and development rebate together claim Rs. 165.93 lakhs while the provision in the previous year for depreciation alone was Rs. 42.97 lakhs. Out of the balance, a loss of Rs. 35.15 lakhs brought in from the previous accounts has been wiped out and preliminary expenses written off for Rs. 6.87 lakhs. Arrears of preference dividends absorb Rs. 23.82 lakhs. The capacity is being raised to 24,000 tonnes by installing balancing equipment while Government permission has been sought for a substantial expansion on an integrated basis. The turnover in the first quarter of this year has amounted to Rs. 2.47 crores and it is quite likely total turnover for 1971 may exceed Rs. 10 crores, with a further sharp rise in earnings. The equity also can be raised substantially as the latest distribution of 7 per cent required only Rs. 22 lakhs. Musco's Rs. 10 paid-up shares are quoting high around Rs. 22.

Amar Dye-Chem.

Amar Dye-Chem Limited had the benefit of its expanded facilities during 1970 and, with no problem of shortage of raw materials, could increase its turnover by over 50 per cent to Rs. 10.11 crores from Rs. 6.71 crores in 1969. There was also an improved profit margin as the net profit, before depreciation and taxation, almost doubled to Rs. 237.53 lakhs from Rs. 127.67 lakhs. The dividend has been raised to 14 per cent, taxable, from 10 per cent, previously, with the announcement of a final payment of 8 per cent. The amount

required will be even larger as the 1970 dividend is on a capital increased by a one-for-ten bonus issue. Even then the amount is only Rs. 20.32 lakhs (Rs. 13.20 lakhs) against a disposable profit of as much as Rs. 63.14 lakhs (Rs. 32.52 lakhs). The claim in respect of depreciation is Rs. 75.81 lakhs (Rs. 50.75 lakhs) and development rebate Rs. 20.08 lakhs (4.90 lakhs) the provision for taxation is doubled to Rs. 78.50 lakhs (Rs. 39.50 lakhs) while transfer to general reserve is Rs. 54.78 lakhs (Rs. 25.45 lakhs). The final dividend is to be paid out of this reserve.

I.O.B.'s Interim

Indian Overseas Bank has declared an interim dividend of 7 per cent taxable for 1971. The interim payment of 5 per cent made for 1970 is also to be the final. The latest distribution will be made out of the additional compensation of Rs. 10 lakhs received in return for the transfer to the Central Government of assets of the Malaysian branches. Against the original compensation amount of Rs. 2.50 crores, one-third was received last June. The second instalment is due this June. A further payment is likely for this year out of the earnings for the first six months even if the merger with Travancore Rayons is effected according to the earlier schedule. There may how- ever of products while the performance of the various formalities. Shareholders of Indian Bank and United Commercial Bank can also hope to benefit by a similar transfer of their Malaysian branches to the new Government agency.

Bayer (India)

The Chairman of Bayer (India) Limited, Mr. B. M. Ghia, has expressed the hope that the company would show an even more impressive performance in 1971. The outlook for all the company's major divisions is quite favourable. The rubber chemical division is expected to fare better as there has been a pick-up in rubber consumption. A letter of intent has been received for expanding the capacity of this division and for the manufacture of some new products. The pesticides division has diversified its range of product while the performance of the pharmaceuticals division has been satisfactory. The company also expects to receive a licence to set up a plant for the manufacture of toluene diisocyanate (TDI), the basic raw material for polyurethanes.

Kamani Engineering

With better use of capacity and execution of large export orders, Kamani Engineering Corporation Limited was able to do more than double its turnover in the year ended

September 30, 1970 to Rs. 17.13 crores from Rs. 8.12 crores in 1968-69. (The company recently got the FICCI award for export performance for 1970). There was also a sizable profit before depreciation, of Rs. 40.63 lakhs against a loss of Rs. 11.07 lakhs in the previous year. The charge in respect of depreciation is Rs. 14.99 lakhs (Rs. 13.10 lakhs). The equity dividend has been raised to 9 per cent taxable from 6 per cent taxable. The company's steel rolling mill in Jaipur with a capacity of 20,000 tonnes per annum is expected to go into production shortly while the existing lines are being diversified to improve profitability. The company's export earnings in the current year are likely to increase to Rs. 15 crores. Recently it got a turn-key order from Thailand worth Rs. 3 crores for supply and erection of transmission towers and allied equipment.

Phillips Carbon Black

Phillips Carbon Black Limited has maintained the equity dividend for the year ended November 30, 1970 at 15 per cent taxable but the payment is on a higher capital as raised by a bonus issue in the proportion of one share for every ten shares held, the amount required being Rs. 30.94 lakhs against Rs. 28.13 lakhs in 1968-69. The company's sales dropped slightly to Rs. 3.55 crores from Rs. 3.62 crores due to shortage of raw materials and slack demand at the beginning of last year. The net profit, before depreciation and taxation, also declined to Rs. 105.04 lakhs from Rs. 117.24 lakhs in 1968-69. After setting aside Rs. 17.77 lakhs (Rs. 20.44 lakhs) for depreciation and Rs. 49 lakhs (Rs. 47.25 lakhs) for taxation, the transfer to development rebate reserve is Rs. 20,000 (Rs. 5.10 lakhs).

Sirsilk Skips Again

While rayon and nylon producers have been earning increasing profits due to better demand and higher prices for their products, acetate rayon units have been faced with a reduced off-take and lower prices. Sirsilk Limited has reported a lower turnover and even a loss for the year ended September 30, 1970. Production had to be restricted to 1934 tonnes against 2,036 tonnes in 1968-69. Sales declined to Rs. 3.90 crores from Rs. 4.53 crores while there was a loss of Rs. 21.49 lakhs before depreciation against profit of Rs. 27.96 lakhs in the previous year. There is no provision for depreciation against Rs. 28.96 lakhs. Arrears of depreciation amount to Rs. 2.40 crores and of preference dividend Rs. 1.93 crores. A debit balance of Rs. 11.36 lakhs after using all reserves is carried forward. The arrears of preference dividend will be higher if adjustments were

to be made according to the Preference Share (Regulation of Dividend) Act, 1960. It has been pointed out by the directors that excise duty on cellulose acetate will have to be reduced to improve profitability.

J. K. Chemicals

J. K. Chemicals Limited has raised the dividend for the 18 months ended December 31, 1970 to 15 per cent, taxable, on an equity capital increased by a two-for-three bonus issue. The payment for the previous 12 months on the old capital was 12 per cent, taxable. The amount required for the latest dividend will therefore be substantially higher at Rs. 11.37 lakhs against Rs. 5.90 lakhs in 1968-69. The generous distribution policy has been occasioned by a jump in the net profit, before depreciation and taxation, to Rs. 242.48 lakhs from Rs. 74.43 lakhs previously. The sum set aside for depreciation is Rs. 45.20 lakhs (Rs. 33.03 lakhs) while taxation claims as much as Rs. 132.30 lakhs (Rs. 11 lakhs). Development rebate reserve gets Rs. 3.65 lakhs (Rs. 5.90 lakhs) and general reserve a much larger sum of Rs. 61.53 lakhs (Rs. 24.81 lakhs). The equity dividend will be paid out of general reserve and is covered over five times. The company's Rs. 100 shares are quoting around Rs. 300. The company has received permission to enter the shipping business provided a new company is promoted with J.K. Chemicals, along with connected undertakings and associates contributing not more than 40 per cent of the capital.

Sandvik Asia's Bonus Issue

The directors of Sandvik Asia Limited have declared a proportionate higher dividend on equity capital of 12 per cent taxable for the nine months ended December 31, 1970. There was a similar payment for the previous twelve months in 1969-70. There will also be a bonus issue in the ratio of one-for-five, subject to Government approval.

CEAT Tyres

CEAT Tyres of India Limited has made good progress with its expansion programme for raising the capacity to 6.5 lakhs tyres and tubes. Installation of machinery is expected to be completed by the end of 1971. The company is setting up a cycle tyre plant at Nasik which is expected to go on stream by the second half of 1972. Exports in 1970 rose to Rs. 83 lakhs from Rs. 54 lakhs in 1969. If there is no disruption of production due to labour trouble (unlike last year closed) there can be a jump in production, especially as the new facilities will be partly available. CEAT shares are ruling firm around Rs. 255.

Dunlop India

Dunlop India Limited had no problem of maintaining production of its various products in 1970 at a high level as demand for nearly all its products was in excess of capacity. Tyre production at the Sahaganj unit in West Bengal was almost the same as in 1969. With the exception of cycle tyres whose production was affected by labour trouble, the output of industrial products was satisfactory but that of cycle rims suffered severely due to shortage of steel rim strip. Though import of strip has been permitted, there has been no improvement in supplies and there may be further interruption to the production programme. The Ambattur unit however was able to raise its output due to partial completion of the expansion scheme which will be finished in 1971 and fully effective in 1972. Tube production commenced in Ambattur in 1970 while the cycle rim plant there will commence operations this year. The company incurred a capital expenditure of Rs. 3.20 crores in 1970 against Rs. 2.44 crores in 1969. Besides, commitments for capital expenditure at the end of last year amounted to Rs. 5.67 crores. The expenditure in 1970 included the implementation of the expansion of capacity by 135,600 tyres and 124,800 tubes. The commitments also include those against the further expansion of capacity by 2.5 lakh tyres and tubes and a capital goods licence for the manufacture of an additional 1.5 million cycle rims at Ambattur and also for the replacement of old equipment at the Sahaganj factory.

The foreign exchange requirements for the expansion schemes are being provided by the Government of India out of credit from U.K., West Germany and France and loans from the British parent company. A major part of the Rupee finance will be found from internal sources and only about Rs. 2.1 crores will be raised through an issue of 15 lakhs equity shares of Rs. 10 each at a premium of Rs. 4 per share in the ratio of three-for-twenty, subject to the consent of the Controller of Capital Issues. The parent company will be providing Rs. 1.04 crores in pursuance of this issue which will be set off against the sterling loans provided by it.

An application has also been made for permission to set up a factory in Goa with a capacity of 3 lakh tyres and tubes. The Chairman of the company Mr. R. G. S. Nairn has stated that some land has already been purchased and expressed the hope that the application would be favourably considered in view of Dunlop's creditable export performance and good record of supplies to Defence services and vehicle manufacturers. Exports in 1970 exceeded Rs. 3 crores and accounted for 48 per cent of total

exports by the industry. There is also a proposal to make steel cord conveyor belting used in mining and expansion of capacity for conventional rubber conveyor belting and fan and vee belts. The letters of intent for golf and tennis balls are still under negotiation with the Government.

Tube Investments

The improved performance of Tube Investments of India Limited in 1969-70 despite shortage of steel was due to higher selling prices and execution of outside orders to maximise capacity utilisation of various sections. The tubes, metal sections and cold rolled product units could not achieve planned production levels and it was even necessary to regulate or stop production on some occasions. The metal sections contributed to the company's earnings for the first time in several years while tube exports were sizable. The cycle division however had to face reduced profitability due to increased cost of steel, nickel and other items. There were also losses on cycle exports. Both the subsidiaries—T.I. Diamond Chains and T.I. Miller Limited fared better, particularly the former whose industrial and cycle chains were in good demand. T.I. Diamond's expansion scheme is awaiting clearance but meanwhile the cost has been revised upward to Rs. 66 lakhs from Rs. 44 lakhs previously. A part of the finance will be raised through a right issue.

There is also a proposal to increase the Indian participation in the share capital of Tube Investments by an offer of 25,000 equity shares this year and 8.125 shares next year by Tube Investments of U.K. to the existing Indian shareholders after consulting the Central government. This will reduce the proportion of the parent company's holding to 52.5 per cent from the present 60 per cent. The sale will be made on a concessional basis through an agent of the British collaborators and it is stated the Indian shareholders will be getting one share for every six shares held, excluding fractional entitlements of less than half a share. An announcement of the sale offer is expected to be made shortly. Meanwhile, the company has made arrangements to raise additional resources for Rs. 1 crore through private placing of debentures carrying interest at 8½ per cent, taxable.

Hercules Insurance

The directors of Hercules Insurance Co. Limited have proposed to capitalise a portion of the reserves and issue bonus shares in the proportion of one share for every five shares held, subject to sanction by the Controller of Capital Issues. The new shares will not rank for dividend out of the earnings for 1970.

Syndicate Bank

Syndicate Bank has announced a final dividend of 10 per cent taxable, for 1970, making with the interim a total of 20 per cent taxable.

Philips India

Philips India Limited has been able to achieve a rise of nearly 25 per cent in its turnover for 1970 to Rs. 37.68 crores from Rs. 30.21 crores in 1969. All the product lines contributed to the improved sales of which radios, light products, and components for other lamp manufacturers were prominent. There was an appreciable growth in sales of telecommunications equipment and welding electrodes. There was greater emphasis on diversification into new lines like sophisticated professional and scientific equipment. Exports also showed a 40 per cent improvement to Rs. one crore and it is pointed out that these can be further raised if the company's suggestions for a cent per cent export-orientated scheme for manufacture of carbon resistors and other proposals are accepted by Government. The pre-tax profit improved further to Rs. 6.72 crores from Rs. 5.27 crores in 1969. A total dividend of 20 per cent has been declared on a capital increased by a one-for-two bonus issue against 23 per cent on old capital in 1969 (already reported).

As regards production, the Kalwa plant near Bombay maintained its full capacity production of incandescent and fluorescent lamps as also lamp components. The new plant for glass tube making was commissioned during the year while production of 1000 watt quartz burners for mercury vapour lamps was begun for the first time in the country. The production of light fittings was, however, hampered to some extent by shortage of steel, acrylics and other raw materials. The company has received letters of intent for manufacture of high wattage mercury vapour lamps, and other special lamps besides expansion of capacity of burners. These projects are now being implemented. The demand for welding electrodes could not be met fully because of acute shortage of raw materials and delayed issue of import licences.

The Poona electronic components factory completed its expansion project during the year while letters of intent have been obtained for expanding the capacity for a number of components. But no progress has been made in this regard as the stipulation on stringent export obligation is still being discussed with Government. The Calcutta and Poona radio division maintained their output at full capacity while a new factory set up at the Pimpri industrial estate in Poona commenced production towards the end of 1970. The telecommunication factory

at Calcutta has been effecting deliveries of fully transistorised portable transreceivers to Government and further orders are being obtained for these and other products. Production of electronic measuring instruments and public address systems also remained satisfactory at the Bombay factory where the manufacture of an advanced type of portable oscilloscope and pulse generator was undertaken during the year.

New Plans

The Calcutta factory has also started producing record players this year after some delay over receipt of import licence for certain equipment. Arrangements are also being made to commence manufacture of tape-recorders on the basis of a letter of intent. Production of this item at Pimpri originally scheduled to begin in 1972, may be delayed due to certain additional conditions imposed by Government. An application has also been made for production of TV sets and once a licence is obtained, assembly of TV receivers can be started at the Pimpri factory with the least delay.

Goodyear India

The setback in working results of Goodyear India Limited during 1970 was due to a labour slow-down for about six months at the Ballabgarh tyre factory which adversely affected production. There was also an increase in the statutory price for natural rubber in September last while other manufacturing costs also increased. But it has not been explained in the director's report why they decided to increase the dividend on equity capital to as much as 47½ per cent from only 17½ per cent in 1969 especially as it is necessary to utilise a part of the accumulated reserves to complete the payment to shareholders. The company's exports in 1970 totalled Rs. 74 lakhs. It is proposed to capitalise reserves for Rs. 2.54 crores—Rs. 57 lakhs from share premium account and Rs. 1.97 crores from general reserve for issuing bonus shares in the ratio of one-for-one. At the end of 1970 reserves amounted to Rs. 5.71 crores (of which share premium was Rs. 59.77 lakhs and general reserve Rs. 3.91 crores). But the final dividend which will require Rs. 44.42 lakhs is yet to be paid out of the general reserve. The paid-up equity capital amounted to Rs. 2.54 crores. The expansion of automobile tyre capacity to 6 lakh sets and the establishment of a bicycle tyre plant with 2 million capacity have been delayed due to late arrival of both imported and indigenous machinery. It is now expected that both facilities will go into operation before June this year. Fresh capital expenditure incurred in 1970 was Rs. 5.42 crores (Rs. 1.02 crores).

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The Managing Director M. Parks Chrestman, has, however, explained to shareholders that the directors proposed the higher dividend and capitalisation of reserves as the company's current plans do not call for major outlays in the near future, during which time the expanded auto and cycle tyre facilities would provide additional ability to generate capital. Mr. Chrestman has taken a cautious view of the outlook for the current year. Though tyre production will be doubled from July this year with easier power supplies and labour cooperation, disposable profits may be affected by higher interest and depreciation charges. Other costs of manufacture are also rising continuously. The plan to instal facilities for making aero tyres is making good progress. The capital goods import licence for equipment has been received but there are some formalities to be completed before orders can be placed.

Glaxo Bhavan

A nutrition centre "Glaxo Bhavan" constructed from a donation of Rs. 50,000 from Glaxo Laboratories (India) Limited to the Andhra Mahila Sabha was opened by Mrs. Saraswathibai Giri, wife of President Giri, at the Andhra Mahila Sabha College campus in Osmania University at Hyderabad on April 6. The President was also present. Mrs. Durgabhai Deshmukh, President of the Sabha, welcomed the distinguished guests. The Centre will provide facilities for nutrition education and training and marks the beginning of the Sabha's Statewide campaign to improve nutritional standards of the community. Glaxo is a leader in the milk food industry apart from its production of a wide range of pharmaceuticals and fine chemicals. The Aligarh unit of the company turns out baby food and has a modern dairy there. The drug unit is situated at Thana, near Bombay. Glaxo has been continuously expanding and diversifying its production to include basic chemicals for oral contraceptives besides those for vitamins.

Siemens India

Siemens India Limited which recently issued fresh equity capital for Rs. 1-20 crores, has already a paid-up capital of Rs. 1-20 crores of which shares worth Rs. 61.20 lakhs (51 per cent) are held by directors of the Indian company and others. Of the new issue, Rs. 60 lakhs are being allotted to the foreign holding company and only the balance was offered to the public. Thus, after allotment of the new shares, the Indian participations in the capital will be 49.5 per cent and not 25 per cent as stated in our March 1 issue before the prospectus of the company was published.

A. L. Taylor Elected President of IACC

Mr. A. L. Taylor, who has done pioneering work in the introduction of computers in India, was elected President of the Indo-American Chamber of Commerce for the current year. He succeeds Mr. S. L. Kirloskar.

An Australian, Mr. Taylor, who is General Manager of IBM for the India Region is currently busy drawing up plans to facilitate trade between India and the U.S., particularly to help India overcome the technological gap.

Earlier this year, the IACC organized a seminar on "The Role of Shipping in Indo-American Trade, Issues and Challenges" at Bombay. The IACC also arranges series of lectures by eminent people to focus attention on India's economic development in the context of world economic situation.

The second annual general meeting of the IACC also intalled presidents of its four Regional Councils. They are: Dr. B. V. Bhoota (West India), Mr. Paul A. White (East India), Mr. K. M. Mammen Mappillai (South India) and Mr. Ranauq Singh (North India).



Mr. A. L. TAYLOR
President, IACC

During last year the IACC established a Visitor's Centre in New Delhi. Since one of the main difficulties American businessmen wishing to work with India experience is their total lack of knowledge of establishing contacts with government and industry circles, it is hoped that the Visitor's Centre can bridge this gap.

STOCK MARKET:

Corporate News Boosts Sentiment

With election uncertainties over, stock markets have resumed their buoyancy. Most scrips in the cleared and cash sections have firmed up considerably since the middle of April and gains have been significant in most of the active counters. A continued flow of gratifying working results from the private corporate sector and a further improvement in earnings held out by company chairmen along with a shortage of wanted scrips have helped the bull operators to push prices up.

Even cotton textile shares have shown no weakness as the performance of the industry in 1970 has been encouraging and there is a feeling that the Government's effort to secure adequate imports of cotton would help to tide over any critical situation in the coming lean months of the season. But the high prices that may continue for the remaining months may affect the profit margins considerably, particularly as the industry has undertaken to maintain the quota for production of coarse and medium varieties of controlled cloth at 25 per cent of the capacity. The scope for getting over this obligation by paying the penalty for any shortfall would thus be appreciably reduced. The increased earnings of many mills in 1970 were mainly due to the diversion of capacity from unremunerative controlled categories to highly profitable finer varieties.

The main prop for the market, as stated earlier, has been good corporate news. Many companies have reported larger sales and improved earnings. Dividends in most cases have been either maintained on increased capital or raised on the old capital. Century Spinning and Weaving has increased the payment to its equity shareholders for 1970 by increasing the dividend to 45

per cent from 40 per cent in 1969. The Tata group of textile mills has fared better in the latest year and two of the companies—Ahmedabad Advance and Svadeshi—have raised the distribution, while Tata Mills has been able to resume its dividend after a number of years. Century Enka, Elpro International and Mahindra Uginie have declared maiden dividends in a short period after commencing production. Tube Investments has managed to increase its profit despite shortage of raw materials. The existing Indian shareholders will benefit by the proposal of the British collaborators to offer part of their holdings to them. Pfizer and Sandoz are paying more on their equity capital for the last year while Philips Carbon Black is maintaining the payment at 15 per cent for 1969-70 on a higher capital as raised by a bonus issue. Kamani Engineering has raised its dividend as also Modella Woollen on improved working. Amar Dye-Chem has increased the distribution from 10 to 14 per cent on higher capital. Chemicals and Fibres of India has at last announced its decision to raise fresh capital by issuing new shares to the existing shareholders as also to the public at a premium. Hindustan Aluminium has reported excellent results for 1970, though it will be raising the dividend only modestly to 12½ per cent from 10 per cent in 1969 but there will be a bonus issue in the ratio of one-for-four. The company is also proceeding with its next phase of expansion. Indian Aluminium also will be immediately increasing its capacity by 10,000 tonnes. Indian Copper has earned more and is paying more to shareholders. Indian Overseas Bank will be paying an interim of 7 per cent for 1971 while Syndicate Bank has announced a final dividend of 10 per

cent for 1970 making a total of 20 per cent. Hercules Insurance has proposed a one-for-five bonus issue and Sandvik Asia also in the same ratio. The latter has also declared a dividend of 12 per cent for nine months against a similar percentage for the previous 12-month period. National Organic Chemicals and Polyolefins have started deriving considerable benefit from their integrated activities and will be reaching the dividend-paying stage in the next one or two years. The ad hoc price increase allowed to car manufacturers pending disposal of their case in the Supreme Court has had a salutary effect on auto shares.

Apart from these pleasing news, market-men have also reason to take a more constructive view of the outlook for the economy. The licensing authorities would seem to be adopting a more helpful attitude as may be seen from the spate of new licences for expansion and setting up of new units. Letters of intent have also been generously issued to enable the respective companies to proceed with their plans to arrange for collaborators or secure funds. The improved climate has also attracted a number of foreign business teams which have already offered to extend technical and financial assistance in particular fields of production. The export effort is also bearing fruit and it has been reported that 1970-71 would see a growth rate of 8.5 per cent. Though the civil war in East Bengal is posing certain problems like rehabilitation of the lakhs of refugees, there has been an incidental benefit to West Bengal's jute industry which now finds itself in the embarrassing position of carrying out orders on Pakistani mills from foreign buyers. Jute shares have been particularly active in the past few weeks and sizable gains have been noted in many scrips. In the south, coffee estates have harvested an all-time crop which may be 40 per cent higher than the previous best crop. Naturally this will be reflected in higher earnings for many companies.



TAKE-OVER OF GENERAL INSURANCE

The promulgation of an ordinance by the President of India empowering the takeover of the management of all general insurance companies, Indian and foreign, could not have come as a surprise. It had been repeatedly asserted by political leaders that nationalisation of general insurance was on the agenda and it was only a question of when the measures would be initiated. Indeed, it was claimed in knowledgeable circles that the arrangements had been finalised and the Union Finance Ministry was ready to tackle the job. The actual move, however, came somewhat as a surprise as it was not clear earlier whether, as in the case of banks, there would be selective nationalisation and whether the ownership of assets and liabilities would be taken over forthwith.

The Government, however, has chosen to adopt a cautious policy. Only the management of all companies has been taken over with the payment of interim compensation while a Bill is to be introduced in Parliament in the next session which will indicate how the insurers will be compensated for the transfer of ownership. The change-over, however, has been effected smoothly and from May 13 the custodians appointed by the Government are in charge of the administration of these companies and the intention would seem to be to examine closely the accounts of all companies for determining the compensation for assets transferred to the Government.

The opinion expressed in some quarters that the compensation paid to the erstwhile banks is on the high side and that there should be a more careful assessment of the quantum of compensation is not correct. The Government has greatly benefited by the nationalisation of major banks and the deal has been conducted on a cheap basis. This will be evident from the satisfactory results of

most banks for 1970 in spite of heavy expenditure incurred on the opening of new branches and the big increase in the salary bill following the revision of emoluments to all classes of employees.

The public sector must be geared up to manage a type of business which has to maintain the quality of service and look after millions of customers. More than three million policies have been issued already for all classes of insured after studying their special requirements and the volume of business is likely to increase by leaps and bounds. There is also a sizable Government element in this field with some units in the public sector accounting for 35 per cent of total business. The premium income of all insurers is not more than Rs. 131 crores and their gross assets are only about Rs. 240 crores. The quantum of net assets which will determine the basis of compensation will be much less. The number of employees of all companies is only 25,000. It is difficult to visualise the total compensation but it may not be more than Rs. 30 crores. Even here the extent of compensation will be accounted for by the first ten companies which account for nearly 70 per cent of the business.

The management of general insurance companies has been taken over ostensibly with the idea of scrutinising closely the accounts of all companies of 1970 which will be published shortly. But the valuation of assets need not take a long time as with every month that passes by many policies will mature and it will be possible to determine, except for marine risks, to what extent statutory reserves will cover outstanding risks. Expert opinion is that departmental reserves will have a surplus after meeting all claims. The aggregate market value of all investments should be in excess of the book value. The Government should not delay therefore the valuation of assets for fixing

PRICE MOVEMENTS

The following were the closing rates for selected scrips on April 5 and 23:

Madras			Bombay			Calcutta		
	Apr. 5	Apr. 23		Apr. 5	Apr. 23		Apr. 5	Apr. 23
India Cement	5.70	5.70	Tata Steel	101.00	103.25	Indian Iron	11.40	12.30
Mettur Chem.	12.25	12.30	Telco	234.00	245.00	Hind Motors	13.15	13.05
Ashok Leyland	6.45	6.50	Century	851.50	886.00	Birla Jute	21.70	23.25
S.I. Viscose	171.00	171.00	National Rayon	514.00	522.00	Dunlop India	38.05	39.25
Madura Mills	18.62	18.65	Tata Chem.	29.75	29.50	Guest Keen	32.90	36.90
Tr. Rayons	20.40	21.00	MICO	445.00	456.25	Indian Copper	4.00	4.16
E.I.D. Parry	13.60	13.87	United Carbon	405.00	422.50	Zuari	15.19	16.44
Madras Alum.	178.00	182.00	NOCIL	241.00	239.00	CAFI	43.50	48.50
Madras Rubber	19.50	19.55	Polyolefins	254.00	246.00	Hind Aluminium	36.12	39.06
Binny	77.50	69.00	Ceat Tyres	248.75	257.50	Goodyear	56.75	56.87
Indian Overseas	169.50	171.00	Mahindra Uginie	18.56	21.88	Philips India	40.00	39.50
Tube Investments	140.00	151.00	Gujarat Fert.	303.75	315.00	Union Carbide	32.12	32.37

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the compensation. Though the ownership of shareholdings is concentrated in many cases, there are quite a few institutions in which there is considerable public interest.

What is more important, however, is the introduction of machinery which will be in a position to foster the growth of general insurance business. There will be automation in the volume of fire, accident and miscellaneous insurance and there should be no room for complaint that the quality of service has deteriorated. Also, care should be taken when evolving new schemes for crop insurance

CRUCIAL BUDGET IN THE OFFING

The Central Budget for 1971-72 due to be presented to Parliament on May 28 promises to be radical in many respects though the finances, particularly of the Centre, are in good shape. There has of course been some complication on account of the heavy influx of refugees from East Bengal and the heavy expenditure of Rs. 75 crores on East Bengal refugees will compel Mr. Y. B. Chavan to think in terms of raising large sums through indirect and direct taxes. It would be advisable to take a long term view and spread the impact of the exceptional expenditure on refugees over a five year period. The problem of raising resources will have to be viewed constructively and fresh taxes should be levied only for financing expenditure which is not entirely productive but which is covered by the scope of the Fourth Plan. There may, of course, have to be heavier expenditure on Defence, preparing the nation to meet any eventuality.

Mr. Chavan is in a position to manoeuvre skilfully and formulate new schemes for financing plan projects. With more vigorous institutionalisation of savings and a better balance between revenue and expenditure, Mr. Chavan can easily find Rs. 200 to Rs. 300 crores for financing plan and non-plan expenditure. It will not be surprising if the overall budget deficit for 1970-71 was nominal and the actual revenues were considerably in excess of budget estimates. It is of course true that there has been a serious shortfall in plan expenditure and difficulties may be experienced if the tempo of implementation of Plan schemes increased. But there will also be scope for raising additional revenues even with the existing taxation besides mobilising larger amounts through open market loans, deposits of Banks and Post Offices and an intensification of the Small Savings Campaign.

The Central Budget for 1971-72 need not therefore be harsh; but the question is whether Mr. Chavan can avoid being radical for its own sake because of the compulsion to implement some of the points in the election manifesto. There will surely have to be heavier wealth taxes on urban property and even on other forms of property. There may also be an attempt to give the impression that the higher incomes are being soaked with more severe taxation of capital gains and certain adjustments in the tax rates with rebates which will compel saving and investment in parti-

or cattle insurance as it is necessary to bear in mind that insurance has an element of cost and in a country of widely differing climatic and weather conditions and different fertility it will be difficult to administer crop insurance except on a regional basis. As an element of subsidy will be involved in the early stages, it would be advisable to initiate these schemes on a departmental basis. The Government should watch its steps before doing anything new or novel as it has to build up its reputation first as having the capability for managing properly public sector undertakings.

cular directions. There may also be an attempt to diffuse compulsorily ownership of share holdings in closely held companies besides compelling distribution of profits on a large scale. These measures, however, will not result in sizeable receipts and may not fetch more than Rs. 25 to Rs. 30 crores especially as any change in the rates of corporate taxation affecting public limited companies will retard further development.

But the main conundrum relates to the mobilisation of resources for giving succour to the States which are having an awkward financial position. The Central Government will have to come to the rescue of the States and it is here that Mr. Chavan will be in a dilemma. If the changes in the overdrafts of the State Governments from the Reserve Bank in the past year are any guide it is quite likely that the overall deficit of the State Governments in 1970-71 was as much as Rs. 250 crores, while that of the Central Government was probably only Rs. 50 crores. The question is how the States should be helped to overcome their difficulties and to what extent new taxes should be levied by the Centre and the States for wiping out deficits. In 1971-72 the overall deficit may again be Rs. 250 crores even with buoyancy of central revenues and the scope for an increase in the State's share of these revenues. The States will probably be asked to find Rs. 80 crores additionally through new taxes and borrowing and it should not be difficult to raise additionally Rs. 5 to Rs. 10 crores in each case. The Centre may be agreeable to levy indirect and direct taxes for augmenting the share of States by Rs. 80 crores. This will call for a tax effort of nearly Rs. 125 crores. The balance of Rs. 80 crores may be found through additional central assistance or credit from the institutions or both. The Centre, of course, will have to find for itself additionally Rs. 50 crores. This will lead to the conclusion that fresh taxation for Rs. 160 to Rs. 175 crores will be inevitable and this effort will be successful only if there were new and heavier indirect taxes. Since there will be no large deficit financing on Centre's account it will not cause any harm if there was deficit financing on account of States to the extent of Rs. 100 crores annually for two or three years. The forthcoming budget is therefore crucial in many respects and Mr. Chavan should give the correct lead when the economy is in good shape and is poised for a faster rate of growth with strategic doses of additional investment.

INDUSTRIAL ECONOMIST

Not Just Yet Another Currency Crisis

The West European monetary crisis has been blamed on many things. The majority blame it on the Euro-dollars, the \$50 billions circulating in European markets and fleeing from one centre to another in quest of higher interest rates. Others point an accusing finger at the manner in which the United States has been managing its fiscal-monetary affairs, ostensibly placing a higher premium on the domestic situation unmindful of the consequences abroad of such domestic policy. Yet others would refer to the insular outlook of E.E.C. member countries, each of whom, according to them, will be burying its head in the sand like an ostrich in the mistaken belief that the crisis is a war concerning the Deutschmark alone. The rest seem to be firmly of the view that the exchange parities of all countries are in need of a reassessment and that the failure to do so has unleashed certain forces of instability which cannot be controlled except by a realignment of currency parities.

Each of these stances has an element of validity which will, in no case, admit of any exaggeration. The immediate crisis was, for instance, due to a massive switch of Euro-dollars for West German marks, the flood being estimated at around \$10 billion at one point. The very availability of this large volume of dollars which can easily be further drawn up to five times that figure introduces no doubt an element of uncertainty and therefore of a trend towards continuous imbalances. Unless there were other elements of trend like absence of control against switch, possibilities of continuous replenishment from abroad etc., the instability cannot predictably last too long. Further, to designate Euro-dollars as the villain of the piece without any redeeming features is to

overlook the contribution of this type of money towards the expansion of European investment and the consequent diversification and growth of European industry of varied lines. As Sir Leslie O'Brien, Governor of Reserve Bank put it, without Euro-dollars, the size of a really, free international money market so essential for European economies, will have shrunk out of existence. In any case, Euro-dollars being the medium through which the monetary malady had been transmitted, logic demands that there should be no confusion between the malady itself and the symptom or agency through which it surfaces.

The criticism of U.S. economic policy has likewise limited justification. The U.S. involvement in the Vietnam war has been responsible for an outflow of dollars and therefore for much of the deficit in the U.S. balance of payments. The winding up of U.S. commitments abroad under the Nixon doctrine (which seeks to transfer capabilities from actual U.S. presence and wholesale participation to the governments and the people of the concerned areas of U.S. influence) may no doubt reduce the deficit. But such reduction on the requisite scale may not come about immediately. What is worse, there has, on the contrary, been set in motion a further force for deficits in the form of the U.S. administration's pre-election, pro-boom increases in consumer spending which has a capacity for sucking in a larger volume of imports and throwing the payments balance in further deficit.

U. S. Answer Ingenious

The U.S. answer to this criticism has been ingenious and interesting. The expansionist policy which is intended to expand the volume of production and reduce unemployment

is intended to help rescue the growth in the U.S. economy halted by recession, and should help achieve long term equilibrium in the payments balance. U.S. officials have been pointing to the fact that the better price performance of the U.S. in recent months is expected to improve competitiveness in international trade and connect the payments deficit by keeping the domestic market preferred by the U.S. citizens to foreign markets. Besides, the goal being to build a stronger U.S. economy, there should automatically be as a result of this well-timed endeavour an inflow of investment and money (including dollars) from abroad. According to Mr. Paul A. Volcker, U.S. Under Secretary of the Treasury for Monetary Affairs, "the basic deficit in U.S. transactions with the rest of the world, after discounting temporary, reversible money flows, has been in the neighbourhood of 2,500 million dollars in recent years, an amount equal to about three per cent of our (U.S.) total trade and less than two per cent of our total external transactions. A deficit of that magnitude should certainly be manageable for a time. The size is not so great as to appear prohibitive in terms of achieving adjustment over a reasonable period." The difficulty with all these arguments is that their credibility is seriously impaired by the failure of U.S. economic measures, despite all the fanfare with which they had been announced from time to time, to bite as expected. Foreign suspicions and mental reservations in this respect have been registered by the fact that the co-existence of inflation with sectoral recession in the U.S. economy, has because of the increase in unemployment tilted the scales in favour of inflationary policies and therefore of deficits.

Fallacious Belief

Among the countries affected by U.S. dollar outflows, there has curiously been little consensus. The brisk recovery of the West German exports and the consequent export boom

coupled with political reservations between West Germany and France have kept the two countries in opposite, instead of as on the same benches during the deliberations of the E.E.C. This has resulted in the propagation of the fallacious belief that the problem is one between the dollar and the mark to be resolved as they choose and one that is of little concern to the other partners of the European community. Though this is not expressed outwardly, "the gettings-on" reveal ample evidence in this regard. Indeed if the members of the European Common Market are really serious about forging their much vaunted European monetary union with its own common currency unit, wisdom demands that they should pull together in one direction and not pull apart in diverse directions.

So far as West Germany is concerned, the decision to float the mark is not going to be very useful either in curbing speculation for a long time to come or for establishing the strength of that currency. Theoretically, floating exchange parities will be a device to test the relative worth of currencies in order to identify the guidelines for reassessing their parities. Insofar as the mark had been floated, there was little option in floating the Dutch guilder and the Belgian franc. What is disquieting is, however, the upward revaluation of the Swiss franc by 7 per cent and of the Austrian schilling by 5 per cent. All this cannot short circuit the fundamental problem. Indeed the floating exchange rates are temporary remedies which can at best tackle the symptoms rather than the disease. In the case of West Germany, the export boom has spent itself already. The West German ratio of wage increases to productivity having been the highest of all the industrialised countries, prices of all commodities have been rising fast. Germany's competitors have seen their chance in their more advantageous prices as is explained by the increase of imports into that country by 1.6 milliard marks in February 1971 as against the figure

for February 1970. If the rate of acceleration of inflation in Western Europe is as now larger than elsewhere, the floating rates of exchange could soon place most of the European currencies in the soup.

I.M.F. Guidance Inevitable

That is precisely why the school that believes in a realignment of currency parities under the guidance of the I.M.F. has the most convincing logic on its side. It has indeed been the sickening experience of the post-war period that decisions by nations to alter their exchange parities have been taken without consulting the I.M.F. and in the teeth of I.M.F. rules to the contrary. It is time that this recalcitrance which has done no good anybody stops. Indeed human limitations being what they are, there is

every need for the international community to get together under the auspices of the I.M.F. at intervals of twenty-five years precisely for re-examining currency parities and rectifying the overloaded importance that could have accrued to particular currencies.

So far as India is concerned, the floatation experiment will mean that Indian goods will earn fewer marks or francs or guilders as the case may be, while imports from the West will get costlier, as well as the foreign exchange value of external debt. This situation calls for a more vigorous export effort that will keep the annual export growth high enough to take in the slack in exchange earnings (because of these fortuitous circumstances) and to assure a pick up that should enable exports paying for imports.

Accelerating Bokaro's Pace of Constructions

The Government of India has decided to import from the Soviet Union 47,000 tonnes of refractories and 30,000 tonnes of structurals with a view to invigorating the pace of construction of Bokaro Steel Plant's first stage.

Though the plan for this 1.7 million tonne plant was inaugurated ten years ago, its construction work has been dragging on at snail's pace. The Steel Ministry now wants to complete the first stage by March 1973.

The present decision on the imports from Soviet Union is a departure from the original decision of importing only 4 per cent of refractories from the Soviet Union and acquiring the remaining 96 per cent from indigenous sources. For this project, India needs 212,000 tonnes of refractories. Indigenous refractory-manufactures have not been able to supply the required quantities. That is why India Government has increased the intended import-percentage of refractories from 4 per cent originally to 22 per cent now.

Captive Refractory Unit

The Government also wants to have a captive refractory unit either by building a new one or purchasing one from the private sector to meet the demands of the Bokaro project.

On March 1, 1971, the construction authorities had received only 134,000 tonnes of steel structurals as against a total requirement of 239,000 tonnes. Seventyfive thousand tonnes of these structurals have already been erected. More than two third of the structural work remains to be done. Hardly fifty per cent of the 275,000 tonnes of equipment-supplies required has been received until February 1971. Orders for seventytwo thousand tonnes of equipment-supplies were placed with the Heavy Engineering Corporation. But the HEC is yet to produce fifty thousand tonnes. The MAMC has supplied only 3,710 tonnes against the order of 10,000 tonnes. The private sector has yet to deliver more than 60,000 tonnes out of the 79,000 tonnes it had to supply. (UNI).

Invigorate the Planning Commission or Wind it Up

The Prime Minister has decided through the Presidential notification to make the Planning Commission a part of the Ministry of Planning. The fact that the Union Minister for Planning, Mr. C. Subramaniam will be the Deputy Chairman of the Planning Commission confirms that, despite all assertions to the contrary, official and otherwise, the Commission has coalesced with a Government department, losing its independent status. It is not that there had been in the past no merging: Mr. Gulzarilal Nanda and Mr. Asoka Mehta were both Ministers of Planning and Deputy Chairmen of the Planning Commission at the same time. It is not, however, accurate to assess the merger decision on the basis of mere precedent. The correct approach is to study the image of the Commission as conceived by its authors and as envisaged by the many study teams whose business it had been to clarify its role.

Composition by Young Men

Jawaharlal Nehru expected the Commission to consist of enthusiastic young men who would not be hide-bound by bureaucratic stances. Dr. Gadgil desired that its members, all of them, should be below 55 years of age. Both these expectations have not been realised. The intention had been originally to introduce youthful vigour, but for various reasons this had not been possible. What is sickening, however, is that the role of the Commission had itself been distorted in the process. For instance instead of being an advisory body, it had begun involving itself in executive decision-making. The most common criticism of the Commission is that "taking advantage of the Prime Minister's chairmanship, it has stepped into areas of executive authority of the Central and State Govern-

ments". This trend had been intensified by the general practice of departments of these governments getting their Plan projects cleared through the Commission. It is nobody's case that the Commission should have no links with the executive. On the contrary, the convention to have the Prime Minister as its chairman is intended to provide the essential link between this advisory body and the executive.

A Parallel Cabinet

The rub lies in making the Commission a parallel cabinet. So far as the role of the Commission as laid down by its rules is concerned, the additional link with the executive in the form of a Planning Minister-cum-Deputy Chairman would be unjustified. A study team of the Administrative Reforms Commission which examined this question, was of the view that there was no need for a Minister specifically in charge of Planning. Says the team: "It is impossible for us to envisage any person other than the Prime Minister or the Finance Minister to be able effectively to deal with matters relating to planning, to carry his points through and at the same time carry influence with the Commission." In fact, the A.R.C. felt that, except for the Prime Minister, who was necessarily the chairman, ministers should not be appointed as members of the Commission. The Deputy Chairman occupied a key position "as the main working link between the Central Cabinet and the State Chief Ministers on the one hand and the Planning Commission on the other". To fulfil this responsibility, he had to be one "who was not closely associated with the party ruling at the Centre but would at the same time command the confidence of most political parties including that in power at the Centre."

The present choice does not accord with these norms. Without disparagement to the acknowledged dynamism and competence of Mr. Subramaniam the fact remains that he is of the Ruling Congress and a Cabinet Minister in charge of Planning in addition. One cannot be too sure of how he will be able to deal with his other colleagues in his capacity as Deputy Chairman and how State Chief Ministers would react to his proposals or advice offered in that capacity. So long as the separate identity of the Commission as an advisory body, outside the Government, has been lost, there is little to choose between planning with the help of a departmentalised Commission and planning on their own by individual government departments subject to centralised direction. In fact the latter alternative would seem to be more honest and economical.

A Bureaucratic Set-up

When the position of the Deputy Chairman has itself been sinning against the norms set at the inception, little needs be said about that of the other members. In theory, these members should be chosen for their wide knowledge and experience in the fields of agriculture, industry and commerce, science and technology, economics, sociology and public administration. In the light of the changed status of the Commission, it is doubtful whether any from the elite in these fields could be easily drafted into the new bureaucratic set-up. It is a strange irony indeed that over the years, the Commission had been allowed to build up into a mammoth, only to be housed like a mammoth in a shelter, here, the Ministry of Planning. The solution lay not in departmentalising the Commission but in invigorating it, endowing it with greater amount of initiative and freedom.

—R.S.

Jumbos for Janata Travel

By S. VISWANATHAN

The system of chartered flights has revolutionised the concept of air travel. The group fares have become so economical that they have brought air travel within the reach of a much larger cross-section of people for whom air-travel remained for long an unaffordable luxury. Of course, the popularisation of this mode required a lot of ingenuity and an imaginative sales promotion tactics.

How one wishes that our scheduled airlines, particularly Indian Airlines is a little more imaginative in its approach and attempted creating a huge demand for air travel rather than being content with meeting whatever demand that is offered to it! IAC has been reporting heavy losses in its operation for quite some time now. That is largely due to what appears an insatiable work force, ranging from its pilots to the most ordinary of the ground staff. Whether it is lack of leadership or lack of coordinated policy or perhaps both that has contributed to a deterioration in the services and of course mounting costs of operation.

High Operating Load Factor

IAC has an enviable position of a high operating load factor. It consistently had a load factor of 90 per cent in its trunk routes served by the Caravelles. Even after the introduction of the Boeing 737 aircraft its load factor in trunk routes is over 75 per cent. Just contrast this with the plight of many international airlines who struggle hard even to maintain a 40 per cent average pay load. And despite all these the balance sheet is in the red.

Officials of Indian Airlines are never tired of arguing that the fare struc-

ture of IAC is among the lowest in the world and that there is good justification for hiking them up so that they will be on par with the fare structure of most other domestic services in other countries. They eventually forget in this context two major criteria: In most parts of the world the domestic services need not have to cater to traffic over very long distances. In the U.K. or West Germany, for example, the maximum distance between any two air termini does not exceed 600 miles, whereas every one of the services in the trunk routes in India is over 700 miles, so that the minimum cost for service between two stations in the trunk routes is much higher in India than they are in most of the other countries. Secondly, is the

relative affluence of these countries whose per capita income is much higher than ours. Of course it is too tempting to resist the desire to convert their fares into rupees with the rate of exchange. If the officials of Indian Airlines want us, for example, to believe that the per mile air fare expressed in terms of rupees in U.K. is costlier than that in India, it exhibits only a propensity to camouflage. The minimum wage of an average industrial worker in the U.K. being in the region of £15 a week, which when expressed in terms of rupees, represents the annual income of an average villager in U.P. Unfortunately this type of arithmetical juggleries are often resorted to by our officialdom. Even the Railways indulge in this type of comparisons when they want to justify a fare increase.

Irresistible Urge to Fare-Hike

While one could not take exception to rational argument for fare increases

YET ANOTHER FARE-RISE?

Disturbing reports are received about the plans of IAC to increase the air fares by 15 per cent in about two months' time. It is gathered that the airlines has approached the Government some time ago for permission to revise the fare by 29 per cent to cover up the losses suffered by it during 1970-71 estimated around Rs. 5 crores. The Government, it appears, has agreed to a fare increase of 15 per cent.

IAC made a net profit of Rs. 2.28 crores during 1969-70. The loss of about Rs. 5 crores it is estimated to have incurred during last year was largely due to inefficient and inept tackling of a number of issues. There were many agitations by the different classes of workmen including pilots

and there was an unprecedented lock-out. There was also loss of three Fokker Friendship aircrafts and the suspension of services to Kabul. Is it justified to ask for a fare increase on the basis of losses suffered not so much due to external factors but with its own inefficient management arising largely due to indiscipline at the various levels of workers? It is gathered that IAC has increased the fare structure five times in the last ten years. As late as 1969 a steep increase of 15 per cent was effected. There was a subsequent increase during November 1969 of 8 per cent on trunk routes and 7 per cent on other routes except the eastern sector where it was 5 per cent.

based on operating costs worked out on the basis of efficient management, one certainly looks askance at the almost irresistible urge on the part of IAC to ask for frequent fare increases. One is inclined to believe that with every attempt at modernisation of operation, with the introduction of newer aircrafts with much larger carrying capacities certain economies would accrue to the Corporation which should be reflected in a better service to the passenger at more economical costs to him. The IAC should successfully negotiate with the Government not to burden it with other types of social costs, e.g. the need to maintain an occasional air service in a not-much-trafficked town by subsidies from the interests concerned or from the Government. In a number of towns where there is just one service per day or tri-weekly services exist, a whole retinue of airport officials has to be maintained, road transport facilities are to be provided and a host of other costs are involved. For example, there are four services a week between Delhi-Bhopal via Gwalior. The traffic offering may justify the maintenance of this service. But the need to incur expenses on a variety of such factors connected with the above contribute to high cost of operation and secondly to poor workload for the staff of these airports concerned. You have to employ people who may have work for about two hours a day during the arrival and take off of flights for four times a week. Two alternatives are possible in tackling such problems: The first is to think in terms of stimulating demand for air traffic to such levels that Indian Airlines can afford to run these services. Or the IAC should be content with operating economically its services on major routes with high density of traffic and parcel out these infrequent services to smaller private airlines who would in course of time create a very good demand for air traffic even from these centres. IAC can also think in terms of contracting out work such as transportation to and

from air terminals and even work pertaining to the maintenance of air port to effect some economies.

Largely Used by Ministers, Officials and Executives

The fact remains that the services of Indian Airlines are largely used by Ministers, M.Ps and Government officials who are paid ultimately by the Government or by company executives. There is an almost total absence of resort to air services by private individuals on personal account. This factor has contributed to a good deal of complacency on the part of the Indian Airlines who have remained content with accepting whatever traffic that is offered to them and who have

acquired a habit of asking for fare increases whenever the complaint on continuing losses is made too loud.

During the recent lock-out of the IAC a number of enterprising travel agencies organised charter flights between important cities and got away with rich profits. This in spite of the fact that the fares collected by them were much higher than IA fares. One is surprised that Indian Airlines has seldom come out with such imaginative plans to attract traffic among the newer sections of people or in other words stimulate demand for air traffic. For example there is acute need for transport from Bombay, Delhi and Calcutta towards Madras during summer and return at the end of the vacation. The rush for rail travel is so great that a high premium is charged

Unimaginative Time Schedules for Madras Passengers

Timings of the flights from Delhi to Madras and the return trip are about the more inconvenient ones that could be imagined. The scheduled departure from Delhi is 12-25 hours. With the regulation to check in an hour before departure and another hour required to reach the airport from the City make it necessary to pack off around 10 hrs. The arrival time in Madras is 15-05 hours. The clearing of the baggage takes anything from 30 to 45 minutes and one can reach home or office only around 16-30 hours. This does not take into consideration the delays in departure which are not infrequent. This means the whole day is more or less lost. Since air travel is largely resorted to by businessmen or high paid Government officials, the almost total loss of a day in office time inherent in this schedule appears to be most unimaginative. Some months back Indian Airlines came out with the slogan

that when viewed against the time it saves for its passengers compared to the railways or other modes of conveyance, air travel is really more economical. But schedules of the type referred to above make this claim just tall and meaningless.

Somehow this plight is reserved exclusively for flights to Madras alone. More convenient timings are available for passengers between Delhi and Bombay, Delhi-Calcutta and Bombay-Calcutta. Flights are available either in the morning or in the evening so that one is left with a good amount of time for office work after reaching the destination. It is the same even in regard to the tri-weekly flight from Madras to Bombay when the departure is 13-50 hours and arrival 15-40 hours. Madras-Calcutta flights are nonetheless convenient leaving at 14-10 hours and arriving at 16-20 hours.

—(S.V.)

on any class of ticket by travel agents and even by many unauthorised persons. Why not the Indian Airlines think in terms of a Jumbo flight chartered from Air India to take advantage of the heavy demand for traffic? As the rush is mostly to spend a good vacation at home much of the luxuries that are part of the *Maharaja service* can be dispensed with. The transport-weary traveller who need spend only about 150 minutes in the aircraft during its flight from Delhi to Madras hardly needs any food on flight and the whole tribe of air hostesses with their helpers and the connected catering service men both in ground and on board could be dispensed with for such flights. With an assured cent per cent load sans the huge expenses

these special flights would contribute to enormous economies in operating costs. At a rough estimate it might be possible to offer a single fare from Delhi to Madras at less than Rs. 200 (compared to Rs. 410 normally charged) which is comparable to the first class rail fare. To avoid the switch-over of passengers from normal flights the condition can be imposed that for these charter flights only return tickets would be given. If the time of starting and return would also be indicated in advance the scope for abuse from other types of passengers can be eliminated considerably. Several such flights could be announced between cities on the trunk routes so that passengers can have the choice of the onward and return flights.

The introduction of Jumbo services has contributed to huge increases in available capacity. Since the period for which the aircraft is required is for a short duration, with some adjustment it should be possible to arrange for a charter of these aircrafts.

Once people are accustomed to the advantage of air travel, demand will continually be stimulated which, in the long run, would help Indian Airlines expand its services at a much faster rate than is being thought of as possible now. Will the airlines think of such innovations and try to earn the minimum return on the huge investments made rather than being content with frequent strikes and fare-hikes?

Importing Crude Oil at Enhanced Prices

All the five coastal crude oil refineries in India have been importing crude oil at the increased prices, though India Government has not yet officially agreed to the new prices. Experts draw this inference from the recent statement of the Petroleum Ministry's spokesman that the private refineries had been granted additional foreign exchange in lieu of their future foreign exchange requirements.

In December 1970, when Iran increased the tax rates, the oil suppliers raised the price by about 7 cents per barrel. Again in January-February 1971, when the Persian Gulf Oil Countries and the International Oil Companies signed an agreement for increased oil prices, another enhancement of 27 cents was imposed. That means a total increase of 34 cents per barrel.

The elections in the country and the absence of a fullfledged Government came in the way of India taking a decision on this question and it hung in

the balance precariously. Meanwhile the oil refineries in India had to pay the new prices demanded.

Additional Prices for Crude Imports

A spokesman of the Cochin Refineries Ltd. has recently admitted that the company had been paying the additional 34 cents for its crude imports from the French company, CPF from February 1971. He said that the refinery was being given sufficient foreign exchange to maintain its throughout at 2.5 million tonnes a year. In other words, the company was being given foreign exchange to import crude at the increased rate of 1.60 dollars per barrel. The price before November 1970 was only 1.26 dollar per barrel.

The Madras Refineries is also known to be paying more for the crude it gets from the National Iranian Oil Company. In fact this refinery is paying two cents more than the increased price being paid by the other four coastal oil refineries. The three pri-

vate sector refineries are also paying the increased prices.

Meanwhile the Managing Director of Cochin Refineries, Mr. Glendale Betz, has made it clear recently that this refinery would not be able to process the Rustom crude obtained from India's offshore oil concessions in Iran. The refinery will have to be rebuilt if it is to process the Rustom crude, he said.

The refinery paid a dividend of Rs. 68.78 lakhs to India Government. This constitutes 18.5 per cent of India Government's 52.83 per cent investment in this rupees fifteen crore refinery. The other partners of this Refinery include Phillips Petroleum, the Kerala Government and the LIC.

Cochin Oil Refinery has been in commercial production for four years and has paid a total dividend of Rs. 4.24 crores during the last three years. The Central Government's share has been about Rs. 2.24 crores. (UNI).

Glimpses

By P. R. SRINIVAS

Poor Results from Land Reforms

The report of Mr. C. Badrinath, Director of Tenancy Records on the implementation of the Tamil Nadu Agricultural Lands Record of Tenancy Act throws invaluable light on the effects of land reforms on the economic conditions and prospects of the small agriculturists which the general public will find helpful and the Governments highly embarrassing. It is not surprising that there has been a contradiction of the reports that have appeared in the press. But a city set on a hill cannot be hidden. The fact that the ceiling Acts, with the consequent redistribution of land, the offer of documents assuring the rights and status of the tenant and even the quantum of help afforded by the co-operative society have all failed to make any favourable impact on the poverty of the classes concerned. Mr. Badrinath's report is based on a survey of conditions in Thanjavur district and before the latest reduction in the ceiling on land holdings, from 30 acres to 15 acres.

While one may make some allowances for the differences in the conditions before and after the preparation of Mr. Badrinath's report, the fact remains that, after the distribution of 15,000 acres of surplus land among 9648 landless persons, the number of pattadars rose by only 0.15 per cent and that nearly half the number of the recipients of additional land were in the rice-rich Thanjavur district. By the administration of the ceiling Acts, the Government have added only a half acre or 1½ acres to each of the large number of extremely small land holdings, while as much as 10 acres are needed for a tenant to meet his minimum commitments and 88.85 per cent of tenants in Thanjavur district have between a half and five acres of land to till. In these conditions, the tenant has little reason to set any value on the protection offered by the

Tenancy Records Act. He is indifferent to it and Mr. Badrinath is on good ground when he says that no grave consequences need be apprehended if the disposal of the remaining application for registration as tenants is abandoned, repeal or no repeal of the Act. What is even more important is the uncertainty in the mind of the tenant as to what he may have to pay for the additional land, the liability to lose the addition if he defaults on the payments which he is assuredly in no position to make.

Co-operative Societies Censured

The record of the co-operative societies has also come in for damaging comments from Mr. Badrinath. "Not a single tenant in six out of the ten villages in Nagapattinam received any assistance from a co-operative society. The average amount lent to an individual in one area is Rs. 792 and in Ukkarai village it is as low as Rs. 43. Harijan, it would appear prefer to work as farm labourers rather than tenants. In the light of these findings, Mr. Badrinath naturally recommends the appointment of a commission to enquire scientifically into the economic and social structure of rural Tamil Nadu. Mr. C. Subramaniam, too, has voiced a new scepticism about the value of further reduction of ceilings, on which Congress leaders both within the Governments and without have laid great stress in the past. It is time that the Governments, Central and State alike, realised that disappointments of the people can as surely turn them out of office as the electoral promises raised them to the pinnacle of power.

A Measure of Extremely Dubious Propriety ...

The nationalisation of private forest lands which the Kerala Government has sought to effect by means of an ordinance after proroguing the Assembly is a measure of extremely dubious

propriety from every point of view. That no compensation is to be paid to the owners nor any land returned to them even within the ceiling limits are other features which will be condemned by the general public. It is also a matter for disquiet that the nationalisation of forest lands may be followed before long by the nationalisation of foreign plantations which has been hinted at by Mr. M. N. Govindan Nair, the CPI State Secretary.

The need to limit the purposes for which an ordinance may be resorted to by Government and not merely to limit its duration before legislation according to normal processes is being brought out more and more clearly in recent years, the nationalisation of banking being the most notable instance in this regard. It is also a matter for consideration whether nationalisation, particularly when compensation is denied to the owners, should not be made the sole prerogative of the Central Legislature and Executive, since no act of nationalisation by a State Government can be in the interest of the nation as a whole and may even be inspired by inter-regional antipathies.

Whatever that may be, the nationalisation of forest lands without compensation is defended by the Chief Minister on the ground that it is a measure of agricultural reforms which does not attract Article 13 of the Constitution. While the validity of this contention and the legality of the Government's action will no doubt be tested in the courts of law, there is no doubt that this measure of agricultural reforms is not in conformity with the principles of reconstruction of our agricultural organisation. It may be that forests are being denuded and that they need to be protected and improved. But the emphasis, so far as our land reforms are concerned, has been on the ownership of land by small holders. This principle, it would appear, would be respected only in the case of poachers who are said to have occupied a third of the forest land in Kerala State.

Admittedly, no thought has been given to the question of compensation of temple lands, though Kerala is noted as much for its religious devotees as for its God-less Communists. The worst feature of legislation by ordinance is that the public is denied the benefit of listening to the case which the opposition parties can make out against the measure. The presence of a large and regimented majority behind the Government make the views of the opposition parties more, and not less important for the average citizen.

Is Ganges - Cauvery Link a Reality?

The general public will warmly welcome the statement of Mr. A. P. Jain, that work on the Ganges-Cauvery link is worthwhile, though it is not possible to say when it will be made. But there must be some dissatisfaction about the undue caution behind the statement even when it is made by the Chairman of the Irrigation Commission. The realisation in full of the country's irrigation potentialities ought

to be the prime concern of the Commission, particularly because development within the limits and resources of each State has gone far enough and further progress is obstructed by inter-State disputes which are extremely regrettable from every point of view.

The Irrigation Commission, more than any other body, should look for schemes which will have the double benefit of resolving inter-State disputes and providing a sufficient supply of water for irrigation in all parts of the country. Whatever satisfaction we may feel about the progress of agricultural development in the last five years, we cannot afford to forget that self-sufficiency in food is at the best round the corner and that the position in regard to commercial crops and the dependence of large areas on the whimsical monsoons is a matter for concern. The water grid is a natural requirement and it will be recognised as such when the increase of the output of raw cotton, oil seeds and other crops, which has been relegated to second place because of the urgency

of increasing food production is taken up in all seriousness. The fact that Andhra Pradesh and Tamil Nadu are the only two States which so far have asked for the Ganges-Cauvery link should not create the false impression that they are the only possible beneficiaries of the project. It is true that the magnitude of the work and financial outlay involved is most forbidding. With science and socialism so closely wedded, no project which is technically feasible should be beyond the scope of practical achievement.

No Dilly-Dally Any More

Rome was not built in a day. Egypt has made a reality of the Aswan Dam. And one may say that Bhagiratha did not bring the waters of the Ganga to earth only to benefit a part of the vast land. After having talked about it for over half a century, it is time that we make a beginning, however small and humble. The initial spadework is time-consuming. The scale of future outlay is no reason for postponing it indefinitely.

rency declined and that of small coins and rupee coins went up. But in the two decades from 1951 to 1970, paper currency again picked up to touch levels of 84.9 per cent and 91.2 per cent while rupee coins fell from 9.5 per cent to 5.8 per cent and the small coins from 5.5 per cent to 3 per cent.

According to the Reserve Bank study, only the 100-rupee note has been steadily gaining popularity throughout and it formed 46.6 per cent of the issued currency in 1970. Two-rupee note was first introduced in 1943 and remained popular until 1947; but declined progressively thereafter. Five-rupee note progressively declined throughout the period from 18.3 per cent in 1939 to 7 per cent in 1970.

The ten-rupee note was most popular in 1939 and formed 39.3 per cent; but declined to 30.1 per cent in 1945. It rose again to 42.7 per cent in 1965, but fell again to 34.4 per cent in 1970.

—(UNI)

INDUSTRIAL ECONOMIST

I BELIEVE:

Fanciful Scheme to Elevate Hindi

I believe that the Government of India is steadily lending itself to be pressurised by the Hindi zealots to elevate that language as the only national medium quite oblivious of the guarantee given by Jawaharlal Nehru about the continuance of English so long as the non-Hindi States wanted such continuance. This thought is induced by the suggestion of the Government of India to the Union Public Service Commission for allowing the use of the regional media for its examinations. Ostensibly, this will appear like conferring equal status on all the regional languages but in its actual working it is likely to put a special premium on Hindi. The fanaticism of Hindi-speaking States seeking to obtain for Hindi such a special status is evident from the fact that the Government of one such State has sought to penalise those who continued to use English instead of Hindi for official purposes.

Even assuming that the desire is to confer equal status on all the regional languages, the unanswered question is how far such an experiment is likely to succeed. Obviously it is not mere difficulty in translation which can be managed if one were to overlook generously the harsh in the ear of some of these translations. Incidentally, the UPSC itself is not quite sure of the practicableness of the proposition because even in respect of the two general papers for which it has reluctantly agreed already to the use of the regional medium by the candidates taking the examination, the Commission has categorically stated that the question papers will be only in English. With such reservations against infeasibility of the regional media for examination purposes, on which many will see eye to eye with the UPSC rather than the Government of India, there will be little surprise if the Commission goes slow on the fanciful scheme now being forced on it by the Government.

INDUSTRIAL ECONOMIST

Implicit Confusion

The actual measures of the fancifulness of the scheme is in the confusion implicit in it. The ranking on which the usefulness of a competitive examination depends assumes a high degree of uniformity in the assessment of the performance of students at the examination. The hurdles in using the regional medium are in this sense mainly two: First, it will be difficult to get an examiner who is proficient in the particular subject and in the regional medium as well in order that the answers in that subject through that medium could be properly evaluated. Secondly, even if this difficulty is overcome—which will well nigh be impos-

INCOME-TAX PAYERS OVER THREE MILLION

Direct-tax collections in 1970-71 were Rs. 43 crores higher than in the previous year, according to official estimates. Income-tax, corporation tax, estate duty, gift tax and wealth tax have together yielded Rs. 854 crores as against Rs. 811 crores in 1969-70.

The number of income-tax payers crossed the 3 million mark. It went up from 29.10 lakhs at the beginning of 1970-71 to 30.36 lakhs at the end of February this year.

Of the total direct tax revenues, income-tax (including corporation tax) accounted for Rs. 828.33 crores—a rise of about Rs. 41.38 crores over the collections in 1969-70. This was attributed to better arrangements for tax collection made by the Income-tax Department.

During the year, outstanding gross income-tax demand (which includes demands not fallen due for payment, demands awaiting adjustment and demands covered by stay orders or instalment schemes) decreased by 11 per cent which had been going up by about 10 per cent for the past three years. From about Rs. 821.71 crores at the beginning of the year, the gross sum came down to about Rs. 730.90 by the end of 1970-71.—(UNI)

sible—how are the valuations in a medley of tongues to be adequately correlated for ensuring uniformity in ranking the diverse performance? The main limitation in using the regional medium is that ranks can be justly demarcated only in respect of answers in the same medium. It will be purely a matter of unsure guesses when any attempt is made to compare inter-regional performances merely on the basis of the marks scored.

The argument could be that the country should prepare from now on for a day when candidates appearing from various university areas will have equipped themselves only through the regional medium concerned. The fallacy of this assumption is twofold: First, all universities still use English and have been expressing their determination to provide for their students sufficient competence in that language. Secondly, the introduction of the regional medium at the lower levels of university education has only begun and vast numbers of students are taking instruction through English rather than through the regional medium. What is the justice in jeopardising the chances of these young men at the competitive examination in the process of securing the use of regional media through which at least only a minority of students will have received instruction? Above all so long as the country does not intend to become insular in its technical, scientific and other knowledge elementary wisdom demands that we should not close the only window to such knowledge, viz., English. Indeed these issues are rarely decided on the basis of cold logic especially in a nascent democracy where the urge to stand on its own legs could be pushed to the point of becoming first, a fetish, then an obsession and finally a prejudice. The only consolation is that, in a crisis, the Indian mind has been pragmatic. We can only hope that this pragmatism steps into its own as the powers-that-be and the general public get to know the inevitable shortcomings of linguistic fanaticism.

—Horace

Tackling the Protein Hunger

The Union Planning Minister, Mr. Subramaniam, who attended the U.N. Nutrition panel meet in New York recently, has pinpointed the challenges confronting the world organisation and developing nations in tackling the protein hunger of developing countries, particularly of South Asia. As is common knowledge, malnutrition in many regions may be due not only to protein deficiency but might represent the cumulative end result of several factors such as diets deficient in calories, proteins, vitamins and other nutrients, disease, infection with worms, large and closely spaced families and inadequate purchasing power. In cereal based diets, the primary nutritional problem is insufficient calories intake. This is evidenced by a comparison of the position in this respect obtaining in the developed and developing countries. In developed countries, the daily consumption of calories is 3,150 and daily protein intake about 90 grams. In India, the corresponding figures are 1810 and 45.4 grams per day. What is to be noted is that these absolute figures conceal wide disparities and deficiencies in per capita consumption of the different sectors of the population.

Need for Nutritional Policies

It is heartening to note therefore that the green revolution in Asian countries bids fair to solve the deficiency of calories to a significant extent. As for the protein deficiency, much will depend on how wide and how soon packages for grain legumes, oil seeds, vegetables, fruit trees, feed and fodder crops are devised and im-

plemented. It is common knowledge that Indian farmers have been aware of the usefulness of the pulses crops both for restoring soil fertility and for providing a viable income source in areas of scanty rainfall which particularly require drought resistant varieties. The rub lies in that efforts in this direction are not consistent and continuous, as they should be. Mr. Subramaniam has warned that an increase of prosperity concentrated in one section of the population may be followed only by an increase in food consumption by the same people and that, although fortunately prosperity concentrated in one section of the population may be followed only by an increase in food consumption by the same people and that although fortunately prosperity does not seem to promote gluttony, there may be periods when rapid economic development in developing countries may worsen the plight of those at the bottom of the economic ladder. The need for sound national nutrition policies, therefore, is obvious.

This is more easily said than done. As Mr. Subramaniam points out the difficulties are numerous: First, there is the lack of adequate data to facilitate a system approach. The second difficulty is that most of the clinical signs of caloric-protein malnutrition worked out by the World Health Organisation are difficult of standardisation and quantitative expression. Deficiency rates vary between 4 and 52 per cent. There are doubts whether, in areas with rice or wheat as staple, there is any protein gap or whether all protein needs would be met if the normal calories require-

ments will be fully met. Thirdly, the achievement of nutritional goals would be difficult in the absence of any improvement in family incomes. This is of course a reiteration of the chain argument—nutrition levels are low because incomes are low and incomes are low because agricultural yields are low and these yields are low because the farmer has got the income to afford packages. Increased opportunities for productive employment are essential for generating the purchasing power necessary for adequate nutrition.

Global Strategy

In the circumstances, a global strategy for fighting malnutrition due to protein hunger can be indicated only in very broad outline. First, efforts should be made to improve both the production and productivity of conventional plant animal and fish resources of protein, to wage an effective war on waste and produce new source of protein such as genetically high quality cereals like high lysine maize, millets and tubers, and foods and beverages incorporating oilseed meals, leaf proteins, fish-protein concentrates single cell protein and fortified cereals. Secondly, much greater emphasis should be placed on improving the distribution and marketing of protein foods so as to assure a rise in consumption among the vulnerable sectors of the population. Thirdly, appropriate research and training facilities must be established to build or strengthen the necessary institutional framework and provide the requisite technical education and training for the personnel needed to handle these problems. Fourthly, suitable executive and coordinating agencies should be developed at the international and national levels for evolving precise action plans and for assuring the deployment of adequate financial and technical resources to ensure successful

What Price Bumper Wheat?

It has been a familiar experience over the years that the recommendations of the Agricultural Price Commission on procurement prices are generally coldshouldered by State Chief Ministers who are to implement them. The recommendations become consequently an academic exercise, devoid of practical moorings. For instance, take the latest A.P.C. report on wheat prices. The Commission desires a reduction in price between Rs. 2 and Rs. 6 for quintal for the different varieties and the Chief Ministers have negated the same. This should induce an enquiry into the very logic of the A.P.C.'s recommendations.

Procurement Price

The Commission has based itself merely on the arithmetic of the situation. The season has been good like the three preceding ones, the harvests have been according to expectations and the granaries are bulging. If the procurement and issue prices of wheat are to be kept at the current year's level, it will involve a subsidy of Rs. 35 crores. It should be recalled in this connection that the food price is influenced by the proportions of indigenous to imported wheat. The latter being cheaper, any increase in the quantum of the costlier indigenous wheat (in the wake of a desire to reduce dependence on import when domestic supplies are abundant) will call for heavier subsidies to maintain the issue price unchanged. And if the wheat harvest is quite good, it stands to reason that prices should be allowed to find their proper level.

In strict theory again, the benefits of the green or amber revolution should help the farmers earn a larger turnover and not necessarily through a higher price. Again, so long as a higher price is sedulously maintained in the teeth of

an easing of supplies, it keeps farmers confined to cereals production, for, in the absence of a protective umbrella of higher prices, some of them will have changed over to the production of more profitable cash crops, like cotton and oilseeds. And to the extent this change-over is not there, some industrial raw materials tend to be in short supply which automatically affects adversely the production schedule of industries using those raw materials. (This may also explain the comment that part of the high price of edible oils could be blamed upon the larger spending power of the rural community vis-a-vis inadequate increases in oil seeds output).

Self-Sustaining Momentum

It is also important to remember that the A.P.C.'s case for reduction in wheat prices appears to rest squarely on the assumption that the breakthrough in wheat has been of such a dimension as to be capable of a self-sustaining momentum. Consequently it is argued that any decrease in price is unlikely to curb the tempo. The unanswered question is how low the wheat price should go to serve, as the A.P.C. imagines, as a gentle reminder to farmers to divert their attention towards other, more "price-worthy" crops.

There can be no denying the fact that the above arguments are quite logical. Their deficiency consists in eschewing from consideration a part of the realities of the regional situation. The major producer of wheat is Punjab. Under the scheme of procurement for the current year, about 4 million tonnes as against 3.6 million tonnes last year will require to be procured. Of the additional 4 lakh tonnes, 3 lakhs are to come from Punjab and that State will be furious if the procurement price is reduced. The grievances that Punjab has against the

Centre are so many that such a price reduction will be the last straw. It may be recalled that when last time a similar suggestion was made for a reduction in wheat price, the Punjab C.M. asked for payment in foreign exchange for the wheat supplied to the Centre which, *ipso facto*, displaced imports.

A.P.C.'s Bizarre View

The intriguing thing is that the A.P.C. views the nation as a single economic unit which has attained complementary viability in its parts which should be best maximised through policies which are less regional and more national. In actual practice, regional interests are pulling away in a different direction. Each State is interested first in self-sufficiency in order to avoid the humiliation or mortification as the case may be, which dependence on supplies from another State or States have involved in the past. Secondly, if a State is fortunate to have produced a surplus and is therefore placed at the giving end, it desires to have the highest feasible price under the circumstances. Those who have been watching the experiments in zones will not have failed to notice that inter regional reservations which had necessitated curbs on movements were a replica of the intra-regional fictions that had zoned off particular districts in the same State from others.

It is time that the price policy is attuned to these differential pressures. This is one point on which the A.P.C. had better act on the States' suggestion. The suggestion is that the A.P.C. recommendations should cover a longer period so as to facilitate long term adjustments in agricultural production. Conservative opinion may not countenance this on the ground that Indian farming has still not become a business from what it had been so far, namely a way of life. But the point is that the horizon is brighter now and the economy should not be caught unready when the sun rises.

Indian Sugar Industry in Doldrums

India's sugar industry appears to be crisis-ridden. At least 17 sugar mills in different States have suffered losses during 1970-71. All the six sugar units in Tamil Nadu ended the year with losses ranging from Rs. 33 lakhs to Rs. 41 lakhs. Six of the eight Uttar Pradesh units, three of the six Bihar units and two of the four Madhya Pradesh units have also incurred losses.

Sugar industry sources point out three main reasons: (1) Sugar recovery this season was lower than the last season's. Maharashtra was the lone exception. It just maintained the average sugar recovery level. (2) This season's crushing-period was shorter than the last season's. (3) Severe impact of the implementation of the second Wage Board award for the Sugar Industry. The rate of increase was Rs. 1.10 per quintal in Mysore, Rs. 5 in Rajasthan, Rs. 3.99 in Bihar and Rs. 2.05 in Uttar Pradesh.

As a remedy to this malady, the Indian Sugar Mills Association wants a higher levy price for sugar. They complain that the levy prices have not been reviewed for two seasons—the last and the current ones.

In his address at the 26th meeting of the Development Council for Sugar Industry, Mr. K. P. Mathrani, Union Food Secretary, gave a long list of suggestions, which include constructing modern plants with latest design-features, maintaining the equipment properly with the help of well-trained staff applying labour-rationalisation schemes in close consultation with the National Sugar Institute, Kanpur, encouraging cane-growers to adopt results of the latest research for bettering sugar-cane yields and sugar contents making economic utilisation of by-products of sugar industry like bagasse, molasses and press-mud and improving the fuel economy and spare surplus bagasse not only for pulp and paper industry but also for the manufacture of furfural, synthetic fibre and resins.

Mr. Mathrani wanted the State

Governments to implement quickly India Government's order permitting free sale of 20 per cent of the molasses produced by the sugar industry. He pointed out to the sugar industry another alternative use for molasses—manufacture of cattle feed and poultry feed out of it.

Mr. Mathrani said that India would

plead for increased export quota for Indian sugar at the forthcoming meeting of the International Sugar Organisation (ISO). This meeting is to review the International Sugar Agreement and the U.S. Sugar Act. India is a member of the ISO Executive.

India's sugar production this year will be 40 lakh tonnes. International consumption will be about 37 lakh tonnes.—(UNI).

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THE CITY CORNER:

Oil Search in Cauvery Basin to Continue

"There is no question of abandoning the Cauvery Basin Oil Project" says the Manager of the Project Mr. T. S. Balakrishnan. In the midst of reports that the quest for oil in the Cauvery basin had been futile and its scrapping was therefore under consideration, this must be welcome news.

According to Mr. Balakrishnan, the prospects of sinking oil in the basin could still be considered good although failure to strike oil in spite of 15 years drilling at the expense of crores of rupees baffles him. He frankly does not know why and when the geological setting was favourable to oil occurrence and standard subterranean conditions indicating existence of oil obtained in the Cauvery basin from Pondicherry in the north to Rameswaram in the south over a 50 mile wide track along the coast, oil should elude their efforts.

So far ten deep wells, five of them in the Karaikkal region and an equal number of structural wells were sunk. Deep drilling is to be started at Pandanallur, 20 miles from Kumbakonam, and equipment is being shifted there from Saliangalam near Papanasam.

Changing Centre-State Ties

Prof. V. Shanmugasundaram, Professor of Economics, University of Madras, pleaded for encouragement of self-employment.

"Do Centre-State fiscal relations need a change?" This question was discussed at a seminar held under the auspices of the Graduates Guild. Mr. K. Santhanam, former Chairman of the Finance Commission felt that the Centre-State ties called for a change within the four corners of the Constitution. He was not against amendment of the Constitution if agreed changes in the Centre-State relations could not be otherwise brought about. What made him say this was that contrary to the views of

the founding fathers, now the net flow was not from the Centre to the States but was in the reverse direction. He suggested the writing-off of Central loans to States as according to him these loans were "fictitious" and could never be repaid by the States. As for grant of Central loans he would like a separate institution being set up by the Central Government, which like the World Bank, would approach the

Remarkable Growth of Japan's Economy

For fifty continuous months ending December 1969, Japan's economy had shown a steady upward swing surpassing the previous record of 42 months between 1958-1961.

The rate of growth during 1969 was 12.8 per cent (real).

In view of the overheating of the economy during the latter part of 1969, the Bank of Japan enforced a tight money policy with effect from September 1969 by raising the bank rate from 5.84 per cent to 6.25 per cent. It was the first time that the discount rate was raised to adjust domestic economy and not for the reason of balance of international payments.

Japan's overall balance of payment for 1969 registered a surplus of \$2,283 million and the foreign exchange reserves stood at \$3,496 million. The trade balance had a surplus of \$3,750 million with exports amounting to \$15,730 and imports \$11,980 million.

Over-production of rice is one of the major problems of Japanese agriculture. As against 14 million tonnes of rice produced annually, Japan's annual rice consumption has never exceeded 12 million tonnes. Even this level of rice consumption is fast receding because of the gradual shifting of the people from rice to bread, meat, fruits and vegetables. Therefore, Japan's rice surplus has been increasing annually. It amounted to 5.7 mil-

lion tonnes at the end of October 1969.

After hitting the all-time high of 14.25 million tonnes in 1967, rice production in Japan started levelling off. However it is estimated to have exceeded the 14 million mark in 1969 also.

Third Position in GNP
Japan's Gross National Product (GNP) in 1969 mounted to \$166,400 million, showing an increase of 17.3 per cent over the previous year. Japan holds the third position in GNP following United States and USSR. In 1969, Japan ranked 16th in per capita income which increased from \$1,222 in 1968 to \$1,289 in 1969.

Japan's mining and manufacturing production increased by 16.8 per cent in 1969 over the previous year. Industrial production which has been consistently rising since 1966, more than doubled in the past four years. Among the industrial groups electric machinery, general machinery and iron and steel showed particularly brisk production activity.

Indo-Japanese trade during 1969 amounted to \$416.98 million. Imports from India to Japan amounted to \$321.16 million and exports from Japan to India to \$95.82 million. Compared to the 1968, imports from India to Japan had gone up by 9.4 per cent. While exports from Japan to India had gone down by 31 per cent.

(UNI).



THE VIJAYA BANK LTD.

Regd. Office: Mangalore, Admn. Office: Race Course Road, Bangalore-1

STATEMENT BY THE CHAIRMAN SHRI MULKI SUNDER RAM SHETTY

The following is the statement given by the Chairman of the Vijaya Bank Ltd. at the 39th Annual General meeting of the shareholders of the Bank held at Mangalore on April 30, 1971:

Friends,

It is a pleasure and privilege for me today to welcome you to the 39th Annual General meeting of the Bank. We have added pleasure in meeting in the wake of our successful performance in the last year marked by an unprecedented growth in deposits and profits.

Although it is beyond me to prophesy the shape of things to come, we have every hope of keeping up the momentum of progress that we have now achieved. I take it that you have already read the Balance Sheet and Profit & Loss Account.

General Economy in 1970

Yet another year has been left behind, a year marked by uncertain conditions in the political and economic fields.

True, there was some economic revival consequent on increased agricultural production, but industrial production suffered. Shortage of raw materials like cotton and steel led to under-utilisation of the industrial capacity. Rise in the price level due to continued inflation kept up the cost of living. Political, economic and social unrest checked industrial activities in more than one State.

Although the year left behind was such, the banking industry continued to attract considerable public attention throughout the period, the role of bankers having assumed a larger dimension in recent years.

Banking System

In current thinking banking has been assigned a major responsibility for economic development. The mobilising of the community's savings is the traditional function of a bank. The channelling of such savings into selected priority sectors seeking development has now become the compelling function of banks in society.

Banks, both in the public as well as the private sector, have generally done well in the year 1970. The total deposits for all banks have reached Rs. 5,675 crores and the total advances Rs. 4,428 crores as on the last Friday of December, 1970. The average growth of deposits of the year was 16.4% as against 15.02% in 1969. The credit expansion was higher at 22.5% against 19% in 1969.

Branches of commercial banks crossed the 10,000 mark in 1970. At the end of the year, the number of offices of commercial banks was 11,184. Branch expansion touched a new height. Over 2,000 branches were opened by all the banks in 1970 as against 1,369 in the previous year. The average population served by a branch office in the country has declined to 52,000 in 1970 from 70,000 in 1968.

Demand for credit was on the increase. Deposit mobilisation being the only check



Shri MULKI SUNDER RAM SHETTY

against excessive demand for credit, banks were faced with the challenging task of mobilising further deposits. In banking, as a service industry, the marketing concept has come to stay. Based on psychological approaches to the needs of the community new techniques are being developed for accelerating deposit growth. Financing of the neglected sectors in the economy has come to be accepted by banks as an obligation and challenge.

The Reserve Bank kept up its helpful attitude and keen interest in the supervision and control of all banks.

Our Bank's Progress

We may take pride in our achievement when we see that notwithstanding unsettled conditions in the country the progress of our Bank has been phenomenal in 1970, our deposit growth being 47% as against the average increase of 16.4% for all the banks in the country. The increase in our deposits in the year 1969 was 42%. Deposits which stood at Rs. 18.71 crores at the end of the year 1969 increased to Rs. 27.52 crores as on 31-12-1970. Our advances rose from Rs. 13.01 crores in 1969 to Rs. 17.54 crores in 1970.

The credit deposit ratio of the Bank was on an average, 70.71% throughout the year. The advances to priority sectors like agriculture and small scale industries were well maintained. At the close of the year, our advance to agriculture was 12% and to small scale industries 19% of the total advances.

Our gross earnings for 1970 were Rs. 201.97 lakhs as against Rs. 142.52 lakhs in 1969. In spite of the payment of an additional wage bill of Rs. 6.14 lakhs to our staff consequent on the bipartite settlement, our net profit increased to Rs. 8.49 lakhs for 1970 from Rs. 4.60 lakhs for 1969. As a result, we have been able to step up our rate of dividend to 10% (subject to tax), for the year 1970 with the consent of the Reserve Bank of India.

We shifted our Administrative Office to Bangalore in November, 1969. Behind that simple statement lies a great achievement. In May last, we gave you the assurance that with our changed set-up and shifting to Bangalore, we might forge ahead in a big way. We are happy, that we have kept up our promise.

In 1970 we opened 12 branches at Ardi, Belgaum, Kalladka, Kukundoor, Mandarthi, Jeppu-Mangalore, Mani, Moodabettu, Nada, Poona, Sanoor and New Delhi. More branches were opened in the rural areas. The total number of branches stood at 126 on December 31, 1970.

Increase of Capital

To strengthen the capital base in line with the growth in deposits, we released in 1970 further shares of Rs. 20 lakhs for public subscription. Our shares were highly over-

subscribed. We are thankful for the immense support we have had from you in this direction. Almost the entire Authorised Capital of Rs. 50 lakhs has been subscribed and our Paid-up Capital now stands at Rs. 43.84 lakhs.

Outlook in the Current Year

The Banking Commission has not yet submitted its report. Changes both structural and functional may follow the publication of the long awaited report of the Commission. The situation has yet to settle down to a pattern.

The big banks after nationalisation offer greater competition to the private sector banks. A branch of a public sector bank is found in most parts of the country. With larger resources they are in a better position than the smaller banks to serve the public. In such circumstances the progress that our Bank has made in 1970 is remarkable. To keep it up is our problem. We have an uphill task.

The structure of interest rates has an important bearing on the gross income. Since January, 1971, the bank rate has been increased to 6% with consequential rise in the deposit rates. A larger portion of our total deposits is being held in interest bearing deposit accounts and so higher interest will have to be paid in 1971. Just as gross income is influenced considerably by the level of interest rates, the gross expenditure is mainly dependent on the trend of the wage bill. The continuing wage price spiral may

increase our outgoings and be a constant threat of erosion into our profits for 1971.

Staff and Training

The number of employees has increased from 1,160 in December, 1969 to about 1,462 in December, 1970. We had given out in our previous statements that the training of our staff has been engaging our attention. The shortage of trained personnel is a problem common to all banks. Most banks have their own training establishments. We have also started a Staff Training Institute from October, 1970, with an ambitious programme of making this Institute an organisation not only for staff training but also for management studies and research in due course. In addition, as in the previous years, we are deputing our officers to the Reserve Bank Training College for the various courses.

We have also made provision towards staff gratuity liability on a scientific basis. The present actuarial value of such liability has been determined and it has been decided to spread it over a period of five years. As a first step, the existing provision has been increased from Rs. 2 lakhs to Rs. 3,63,646 for the year 1970.

Board of Directors

At the last meeting of the Shareholders held on 23rd May, 1970, Shri K. P. Madhavan Nair ceased to be a Director. Shri D. Veerendra Heggaide resigned from the

Board on 20-7-1970. We have at present 18 Directors on the Board.

I must mention here the unfailing goodwill and co-operation that I have had from my colleagues on the Board. To every one of them and to the members of the Local Advisory Committee, I am thankful for their valuable guidance.

Our Thanks

On my behalf and on behalf of the Directors, I record here my thanks to every member of the staff for his hard work and devotion to duty in the cause of the Bank's progress. I urge upon them to continue to do their best in the years ahead. The loyalty of our staff is our real strength.

My thanks are due to the Secretary, the Special Officer, the Deputy Secretaries and other senior officers of the Bank for the understanding and co-operation with which they have carried on the work throughout the year.

Finally, let me offer my sincere thanks to you as shareholders, to our depositors and other esteemed customers for the confidence reposed in me and my colleagues on the Board and for the continued goodwill and co-operation.

Your support is our strength.

Thank you.

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

WORLD BANK LOAN FOR HARYANA

A team of Haryana officials is now negotiating with the World Bank for a loan of Rs. 19 crores to be utilised for agricultural projects.

The State Government has drafted a Rs. 35 crore plan for boosting agricultural production.

Under this programme, the State Government wants to purchase 6,000 tractors and other agricultural implements from western countries and to sink 1,000 tubewells.

The State Government intends to spend Rs. 44 lakhs to introduce dry farming in the chronically dry areas of Mahindergarh and Hissar.

About Rs. 50 lakhs will be spent on small-scale schemes to give employment to landless and poor agriculturists.—(UNI).

INDUSTRIAL ECONOMIST

INDIA'S TRADE DEFICIT REDUCED

India's trade deficit has narrowed down to the lowest mark for over a decade.

According to the Foreign Trade Secretary H. Lal, the trade gap for 1970-71 is expected to be only about Rs. 120 crores. The gap was Rs. 154 crores in 1969-70. In the mid 'sixties there was a gap of Rs. 1000 crores.

Imports during 1970-71 are estimated to have risen from Rs. 1567 crores in 1969-70 to Rs. 1650 crores in 1970-71. Exports have increased from Rs. 1413 crores to Rs. 1530 crores.

The fall in the import of foodgrains was the main cause for this advantageous position. Foodgrains import in 1970-71 is expected to be Rs. 100 crores less than in 1969-70.—(UNI)

GOVT'S PLAN TO DOUBLE BOKARO STEEL SUPPLIES

With the inauguration of work at the Bokaro Steel Project for the expansion of the production capacity from 1.7 million tonnes to 2.5 tonnes during the Fourth Plan period, the Union Steel Ministry has launched a crash programme for augmenting steel supplies.

The expansion, estimated to cost Rs. 50 crores, envisages installation of one more 100-tonne L.D. converter, one coke oven plant and other connected facilities. This will require 20,000 tonnes of equipment of which about 3,800 tonnes are to be imported from the Soviet Union.

The cost of the first stage, originally estimated at Rs. 671 crores, has now gone up to Rs. 760 crores.—(UNI).

An Export-oriented Import Policy

The new import policy for 1971-72 provides for canalisation of import of 51 more items through State agencies while liberalising imports for priority sectors. The additional 51 canalised items comprise mainly non-ferrous metals and some fibres and would mean State take-over of another Rs. 130 crores of import trade and that as a result canalised items would be 40 per cent higher than that of last year. The total number of items canalised will thus rise to 112 and account for 70 per cent of the total import trade of the country. The State Trading Corporation and the Minerals and Metals Trading Corporation will be arranging bulk imports of raw materials for sale to actual users and registered exporters. Sale prices of goods imported by State agencies will continue to be determined by the agencies themselves but preferential treatment will be given to exporting units in the matter of price.

The import of 170 more items has been banned and 67 items hitherto allowed to actual users without any restrictions will now be permitted on a restricted basis. For 23 items, the quota of established importers has been restricted. This would indicate the growing competence of indigenous units to effect import substitution. Some of the features of the new policy are that while the priority list of 59 industries remains unchanged, even non-priority units can get import licences on an annual basis. Priority units which were getting import replenishments on the basis of actual consumption, can also get imports on a six-monthly or annual basis. Priority units will also be able to claim import licences for spare parts automatically. Import requirements of priority industries in the small sector will be met with due regard to their assessed capacity. There are also provisions for issue of import licences liberally to small entrepreneurs, qualified engineers and doctors to encourage self-employment.

Facilities are also being provided to export houses to build buffer stock of imported raw materials that they may need for export houses have been expanded to manufacturing export houses under some conditions. Import facilities to registered exporters have also been further liberalised and apart from the existing facilities to replenish the import content of this exports from the most preferred sources of supply, imports may also be allowed in respect of raw materials (required for export production) which are not normally permitted for

import subject to certain limits.

Industrial units in the priority sector exporting 10 per cent or more of their production will be eligible to preferred sources of supply and facilities for expansion of export production. Units exporting over 25 per cent of their output will receive substantially greater preference. Such units in the exchange while units in the non-priority sector showing similar exports performance will be treated as priority units in the matter of preference in the priority list have been chosen for their export potential. These include bicycles and accessories, diesel engines, abrasives, storage and dry batteries, wire ropes, paints, varnishes etc. They will be liable to a cut in import licences if they fail to export 5 per cent of their production.

Basically, the new policy lays greater accent on liberalisation of imports for export-oriented industries while trying to encourage small units and new units in backward areas.

Cloth Subsidy

While the union Government has agreed not to go ahead with its proposed move to increase the quota for production of controlled cloth from 25 per cent to 50 per cent of the total output and also raise the penalty for many shortfalls from 6 paise to 25 paise per metre, the industry has undertaken to take immediate steps to restore the level of coarse varieties in their production to 25 per cent. This proportion had dropped to as low as a little over one per cent in the last quarter of 1970 as many mills had switched over the quota capacity to finer varieties by paying the nominal penalty for non-compliance with quota obligations. Now under Government pressure, the industry has evolved a scheme to subsidise the production of coarse and medium cloth which is expected to increase the output of these varieties from 12 million metres in the quarter ending July. This would be much short of the level of 25 per cent and the total subsidy amount for a year will be only Rs. 21 crores as it is proposed to raise Rs. 5.25 crores in the current quarter—Rs. 4.50 crores to be contributed by the industry and Rs. 75 lakhs from Government. While the Government contribution will

come from past penalties collected by the Textile commissioner for non-fulfilment of quota obligations, the industry will find Rs. 3.75 crores through a levy of Rs. 300 per bale on the balance quota of 1.25 lakh bales of PL 480 cotton yet to be released by Government and Rs. 75 lakhs by a levy of 12 paise on superfine, 12 paise on fine and 6 paise on higher medium varieties of cloth per agreeing to produce controlled cloth. It is claimed that this will allow the mills to break even at the present cost of production. This scheme will remain in force till the Bureau of Industrial Costs submits its findings on new prices for controlled cloth in the next three months. Thereafter a modified scheme may be adopted to compensate the mills for any loss on production of controlled cloth.

Industrial Output Trends

Industrial production slowed down in 1970 as compared to 1969. The average index of industrial production for last year at 179.9 showed a rise of only 4.5 per cent over the previous year's level whereas the growth in 1969 over 1968 was by 7.2 per cent to 172.2. Even in 1968, there was a rise of 6.1 per cent over the previous year. However, the trend of production indices in the last three months of last year at 177.7, 182.8 and 180.1 (base 1960=100) would indicate a pick-up in industrial activity which must have been sustained in the first quarter of this year. The improvement in the closing months of 1970 was mainly due to higher production from food, basic metals, machinery, transport equipment and mining industries.

Cashew Crisis

The cashew industry is in the throes of a serious crisis and over 220 of the 266 processing units in Kerala have closed down due to many factors which include irregular and inadequate supplies of imported raw nuts and a fall in overseas demand for kernels. Exports of cashew nut and cashew shell liquid fetch Rs. 50 to 60 crores annually and 90 per cent of the shipments take place from Kerala. About 85 per cent of the processing units are concentrated in Kerala, the balance

being spread over Tamil Nadu, Andhra Pradesh and other States. But the industry depends mostly on imported raw nuts from Tanzania and Mozambique as only one-third of the requirements comes from indigenous sources. Following complaints about bad quality of nuts, the State Trading Corporation has been handling all imports of raw nuts since October 1970 and the cashew corporation of India set up as its subsidiary has latterly been canalising the imports. But the processors are not satisfied with the purchases and distribution by STC. It is pointed out that in the last quarter of 1970 the STC could import only 7,000 tonnes against the normal quantity, of 50,000 tonnes and imports till April this year since STC took over have been only 62,000 tonnes whereas 1.66 lakh tonnes used to be imported by the same time under the previous arrangements. The price for raw nuts charged by STC is stated to be uneconomical for exporters of kernels. The entry of STC has also cost the country sizable foreign exchange due to fall in exports to the Soviet Union and the U.S. The manufacturers however face the charge that they have been thwarting all attempts at regulation of the industry by encouraging clandestine cottage units to process the nuts, thus lowering the quality of kernels. A major factor for this alleged malpractice is said to be the high cost of labour in the organised sector thanks to the State Government's fixation of minimum wages at high levels as compared to neighbouring States like Tamil Nadu and it is even feared that many of the units might shift to Tamil Nadu to take advantage of the lower wages.

Trade Gap at New Law

It is heartening to learn from the Foreign Trade Secretary, Mr. H. Lal, that the trade gap is expected to be narrowed considerably from Rs. 154 crores in 1969-70 to Rs. 120 crores in 1970-71 a new low in many years. The adverse trade balance in 1968-69 was as much as Rs. 809 crores. The marked improvement in the last two years has been brought about by a sharp decline in imports and a gradual increase in exports. But what is significant is that the earlier

gloom over hitting the export target of 7 per cent in the latest year, has been dispelled and it is now stated that exports in 1970-71 would amount to Rs. 1,531 crores, showing a rise of Rs. 118 crores of 8.5 per cent revised upward by as much as Rs. 53 crores, Rs. 18 crores for the first half of the year and Rs. 35 crores for the second half. But for this adjustment the increase would have been only 4.5 per cent. While traditional items like tea must have recovered some of their lost ground earlier, non-traditional items have been making an increasing contribution to total export earnings. It has been officially explained that the spurt in exports was due to the increased availability of imported raw materials. The trade gap of Rs. 120 crores would indicate that imports for 1970-71 were higher at Rs. 1,651 crores against Rs. 1,565 crores. The foreign Trade Ministry has indicated that the increase in exports can be more impressive in the current year and a 10 per cent growth rate target has been fixed. This optimism follows the confidence that jute exports will make a sizable additional contribution due to the setback to Pakistan's exports from the civil war in East Pakistan.

Foodgrains Output Exceeds 100 m.t.

Foodgrains production in India during 1969-70 was 99.5 million tonnes—the highest so far. (The figure is expected to have exceeded one hundred million tonnes in 1970-71). Area under foodgrains in 1969-70 rose from 99 million hectares to 123 million hectares. Area under high-yielding varieties increased from 1.9 million hectares in 1966-67 to 11 million hectares in 1969-70.

Fertiliser consumption went up to 13 million tonnes in 1968-69. A target of 53 million tonnes has been fixed for 1973-74.

Multiple cropping covered an area of 17.5 million hectares in 1969-70. It is expected to have exceeded 25 million hectares in 1970-71. (UNI).

Record Rice Production at 43 m.t.

India's 1971-72 rice production is expected to hit a record of 43 million tonnes beating all previous annual average by 13 million tonnes, according to Union Minister of State for Food A.P. Shinde.—(UNI).

WORLD SUGAR PRODUCTION DROPS

World's sugar production in 1970-71 is estimated to be 73,255,000 tonnes as against 73,808,000 in 1969-70—a decrease of 553,000 tonnes.

World's sugar consumption in 1969-70 was 72 million tonnes.

India's exportable quantity of sugar for 1970-71 was about 3.18 lakh tonnes. This was made up of (1) effective exportable quota of 237,500 tonnes fixed by the International Sugar Council and (2) India's exportable quota for the preferential markets of U.K. (25,400 tonnes) and the U.S. (67,783 tonnes).

Cuba & Australia Leading Exporters

The biggest sugar exporter is Cuba. Its effective export quota was 2,042,500 tonnes. Australia ranks second with its effective exportable quota of 1,045,000 tonnes.

Cuba's sugar production target for 1970-71 was 7 million tonnes. In 1969-70, the target was 10 million tonnes but actual production reached only 8.35 million tonnes.

Delay in crushing was stated to be the reason for the non-fulfilment of the target.

According to French Growers Federation, the sugar beet crop of 1970-71 was estimated at 17.2 million tonnes as against 17.6 million tonnes in the previous year. The average yield per hectare is put at 43 tonnes against 44 tonnes in the previous season. Production of white sugar in 1970-71 was estimated at 2.45 million tonnes as against 2.51 millions in 1969-70. The decline in sugar production is said to be due to decline in average sugar content and delay in sowing by about 15 days.

According to the Japanese Ministry of Agriculture, cane sugar production in Japan for 1970-71 was estimated at 319,158 tonnes which is nearly the same as in the previous year. Cane is cultivated in the Nesi and Ryn Kyu Islands of Japan.

West Indies sugar production in 1970-71 was estimated at 1,119,402 tonnes.

In Colombia a larger number of cane fields situated in North Colombia were affected seriously by widespread floods. —(UNI).

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STOCK MARKET:

Budget-eve Uncertainties

The stock markets have turned a bit subdued during the first half of May after the bullish phase during which values had risen to new high levels. A tendency to book profit at the higher levels was in evidence as a result of which prices for many scrips in the erstwhile forward and cash lists receded. The lack of follow-up support reflected some caution on the part of operators though corporate news continued to be encouraging and investors were eagerly picking up promising shares at every fall. Uncertainties about the form and content of the Fourth Plan following the observation of Government spokesmen and speculation about the magnitude and manner of the likely tax effort in the regular central budget for 1971-72 to be presented on May 28 kept the markets in a state of subdued animation.

The presidents of eight stock exchanges have submitted a timely memorandum to the Finance Minister, Mr. Y. B. Chavan, seeking certain reliefs in the coming budget which would help receive the capital market and promote sustained activity in the stock market besides encouraging savings and investment. They have made a strong plea for rationalising the structure of personal and corporate taxation. While the maximum rate of tax on company income should be reduced to 50 per cent, there should be no differentiation for tax purposes between closely held companies and other public limited companies in which there is substantial public interest. It has also been pointed out that the incidence of all taxes on individual incomes should be limited to a ceiling of 75 per cent of the

total income to encourage flow of funds into the capital market. The deduction of tax at source on dividend income should at the same time be applicable only to incomes above Rs. 400 for each individual shareholder in a company. There will be no significant loss of revenue to Government as already dividend and other incomes upto Rs. 3,000 are exempt from tax.

But what is of more immediate importance to the stock markets is the suggestion for diverting larger funds to the capital market from the Life Insurance Corporation, Unit Trust of India and provident funds and trusts. While the L.I.C. can increase its investment in the corporate industrial sector to at least 30 per cent of its investible funds the Unit Trust of India could keep at least 50 per cent of its investment portfolio in equity shares. It has also been suggested that at least one-fifth of the provident funds and one-tenth of trust moneys should be permitted to be invested in industrial securities. These measures along with free trading in their holdings by the financial institutions would import considerable steadiness to the stock markets and prevent violent fluctuations in prices. But the shortage of good scrips for some time now calls for more imaginative measures to encourage the promotion of new companies under influential auspices. This would lift the present undue pressure on the small floating stocks and prevent exaggerated rise in prices for select scrips with no concern for yields.

The stock exchange chiefs have also called for liberal bank advances against all listed shares with a 20 per cent margin.

The new scheme of transferring shares to the lending banks where advances exceed Rs. 50,000 should be made less rigorous by raising the exemption limit to Rs. one lakh if it cannot be discontinued. While many of the above suggestions may not be given effect to under the new compulsion on the Government to find large resources to finance Plan Schemes, it is hoped that strategic reliefs to investors and companies can go a long way in boosting the morale of marketmen and ensuring sustained activity in stock markets.

The Government would also seem to be eager to keep up the tempo of industrial activity at a high pitch. The Minister for Industrial Development recently told the standing committee of the Central Advisory Council on Industries that the country was poised for a take-off after the recent recession and the domestic market was expanding while foreign entrepreneurs were now more keen to start joint ventures in view of the political stability in India. He called upon industry to utilise the favourable climate now prevailing and achieve accelerated industrial growth. He also assured that licensing procedures would not come in the way of quick sanctions to new projects. The monopoly provisions are also likely to be applied with due consideration for the primary objective—namely, rapid creation of new capacity where shortages are threatened.

Corporate news has been sustaining market sentiment. Indian Explosives and Chemicals and Fibres have done well in the first half of this year while Travancore Rayons has earned more in 1970 and has new schemes on hand. Hercules Insurance is paying more for 1970. Food specialities is also distributing more to its shareholders in spite of lower earnings. Camphor and Allied is maintaining the dividend on an increased capital.

BUSINESS BRIEFS:

Drug Units' Reduced Profit Margins

Published working results of pharmaceutical companies so far would seem to indicate that in spite of the confusion created by the Drug Prices Control order since the middle of last year and price reduction for many products, the industry may generally have got over a difficult phase without any marked impact on profit margins. While a larger turnover and change in pattern of production and increased output of baby foods, farm chemicals etc. along with higher prices for some products may have helped in checking a decline in profit it has been emphasised that the future growth of the industry and large outlay on research would be hampered if drug units are not allowed to make reasonable profits. A major problem now relates to the supply of required quantities of raw materials of the right quality at economic prices and at the right time. The President of the Organisation of Pharmaceutical Producers of India, Mr. B. S. Bhagat, last month told at the annual meeting that it was regrettable that when the industry was slowly returning to normality in operations, the Government should initiate action to examine the cost of 25 additional bulk drugs and to establish norms for calculating conversion costs. The report of the study group on small drug units has also created uncertainties. It would thus appear that the full effects of the price control order on the drug units' profits would be known only after a year of operation under the new prices—i.e. only at the end of this year. Whatever improvement is reported in working results by companies will therefore have to be taken as pertaining mainly to the first half of 1970 and due to increased production of item when prices were not affected by the price control order. The industry is also dissatisfied with the canalisation of the imported raw materials through the State Trading Corporation and Indian Drugs and Pharmaceuticals and is pleading for the restoration of issue of actual users' licences. Sandoz, Pfizer and Warner Hindustan have managed to improve upon their previous year's results but with reduced profitability on a larger turnover. The experience of other units is not expected to be different.

Sandoz (India)

Sandoz (India) Limited was able to increase its turnover for 1970 to Rs. 819.59

lakhs from Rs. 751.92 lakhs in 1969 mainly due to larger demand for agro-chemicals and dyestuffs. Sales of pharmaceuticals were stagnant. The net profit, before depreciation and taxation, improved to Rs. 125.38 lakhs from Rs. 112.90 lakhs and the equity dividend has been slightly raised to 11 per cent taxable from 10 per cent taxable. But the dividend will require only Rs. 16.50 lakhs (Rs. 15 lakhs). The claim in respect of depreciation is Rs. 24.34 lakhs (Rs. 26.26 lakhs) and development rebate Rs. 42,250 (Rs. 5 lakhs). The transfer to general reserve is Rs. 37.23 lakhs (Rs. 36.16 lakhs). The dividend will be paid out of this reserve and is amply covered. The expansion of capacity of the multi-purpose plant has been delayed by over arrangements for importing plant and machinery.

Chemo-Pharma Earns Less

Chemo Pharma Laboratories Limited has earned a slightly reduced profit of Rs. 10.33 lakhs in 1970 against Rs. 10.93 lakhs in 1969, though sales improved to Rs. 1.16 crores from Rs. 1.07 crores in the previous year. The directors have, however, maintained the equity dividend at 12 per cent, taxable. The sum set aside for depreciation is Rs. 3.32 lakhs (Rs. 2.59 lakhs) and development rebate Rs. 3.26 lakhs (Rs. 2 lakhs). The company's expansion programme is making satisfactory progress. The expansion of capacity to manufacture fine chemicals and setting up of the plant for production of urea formaldehyde moulding powder are expected to be completed early next year.

Tribeni Tissues

Tribeni Tissues Limited has declared a final dividend of 8 per cent taxable, for 1970 making a total of 15 per cent taxable. The final dividend is payable on the new shares which are now fully paid-up. The interim of 7 per cent has already been on the partly paid shares. A final payment of 7 per cent was paid in 1969 on the equity capital increased by a bonus issue and a public issue of 11.39 lakh shares in November 1969 at a premium of Rs. 4 per share and paid-up to the extent of Rs. 5 per share. An interim of 11 per cent was paid on the old capital of Rs. 2.60 crores at the time of new issue. The net profit for 1970 before taxation however declined to Rs. 115.16 lakhs from Rs. 136 lakhs in 1969.

A sum of Rs. 50.15 lakhs (Rs. 14.20 lakhs) has been provided for taxation since development rebate claims only Rs. 3.05 lakhs (Rs. 47.29 lakhs). After transferring Rs. 1.58 lakhs (Rs. 5.30 lakhs) from development rebate reserves, general reserve gets Rs. 37 lakhs (Rs. 24.64). The dividend amount will be Rs. 61.71 lakhs (Rs. 62.31 lakhs).

Southern Asbestos Pays More

Southern Asbestos Cements Limited has reported excellent results for 1970 thanks to an improved demand for its products. The output increased sharply to 26,703 tonnes from 17,888 tonnes in 1969 though there was need to revert to two shift working for short periods for lack of fibre. There has however been considerable improvement in this regard and efforts are being made to increase production, considerably. What is more pleasing to the shareholders is the directors' decision to increase the equity dividend to 15 per cent from the interim dividend of 6 per cent, taxable for 1969. The latest distribution will be subject to deduction of tax at source as it will be paid out of tax exempt profits. Sales during the year rose sharply to Rs. 162.48 lakhs from Rs. 113.96 lakhs in 1969 while the net profit before depreciation and taxation jumped to Rs. 27.37 lakhs from Rs. 11.94 lakhs. The provision for depreciation is Rs. 7.91 lakhs (Rs. 6.46 lakhs) and development rebate Rs. 3.21 lakhs (Rs. 3.37 lakhs). The reserve for new undertakings tax exempt profit is credited with Rs. 10.77 lakhs (nil). Taxation claims Rs. 3.07 lakhs (nil) while the transfer to general reserve is Rs. 2.35 lakhs (nil). The equity dividend requiring Rs. 3.75 lakhs (Rs. 1.50 lakhs) will be paid out of general reserve. Allowing for this, the plough-back out of current earnings is as much as Rs. 23.63 lakhs. The company is installing a bulk cement handling plant at a cost of Rs. 9 lakhs which will reduce packing charges considerably.

Orissa Cement Reports

Orissa Cement Limited has earned a higher profit for 1970 before depreciation and taxation, to Rs. 279.59 lakhs from Rs. 247.75 lakhs in 1969. But the dividend is being maintained only at 12½ per cent taxable. After setting aside Rs. 40.94 lakhs (Rs. 36.13 lakhs) for depreciation and Rs. 8.22 lakhs (Rs. 4.67 lakhs) for development rebate, the provision for taxation is much more at Rs. 129 lakhs (Rs. 102 lakhs). Even then, the transfer to general reserve is as much as Rs. 76.5 lakhs (Rs. 77 lakhs) and dividends will be paid out of the latter reserve. There is however some disappointment at the absence of a bonus issue as there are considerable reserves which amounts to Rs. 3.01 crores at the end of

PRICE MOVEMENTS

The following were the closing quotations for selected scrips on April 25 and May 10

Madras	Bombay		Calcutta	
	April 25	May 10	April 25	May 10
India Cements	5.70	5.73	Tata Ordy.	103.25 103.75
Mettur Chemical	12.30	12.45	Indian Iron	— 12.04
S.I. Viscose	171.00	181.50	Telco	245.00 248.50
Travancore Rayons	21.00	20.50	Century	886.00 892.00
Madura Mills	18.65	18.87	National Rayon	522.00 525.00
Ashok Leyland	6.50	6.53	MICO	456.25 472.50
Alum Industries	7.00	7.10	Gujarat Fertilizer	315.00 315.00
Madras Alum.	182.00	181.50	Herdillia	17.12 17.44
Tube Investments	151.00	148.00	Nagpal	16.36 16.76
E.I.D.—Parry	13.87	14.12	NOCIL	239.00 239.50
Dalmia Cement	14.60	14.75	Polyolifins	246.00 244.00
Seshasayee Paper	13.65	14.30	Camphor	240.00 242.50
			Indian Iron	12.25 12.10
			Hind Motor	13.05 12.85
			Birla Jute	23.45 23.35
			Guest Keen	37.45 37.40
			Dunlop India	39.50 38.60
			Indian Alum.	38.00 38.60
			Alkali	30.37 31.62
			CAFI	48.50 45xr
			Indian Explosives	27.19 29.75
			Zuari	16.62 17.12
			Goodyear	56.87 57.31
			Union Carbide	33.06 33.25

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1969 against a paid up equity capital of Rs. 2.70 crores. With an addition of at least Rs. 76 crores, the directors can easily make an attractive bonus issue and still maintain the distribution on the increased capital.

S.I. Viscose Doubles

With an increase in output of stable fibre and larger dispatches of rayon grade pulp to other rayon producers thanks to the capacity production from this unit since July last year, South India Viscose Ltd. could raise its total turnover and earnings for 1970. The directors have decided to double the dividend on equity capital to 12 per cent, taxable. While production of rayon yarn was slightly less at 3,368 tonnes against 3,405 tonnes in 1969 that of profit, before depreciation and taxation, also jumped to Rs. 282.10 lakhs from Rs. 148.37 lakhs in the previous year. The earnings would have been even better but for the obligation under an industry wide agreement to sell over 50 per cent of the yarn to weavers and exporters of art silk fabrics at concessional prices. Under the revised agreement there may be some relief to the company in this regard. The provision for depreciation is as much as Rs. 168.66 lakhs (Rs. 111.58 lakhs). After some adjustments there is a transfer of Rs. 53.90 lakhs (Rs. 31.09 lakhs) to general reserve besides an allocation of Rs. 58.80 lakhs for payment of the equity dividend in the previous occasion the dividend was paid out of general reserve.

There may be further benefit from the 60-tonne pulp unit in the current year. The company's share to expand the stable fibre capacity from the present 10 tonnes to 50 tonnes a day, a part of which will be used for production of polynoc fibre is being examined. A letter of intent has been received for this purpose. In view of the larger availability of rayon grade pulp within this country, it has been represented that imports should be reduced. After publication of the results the company's Rs. 100 shares have firmed up and are ruling around Rs. 180.

Blue Star Repeats

Blue Star Engineering Company Limited has reported improved results for 1970 though the dividend on equity capital has been only maintained at 12 per cent taxable. There was a significant rise in turnover to Rs. 8.39 crores from Rs. 7.05 crores in 1969 while the net profit, before depreciation and taxation, improved to Rs. 30.56 lakhs from Rs. 22.12 lakhs. The sum set aside for depreciation is Rs. 3.88 lakhs (Rs. 2.94 lakhs) and development rebate Rs. 78,165 (Rs. 72,789). Taxation claims a larger amount of Rs. 15.10 lakhs (Rs. 10.60

lakhs) while general reserve gets Rs. 3.26 lakhs (Rs. one lakh). The equity dividend will also require a larger amount of Rs. 6.79 lakhs (Rs. 5.23 lakhs) due to a higher effective capital and the preference dividend Rs. 74,100 (Rs. 49,153).

Polson Cuts Dividend

Polson Limited has decided to cut the equity dividend for 1970 to 10 per cent taxable from 12½ per cent taxable in 1969 in spite of a slightly higher profit. The directors have been anxious to conserve all resources to finance new schemes. While the value of output increased to Rs. 2.65 crores from Rs. 2.20 crores in the previous year, sales improved to Rs. 2.47 crores from Rs. 2.37 crores. The net profit, before depreciation and taxation, improved to Rs. 16.08 lakhs from Rs. 15.29 lakhs. The provision for depreciation is Rs. 2.53 lakhs (Rs. 2.99 lakhs) and for taxation Rs. 7.70 lakhs (Rs. 6.87 lakhs). The transfer to development rebate reserve is Rs. 9,530 (Rs. 60,131) and general reserve Rs. 5.85 lakhs after some adjustments. The equity dividend requiring Rs. 3.60 lakhs (Rs. 4.50 lakhs) and preference dividend of Rs. 1.20 lakhs (same) will be paid out of general reserve. It is expected that production and earnings will show a further improvement in the current year following the recommissioning of the Digha Ghat factory and reorganisation of the sales network. The company is trying to get an industrial licence and other licences for the project to take up manufacture of high protein beverage.

Another Merger Scheme

Another top bank whose business was taken over by Government has announced its decision to merge with a major industrial undertaking. Under the proposed amalgamation of Bank of Baroda Limited with Tata Chemicals Limited shareholders of the former will get nine equity shares of Rs. 10 each and five debentures of Rs. 100 each of Tata Chemicals carrying interest at 8 per cent and maturing after 12 years, for every five equity shares held by them. The equity shares debentures will rank for dividend and interest from January 1, 1972. The new equity shares will also rank equally in all respects with the existing shares. There is also a cash option to those who do not want to take advantage of the merger who can receive Rs. 135 per share. It has been indicated that the return on the new equity shares and debentures of Tata Chemicals will exceed the dividend income to shareholders of Bank of Baroda before nationalisation. The scheme has been approved by the Boards of both companies. If the merger goes through, the paid-up capital of Tata Chemicals will go up by Rs. 90 lakhs.

The present equity capital including the proposed bonus shares is Rs. 5.18 crores. The additional loan capital will amount to Rs. 5 crores. Tata Chemicals will be getting under the scheme Rs. 8.40 crores subject to any liability towards taxation, depreciation in the value of investments, etc. The additional funds will be helpful in implementing the new schemes of Tata Chemicals. An attractive and unique feature of the merger proposal is its utter simplicity.

Dalmia Cement Pays Same

Dalmia Cement (Bharat) Limited has maintained the equity dividend for 1970 at 12½ per cent taxable. But the expectation in stock markets about a bonus issue announcement has not materialised. Though there are sizable reserves which amounted to Rs. 3.26 crores at the end of 1969 against a paid-up equity capital of Rs. 2.87 crores and the dividend is amply covered by disposable profits. There was, however, a decline in the company's net profit for 1970, before depreciation and taxation, to Rs. 182.12 lakhs from Rs. 211.95 lakhs. After setting aside Rs. 36.77 lakhs (Rs. 34.68 lakhs) for depreciation and Rs. 7.15 lakhs (Rs. 2.12 lakhs) for development rebate the provision for taxation is Rs. 74 lakhs (Rs. 93.50 lakhs). Taking credit for Rs. 1.70 lakhs (Rs. 4.14 lakhs) from development rebate reserve, the transfer to general reserve is Rs. 26.50 lakhs (Rs. 50 lakhs) and to dividend reserve Rs. 38.15 lakhs (Rs. 38.62 lakhs). In 1969, there was a transfer of Rs. 2.83 lakhs to development and rehabilitation reserve. The equity dividend will require Rs. 34.44 lakhs (same).

Finlay Group

All three companies in the Finlay Group of textile mills have declared higher dividends on equity capital for 1970. Finlay and Gold Mohur Mills are paying a dividend of 12 per cent taxable against 11 per cent in 1969 while Swan Mills has raised the distribution to 13 per cent from 12 per cent.

MALCO's Better Performance

A more remunerative pattern of production which included a larger output of intermediate products has enabled Madras Aluminium Company Limited to report much improved working results for 1970. Though there was a slight drop in production of virgin metal by 64 tonnes from the previous year to 13,154 tonnes against an expected increase by 1,000 tonnes, the next turnover rose to Rs. 6.69 crores from Rs. 6.08 crores in 1969. The shortfall in output was due to the difficulties in getting imported carbon lining materials owing to delays in issue of import licences and as a result many

furnaces had to remain idle during the year. There was also a sharp rise in manufacturing costs because of costlier raw materials besides shortage of many imported and indigenous materials. However, the net profit, before depreciation is appreciably higher at Rs. 276.52 lakhs against Rs. 229.86 lakhs in 1969. But the directors have only maintained the dividend on equity capital at 12 per cent, taxable due to their anxiety to conserve resources for financing the expansion schemes on hand. The claim in respect of depreciation is Rs. 113.35 lakhs (Rs. 110.59 lakhs) while the provision for development rebate is as much as Rs. 96 lakhs (nil). There is still a sum of over Rs. 4 crores to be claimed towards development rebate. In 1969, general reserve got Rs. 52 lakhs. The equity dividend will require Rs. 54 lakhs (same).

The expansion of aluminium capacity to 18,000 tonnes is making good progress. The company is arranging with the Industrial Development Bank of India and Medibanca of Italy loans in rupees and foreign currency. It is likely that another potline may be commissioned by the end of this year or early next year whose full benefit will be derived in 1972. There may be no issue of fresh capital for expansion purposes as internal resources and loans can take care of the additional financial requirements for this purpose.

Rane Brake Lining Pays More

The directors of Rane Brake Linings Limited have made a generous gesture to the equity shareholders by raising the distribution for 1970 sharply to 15 per cent taxable from the maiden payment of 6 per cent in 1969. A final payment of 9 per cent is to be made while the interim has already been paid. The company's working results have shown a marked improvement. Though sales improved only slightly to Rs. 49.18 lakhs from Rs. 46.43 lakhs in 1969, there was a substantial increase in the net profit, before depreciation, to Rs. 19.07 lakhs from Rs. 14.44 lakhs. After providing Rs. 3.58 lakhs (Rs. 3.40 lakhs) for depreciation and Rs. 29,400 (Rs. 17,920) for development rebate the transfer to general reserve is Rs. 13.33 lakhs (nil). A sum of Rs. 48,965 (nil) has been written off preliminary expenses. In 1969, it was necessary to wipe out accumulated losses for Rs. 8.51 lakhs. The total dividend amount is only Rs. 3 lakhs and is covered over five times.

Binny Limited

The Chairman of Binny Limited has stated that the future profitability of the company would depend on improved working of the textile division, especially the Madras mills. This would involve a reduction of

the overwhelming dependence on coarse varieties which will continue to be unremunerative for some time to come in the absence of more realistic prices. The directors are therefore considering fresh investments to improve the product range, besides intensified marketing effort and further improvement in the proportion of direct to indirect labour. Binny Limited suffered a setback in 1970 mainly due to its Madras mills. High cost of cotton and low productivity of labour along with a change to less profitable patterns of output to minimise stock accumulation hit the textile unit. The Bangalore mills could not get an uninterrupted supply of wool in the second half of the year while the additional burden of excise duty from polyester blended fabrics from March eroded profit margin. However the two mills increased their production by 11.6 per cent over 1969 due to the working of additional loom shifts. During 1970, over 1000 new BAZ/BAZL looms and wide width processing machinery were installed and commissioned in Madras and Bangalore. However, it has not been possible to modernise fully the carding, spinning and yarn preparation departments and in the process to go finer. Wide width terene blended suitings introduced during the year were well received. Certain varieties of popular cotton suitings have also been converted into wide width. While the company's cotton textile exports increased by over 10 per cent as compared to 1969 the garments factory operated profitably. With the introduction of new styles and sales improved by 10.6 per cent to Rs. 211 crores. Of this exports accounted for Rs. 22.54 lakhs. There was also a substantial improvement in the working of the engineering works at Madras despite shortage of raw materials. With the installation of the electric furnace in the foundry completed in February this year, it will be possible to turn out more sophisticated castings. Good progress has also been made in the manufacture of Binny-Satake rice mills which have elicited interest of rice-millers from all parts of the country. The first mill installed in U.P. is said to be working satisfactorily. The ship repair department has also done well and a contract has been secured for survey of oil tankers of Madras Refineries. Though a licence to build small ships was secured by Glovanola-Binny Limited, a subsidiary, no significant progress has been made in this regard due to shortage of steel plate. The application for licence to make preserve vessels is still pending with the Government though there has been some manufacture of these products to the extent of 25 per cent by way of diversification. The company's results for 1970 were affected by a closure for three months following a strike. The handloom textile department maintained its growth in turnover and profits while

the engineering and agencies department increased its turnover by 50 per cent over 1969. The steamer and travel departments also made good progress but the stevedoring department's performance was affected by a fall in the import of foodgrains and fertilizers.

Indian Banks in Malaysia

The Malaysian Branches of three nationalised Indian Banks will merge into a single unit under a new name and operate as one of that country's domestic undertakings with two-thirds of its paid-up capital contributed locally. The new formula of the Indian Government is intended to satisfy Malaysian banking laws which prohibit State-owned foreign banks in the country. The three Indian banks—Indian Overseas, United Commercial and Indian will own 3.3 million Malaysian dollars of the 10 million dollars paid-up capital of the new bank which will offer the balance for public subscription. It may be recalled that the Government agreed to an additional compensation to Indian Overseas Bank Limited for taking over the assets of its Malaysian Branch which was not covered in the earlier compensation.

Gujarat Fertilizers Excels

It is heartening to find that a Joint Sector fertilizer company has been operating on a highly profitable basis within a reasonable period after the plant was commissioned. Gujarat State Fertilizers Company Limited has again done well during the year ended March 31, 1971 and the directors have decided to raise the dividend on equity capital to 12 per cent, taxable, from 8 per cent, taxable, for 1969-70 (maiden dividend). There was a further rise in sales during 1970-71 to Rs. 31.62 crores from Rs. 26.49 crores in the previous year, an improvement of about 20 per cent, while with more efficient working, the net profit, before depreciation, jumped by 58 per cent to Rs. 11.82 crores from Rs. 7.48 crores. The ratio of gross profit to sales at 37 per cent is indeed high for any industry particularly so for fertilizer units. The provision for depreciation is Rs. 5.32 crores (Rs. 4.96 crores) while development rebate claims Rs. 3.61 crores (nil). After some adjustments, general reserve is credited with Rs. 2.89 crores (Rs. 2.54 crores). The equity and preference dividends will be paid out of this reserve but the amount will be less than in 1969-70, though the latest ordinary dividend is much higher. This is because in the previous year, arrears of preference dividends along with the current payment regained as much as Rs. 108.53 lakhs and equity dividend Rs. 72 lakhs. For the latest year, equity dividend will claim Rs. 1.08 crores

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and preference dividend only Rs. 27.9 lakhs. It is noteworthy that out of the earnings of Rs. 11.82 crores, as much as Rs. 10.3 crores has been ploughed back. The company has new schemes on hand. The Rs. 100 paid-up shares of Gujarat Fertilizers have firmed up to Rs. 325 after release of the working results.

Bright Outlook for INDAL

Indian Aluminium Company Limited is in a position to increase its output of virgin metal by 25 per cent in 1971 with production of Belgaum Unit. The Chairman of the company Mr. H. V. R. Iengar has told the shareholders that sales in the first quarter of the current year continue to absorb all the metal produced and the plants are operating at a high level of efficiency. The fourth potline of 10,000 tonnes capacity at Belgaum will be going into operation by the beginning of next year. The earnings in the current year may also be more as there will be no high start-up expenses at Belgaum Unit as last year. Mr. Iengar has however stressed the need for quick expansion of capacity of existing units to meet the likely surge in demand in the coming years besides creating additional semi-fabrication facilities to convert any surplus ingots after meeting the demand of the conductor makers. At present primary producers cannot install semi-fabricating capacity more than half of their smelter productions. Indal's sheet mill at Talaja in Maharashtra is expected to be ready by the end of this year though all the proposed facilities will not be completed until next year. The new mill will substantially contribute to the company's earnings when in full production. It is pointed out however that against rising cost of raw materials; selling prices have been frozen at levels which are on average Rs. 250 lower than the per-tonne price that obtained at the end of 1966. Also, imported metal is being offered at about Rs. 1500 higher than Indal's price which only indicated the urgency of quick additions to indigenous production. It is hoped that in view of the uncertainty about the viability of future expansion schemes, the Government would provide some relief after receiving the report of the working group on the industry's cost structure and selling prices. The one-for-two bonus issue proposal of the company is awaiting sanction of the Controller of Capital Issue and when given effect, will bring the issued capital more in line with the true picture of the company's assets.

Texmaco Earns Profit

Textile Machinery Corporation Limited which had struck a bad patch for some

years has turned the corner. There has been a substantial improvement in its working in 1970 when there was a profit of Rs. 48.67 lakhs against a loss of Rs. 61.81 lakhs in 1969. Sales jumped to Rs. 14.15 crores from Rs. 8.74 crores and would have been much higher but for inadequate supply of matching steel which is a major raw material for its plant. Though internal demand for its product slackened, it was possible to raise production because of large export demand. The company has been foremost exporter in the engineering industry. The improved working results were also helped by a vast improvement in labour-management relations in the Calcutta unit.

Tata Chemicals—Bank of Baroda Ltd. Merger

A scheme of amalgamation of the Bank of Baroda Ltd. with Tata Chemicals Limited has been approved by the Boards of Directors of the two Companies, a joint press release by the two-companies said.

The scheme will be implemented after approval by the members of the two companies at a meeting to be called under the directions of the Bombay High Court.

Under the scheme of amalgamation, with effect from January 1, 1972, all the properties, rights, powers and liabilities of the Bank of Baroda will be transferred to and be vested in Tata Chemicals.

Under the terms of the proposed amalgamation, a holder of every five shares of the Bank of Baroda will receive nine ordinary shares of Rs. 10 each of Tata Chemicals and five 8 per cent debentures of Rs. 100 each of Tata Chemicals (secured by a floating charge and redeemable at part at the end of twelve years).

Those shareholders of the Bank of Baroda who do not wish to accept the scheme of amalgamation, will be entitled to opt for payment in cash at the rate of Rs. 135 per share of the bank on surrendering their shares.—(UNI).

Madura Mills

In the write-up on Madura Mills Company Limited in our issue dated March 15, 1971, it had been wrongly stated that the company has received letters of intent for an additional 100 industrial and 100 civil looms. The additional civil looms will be 400 in numbers and the printing error is regretted.

Borax Morarji Limited

The turnover of the company increased during 1970 to Rs. 1.91 crores from Rs. 1.64 crores in 1969, and not as reported in our issue dated April 15, 1971.

Malaysia-India Textile Mill

A rupees 4.95 crores Malaysia-India joint venture to produce synthetic textiles will begin work in July 1971. It would employ 1,000 workers when fully operated.

Local industrialists and the Industrial House of Birlas are the collaborators of this venture, which is situated 288 km from Kuala Lumpur.—(UNI)

First Sulphuric Acid Plant in India

The first sulphuric acid plant in India to work on the double absorption system is to be installed for the Gujarat State Fertilisers company by Larsen & Toubro.

The plant, with a capacity of 220 tonnes of acid per day, will utilise the latest technique in reducing the sulphur dioxide content in effluent gas. L & T will fabricate the plant to the design of Chemiebau G.m.b.H. of West Germany. The plant is expected to be ready within 26 months. It will produce 85 tonnes of sulphur dioxide and 85 tonnes of oleum. These two products will be utilised to produce caprolactum, a substance which is being imported at present to meet the requirement of the nylon industry.

Gujarat State Fertilisers Company's new Caprolactum Complex will have a capacity of 20,000 tonnes per year. It will also produce other by-products. When in full operation, the plant will save India foreign exchange worth Rs. 8 crores every year.—(UNI)

British Equipment for Indian Polyester Plant

India has placed orders worth 1,000,000 sterling for polyester fibre plant at Baroda with two British companies. Machinery and equipment worth 871,415 sterling have been purchased from Sim-Chem Ltd. of Stockport (Cheshire) by the Ahmedabad Manufacturing and Calico Printing Company. This company is also spending 175,000 sterling on technical services provided by Imperial Chemical Industries Limited. Simon Carves India Ltd. will be responsible for the engineering side of the plant.

Qualified ICI personnel are providing assistance and services to put the plant into operation and will help with its testing and initial operation. The Plant is to manufacture cotton-type staple fibre of medium and high tenacity as well as filling fibre.



A MASSIVE EFFORT AT RESOURCE MOBILISATION

The Union Finance Minister Chavan has postulated for additional revenues through direct and indirect taxes for Rs. 285 crores in a full year. It was expected that additional taxation would be levied for at least Rs. 150 crores for generating employment in the rural areas and meeting the expenditure on account of a heavy influx of refugees from East Bengal into the adjoining four States. It was not, however, bargained that there would be such a crippling burden of taxation on all sections of society and an attempt to impose heavier customs and excise duties which will have an inflationary effect on the price structure. The increase in Wealth Tax rates on urban property and other forms of property had been generally expected as it formed part of the 10-point programme but after the steep rise in Wealth Tax rates in the last budget, it was felt that the further adjustments will be effected in two or three stages. It has been decided to levy a tax of eight per cent on all wealth above 15 per cent which, with the imposition of the new Income Tax surcharge of five per cent on personal incomes taking the total to 15 per cent and the increased burden of tax on capital gains will lead to disposal of property which might not be easily absorbed by other sections of society and the Government will probably end up as owners of such property on account of adjustments towards tax payments.

Taxing the wealthy heavily may have a devitalising effect on the economy in the transitional phase and it would have been appropriate if the Government had taken to a strong middle course by giving fresh incentives for saving and investment. The egalitarian approach, however, has prevented the Finance Minister from assuming a softer attitude and there has been an increase in the surcharge on personal incomes and members of Hindu joint families from 10 per cent to 15 per cent which will yield a revenue of Rs. 70 crores additionally in a full year. Only last year the slab rates above Rs. 40,000 were readjusted and the incidence of taxation on incomes between Rs. 40,000 and above was made more regressive. With the latest surcharge, the maximum rate has been raised to 97.75 per cent on incomes in excess of Rs. 2 lakhs, and the actual burden of taxation on the upper-middle income groups will be felt more keenly because the concessions relating to long term savings have been made less attractive. While the Government has been anxious to give greater benefit to small savers by effecting a readjustment in the availability of rebate, in respect of savings upto Rs. 5,000 out of current incomes, the rebate has been reduced to 40 per cent from 50 per cent above this figure. There can be additional disposable savings only if there were capital gains. Even

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here the rate has been raised as only 50 per cent of long term gains accruing out of assets other than land and buildings will be exempted. But the advantage accruing to the middle income group out of capital gains may not be sizable and there will be an anomaly of the bigger owners being obliged to pay Wealth Tax also on capital gains with compulsory disposal of properties.

It would have been understandable if the private industrial corporate sector had been given some incentives especially as it had been complained that the burden of taxation was heavy particularly on the non-priority industries. But the priority industries will not be given the same privileged treatment as the exemption limit for determining chargeable profits has been reduced to five per cent from eight per cent while six industries, aluminium, cement, refractories, soda ash, motor vehicles and automobile ancillaries have been excluded from this list.

The net effect of these proposals is to raise the rate of tax to 52.65 per cent from 50.60 per cent on the priority industries and to 55 per cent from 50.60 per cent on those industries which have ceased to be classified as priority industries. This move was thoroughly unexpected and fears have been raised that there may be an attempt in the coming years to raise further the burden of corporate taxation.

With the levy of higher import duties and revised and new excise levies there is bound to be a further sharp rise in prices. It has also been hinted that steel prices may be raised because of higher freight rates. If the cumulative effect of all these developments is reflected in higher prices and inadequate resources, fresh industrial development in

the private sector may be seriously retarded. While direct taxes will fetch Rs. 57 crores in a full year, by no means a large slice having regard to the total size of the budget, the disincentive effect of these measures will have harmful social consequences.

As regards indirect taxes the net has been cast wide. The changes in import duties which will result in higher cost of machinery and industrial raw materials are not desirable as the revenue from the revised customs duties will be as much as Rs. 54 crores in a full year. The process of import substitution may be hastened to some extent but when there is already a big tax element on indigenous equipment it will not be desirable to create further difficulties in the way of industrial development. The excise duties have been raised on many articles but cigarettes, motor sparis and domestic appliances have come for special attention and the additional duty will be Rs. 145 crores in a full year. This may be very much more in actual practice as the Government usually underestimates yield from taxes. Some changes may be made in the levies when considering the Finance Bill but the relief may not amount to much.

The deficit of the Central Budget is a small fraction of the total and there is no use getting exercised over the signs of the overall deficit of Rs. 397 crores for 1971-72 because it is inflated and even if left uncovered may not have any disastrous consequences. This deficit has been reduced to Rs. 220 crores with a levy of new taxes for Rs. 177 crores to be realised in ten months of this year. It would be helping the cause of economic development if there was a pragmatic approach to socialistic objectives and it was recognised that distributive justice can be more effectively rendered if there was greater accent on raising industrial and agricultural production in all sectors.

PROMOTING NEITHER FINANCIAL TIDINESS NOR NATIONAL UNITY...

The Rajamannar Committee appointed by the Government of Tamil Nadu to enquire into the vexed problems of Centre-State relations has given its enquiry the widest possible scope without any attempt to circumscribe it in the light of the aims of the Constitution or the actual experience of its working in the last two decades and more. It would appear to be actuated more by the vague demand for the autonomy of the States than by the paramount need of the nation for a well-knit federation and a reasonably strong Union Government at the centre of it. The report is probably meant to be an answer to the criticism often heard in the late 'sixties that the State Governments, which have been clamouring for more powers, had

not come forward with any concrete suggestions. But the recommendations of the Rajamannar Committee which amount to a scrapping of many of the crucial provisions of the Constitution and a virtual abandonment of its basic principles are hardly an answer to such a criticism. Such radical changes as the Committee has suggested can be effected only with an unmistakable consensus of opinion in their favour in the country as a whole and all the important factors in the body politic, the Central and State Governments and legislatures, the different political parties, and the general public, not to speak of the large body of voters in the electoral rolls. It cannot be willed by only a single State Government manned by a party with a reputation for strong secessionist leanings in the past.

It is on the basis of an unbiased and critical appraisal of the experience of the past and an appreciation of the principal aims of the Constitution and the needs of the nation for strength and survival that the question of the revision of the relations between the Centre and the States should be attempted. Whether such appraisal and appreciation were attempted or not, there seems to be no trace of either in the recommendations of the Committee. A federal constitution may, no doubt, be conceived of in normal conditions as comprising a Centre in charge of currency, defence and external affairs and constituent units enjoying all the residuary powers. But in India, the danger of fissiparous forces, communal, regional or other, which was never absent in her long history of more than two millennia, has been found in recent years to be more formidable than ever. The emotional integration of the common people is almost despaired of, while aggression from without with overpowering military superiority is far from hypothetical. Unlike an individual, a nation cannot find in suicide an end to all its troubles. The paramount need of a poor people new to freedom is survival as an independent nation. It is extremely unfortunate that, either because of our ideal of non-violence, or because of an incredible naivete, our national leaders never impressed on the public mind the needs of survival in respect of military expenditure, unionist sentiment or mere law and order in all parts of this far-flung country. If they had placed foremost in the public eye the danger from our enemies instead of the sloppy sentiment of friendship for all and non-violence, there would have been no exaggerated ideas of the total resources available to the nation from which the States as much as the Centre would have to take only a share. Nor would there have been so much indifference to the problem of law and order when civil disorder masquerades in the name of a social ideology or the autonomy of a backward or some mildly chauvinistic section. There would have been, too, some concern for the strength of the national currency and the state of our foreign trade as the principal prop of it.

As matters stand, all these essentials of national survival have been pushed by the Committee far down in the order of priorities. In spite of the trouble the Kerala Government gave at the time of the Central Government employees' strike, and the fact that few State Governments have proved to be zealous guardians of law and order, the Rajamannar Committee recommends that the Central Reserve Police Force should not be deployed in any State except at the request of the State or with its consent. The recommendations in regard to the judiciary involving a reduction of the powers of the President and the jurisdic-

tion of the Supreme Court and an increase in the powers of the State legislatures suggest that they are inspired by a sentiment in favour of State autonomy rather than by the clear needs of the objective situation.

The objective needs may be more readily recognised in the economic and financial sphere. The scheme of financial devolution embodied in the Constitution was one inherited from the past when a clear demarcation of spheres as between the Centre and the States was recognised as an impossibility owing to the hiatus in economic development and the yields of the principal taxheads from the different provinces. But more important than the original scheme are the changes that have been effected in the constitution of the divisible pool and the respective shares of the Centre and the different States. There have also been such changes as additional excise duties in lieu of sales tax. The Centre has availed of surcharges on excise to meet its own needs and at one time laid the additional burdens on corporate taxation with a view to keep the States from claiming a share in the extra revenue. In all these, the Rajamannar Committee has leaned heavily in favour of the States. It asks that corporation tax, customs and export duties be thrown into the divisible pool. Surcharge on income-tax is to be merged with the basic tax and no new surcharge should be levied except with the consent of the majority of the States. It also wants subjects like price control, foodstuffs, edible oils, minor ports and the like to be transferred to the State list. The Centre's legislative powers over industries of national importance must also be reduced. An Inter-State Council consisting of all Chief Ministers with the Prime Minister as chairman and no other Union Minister in it, will under the proposals be a controlling force set over the Central Government but without similar restrictive effect on the State Governments.

It is clear that the whole scheme is subversive of the basic concepts and principles of the constitution. Just when planning has been decentralised and the principles on which Central assistance in the form of block grants should be made to the States have been established with all round agreement, the whole scheme is to be thrown into the melting pot. Much has been made of the smallness of the net loans to the States from the Centre. And what is the alternative? Are the States to have the power to create fiat money on their own? But the States have "de facto" a share of the Centre's power in this regard, through their persistence in keeping their overdrafts at high levels. The Rajamannar Committee has done little to promote either financial tidiness or strengthen national unity.

Economic Survey: An Expensive Superfluity?

By P. R. SRINIVAS

The purpose of the Economic Survey provided by the Government of India on the eve of the budget for the new year is not so much to acquaint public with the broad features of the economic situation as to provide the background against which the new fiscal proposals should be judged. The importance of the latter tends to increase when the principal indices of economic progress or well-being become available through other sources and are duly played up by the Press. For instance, it is no news to us that the food situation is even better than was expected in the wake of the unsatisfactory nature of the rabi crop, that in foodgrains, rice lags behind wheat and that commercial crops are even further back than foodgrains and have affected the production of cloth. We know, too, that industrial production rose by only 5 per cent as against the target rate of 8 to 10 per cent. Again, we want no ghost to tell us that the returns from a large number of undertakings in the public sector are "hardly commensurate with the investments made." Or even that these poor results have had no effect on the Government's devotion to the public sector. What is new, however, is the grudging concession that "a fair proportion" of the nation's savings "has to be left for deployment within the private sector itself." Among the objective facts of the present economic situation, the most heartening is that the growth rate of exports has exceeded the most sanguine expectations of an earlier stage and that the position of our foreign exchange reserves has, for the first time since the devaluation, ceased to be a matter of grave concern.

High Potentiality of Non-Traditional Exports

It is of some advantage to put to-

gether the principal facts and the salient features of the present position so as to conjure up a well-proportioned and comprehensive picture of the national economy which helps to perceive and direct future trends. In 1969-70 there was an overall increase in agricultural production of 6.5 per cent and the record for 1970-71 is also expected to be satisfactory. The improvement is not confined to foodgrains but is noticeable in pulses and oilseeds, particularly groundnuts, while jute and cotton production will be lower and sugar will not suffer a decline. The Centre's buffer stock of foodgrains at the end of March 1971 has increased by 1.8 million tonnes over the previous year. Industrial production in 1970 is expected to be at least 5 per cent over the previous year, while for the small sector the increase is estimated by the Reserve Bank at 11.2 per cent in 1969-70 against by 8.2 per cent in 1968-69. While jute textiles staged a marked recovery, cotton textiles have remained stagnant mainly because of the shortage of material. The increase in employment is, understandably, limited to 1.25 lakhs in 1969-70 in the private sector and 1.6 lakhs in the public sector. Industrial disputes have continued to take a heavy toll in man-days, the number for 1970 being estimated at 18.7 million against 19 million in 1969 and 17 million in each of the two previous years. The average level of wholesale prices was 5.6 per cent higher in 1970-71 than in 1969-70. It is difficult to say how much comfort we can take from the improvement in the first quarter of 1971 which must be against the background of the rise since November 1969 and in the light of the additions to costs which must follow the new tax proposals. Deficit financing

which has an obvious bearing on price-trends is marginally higher at the Centre and lower in the States because of the advances from the Centre. At the same time, there has been an acceleration of the growth of money supply to the public, particularly in advances to the weaker sections of the public. One may feel heartened by growth rate of 8.5 per cent in exports and by the fact that for the first time since devaluation, India has been able to wipe out her short term indebtedness to the I.M.F. The potentialities of our non-traditional exports are unquestionably high and if they are realised the rupee should grow in strength, in spite of the fall in foreign aid which is now apprehended.

The reasoning behind the official view expressed in the Economic Survey that the investment climate is good seems indisciplined in the light of the admission that investment in new projects is only moderate, compared to the number of licences granted, a fact which should indicate some obstacle or other, to the flow of savings into the new enterprises for which official sanction has been obtained. The slowing down of the growth rate of industrial production, the leeway to be made up in the sphere of rice and the commercial crops, the lag in new investment, the rise in prices over which the Finance Minister has expressed concern and the new potentialities of our exports and our foreign exchange reserves are the principal facts brought out in the Economic Survey which ought to inform the fiscal and economic policies of the Government in the current year. The budget for 1971-72 bears no mark whatsoever of the Finance Minister's recognition of the facts and their bearing on the formulation of the budget proposals.

Britain's Hour of Decision

From the same room from which De Gaulle used to announce his veto of British entry into the Common Market, President Pompidou has announced the success of his discussions with Mr. Heath, the British Prime Minister, in respect of Britain's proposed admission into the E.C.M. in January 1973. There have been virulent comments in the British Press and among the British public about the wisdom of such membership. For quite some months, most of the criticism revolved round the alleged inability of the E.C.M. Council to accommodate New Zealand's exports to Britain of dairy products on the same terms and conditions as now even after the inclusion of Britain into the Common Market. Rhetoric was not lacking to highlight how New Zealand blood was spilled in defence of France or French soil in the terrible months of mid-Second World War period. Rhetoric apart, the problem for New Zealand is that it is more than 1000 miles away on any side from any market of significance and is in effect like a solitary piece of land in an otherwise dreary, but huge pond that the Pacific represents. This is not to say that that country had banked complacently on British support to its claims: Its bales outside the British market have been raised from a negligible proportion to 36 per cent of the aggregate exports. Yet its economy cannot afford a wrench of the remaining 64 per cent. Hence it is that the alleged French willingness, expressed at the summit talks, to work out a formula that can meet New Zealand's position has been constructed as a significant sign of a shedding of reservations against England.

Even this has apparently had its price: According to reports, the French acquiescence in respect of the British proposal asking for special treatment for New Zealand's exports, has a *quid*

pro quo in the explicit preparedness of Britain to let its sterling be shorn of its special role as a reserve currency. Though the exact details about this are not clear, the fact cannot be overlooked that this special role is still of such consequence that any alteration in it cannot easily be effected according to French whims alone and without consulting the members of the sterling area. Though total sterling reserves in London estimated at 6½ billion are a small fraction of E.E.C.'s massive exchange reserves, the settlement of residual claims in sterling which has grown over the years in developing Asian regions of the erstwhile British empire will inevitably require to be counted and cannot in any case be easy of dismissal out of court. Partly perhaps in realisation of this, the French seem to have softpedalled on their insistence on sterling's abrogation of its role as a reserve currency and have instead been asking for a ceiling on the quantum of sterling reserves accumulating in London.

The basic suspicion behind all these French moves has been clear: It is simply that the British sterling is the exposed side of the United States dollar when it (sterling) functions as the reserve currency. For reasons familiar to those who have knowledge about the politics of internal money, nothing initiates more than the reality and prospect of an otherwise weak currency being mistaken as keeping sound and fit merely because an unseen monetary power exercised from a remote area is supporting it unfailingly. That is why the continent describes Britain as the Trojan horse of the United States in Europe. It is particularly unfortunate that Europe should be attributing motives to the U.S. in fishing allegedly through Britain in Europe when the fact is that Europe had built up its prosperity through American in-

vestment. It is no doubt true that the Europe dollars, as hot money are a besetting European headache but it can hardly be denied that all of it had come in at some point or other in the form of some investment or other in which the Europeans were interested.

The more ticklish problem is how the British government is going to convince British Parliament of the wisdom of joining the E.C.M. The White Paper released by the former Labour Government had indicated that, after deducting what British will obtain by its E.C.M. membership, the net cost of such membership in terms of British balance of payments will be £1,100 million. The argument is that this will be more than offset in the long run by the gains in British productivity and exports which the opportunity of trading in a market of 250 million people in Europe represents. The masses have a curious way of demurely demanding jam today rather than tomorrow. And so far as today is concerned, the British public will find that the immediate return against heavy British contributions to the E.C.M.'s budget will be higher food prices, higher butter prices etc. and all that in the nature of a vicarious responsibility to subsidise inefficient French farmers. In the circumstances, there is likely to be little jam today, worse still a bad jam that the British farmers had not bargained for. Much depends, therefore, on how Mr. Heath counters emerging mental reservation of his countrymen on this score and also on how Mr. Wilson now in the Opposition, plays his cards in Parliament and outside.

INDUSTRIAL ECONOMIST

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Pragmatic Approach to Railway Budget

A pragmatic approach has been adopted by the Union Railway Minister, Mr. K. Hanumanthayya, when he presented his first Budget for 1971-72 to mobilise additional resources for bridging the gap between revenue and expenditure. Passenger fares have been raised and third class travellers particularly will have to foot additionally Rs. 11.60 crores out of the new bill of Rs. 13.20 crores. The incidence of higher fares will however fall mostly on passengers for medium distances and care has been taken not to penalise short distance travel, and season-ticket holders while long distance travel will cost only slightly more. There can be no objection to these increases as it has been contended with some justification that coaching traffic is being subsidised by freight traffic and with increase in cost of amenities and materials, the passengers should not grudge the small increases that have now been effected. As regards freight rates, the additional bill will be Rs. 21.80 crores, coal alone accounting for Rs. 6.50 crores. Apart from coal, the movement of iron ore, manganese ore, fertilisers, cement, salt and many other bulk items would cost more because there has been upgrading in classifications. Foodgrains and iron ore for export from the Bailadilla and Kiriburu mines for export will of course be not subject to the revised freight rates. The revised classification will result in additional revenue of Rs. 13.70 crores. There is also to be an increase in the freight charges on finished articles like steel wire and other steel products, which will fetch an extra amount of Rs. 1.60 crores.

With the adjustments in passenger fares and freight rates it is proposed to secure additionally Rs. 35 crores in a full year. In 1971-72 however, the realisation will be only Rs. 26.25

crores as the changes in fares and freight rates will become effective only from July 1, 1971, and therefore leave an uncovered deficit of 6.87 crores which is proposed to be wiped out eventually by achieving economies and other means. The deficit prior to the new proposals will of course be unchanged at Rs. 33.12 crores.

Compulsion to Raise Fares

The conservatism shown by the Railway Board is understandable as it has borrowed heavily from the Government and utilised fully the credits to various funds for offsetting the uncovered losses of earlier years. Since the loans have to be repaid and adequate surpluses also created for financing plan expenditure, there was perhaps a certain compulsion to raise freight rates and fares. There has been a virtual explosion in passenger traffic and in spite of a phenomenal growth in passenger traffic by road, the railways will be called upon to introduce more trains and augment also train capacities. It will therefore be reasonable to assume that gross traffic receipts will be higher by at least Rs. 20 crores in the current year over the budget estimates and the Railway Minister could have contented himself with the adjustments in passenger fares and left the remaining gap uncovered.

The Railway Minister, however, has sought to give the impression that he has left off the users of railway services lightly and adopted the practice of leaving an uncovered deficit of Rs. 6.87 crores even when he was in a position to realise more revenues through higher levies. It is however overlooked that the increase in freight rates has been effected over and above the sizable increases effected last year and substantial benefit will be

derived out of these changes in 1972-73.

Increase in Originating Traffic

If only coal could be moved in larger quantities, there can be an increase in originating traffic by nearly 2 million tonnes. This will be helpful in securing for the railways additionally at least Rs. 6 crores. Again, at least half a million tonnes of cement can be consumed in the North Western region and North East India but the cement factories in the surplus areas are unable to meet the demand in the deficit regions because of an acute shortage of wagons and bottlenecks in the Central Railway. An increase in the consumption of cement by this quantity will mean an increase in traffic by over one million tonnes taking into account the consumption of raw materials and other items. Thirdly, the traffic in iron ore for export alone can be additionally 2 or 3 million tonnes but the shortage of wagons and operational difficulties had slowed down the growth in exports. As there will be favourable side effects as a result of a higher level of economic activity, there can be an increase in originating traffic much more than the growth assumed in the revised estimates.

How the losses on coaching and low-rated freight traffic are being incurred will have to be closely examined. It is no use saying that there has been no proportional increase in passenger fares or freight rates over a period having regard to increase in wholesale prices, the wage bill and the increase in the cost of raw materials which directly affect the railways. With modernisation and a larger volume of traffic unit cost can be reduced especially as the Railway Budget has assumed staggering proportions. A 10 per cent improvement in operating efficiency by itself will enable a saving of Rs. 75 crores and result in the wiping out of the deficit and leaving a surplus in the bargain.

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A Needlessly Harsh Array of Imposts

BREAK-UP REVENUE FROM NEW BUDGET PROPOSALS FOR 1971-72
Revenue (Rs. Crores)

	in 1971-72	in Full Year
Direct Taxation:		
(1) Surcharge on Incomes Above Rs. 15,000	12.00	20.00
(2) Wealth Tax Charges	—	14.50
(3) From Reducing Tax holiday benefit for new units	10.00	14.00
(4) Contraction of Priorist List and cut in Tax exemption	6.00	8.00
Total (including Increased Surtax)	28.00	56.50
Indirect Taxation:		
(A) Customs		
Increase in Basic Import Duty	—	67.40
Loss due to Reduction in Duty	—	— 7.40
Increase in countervailing duties	—	+ 4.00
	54.00	64.00
(B) Excise Duties		
Motor Spirit	36.30	43.20
Solvents	4.90	5.05
Other Petroleum Products	9.00	10.50
Cigarettes	33.20	39.48
Textiles (Cotton Fabrics) (Addl. excise)	4.90	5.80
Glassware & China, etc.	3.15	4.40
Industrial Gases	1.60	1.90
Tractors	3.40	4.00
Maida	9.20	10.92
Cosmetics		1.02
Soap		1.62
Rubber Products		2.40
Readymade garments		2.50
Electric Bulbs etc.		1.26
Electric Metres		1.20
Motor Vehicle parts		1.60
Crown corks		1.60
Roller Bearings		2.20
Bolts, Nuts, etc.		2.50
Woollen Yarn		1.20
Wires & Cables		1.50
Wooltops		1.10
Others		11.40
Total		158.35
Relief		1.47
Net Revenue from Excise	131.94	156.88
Tax on Foreign Travel	7.00	8.40 (app.)
Total of all Levies of this Centre's share	220.94	285.78
States' share	177.37	
	42.57	

The big overall deficit of Rs. 396.90 crores for 1971-72 even with a sizable increase in revenues to Rs. 3562.31 crores from Rs. 3391.43 crores in 1970-71 (revised) has been responsible for Mr. Chavan deciding to raise additional tax revenues for Rs. 177 crores in the current year after providing for a share of the States for Rs. 43 crores. But the fact has been overlooked that a needlessly heavy dose of taxation has been attempted as stated in the editorial to bridge a deficit which has been inflated. Besides, the revenues in a full year will be over Rs. 300 crores and if the objective was to leave the deficit uncovered to the extent of 1970-71, the tax effort should have been conceived less harshly. There should have been more of excise duties and less of direct taxes as many of the new proposals take effect only in the next assessment year.

Slight Revenue Deficit

Examining the estimates more closely it will be found that revenue expenditure has increased to Rs. 3586.86 crores in 1971-72 from Rs. 3193.29 crores in 1970-71 revised resulting in a revenue deficit of Rs. 24.55 crores against a surplus of Rs. 198.14 crores in the previous year. It is noteworthy that there has been no change in the revised estimates for 1970-71 presented to Parliament some time back even though Mr. Chavan has hastened to say that the revised overall deficit may be Rs. 270 crores. How this deficit swelled by Rs. 40 crores in two months when the Central Government had ample cash balances at its disposal has not been explained. It must, however, be said that usually expenditure is inflated in the revised estimates and the overall deficit increases in the process. Thus in 1969-70 the revised overall deficit was Rs. 290.11 crores against the budget deficit of Rs. 225 crores but the actual deficit proved to be only Rs. 45.53

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crores. There may be a similar occurrence in 1970-71.

This aspect of the budgetary position has been emphasised only to show that incorrect estimation of expenditure particularly has swelled the deficit for 1971-72 and compelled the Government to think in terms of levying additional taxation in a crippling manner. The increase in the revenue budget is, of course, developmental in character as the outlay on Plan schemes in the Central Sector has been raised to Rs. 1350 crores from Rs. 1195 crores. On Mr. Chavan's own admission Plan outlay will be higher by Rs. 300 crores as compared to 1970-71 as there was a significant shortfall due to the delayed implementation of the Bokaro steel project and the aluminium and copper projects. There was also a lag in expenditure in many other directions. With shortages of physical resources and inefficient management of many projects, it will indeed be a big job for utilising the additional allotment. There has also been an allocation of Rs. 50 crores outside the Plan for regenerating employment in the rural areas and another Rs. 35 crores for providing relief to educated unemployed. The States will get additional assistance for Rs. 74 crores and grants for Rs. 16 crores. The Plan will thus account for Rs. 465 crores which, if wisely used, will lead to activation of the economy in many directions.

Challenge to the Public Sector

This will, however, mean that there will have to be a higher level of output of steel, aluminium, non-ferrous metals, electrical equipment in the public and private sectors. Besides there will have to be greater efficiency in the public sector undertakings as heavy engineering equipment, machine tools, communications equipment and many other manufactured goods needed for implementing Plan schemes will have to be made available in larger quantities. Since the Bokaro pro-

CENTRAL BUDGET FOR 1971-72				
Revenue Budget			(in Rs. Crores)	
RECEIPTS				
	Budget 1970-71	Revised 1970-71	Budget 1971-72	
Tax Revenue				
Customs Duties	.. 465.00	487.62	480.00	
			+ 54.00	
Union Excise Duties	.. 1812.75	1805.24	1951.17	
			+ 132.00	
Corporation & Income Tax	.. 778.75	825.00	875.00	
			+ 27.00*	
Estate Duty	.. 7.50	7.00	7.00	
Wealth Tax	.. 18.00	16.00	30.00	
Other Tax & Duties	.. 52.13	56.64	59.95	
			+ 7.00*	
Total	.. 3134.13	3197.50	3403.12	
			+ 220.00*	
Non-Tax Revenue				
Debt Services	.. 611.27	630.12	661.78	
Currency & Mint	.. 98.07	99.36	124.23	
Other non-tax Revenue	.. 190.41	219.88	223.50	
Total	.. 899.75	949.36	1009.51	
Total Gross Revenue	.. 4033.88	4146.86	4412.63	
			+ 220.00*	
Less State's Share				
Union Excise Duties	.. 388.42	390.04	422.85	
			+ 43.00*	
Taxes on Income	.. 348.30	359.09	420.77	
Estate Duty	.. 7.17	6.30	6.70	
Total	.. 743.89	755.43	850.32	
			+ 43.00*	
Net Centre's Revenue	.. 3289.99	3391.43	3562.31	
			+ 177.00*	
REVENUE EXPENDITURE				
	Budget 1970-71	Revised 1970-71	Budget 1971-72	
Civil Expenditure				
Collection of Taxes and Duties	.. 48.55	48.08	50.88	
Debt Services	.. 597.48	603.91	648.39	
Administrative Services	.. 189.70	200.93	236.61	
Social and Developmental Services	.. 319.85	313.72	376.40	
Multipurpose River Schemes, etc	.. 14.56	15.17	20.43	
Public Works, etc.	.. 42.63	39.80	42.71	
Transport & Communications	.. 20.80	21.60	22.62	
Currency & Mint	.. 26.00	26.92	28.35	
Miscellaneous	.. 221.26	234.30	277.97	
Contributions & Miscell Adjustments	.. 10.77	13.07	13.45	
Extraordinary Items	.. 6.64	6.60	6.62	
Total Civil Expenditure	.. 1498.24	1524.10	1724.48	
Defence Expenditure (Net)	.. 1017.84	1039.89	1079.23	
Grants-in-aid to States and Union Territories within Legislation	.. 636.10	629.30	783.20	
Total	.. 3152.18	3193.29	3586.96	
Surplus (+) Deficit (-)	+137.81	+ 198.14	(-) 215.55	
on Revenue Account	..		+ 177.00*	

CAPITAL BUDGET			
RECEIPTS			
	Budget 1970-71	Revised 1970-71	Budget 1971-72
(1) Market Loan			
Gross Borrowings ..	455.00	427.59	500.00
Less Repayments ..	293.30	291.30	322.10
Net Borrowing ..	161.70	136.29	167.90
(2) External Aid (Other than P.L. 480)			
Gross Borrowings ..	600.00	550.00	540.00
Less Repayments ..	200.25	195.46	216.23
Net Borrowing ..	399.75	354.54	323.77
(3) P.L. 480 Aid			
Dollar Credi. ..	84.00	81.37	114.37
Rupce Loans ..	35.00	50.00	12.00
P.L. 480 Deposits (Net) ..	13.27	(-) 9.59	(-) 13.04
Total ..	132.27	121.78	113.38
(4) Repayment of Loans & Advances ..	825.00	930.00	930.00
(5) Other Items (Net)			
(1) Small Savings ..	140.20	145.30	180.40
(2) Other Receipts ..	164.79	416.96	308.14
Total Capital Receipts	1823.71	2104.87	2023.54
DISBURSEMENTS			
	Budget 1970-71	Revised 1970-71	Budget 1971-72
A. Civil Expenditure			
(1) Social and Developmental Services ..	348.87	322.30	305.97
(2) Multipurpose River Schemes, etc. ..	71.25	59.40	58.29
(3) Public Works, etc. ..	92.64	79.85	100.46
(4) Transport & Communications ..	28.71	23.32	30.67
(5) Currency & Mint ..	12.03	184.28	9.05
(6) Miscellaneous ..	-29.15	14.88(-)	13.43
Total Civil Expenditure ..	524.35	684.03	490.92
B. Post & Telegraphs ..	35.00	15.80	38.60
C. Railway Capital Outlay ..	150.00	126.10	151.00
D. Defence Capital Outlay ..	133.67	142.94	162.43
E. Loans & Advances:			
States & Union Territories ..	878.25	1039.49	966.30
Others ..	467.19	524.22	586.64
Total Loans & Advances ..	1345.44	1563.71	1552.94
Total Capital Disbursements ..	2188.46	2532.58	2395.89
Deficit on Capital Account ..	364.75	427.71	372.35
Overall Deficit ..	226.94	229.57	336.90
			(-) 177.00*
			+ 219.90

* Effect of Budget Proposals.

ject has not been able to make the desired progress on account of the failure of the Heavy Engineering Corporation and other indigenous units to adhere to delivery schedules and there has been gross underutilisation of capacity in other directions, the Finance Minister has thrown a challenge to the public sector to overcome its deficiencies by raising the plan outlay by nearly 25 per cent.

The impact of an increase in the tempo of Plan implementation will also be felt in the private sector if there was a further rise in agricultural production in the next season and larger developmental expenditure also led to a bigger demand for steel, electrical equipment and other durable goods. There will have to be an increase in the industrial production of private sectors. This will mean that the various units will have to be provided the necessary incentives apart from adequate supplies of raw materials and components. What is, however, necessary is to remember that a higher level of activity by itself would have led to a higher level of production which in turn would yield larger revenues, particularly under excise duties. If the industries functioned profitably at the same time, there will also be an increase in receipts from direct taxes. What is more important is the toning up of the economy and the enlargement of the tax base through additional employment and higher production which will yield recurring revenues. The Finance Minister could have, therefore, waited before deciding on massive taxation as in the event of a big increase in Plan outlay there would have been a distinct improvement in the economic situation before the end of the year. There would have also been larger tax revenues even if additional taxes were levied for only Rs. 150 crores. But if there was shortfall even after heavier borrowing intelligent fresh taxation would not be resented when larger incomes were being generated.

—Meenam

Budget Proposals for 1971-72

Presenting the Budget for 1971-72, Finance Minister Chavan said that in formulating the tax proposals he had endeavoured to follow these broad principles:

- The tax structure must be simplified and rationalised in such a way that the burden of assessment for the assessee as well as the tax collector and the opportunities for evasion are minimised;
- The overall burden of taxation must be distributed amongst the different sections of the community in such a manner that, in the process, there is an appreciable scaling down of the concentration of economic power and reduction in the inequalities in income and wealth; and
- The incidence of the fresh imposts should not, as far as possible, disturb the general level of prices of essential goods.

Accordingly, the concentration of the additional tax effort, to the extent feasible, should be on direct taxes, particularly on the affluent groups, and on such categories of indirect taxes as affect the luxury and near-luxury commodities. In so far as we succeed in limiting the burden of indirect levies on the latter group of commodities, we are also able to achieve in part the other objective of improving the structure of income distribution in society.

Tax Administration

The tightening and streamlining of tax administration has two facets. First, it helps to garner additional yield from the existing tax sources and thus makes it less necessary to look for fresh tax heads every year. Second, since it is generally the well-to-do and the rich who avoid and evade taxes, a tightening of tax administration, including closing of loopholes, would compel them to part with a larger proportion of their incomes and assets and would therefore further one of the overriding objectives of fiscal policy.

Power to Acquire Property...

Undervaluation of property has been one of the means to evade wealth tax, capital gains tax and stamp duties. It has also been an important avenue for the circulation of black money. This practice could be greatly discouraged if Government had the power to acquire properties at prices that correspond to what is recorded in sale deeds. Accordingly, it is proposed to move a Bill during the current session to acquire this power.

In pursuance of the Administrative Reforms Commission's recommendations, it is also proposed to sponsor legislation in the current session to discourage benami holding of property. If, at the time of assessment, a person fails to declare income from a piece of property or the property itself so as to evade payment of income and wealth taxes, the intended legislation will debar him from enforcing his claims to such property in a court of law.

It is further proposed to transfer the work of recovery of arrears of estate duty from the State Governments to the Income Tax Department at the Centre. Since, in this matter, we can move only with the concurrence of the State Legislatures, a Bill is being drafted for circulation among the States.

It is proposed to strengthen the Valuation Cell located in the Central Board of Direct Taxes for making valuation of buildings in order to enable it to extend its activities and speed up valuations in cases involving the assessment of wealth tax. For assessment of income tax, under the new procedure which has come into effect from the current year, summary assessments will be completed in most cases which do not involve substantial points of dispute, and only a small proportion of the cases will be subjected to a sample scrutiny subsequently. This will enable the Income Tax Officers to devote correspondingly more time for cases involving substantial revenue.

In the field of excise duties, it is proposed to set up a committee to review the Self Removal Procedure scheme, which has been in operation for the last two to three years, with a view to suggesting improvements which could reduce leakage of revenue. A Study Team, which considered the issues relating to over and under-invoicing, have made a number of suggestions for checking the leakage of foreign exchange through manipulation of invoice values. The Government will give early consideration to implement its recommendations. With a similar purpose, a comprehensive review is being undertaken of the Foreign Exchange Regulation Act and it is proposed to introduce soon a Bill to amend several provisions of this Act.

Consultation with States

In the past the Centre has taken several fiscal steps to discourage the growth and concentration of excessive income and wealth in a few hands in the urban areas. The constitutional prerogative of the Union Government to initiate measures for simi-

lar reforms in the countryside is, however, severely restricted. But this does not mean that some of the present anomalies must continue, or that we can be oblivious of growing inequalities in rural areas. Ultimately, the basis of tax has to be the size of income or wealth irrespective of whether it is derived from agricultural or non-agricultural sources.

Similarly, there are constitutional limitations on the powers of the Centre to tax services even when these are of a luxury or semi-luxury character. As the States and the Centre have to share the responsibility of raising resources for economic development, it is the duty and obligation of the Centre to point out to the States untapped resources for mobilisation where the Union Government itself is precluded by the constitutional provisions to impose any levy. The Finance Minister intends to consult and seek the advice of the State Finance Ministers on the entire range of these issues and remain in continuous touch with them so that a concerted view is taken.

DIRECT TAXATION

TAXATION ON INCOME AND WEALTH

In the field of personal income taxation, the rate of surcharge in the case of individuals as well as Hindu undivided families is being increased from 10 per cent to 15 per cent provided the total income exceeds Rs. 15,000 per annum. In a full year, the impact of the proposal will be to provide an additional Rs. 20 crores to the exchequer; for 1971-72, the revenue yield is expected to be around Rs. 12 crores.

It is proposed to increase the tax on capital gains, which are a species of unearned income. The deduction from long-term capital gains allowed in computing the taxable income of non-corporate assessee is being reduced from 45 per cent to 35 per cent where such gains relate to lands and buildings and from 65 per cent to 50 per cent in respect of other capital gains.

The incidence of tax on long-term capital gains will be increased in the case of companies as well. This increase is being brought about by raising the rates of tax from 40 per cent to 45 per cent in respect of gains relating to lands and buildings and from 30 per cent to 35 per cent in respect of other gains.

There are some fairly stiff proposals regarding wealth tax. If a significant reduction in the concentration of wealth is to

be brought about, it is essential that the taxation of wealth is made more rigorous. Last year's Budget made a beginning in this direction by raising the rates of additional wealth tax on urban property. This year, it is proposed to raise drastically taxation on slabs of net wealth above Rs. 15 lakhs, where the rates of tax will now be uniformly 8 per cent as against the current rates of 4 per cent on net wealth between Rs. 15 lakhs and Rs. 20 lakhs and 5 per cent on net wealth above Rs. 20 lakhs. It is also proposed to include in net wealth for purposes of taxation the first Rs. 1 lakh of wealth in the case of all individual assessee and the first Rs. 2 lakhs for Hindu undivided families. Thus, while no wealth tax will be leviable unless the net wealth exceeds Rs. 1 lakh in the case of individuals and Rs. 2 lakhs in the case of Hindu undivided families, once they are liable to tax, it will apply to their entire wealth. However, the exemptions in respect of approved financial investments, owner-occupied house and agricultural assets will continue.

Virtual Ceiling on Individual Wealth

To tighten the incidence, the exemption from wealth tax currently available for household or personal jewellery and for shares forming part of initial capital issues is being withdrawn. In the case of conveyances, the exemption will now be limited to Rs. 25,000 in the aggregate. The existing provision in the Wealth Tax Act excluding from aggregation the assets transferred by an individual to the spouse or minor children is being done away with. A similar provision is being made in respect of conversion of assets of individuals into those of Hindu undivided families. While all these changes will not naturally yield any revenue this year, in future, the annual additional yield from these measures affecting wealth tax could be around Rs. 14.5 crores. What is more important, they will impose a virtual ceiling on individual wealth at a much lower level than at present.

As a further measure to discourage evasion of tax, conversion of the separate property of an individual into property belonging to a Hindu undivided family will be brought within the ambit of the gift tax.

TAXATION OF COMPANIES

Several structural changes affecting the incidence of company taxation have been proposed. While the rates of taxation on the ordinary income of companies are being maintained at existing levels, except for the rates on capital gains, the rate of surtax on company profits will be increased from 25 per cent to 30 per cent in the case of chargeable profits in excess of 15 per cent of the capital.

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Development Rebate to be Withdrawn

No development rebate will be allowed on ships acquired or machinery or plant installed after May 31, 1974. Whatever the revenue implications of this step—and they are sizable—will be fully revealed only after 1974-75, i.e., from the Fifth Plan onwards. The Finance Minister expressed the hope that advance notice of this change might quicken the pace of investment in the remaining years of the Fourth Plan.

A Generosity Withdrawn

At present, in the case of new industrial undertakings, ships and approved hotels, profits upto 6 per cent of the capital employed are entitled to tax exemption for a period of five years. Since debentures and long-term borrowings do not in any manner represent risk capital and interest thereon is in any case deducted, it was generosity on the part of the Government to extend the tax holiday provision even to such constituents of capital. It is proposed that in calculating the limit of 6 per cent of the capital for purposes of tax-exemption, debentures and long-term borrowings will be excluded. This single measure will provide the exchequer with Rs. 10 crores during the current year; the yield for a full year will be of the order of Rs. 14 crores.

Exemption Limit to Priority Industries Reduced

Priority industries currently enjoy a special tax exemption upto 8 per cent of their profits. The special exemption is proposed to be reduced to 5 per cent of such profits. In addition, it is also decided to shorten the list of priority industries by excluding aluminium, motor trucks and buses, cement and refractories, soda ash, petro-chemicals and automobile ancillaries. The general economic conditions are now such that it is not necessary that these industries should continue to enjoy special benefits which were accruing to them hitherto. The two measures in relation to priority industries should yield Rs. 8 crores in future years; in 1971-72, the yield is likely to be about Rs. 6 crores.

The deduction of income upto Rs. 3,000 in the aggregate from investments in specified financial assets which was provided for last year will from now on be admissible only to individuals and Hindu undivided families.

The concessional tax treatment of dividends received by foreign companies from a closely-held Indian company engaged in a priority industry will be discontinued; the foreign companies will be subjected to tax on such dividends at the usual rate of 24.5 per cent.

Ceiling on Remuneration of Company Employees

It is proposed to impose a ceiling on the remuneration of company employees which would be deductible in the computation of taxable profits. The ceiling is being set at Rs. 5,000 per month. Together with the existing ceiling of Rs. 1,000 per month in the case of perquisites, the allowable overall ceiling on remuneration and perquisites, for purposes of taxation, will be at Rs. 6,000 per month. In addition, it is proposed to reduce the tax deductible limits of daily allowance to employees while on tour.

MISCELLANEOUS CONCESSIONS

It is proposed to raise the standard deduction currently allowed for the computation of taxable income of employees who own a motor-cycle, a scooter or a moped from Rs. 60 to Rs. 75 per month; for others, who do not possess any of these, the standard deduction will be raised from Rs. 35 to Rs. 50 per month.

Taking the Rough with the Smooth...

The quantum of deduction in respect of long-term savings through life insurance, provident fund contributions, etc., is being substantially modified. At present, 60 per cent of the first Rs. 5,000 together with 50 per cent of the balance of such long-term savings are tax exempt. It is proposed that for the first Rs. 1,000 of such savings, the quantum of deduction should be 100 per cent. On the next Rs. 4,000 of the qualifying savings, the proposed deduction will be 50 per cent, and on the balance 40 per cent. The limit for the savings qualifying for deduction will be raised from Rs. 15,000 to Rs. 20,000 in the case of individuals.

As a result of the changes in the standard deductions allowable for conveyance and long-term savings, an employee with an annual income of Rs. 6,000 will be exempt from income taxation provided he saves at least Rs. 400 in the approved form.

The tax concessions for promoting development and export of technical know-how and technical services, which have been available only to companies will from now on also apply to individuals, Hindu undivided families and partnership firms. Certain further tax concessions are also at present available for expenditure on research and development. A committee has recently been set up by the Government to review the position and make recommendations regarding further fiscal incentives that could be offered to encourage industrial research. The recommendations of the committee will be given due weight.

The special deduction of income upto

Rs. 3,000 from investments in specified financial assets available to individuals and Hindu undivided families would henceforth also cover interest on deposits with a co-operative society made by its members. Moreover, the interest paid by a cooperative society to its members on deposits made by them will be exempted from the requirement of deduction of tax at source. Shares of, and member-deposits with, a cooperative society will be regarded as approved investments which are exempt from wealth tax upto Rs. 1.5 lakhs. But the exemption in respect of such investment in the case of discretionary trusts which are subject to taxation on their net wealth at the flat rate of 1.5 per cent, or at the rate applicable in the case of an individual, whichever is higher is proposed to be withdrawn.

Cooperative societies of workers or those engaged in fishing and allied activities will be exempted from tax on their entire business income. Local authorities deriving income from the supply of water or electricity to villages outside their jurisdiction will be exempted from tax on such incomes. A member of a cooperative housing society, to whom a building or a flat has been allotted under a house-building scheme of the society, will be regarded as the owner of that piece of property for purposes of wealth tax.

The Housing and Urban Development Finance Corporation will be exempted from tax on its income for a period of ten years; the tax-exempt status of the Deposit Insurance Corporation will be extended by a further period of five years.

After taking into account the concessions, the net yield from the new direct tax measures from 1972-73 will be of the order of Rs. 57 crores. For 1971-72, however, the realisation is unlikely to exceed Rs. 27 crores.

INDIRECT TAXATION

The proposals regarding customs duties belong broadly to two categories. The first set of proposals is aimed at rationalising the rates structure of import duties. The other group of proposals is related to, and consequent on, the arrangements reached with a number of foreign countries who have agreed to release us from the bindings under the General Agreement on Tariffs and Trade in the matter of import levy on certain commodities.

IMPORT DUTIES

The existing rates structure of import duties forms a complicated pattern. As of now, there are seven *ad valorem* rates of duty in force: 15 per cent, 27½ per cent, 35 per cent, 40 per cent, 50 per cent,

60 per cent and, finally, 100 per cent. In order to introduce an across-the-board simplification and to remove existing anomalies, it is proposed to have only four effective rates of import duty, namely, 30 per cent, 40 per cent, 60 per cent and 100 per cent.

It is proposed to bring in all items of machinery within the orbit of 30 per cent import levy. While this would imply a marginal increase of 2½ percentage points in the rate of duty in respect of project imports, the decrease of duty by 5 percentage points in respect of machinery in general would provide relief to smaller industrial units and units manufacturing equipment who import a part of the components and to all who need to import small items of machinery by way of spares or balancing equipment. The equalisation of rates for all kinds of machinery would also simplify assessment and speed up assessment work. Items such as agricultural machinery and implements, dairy and poultry farming appliances would also now attract at the rate of 30 per cent instead of 15 per cent.

Certain basic raw materials and non-ferrous metals will from now on be liable to duty at the uniform rate of 40 per cent. Iron and steel and unwrought copper will, however, attract the lower duty of 30 per cent.

It is proposed to eliminate the present rate of duty of 50 per cent and levy instead a higher rate of 60 per cent on most items. A similar upward revision has already been made in the course of the past two years with respect to the duty on chemicals, drugs, medicines, electrical and non-electrical appliances. What is proposed now, therefore, is to bring all similar items together under the umbrella of the same rate of duty.

Till now, certain items used by the more affluent sections of the community, such as automobile components and dry fruits, were liable to a duty of 60 per cent instead of 100 per cent which is the standard rate for most important consumer goods. This anomaly is now being removed. In addition, in view of the increase in the c.i.f. price as well as the high margin of profit, the specific rate applicable to cloves is being increased from Rs. 18 per kilogram to Rs. 60 per kilogram.

As a result of the release from the GATT bindings, we are now in a position to either impose a duty, or raise the existing rates of duty, on a number of items, including agricultural tractors, earth-shifting machinery, staple fibre excluding yarn, raw wool, unwrought copper, zinc and pig lead. It is proposed to avail of the opportunity. In view of the high margin of profit on imported staple fibre, it is proposed that the duty on it be fixed at 100 per cent. On unwrought zinc, pig lead and raw wool, the duty will be 40 per cent, and on copper, 30 per cent.

Given the large disparity between the prices of imported and indigenous tractors, it is also decided to levy a 30 per cent duty on imported agricultural tractors. The same rate of duty will apply on earth-shifting machinery.

Taking into account the effect of the rationalisation of import duties as well as the adjustments following from the release from the GATT bindings and the countervailing levies related to changes in excise duties additional revenue to the extent of nearly Rs. 54 crores during the remaining part of the year is expected to be got.

EXCISE DUTIES

Pursuant to the decision to continue the scheme of levying additional excise duties in lieu of sales tax on sugar, textiles and tobacco, the Government is committed to raise the overall incidence of these duties to 10.8 per cent on the value of clearances by the end of the Fourth Plan period. Since this target has to be attained by 1973-74, it is stated, it has become necessary to make a substantial beginning in the current year itself.

Additional Levies on Cigarettes to Net in Rs. 33 Crores

It is proposed to increase once again the taxation on cigarettes. In place of the existing three slabs of duty on cigarettes, it is proposed to have five. By suitable adjustments of the basic and additional duties on these slabs, it is hoped to raise during the current year Rs. 33.20 crores of which Rs. 16.40 crores would go to the States by way of additional excise in lieu of sales tax. The effect of the proposals would be a marginal increase in the price of the cheaper varieties of cigarettes, but a much sharper increase for the more expensive varieties.

Textiles, particularly coarse and medium varieties of cloth, are a basic necessity, and their prices rose rather inordinately in 1970-71. Therefore it has been decided that the impost on textiles should be modest this year. It is proposed to step up slightly the additional excise duties on medium A and medium B varieties of cotton textiles from 4.8 paise per square metre and also to round off the additional duty leviable on coarse cloth from 3.6 paise to 4 paise per square metre. With respect to superfine and fine cloth, it is proposed to go much further, and raise the rates of the additional excise duty to 25 paise and 15 paise respectively per square metre. These several measures should fetch an additional revenue of Rs. 4.90 crores which will accrue entirely to the States.

Curbing Consumption of Petrol

The other major proposal in regard to excises is the area of motor spirit, solvents and

a number of other minor lubricants. In view of the rise in international oil prices, it is held, there is need for the maximum economy in the utilisation of petroleum and petroleum products with a view to conserve our scarce foreign exchange resources. No doubt, there will be a certain hardship involved in this, but it was felt it has to be borne by our people. To curb consumption, it is proposed to increase the duty on motor spirit by Rs. 200 per kilo litre or 20 paise per litre. This measure will fetch an additional revenue of Rs. 36.30 crores in the current year.

There is extensive misuse of certain special boiling point spirits, otherwise known as solvent oils, as adulterants for motor spirit. To discourage this practice, it is proposed to raise the duty on solvents from the present rate of Rs. 45 per kilo litre to Rs. 845 per kilo litre. This measure will yield Rs. 4.25 crores during the current year.

Similarly, to prevent the adulteration of mineral turpentine oil with superior kerosene, an extra duty of Rs. 100 per metric tonne is being imposed on the former. In the case of liquid petroleum gas, it is proposed to abolish the *ad valorem* duty of 20 per cent and, instead, impose a specific duty of 25 paise per kilogram. The rate of duty which at present obtains on lubricating stock oils and greases directly derived from refined petroleum would also from now on apply to blended lubricating oils, greases and calcined petroleum coke. However, the base petroleum products used in the manufacture of the latter items would be given a credit for the duty that might already have been paid. These measures, it is expected, will yield an additional revenue of Rs. 9 crores during 1971-72.

At present, carbon dioxide is liable to duty, but other gases, such as oxygen, chlorine, ammonia and refrigerant gases are exempt; these exemptions are being withdrawn. However, oxygen for medicinal use and ammonia used in the manufacture of fertilizers would continue to be exempted from duty. This measure is expected to yield Rs. 1.60 crores.

It is also proposed to raise the basic duty on glassware to 20 per cent and on sheet and plate glass to 15 per cent. Glass shells, glass globes and laboratory glassware would be left untouched. While the duty on sanitary and glazed wares was revised last year, tableware and china were left undisturbed. Both these items will now attract a uniform duty of 20 per cent. These two changes are estimated to provide this year with additional revenue of around Rs. 3.15 crores.

While air-conditioners pay a duty at the rate of 53.3 per cent, till now, the evaporative type of coolers have been exempt

from duty. This discrimination deserves to be removed. It is proposed to levy a duty of 25 per cent on them and, at the same time, exempting them from the payment of the special excise duty. Vacuum flasks, similarly exempt till now, will also have to bear a levy of 15 per cent *ad valorem*. The gain to revenue would be Rs. 54 lakhs in the current year.

Tax on Cleanliness

It is proposed to revise the duty on soap from the present effective rate of 11.4 per cent to 15 per cent. This would result in only a marginal increase in the price of toilet soaps. Household and laundry soaps are being left untouched. Because of partial exemption, the effective rate of duty on surface active agents works out to even less than that on ordinary household and laundry soaps. It is therefore proposed to abolish the partial exemption and restore the full statutory rate of duty on these products. These two revisions—relating to soap and surface active agents—are likely to yield a revenue of Rs. 2.55 crores for the rest of the year.

It is also proposed to tax certain other luxury items. Latex foam sponge, used extensively in the manufacture of foam mattresses, bears at present a relatively low basic rate of duty of 20 per cent *ad valorem*; it is proposed to double this rate of duty. A similar levy will be imposed on polyurethane foam as well as certain products made out of this particular foam. The basic rate of duty on plates, sheets and strips of rubber is also being stepped up from 20 per cent to 25 per cent *ad valorem*. These measures would bring in Rs. 2.60 crores of additional revenue in 1971-72.

The duty on crown corks and pilfer-proof caps is proposed to be raised from 1 paise to 2 paise each. This measure is expected to yield Rs. 1.90 crores.

A few other changes are being proposed by way of rationalisation. These include an excise levy on dehydrated canned and bottled vegetables and on preparations of glucose and dextrose, the removal of the special concession of 50 paise per kg. on the basic excise duty for certain varieties of staple fibre, the rounding off of the duty on cement from 23.76 per cent to 24 per cent, revising the duty upwards on woollen yarn and shifting a portion of the incidence to wool tops, revising the rates of duty on electric lighting bulbs other than those of 60 Watts and less, revising the rates for fluorescent tubes as well as for electric fans and industrial fans other than those of a diameter not exceeding 16 inches, and removal of the concession of Rs. 500 per tonne on copper used in the manufacture

of wires and cables. These assorted measures would yield a combined revenue of over Rs. 6 crores.

10 Per Cent Duty on Tractors

One way of reducing income inequalities in the countryside is through levying selectively indirect taxes on products and equipment used in agricultural operations by the richer sections of the peasantry. It is, therefore, proposed to tax agricultural tractors by charging a duty of 10 per cent *ad valorem*; this levy is likely to fetch a revenue of Rs. 3.40 crores in the current year.

To augment revenue, several new items are being introduced into the orbit of Central excise taxation. The commodities and the rates of duty are being so chosen that the net effect of these imposts on the price level will be negligible. The items include perfumed hair oil, shampoos, lipsticks, pressure cookers, playing cards, zip fasteners, photographic cameras, cinematographic projectors and linoleum.

Levy on Ready-made Garments

It is proposed to have a levy on certain ready-made garments which are mostly purchased by the well-to-do. However, in order to protect the small manufacturers, this levy will be confined to ready-made garments manufactured with the use of power and sold under registered trade marks or brand names. As a further concession to the small producers, clearances upto a specified value would be excluded from the excise provided the aggregate annual output in the unit concerned does not exceed a ceiling.

It is also proposed to introduce an excise levy on a number of producer goods such as ball and roller bearings, bolts, nuts and screws, electric insulation and non-medical adhesive tapes, welding electrodes, grinding wheels and motor starters, as it is difficult to tax the end-products of these items and currently some potential revenue is being lost. The rate of duty will be 10 per cent. It is also proposed to charge a duty of 10 per cent on electric supply meters, typewriter ribbons, mosaic tiles, fork lift and platform trucks and certain motor vehicle parts and accessories. Wherever necessary, the interests of the small producers will be protected by a concession similar to the one mentioned in the context of ready-made garments.

Four more chemicals are being added to the list of excisable chemicals, and will be liable to duty at 10 per cent. A similar levy will also be imposed on camphor and menthol.

These various measures of new excise le-

vies together are likely to yield Rs. 15 crores.

Lavy on Maida—To Promote Children's Health

It is proposed to levy a duty of 10 paise per kg. on Maida processed by roller flour mills in the organised sector. This particular flour, Mr. Chavan said, was usually consumed by the richer sections of the population and otherwise used in the manufacture of sweets; the consumption of bread, another item in the manufacture of which Maida is used, is again mostly confined among the higher income groups. The resultant revenue of Rs. 7.4 crores which will accrue to the Centre will be earmarked for being spent on the welfare of children. In addition, the States also will receive nearly Rs. 1.8 crores from this measure.

A SPHINX'S RIDDLE

The question of abolishing Prohibition, once it has been introduced, can in any set of conditions, be a Sphinx's riddle to the Government concerned. And in Tamil Nadu, it is clearly one such. Judged by the gingerly manner in which the D.M.K. General Council, which is the policy-making body, the ruling party is no Oedipus. The dilemma in which the Ministry finds itself, despite the support in the rank and file for abolition, does not appear to have lost its forbidding character. Mr. Karunanidhi for the present has indulged in the usual tactics of shifting the responsibility and, by implication, the blame to the shoulders of the Central Government by arguing that Prohibition should be enforced uniformly throughout the country or compensation paid to the State Government for the loss of revenue sustained by its sticking to Prohibition. The contention has lost much of the force it might have had in earlier days when Prohibition, as part of the Central Government policy, was ready to offer inducements to the States for the adoption and enforcement of Prohibition. We have certainly moved far from those days, since more than one State has gone wet without

A Few Excise Concessions

To promote the use of minor oils in the manufacture of soap and thereby reduce our dependence on imported tallow and oils, it is proposed to reduce the incidence of the duty on soap wherever there is certain minimum use of minor oils like neem and sal. The rate of duty on sodium silicate will be reduced to encourage the output of cheaper varieties of soap in the small-scale sector. In order to foster the greater utilisation of cottonseed oil, the existing excise rebate for using this oil in the manufacture of vanaspati will be increased. A similar concession is also proposed to be accorded to rice-bran oil.

With a view to providing some relief to the small and marginal units using powerlooms for manufacturing cotton fabrics, it is proposed to reduce the rate of compounded

levy on units where not more than 4 powerlooms are installed from Rs. 50 to Rs. 10 per loom per annum. In the case of units employing more than 4 powerlooms, the compounded levy will be half of the existing rates. The concession at present available to independent processors, will be rationalised. There are also a couple of marginal concessions for the manufacturers of embroidery and leather cloth.

All these reliefs and concessions together would cost the exchequer around Rs. 1.50 crores for the remaining part of the year.

Taking all the proposals for excise duties together, the total yield for the rest of the current financial year, it is estimated, will be roughly Rs. 89 crores for the Centre and Rs. 43 crores for the States.

OTHER MEASURES

Tax on Foreign Travel

It is proposed to impose a tax on foreign travel. The levy will be at the rate of 20 per cent *ad valorem* on all tickets purchased in rupees; tickets paid for in foreign exchange will be exempt. The only other major exemption would be for students and scientists. The estimated revenue from this measure which would come into effect from a date to be notified later, would be about Rs. 7.0 crores.

Mr. Chavan referred to the losses incurred by Posts and Telegraph branches; they are anticipated to show a loss of as much as Rs. 15 crores during the current year. Both the Tariff Inquiry Committee which was set up to examine the rates structure of the Posts and Telegraphs Department and the Administrative Reforms Commission have recommended the need for financial viability and the desirability of surplus being generated from the operation of Posts and Telegraphs. A certain upward revision in tariffs is, therefore, inescapable. Items like postcards, letter cards, and letters have been kept completely out of the purview of the upward adjustment of rates. Most of the proposed increases relate to registration fees for postal articles and telegraph and telephone tariffs. The registration and parcel fees are being raised by 5 paise and 10 paise respectively for 400 grams. There are also minor adjustments in the charges for telegrams consisting of more than 8 words as well as in the rentals for telephones, teleprinters and telex services.

So far as the Union Budget is concerned, the various proposals outlined would imply, for 1971-72, additional revenue aggregating to Rs. 177 crores. The budgetary gap of Rs. 397 crores will be scaled down to Rs. 220 crores.

Mr. Yew's Microscopic Vision

To impose restrictions on the Press for whatever reason may not matter for the outside world insofar as nascent democracies have problems which cannot be ironed out except through extreme measures which may smack of the despotic from the standpoint of rich liberal democracies. But it is an entirely different and unpleasant thing to cast aspersions on other nations in a bid to vindicate one's position. Mr. Lee Kuan Yew, the Singapore Premier, is reported in the Time Magazine as saying, while explaining his government's action against the Press. "I think that in every democratic country, freedom is limited. If you say you want complete freedom in an emergent country, I can give you two examples: One is India and another is Ceylon. Both the countries are now in chaos."

It is the observation in italics to which we should take serious exception. If Press freedom in Singapore bids fair to bring chaos, it can only be peculiarity of that country. It may also be because a liberal Press, out to inveigh against the sins of commission and omission, on the part of Government and people alike, is generally regarded as a potent guarantee against social or public mischief from which confusion usually emanates. Where the solidarity of the individual or the nation runs such serious risk as would overwhelm and eliminate both, it is the Press that is customarily regarded as the only powerful means of redress. Arguing negatively, the fact a free Press has no place in Communist societies is proof positive of

what the presence of the Press means in terms of human dignity and freedom—concepts which are necessarily impalatable to totalitarianism. While all this is common knowledge, it does not seem so for Mr. Lee Kuan Yew.

Press Having Riotous Freedom?

We would still beg to differ from him as gentlemen and would have allowed the issue to rest there but for the fact that he speaks in not very complimentary terms about our own country. He sees the Press here as having riotous freedom, riotous enough to plant the apple of discord and thus breed chaos. He has not said so literally, but his observation that unlimited freedom (not only for the Press) has caused chaos in India and Ceylon seems to vindicate only such interpretation. We would leave Ceylon out of the picture because the Ceylonese know how to answer such comment offered gratis. So far as we are concerned, we can assure you, Mr. Yew, that any one is free to go over India with a fine comb but will still fail to discover the mealy bunch that is chaos.

What is the chaos that he refers to? Is it the ennobling spectacle of a debate in Parliament where members are free to expose the entrails of government policy for public scrutiny? Is it the din and bustle frequently heard in Council House when points of order, adjournment motions and call attention notices are tabled? Or is it

the juxtaposition of diverse viewpoints ranging from the far Left to the extreme Right presented by honourable members who are conscious of the need to preserve basic decencies and are compelled to do so by their colleagues when emotions get the better of them?

No, it cannot be any of these which the Singapore Premier covered by the term chaos. Perhaps he is referring to inter-State disputes over the borders or sharing of river waters. Or to the quest of Tamil Nadu and Punjab for more fiscal powers or to the activities of extreme elements in parts of West Bengal and Kerala which have occasionally made nonsense of law and order. It could even be that he might be referring to the spate of strikes in industrial belts and in some government offices as reflecting a strain of indiscipline which should break any political back, however strong, some day. What we would offer in explanation of all this is that these are the results of political and economic freedoms which we enjoy on the basis of the principle of give-and-take and that the scratches that disorders imply in our body politic are reflections of an excess of taking without giving. In any case, as the U.S. Ambassador in India stressed the other day, "last of Algiers and the Middle-East, India is the sole bastion of democracy of the type conceived by the most liberal of liberals in the West." Disorder localised in particular areas is characteristic of a subcontinent. It is a fleabite here which can be managed and eliminated but will be a nuclear explosion if it occurs in any part of a small country like Singapore. Mr. Yew's analysis involves a mistaken sense of proportions arising out of the application of a microscopic vision, appropriate for a small country, to a subcontinent. He had better correct this lest the world outside should laugh in its sleeves at his expense.

—S.R.

I BELIEVE:

Hindi Fanaticism Again

I believe that the sudden use of Hindi designations of Central Ministers was a sort of kite-flying. With more than two-thirds majority in the Legislature and with the vociferous Hindi groups ever on the watch to capitalise on this strength, there had developed perhaps the weakness to play to the gallery. What is inexplicable is how the influence of such linguistic fanaticism was allowed to build up something close to a confrontation between the Hindi and non-Hindi areas. Why the designations in Hindi not translated into English as they should have been but were only transliterated in the Roman script? If the idea was to familiarise the new Hindi terminology, how was the process expected to be helped by keeping out the English equivalents? The manner in which some of these changes are being pushed through in an apparent subterfuge—the other day there was the quaint direction to the Union Public Service Commission schedule followed by the spectacle of punishment imposed in Bihar on government servants using English for official purposes instead of Hindi—inclined one to the irresistible belief that, come what may, the Centre has decided to elbow out English completely in its preference for Hindi.

It is a tiresome exercise to discuss this issue, yet one cannot help recalling the inadequacy of Hindi to fulfil the role intended for it. A language is circumscribed by its range and diction. So far the attainments of Hindi in respect of both are very limited. In the circumstances, to elevate it to the position of the sole language of India would barter away the flow and growth of knowledge, technological and otherwise on which a developing country

irretrievably depends. Analogies are odious generally and particularly in this case because outside the totalitarian Russian society, there is no politico-economic group in the world which is the tower of Babel that India is with its diverse voices. Though it used to be the fashion to speak about the forces of cultural unity in the midst of diversity as the potent force for the continuance of the country as a single unit, the fact remains that, in more recent history, which alone matters for the present, India has remained one because foreign rule held it as one political unit. The demarcation of regional territory under the British cut across ethnic and language group making each

INDIA BECOMES U.S.A.'s LEADING PARTNER

The United States economic assistance to India now totals 9,896 million dollars (Rs. 7,422 crores), making India the top partner of the United States in the field of economic development, according to the U.S. Ambassador in India Mr. Kenneth B. Keating.

U.S. aid to India included 170 million dollars (Rs. 127 crores) in foreign exchange to finance the requirements of priority and export industries, plus wheat, cotton and vegetable oils valued at 150 million dollars (Rs. 112 crores).

In addition, the United States donated food valued at 70 million dollars (Rs. 52 crores) for school-lunch and other nutrition programmes.

The U.S. Export-Import Bank extended a loan of 12 million dollars (Rs. 9 crores) to Air India to help it expand its fleet of Boeing 747 Jumbo airlines.—(UNI).

territory a jumble of many such groups. Ignorance of the political advantage of this method coupled with the weakness for crying down anything done by the British as being *ipso facto* anti-national has fanned the flames of linguistic parochialism—a bait which trapped the keenest intellects like the Mahatma and we are paying the price.

Disabling Parochialism

There is a special disability that this parochialism, as it has developed over years, has imposed on Tamil Nadu. Unlike other tongues, Tamil has been more rigidly Dravidian and the volume of Aryan loan-words in it are comparatively fewer. That perhaps explains why Mysore, Kerala or Andhra Pradesh whose mother-tongues are closer to Sanskrit than Tamil, have not been as vociferous as Tamils in their opposition to Hindi. Indeed Hindi had never been made an issue in the dimension in which it had been made so in Tamil Nadu since the days of the Bhaktavatsalam Ministry. It follows from this that, when the final count is to be taken, the ranks arrayed against Hindi may be composed entirely of representatives from Tamil Nadu. It is an elementary truth that the obscure, common man cannot afford to offer supreme sacrifices for a cause. It follows from this that if you and I are convinced that job opportunities for our children are dwindling in Tamil Nadu and therefore they have got to go out of this territory, they can do so only if they are equipped in Hindi, with or without English. Hindi has got to be learnt at home, under tutors or in schools (where permitted) if jobs outside Tamil Nadu have to be wangled for. The country is slowly moving towards a situation in which Hindi and the regional language alone are likely to arrive. Hence if bread nearer home gets scantier, logic demands that every attempt should be made to ask for it outside in the language the bakers there can understand.

INDUSTRIAL ECONOMIST

A Fascinating Fair

By S. VISWANATHAN

A visit to the All-India Small Scale Industries Exhibition now being held in Delhi gave a glimpse of the great contribution made by this sector to the industrialisation of the country. In spite of the fact that the small scale industries did not enjoy much of the advantages of operating on output and turnovers, the enterprise of a number of these units in exploring new avenues was fascinating in many respects.

Delhi, Haryana, Punjab Steal the Show

A wide range of assistance is offered to small scale industries though the major difficulty for most of these is in regard to the lack of working capital. Particular mention should be made of the Delhi, Haryana and Punjab stalls where a veritable boom in demand for consumer goods has been created by enterprising entrepreneurs in the small scale sector. One is also greatly impressed by the sophistication achieved in a number of household appliances, particularly in the electrical and electronics fields. That a small scale industry could produce a dependable and attractive Television set on modest price with performance-guarantee and could stand the competition from much bigger units was proof of the skills attained in this regard. Transistors in the shape of a wine bottle (with controls in the lid and stomach portions), flower-vase, etc., were on display. The range and quality of the gadgets ranging from household appliances to sophisticated machine tools and the like made one really proud of the advances made in this direction. The Haryana and Punjab stalls also bore testimony to the rapid strides taken by the small scale sector.

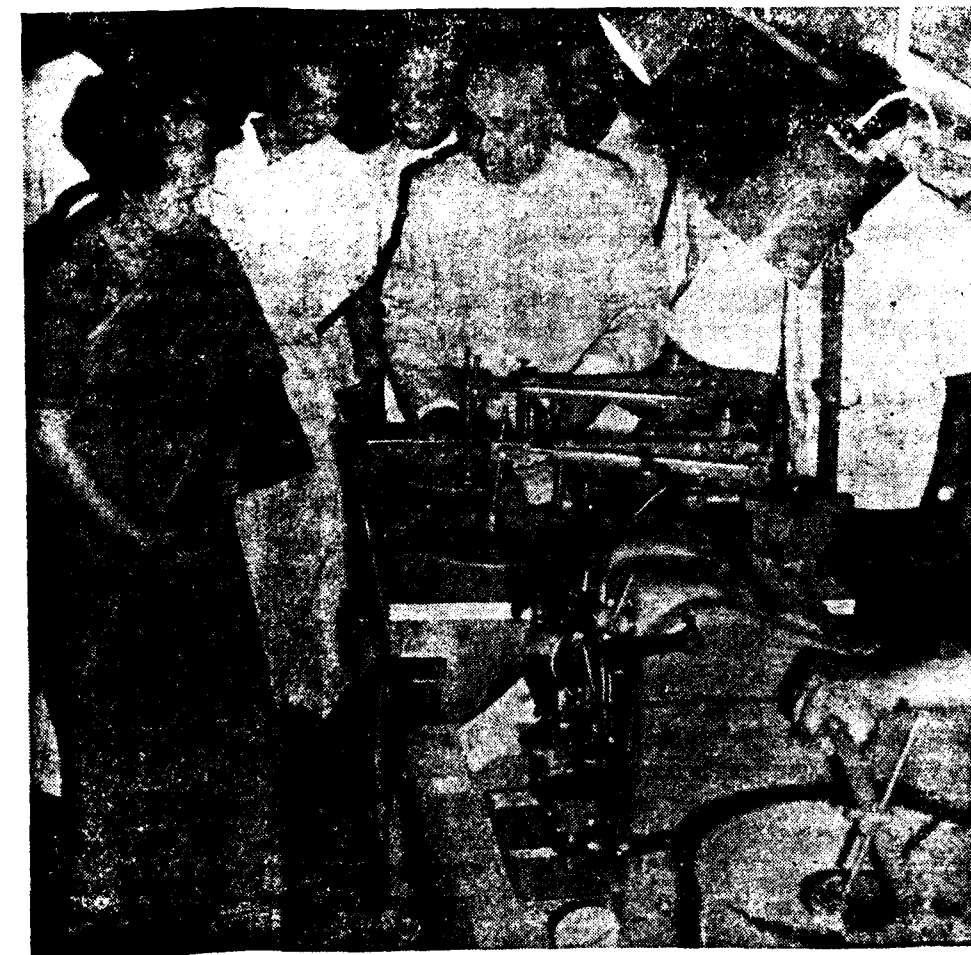
INDUSTRIAL ECONOMIST

pre-eminence in the field of exports was also duly highlighted. During 1969-70 Maharashtra was the second large exporter accounting for Rs. 212.3 crores worth of exports, nearly a seventh in the total all-India exports of Rs. 1408.7 crores.

Impressive Display by Maharashtra

Maharashtra has concentrated more on displaying the achievements through statistical charts. One did not see in contrast, perhaps because of the distance involved, the any elaborate display of goods produced in Maharashtra but one could gain a glimpse of the all-round development made through scores of tables, charts, histograms, well-planned and well-exhibited. Its

Gems, jewellery, sugar, engineering goods and ceramic films were among the major items exported. Since all these are non-traditional items the performance is really commendable. But one got the impression that Maharashtra has attempted to give a picture of its overall contribution to the nation's economy rather than concentrating, as has been done by Delhi, Haryana and Punjab, on the contribution of the small scale industries' alone. For ex-



Prime Minister Indira Gandhi is seen looking at some of the exhibits in the All India Small Scale Industries Exhibition in New Delhi.

ample, a breakdown of the contribution of the small scale sector to total exports would be more relevant. One was able to get an overall picture of Maharashtra as the most industrialised State in the production of engineering goods, commercial crops, its major industries in the public sector... But the specific segregation of the small scale sector, which was the theme of the exhibition, was almost absent.

The thrill one got by entering the Delhi stall at the entrance was much diluted after visits to less developed States like Madhya Pradesh, Rajasthan

When Rail-Roads Complained Against Airlines...

I have mentioned in an article in our last issue that the Indian Airlines asks for a fare increase whenever its working results are in the red—often caused due to their own lapse. I had also referred to the scope for enterprise which could stimulate air-traffic. One of the readers of the article, an aeronautical engineer, recalls the type of enterprise he witnessed in the USA immediately after the Second World War. He happened to be in the USA during that period to make specialised studies in aeronautics. He described the practice of ex-American Air Force pilots and other servicemen to acquire the surplus aircraft that were disposed by the U.S. Air Force at throw-away prices. "A Dakota used to cost then anything between \$100-\$500. These enterprising pilots acquired these, serviced them and made them fit enough to pass the rigorous standards of the Civil Aeronautics Administration. They formed, a one-man or two-men business corporations offering non-scheduled air services between any two points within the USA. The fares used to be less than the rail-road fare and tolerably comfortable. "I have travelled from New York to Miami, a

and by the individual sales stalls of diverse small units. In some of these, for example, in the toys corner one was disappointed at the very poor display arrangements. When one compares with the variety of interesting gadgets for children normally displayed at Japanese or German stalls in other international fairs one was disappointed at the crude display of unsophisticated items.

Despite the existence of major industries, some States like Bihar have not made much of an impact in terms

distance of over 1,000 miles at a fare of \$35 in such a non-scheduled airlines. The flight lasted for about five hours. The train fare for this was around \$41, the journey lasting for nearly a day. These airline companies did roaring business and contributed much to stimulating air travel. In this process, of course, they circumvented much of the rules like the restriction on the number of such non-scheduled flights to once a week by operating the same aircraft in the name of two or three companies so that they could operate twice or three times a week.

"They used to pick up passengers in taxis from their residence or hotels and offer them during flight a not-very-costly sandwich and pass on the benefits of these economics in the form of low airfare. The pilot himself would be paid around \$250 per month.

Obviously the rail-roads suffered much from such competition. They used to advertise: "For comfort in travel use the rail-road; these are not like those rickety aluminium planes." --S.V.

of improvements in standards of living. This could be traced perhaps to the lack of concentration on small scale units which have transformed States like Haryana and Punjab into centres of intense industrial activity and of prosperity.

Notable Absence of Tamil Nadu

One was disappointed by the absence of exhibits from States like Tamil Nadu, Gujarat, etc. Tamil Nadu particularly has made tremendous strides in small scale sector. The success of Tamil Nadu in establishing industrial estates which have helped widespread dispersal of industries contributing to even development which is remarkably absent even in bigger and more industrialised States like West Bengal and Maharashtra, its spectacular growth rate in the post-independence period, its success in the matter of establishing feeder industries through functional industrial estates, its liberalised schemes of financial assistance to small scale industries could all have been highlighted in such an exhibition. I felt sad that this good opportunity to display the products of small scale industries and also to highlight the achievements of this State, which are by every count spectacular, was lost. Perhaps this is part of the State's past record of letting go such good opportunities by lack of proper appreciation of the importance of such fairs. In the past Tamil Nadu used to neglect proper publicity of its tourist attraction which has contributed to this day to the poor influx of tourists (less than a third of the affluent tourists from the West visits southern cities). The opportunity could also have been made use of to list the assistance extended to entrepreneurs in the form of availability of infra-structure facilities like power, water and skilled labour. The Karunanidhi Government and the D.M.K. are known for appreciation of value of publicity. Particularly in this context the non-participation (or was it a boycott?), in this exhibition is disappointing.

THE CITY CORNER:

DMK Contemplating Changes in Road Transport

The Tamil Nadu Government is considering changes in the nationalised road transport in the State. This service is now operated departmentally. The proposal is for handing it over to an autonomous corporation. The Chief Minister, Mr. M. Karunanidhi who gave this information to newsmen did not choose to explain the government's decision. On a former occasion the State Government examined a similar proposal but regarded any corporation scheme as not calculated to further anybody's interests. Such a corporation as distinct from a departmental undertaking would attract income-tax and a few other levies. It is not known what new considerations are now weighing with the government in favour of a corporation to manage the nationalised bus transport.

As far as the people are concerned the services are now at the rock bottom and if by rationalisation or any other scheme it is intended to improve them, the public will give an ungrudging welcome to the proposal.

Farewell to A Popular Governor

Sardar Ujjal Singh, who recently retired as the Governor of Tamil Nadu and the Sardarini were given a very touching send-off on May 23. As a popular Governor, Sardar Ujjal Singh endeared himself to the different sections of the population no less than to the ministers and the men of the ruling party. As many as half a dozen organisations including the State Government got up pleasant parties to bid him farewell. The Governor during his tenure of office had become so much a part of Tamil Nadu that at the farewell parties he expressed views in consonance with those of the Tamil population on some of the burning controversial issues. For instance, notwithstanding his being a North Indian, he expressed himself in total opposition to attempts to impose Hindi on non-Hindi

speaking people. Again he asked for a tribunal to arbitrate on the agrarian rights of Tamil Nadu and Mysore States in respect of the waters of the Cauvery.

NAC Visits Madras

The members of the National Agricultural Commission were in Madras during the fortnight discussing with the State Government officials, matters of interest to farmers like dairying as a subsidiary occupation, organisation of credit facilities and development of hill areas. One of the members said that the Commission which would be submitting an interim report soon proposed to recommend minimum wages for agricultural labour on an all-India basis. The Commission's vice-president, Mr. C. Sivaraman, said that among the subjects under study were the examination of the problem of consolidation of land holdings; possibilities of reclamation of lands lying close to sea coast, in forests and in mountainous terrain; and exodus of rural labour to urban areas. The land ceilings in the different States were being studied by a working group of the Commission, he added.

Company Secretaries' Meet

A two-day conference held by the Institute of Company Secretaries of India discussed the role of this functionary in the corporate life of the country. Inaugurating it, the Company Law Board Chairman, Mr. Prasad, announced that the Government was undertaking amendment of the Company Law to make it obligatory on companies above a certain size to employ qualified company secretaries. The present provision of both corporates being permitted to function as company secretaries would be done away with. He said the profession had grown and gained sufficient strength and influence to deserve statutory re-

cognition on the lines of the sister professions of chartered accountants and cost and works accountants. The institute which was started in 1968, according to its President, Mr. R. Krishnan, enjoyed the cooperation of the companies which took advantage of the services offered by it and provided training facilities for the students sent by it. The more important participants included Mr. Justice Ramaprasada Rao, Mr. Bhaskar Mitter, President of ASSOCHAM, and Mr. D. L. Mazumdar, former Secretary of the Company Law Department.

Nursing the Nation with Mobile Hospitals

Dr. P. K. Duraiswamy, Adviser on Mobile Hospitals to the Union Ministry of Health and Family Planning, told a news conference in the city that a Rs. 31-crore scheme to cover all the 337 districts in the country by mobile hospitals over a period of three years was under the consideration of the Ministry. Giving details, he said that out of 22 such hospitals sanctioned by the Government, a dozen had already started functioning and the rest would commence working in the next three months. Five of these hospitals would be in the central sector. The 50-bed hospitals would each cover a population of about 25,000 within a radius of five miles and would be in one place for three months.

Dr. Duraiswamy said in the mobile hospitals the final year medical and nursing students would spend one month along with their teachers in medicine, surgery, gynaecology and social and preventive medicine, trying to diagnose and treat common ailments.

Making Airports Jumbo-Worthy

A five-member official team inspected the Meenambakkam airport with a view to examining the Customs facilities available there for handling the

jumbo jets of the Air-India (Boeing 747 aircraft) and to recommend suitable steps to make the airport jumbo-worthy. Mr. M. M. Sethi, one of the members of the team, said that the crux of the problem posed by the huge traffic unleashed in the jumbo era was quick clearance of the baggage. It is understood the team would recommend fixing initially three conveyor belts at Santa Cruz and one at Meenambakkam. As in the London Heathrow airport the three-terminal system would be introduced in Bombay which has only one terminal now.

Role of the PR Men

Mr. Bhaskar Mitter, President of ASSOCHAM, told the members of Public Relations Society of India the other day that it was the public relations personnel that served as the liaison between company managements and the consuming public and between companies and the Government. If there were a few unscrupulous businessmen, corrupt and depraved, the vast majority of their tribe was dubbed reactionary and exploitative. It was here the public relations men had

their job to do. They could project the image of the honest businessmen and could refuse to cooperate with the dishonest. Mr. Mitter also appealed to businessmen in general to read the sign of the times and show zeal not only for profit and the welfare of their staff but for the well-being of the consuming public as well. That was the only way business and industry could function in the present social context, he said. Mr. Gyan Haksar, President of the PRSI (Madras) introduced the speaker.

—V.M.

Solving EEC Monetary Crisis

A good summary of the present monetary crisis affecting the European Economic Community as a result of the huge inflow of dollars is provided in the May 7 issue of *Frankfurter Allgemeine Zeitung*. The paper suggests the following five ways by which the crisis could be solved:

Devaluation of Dollar

1. The dollar could be devalued. This presents technical difficulties. The currency exchange rates of other Western countries are expressed in relation to the dollar and through the dollar to gold. The dollar, if it is devalued, must be devalued in relation to gold. In other words, the price of gold must be unvalued. But if this were done all other currencies would be devalued in relation to gold and the relationship between the dollar and other currencies would be the same as before. An alteration of parities is only possible as the result of international concerted action through which the most important currency parities would have to be fixed anew.

2. The countries of the European Economic Community could jointly revalue their currencies in relation to the dollar. If this happened the Federal Republic would not be hindered from the point of view of

competitiveness with these countries, which are for the most part some of Germany's most important trading partners. The countries in question are Switzerland, Benelux, Austria and Japan.

Revaluation of Mark

3. The Federal Republic could go it alone in revaluing the Mark. One factor that speaks out against this move is that on this occasion, unlike in 1961 and 1969 when the Mark was revalued before, there is not a discrepancy in value between

W. German currency and that of the majority of European countries. Revaluation of the Mark on its own would once again raise the problem of agricultural prices in the EEC.

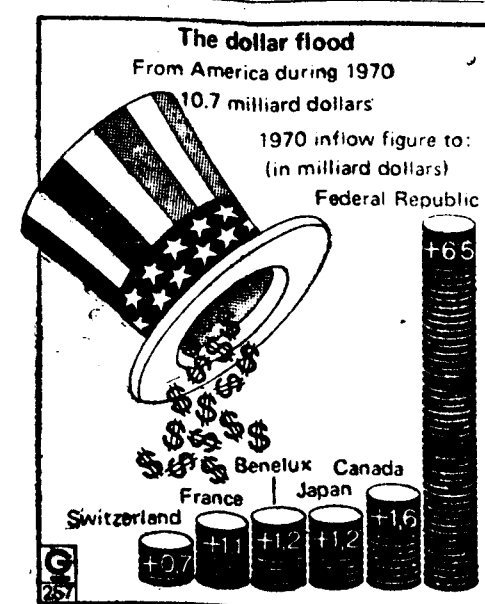
4. The Federal Republic could float the Mark. At the moment all the arguments would appear to be opposed to this manoeuvre if the EEC is to be taken into consideration. The rules of the agricultural market practically exclude floating currencies. If this step were to be taken it would have to be done in conjunction with a suspension of the Community agricultural market.

Stemming the Flood of "Hot Money"

5. The Federal Republic could close the market in foreign exchange. This would make it possible to stop the flood of "hot money" from abroad which is disrupting every attempt to restore stability to the Mark. This could be tried in order to play for time until there has been some decision on what cooperative measures could be taken by all the countries involved.

The danger lies in the actual and temporal duration of such measures. With its policy of allowing free access to monies coming into Germany and Marks being sent abroad the Federal Republic has achieved great successes for itself and contributed to free international trade as a whole.

[COURTESY: *Frankfurter Allgemeine Zeitung*]



COMPANY MEETING

THE VYSYA BANK LTD.

(Regd. Office: Avenue Road, Bangalore-2)

M. R. ARYA, Chairman

Speech delivered by Mr. M. R. Arya, Chairman of the Bank, at the 40th Annual General Meeting of the Shareholders held on 12th May, 1971

Gentlemen,

I have much pleasure in extending to you a warm welcome to this 40th Annual General Meeting of the Bank. The report of the Directors and Balance Sheet as at 31st December, 1970 have already been circulated and with your permission, I shall take them as read.

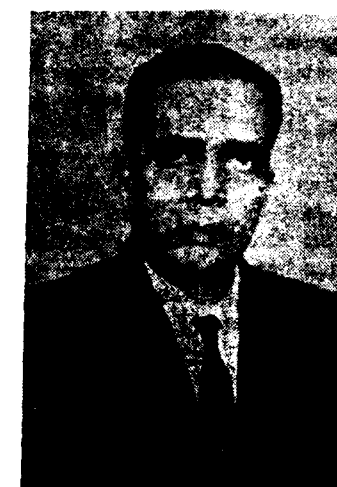
BANK'S PROGRESS

The Bank has kept up the all-round progress during the year under review. The deposits of the Bank improved from Rs. 829.75 lakhs to Rs. 915.28 lakhs and over a decade the increase in deposits is about 450%. The working funds of the Bank consisting of paid up capital, Reserve Fund and deposits were in excess of Rs. 7.50 crores throughout the year and according to the Desai Award, the Bank is likely to be declared as 'B' Class Bank from 1-1-1972 and consequently will have to implement the salaries and allowances applicable to 'B' Class Banks. The demand for credit from all sectors of the public has been very high throughout the year and our advances including bills have improved from Rs. 494.78 lakhs to Rs. 627.81 lakhs. The increase in advances during the year by Rs. 133 lakhs has outpaced the increase in deposits which is in line with the general trend of banking in India at present.

The gross income of the Bank has improved from Rs. 66.22 lakhs to Rs. 83.05 lakhs, showing an improvement of 26%. After meeting the increased expenditure under various items, including Rs. 2.60 lakhs to implement the bipartite settlement recently arrived at, and also the increase in the emoluments of officers, the net profit of the Bank has remarkably improved to Rs. 7.39 lakhs from Rs. 3.79 lakhs. I am glad to mention that the dividend on the shares has been stepped up from 9% to 10% and I hope it will be possible to maintain the dividend at the current level in the years to come. The return to the shareholders had been low for a long time and from the past two years the dividend has been gradually stepped up and I feel the present dividend recommended by the Bank allows a reasonable return to the shareholders on their investments.

CREDIT POLICY

The Reserve Bank of India has continued during the year under review, the selective policy of extending credit to certain preferred and priority sectors like agriculture, small scale industry, transport operators, small business, self-employed persons, etc. While there has been increased demand for credit from all the sectors of the economy, the Reserve Bank of India, has increased the liquidity requirements of banks by 3 per cent and simultaneously reduced the capacity of the banks to lend and also made borrowings from them costlier.



MR. M. R. ARYA

All the advances to small scale industries are covered under the credit guarantee scheme of the Reserve Bank of India, and the commission paid to Reserve Bank of India, for the said purpose which has been hitherto passed on to customers is now borne by the Bank itself. As the Reserve Bank of India has formulated another scheme to guarantee upto 75 per cent of the losses on advances made to socially preferred sectors such as small farmers, retail traders, self-employed persons, etc., banks are able to step up their advances to such sectors. Refinance to banks by Reserve Bank of India in respect of their advances to priority sectors which has been to the full extent of

such advances has been revised and made applicable only to increase in such advances over the previous years. This is likely to restrain banks from increasing their advances, specially advances to primary co-operative societies, where the rate of interest is fixed at 7½ per cent p.a. only.

Our advances to agriculture and small scale industry, etc., are kept up and the position of such advances as on 26.3.71 are as under:

(Rs. in lakhs)		
Advances to	Limits sanctioned	Outstanding advances
Agriculture	88.21	72.97
Small Scale Industry	283.82	119.78
	372.03	192.75
Per cent to total advances		30.2

There has been a shift in the pattern of advances. Advances against seasonal commodities have been maintained but credit is being extended to other sectors so that the level of advances is maintained without much fluctuation throughout the year which has resulted in better utilisation of funds.

INVESTMENTS

Investments in government and other approved securities have improved from Rs. 210.25 lakhs to Rs. 259.57 lakhs. The net increase under investments during the year is Rs. 49.32 lakhs and forms 57.4 per cent of the increase in deposits during the year at Rs. 85.61 lakhs.

As in previous years, we have continued to subscribe liberally to the bonds/debentures of quasi-government institutions like State Electricity Boards, State Financial Corporations, Housing Boards, etc.

The Bank Rate has been increased from 5% to 6% p.a. with effect from 8th January, 1971, but consequent changes have not been made by the Reserve Bank of India, in the issue prices of debentures/bonds of the

quasi-government institutions. Therefore, the market for the said securities has considerably decreased.

DEPOSIT INTEREST RATES

In addition to the increase in Bank Rate referred to above, the Reserve Bank of India has also increased the rates of interest on deposits generally by about half per cent. The present directive prohibits the payment of brokerage except on inter-Bank deposits. In view of the need to mobilise deposits in a greater measure, there is need to appoint brokers for canvassing deposits and pay brokerage on such deposits. It is hoped that the Reserve Bank of India will give favourable consideration to this point.

STAFF TRAINING

The number of employees of the Bank as at 31st December, 1970 stands at 563. There is also need for us to recruit staff not only to meet the demand for new branches but also to cope with increase in business at the existing offices. The need for trained employees is keenly felt and our Staff Training School has conducted 7 sessions during 1970 for various courses and 78 employees had the benefit of training. We also continue to depute our Officers to the Bankers' Training College of Reserve Bank of India, Bombay.

LIQUIDITY

During the year the Reserve Bank of India has advised all Scheduled Banks to increase their liquid assets required to be maintained under Section 24 of the Banking Regulation Act, 1949, from 25 per cent to 28 per cent. We are, therefore, required to increase our holdings in government and

other approved securities by about 30 lakhs. In view of the mounting expenses of banks in general, this additional liquidity requirement is likely to reduce the profit earning capacity of banks.

The Bank has continued to maintain comfortable liquidity position and as at the end of December 1970, liquid assets comprising cash in hand, balances with other banks, money at call and short notice, short-term deposits with banks and approved securities (less borrowings there against) amount to Rs. 367.36 lakhs and form 40.1% of the deposits at Rs. 915.28 lakhs.

OPENING OF BRANCHES

We have opened three branches during the year, at Manchenahalli (one man branch and a rural centre), Kurnool and Bangalore—New Tharagupet. During the current year, we have opened three branches at Besthavarpet, Gargeswari (one-man office and rural centre) and Challakere. We have plans to open new branches at Bombay, 2nd office at Vijayawada and other rural, semi-urban and urban centres, after obtaining licences from Reserve Bank of India.

The development of business at branches opened in urban centres is rather quick and the branches in rural centres take a considerable period to pick up business. The latter incur losses for considerable periods. Since banks (other than State Bank of India and its subsidiaries) are not getting any subsidy from Reserve Bank of India for losses incurred by new offices, the continuing losses of rural offices will inhibit opening of branches in rural places liberally. There is need for the Reserve Bank of India to give preference to smaller and regional banks in its policy of granting licences for the opening of branches.

OTHER MATTERS

The Bank continues to serve the small man in a big way and from the charts given in the Balance Sheet it can be observed that depositors with balances upto Rs. 10,000 form 98%. Shareholders with small holdings upto 50 shares are in a majority and the shares are widespread.

CHANGES IN THE BOARD

During the year Shri N. Sri Rama Reddy resigned from the Directorship on 13-5-1970, and I wish to place on record the valuable services rendered by Shri Reddy during his period of office. In the vacancy caused by the resignation of Shri Reddy, we have appointed Shri B. C. Srinivas and he represents the special interest 'Agriculture'. I welcome him to the Board.

OUR THANKS

I am highly thankful to my co-directors for their guidance and assistance and the Officers and members of staff for their co-operation and hard work which has contributed to the progress of the Bank. I also offer on behalf of myself and my co-directors our sincere thanks to the shareholders, depositors and customers for their continued support and patronage extended to the Bank.

I should also like to thank M/s B. Purushotham and Co., who have been our Auditors since 1957 and are retiring at this meeting, for their valuable service and advice all these years.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting of the Bank held on 12th May 1971.

help he has had in the past from the senior officials who worked with him at the Centre. His tributes to the late Annadurai and to the present Chief Minister were sincerely felt and felicitiously expressed. But he also gave equal prominence to the great teachers of South India who made an effortless cultural conquest, not only of the adjacent lands but also of North India and thus proved and strengthened the unity of this country. This good beginning should take the new Governor a long way in the faithful discharge of his duties and responsibilities.

BUSINESS BRIEFS:

Mini-Steel Plants to Augment Supplies

The Central Government has lately hown serious concern over the continuing shortage of steel and has been taking steps to augment indigenous production, particularly in the public sector units besides arranging for sizable imports to enable engineering units to utilise their capacity more effectively than has been possible in the past two years so that they can execute the large export orders on an assured basis. Production of Hindustan Steel Ltd., in 1970-71 was even marginally lower than the 1969-70 level, which itself was unsatisfactory. The two private sector plants have however acquitted themselves more creditably, though Indian Iron and Steel Company has still its own labour problems to contend with before it can hope to raise its production to optimum levels. Thus, while the existing steel capacity is yet to be fully utilised, the Government has seen it worthwhile to allow the setting up of mini steel plants of capacity 50,000 tonnes each to produce billets from scrap iron using electric furnaces. Mukand Steel in the private sector is already operating a similar plant and it has been stated by Steel Minister that the latest decision to allow more such units in the private sector does not represent any departure from the Industrial Policy Resolution which reserves integrated steel production to the public sector. This would mean that the Government recognises the capacity of private sector to run such small plants efficiently though it will not allow steel making from sponge iron by private parties. So far six mini steel plants have been licensed with 50,000 tonnes capacity each and six more such units may be licensed. Of the six already licensed, four are in private sector, two in Ghaziabad, one in Modinagar and the fourth in Bangalore while Kerala will have a joint sector plant and a public sector plant will be set up in Punjab. But even if all the 12 plants go into production in the next three or four years they cannot make a big dent in the shortage that will persist if the existing major steel producers do not gear up their production. The decision in principle to expand Bhilai's capacity further to 4.2 million tonnes from the present 2.5 million tonnes and the second phase of Bokaro to 4 million tonnes from 1.7 million tonnes are still in the realm of promises.

But producers of alloy and special steels would appear to be making good the shortfall in availability. While the Alloy Steel Plant of Hindustan Steel is making efforts to reach capacity production, Mysore Iron and

Steel will also be contributing a larger share to indigenous supplies. A sizable part of the requirements of alloy and special steels continues to come from the two private sector units of Guest Keen Williams and Mahindra Ugine Steel which have been latterly working on a highly profitable basis. As there is good demand for special and alloy steels and large-scale imports are being allowed, new units may be promoted under influential auspices with foreign collaboration.

Bihar Alloys

Already, Birlas are actively engaged in starting a new unit near Ranchi in Bihar based on heavy melting scrap, ferro-chrome, ferro-silicon, ferro-manganese and limestone, all indigenously available raw materials. Only ferro-tungsten and ferro-vanadium will have to be imported. The licensed capacity is 38,000 tonnes of alloy steels and 4,000 tonnes of alloy tool steels. Production is to commence by the end of 1973 or early 1974. The initial output will be 20,000 tonnes worth Rs. 9.15 crores which will be raised to 40,000 tonnes over a five-year period when the turnover will be Rs. 18.29 crores. A reputed French group with considerable experience in the field will be providing the technical know-how. The issued capital is Rs. 8 crores, in 70 lakh equity shares of Rs. 10 each and one lakh preference shares of Rs. 100 each. Of this, Birla Jute Manufacturing Company Ltd. has already taken up 2.5 lakh equity shares while 17.6 lakhs equity share have been allotted to many other companies. The French collaborators will be taking up 5.4 lakh shares and a number of financial institutions 8 lakh shares. The balance of 36.5 lakh equity shares and the whole of the preference issue of Rs. one crore have been offered for public subscription. The response is expected to be overwhelming in view of the assured prospects of the new venture.

MUSCO's Plans

Mahindra Ugine Steel Company Limited is enlarging its manufacturing programme to include stainless steel bars, high temperature steels, valve steels, peeled alloy steel, carbon and free-cutting steel bars. The company's ingot output in 1970 was 34,157 tonnes (of which 70 per cent was alloy steel) against 30,695 tonnes in 1969. Production would have been much higher but for unsatisfactory quality of melting scrap and

shortages of electrodes, magnesite ramming mass, ferro silicon etc. Output of saleable finished steel was also higher at 26,019 tonnes against 20,875 tonnes. There is however some concern over the disappointing flow of orders. Outstandings against firm orders at the end of March last were only about 13,720 tonnes. This is attributed to largescale imports of carbon and alloy steels and imports of alloy steels under the entitlement licences issued to exporters. A representation has been made to Government to restrict imports.

Guest, Keen, Williams

The excellent performance of Guest Keen Williams Limited in 1970 was achieved in the face of a critical shortage of raw material and lock-out in the Andul Road works for eight weeks and increased costs. There was however an upward revision of selling prices for some products. The Precision Pressings Division did extremely well both in terms of production and despatches and with an easier raw material situation this division will be maintaining its production at a high level. The screws and fasteners unit also acquitted itself creditably. The Andul Road works besides its labour trouble had also the problem of shortage of steel, graphite electrodes and ferro alloys. In the current year, the company has not been able to achieve the higher targets for various divisions it had set itself in the first four months owing to minor labour unrest and shortages of raw materials though production and sales have followed last year's growth trends. With a fluid labour situation in West Bengal and shortage of vital raw materials, the company is naturally not very keen on expanding its activities in an ambitious way. The Chairman, Mr. K. C. Maitra has in fact stated that there is already excess capacity in the country in automobile forgings and nuts, screws and fasteners while licences have been given to many units for manufacture of electrical stampings. Also the company completed a substantial expansion scheme only recently. Hence Mr. Maitra has said "in this situation, our future lies in making the best use of the resources we have".

A.P.I.'s Tractor Project

Automobile Products of India Limited which manufactures scooters and auto ancillaries is starting a plant in Uttar Pradesh for the manufacture of 25 h.p. tractors. The company has secured the collaboration of British Leyland. The project envisages progressive manufacture of the Leyland 154 tractor starting with assembly from imported parts. The factory's production in the first year of operation will be 5,000 units which will rise to 12,000 units, the licensed

A Good Beginning...

Mr. K. K. Shah, the new Governor of Tamil Nadu has struck a happy and auspicious note in his first broadcast to the people of the State. As a veteran fighter for freedom and a seasoned politician and administrator since the attainment of Independence, he embodies a judicious combination of the earlier days with an appreciation of the realities of the conditions of the present day. He has a firm grasp of the fact that the D.M.K. and

its leaders command the adulation of the masses because of the part they have played in creating a new consciousness of the greatness of the Tamils, in literature and, in their outlook on life and the sterling qualities which they have developed in the spheres of private life and public administration. He rightly gave unstinted praise to the literature, culture and arts of South India and made special mention of the *Kural* and the

capacity subsequently. The collaboration agreement was signed in London on May 10 by Mr. C. B. Sarin of A.P.I. and the Chairman of British Leyland. The location of the factory is yet to be decided though it has been stated it will be in the central part of U.P.

E.I.D. Parry Skips

E.I.D. Parry Limited has incurred a heavy loss in the year ended September 30, 1970. The Nellikuppam Sugar unit mainly accounted for the setback while there was also difficulty in selling fertilizers in Andhra Pradesh due to drought and floods. A prolonged strike at the sugar factory also led to lower recovery due to overmaturity of standing crop and driage. There is a net loss of Stg. £ 949,348 after depreciation and before taxation, against a profit of £ 485,757 in 1968-69. After taking credit for tax provision of £29,179 relating to earlier years the loss, after taxation, and after deduction of proportion of profits of subsidiary companies attributable to outside shareholders, comes to £931,003. In 1968-69 there was a disposable profit of £159,428 after providing £315,496 for taxation. The equity dividend has been omitted whereas in the previous year a payment of 6 per cent, interim 3½ and final 2½ per cent was made.

National Rayon

National Rayon Corporation Limited has done better in 1970 with a further improvement in sales and earnings. The directors have decided to raise the distribution to equity shareholders. While the dividend has been maintained at 24 per cent taxable, the bonus has been doubled to 8 per cent, taking the total payment to 32 per cent from 28 per cent. Sales of yarn rose to Rs. 22.79 crores from Rs. 19.57 crores in 1969 in spite of price concessions to weavers and exporters of rayon fabrics while the turnover in chemicals increased to Rs. 3.44 crores from Rs. 2.78 crores. Thus total group sales improved to Rs. 26.61 crores against Rs. 17.73 crores. Excise duty accounted for Rs. 5.63 crores against Rs. 4.61 crores. The net profit before depreciation and taxation, showed only a modest rise to Rs. 570.28 lakhs from Rs. 525.30 lakhs in 1969. After setting aside Rs. 127.75 lakhs (Rs. 133.89 lakhs) for depreciation and Rs. 13.05 lakhs (Rs. 23.95 lakhs) for development rebate, the provision for taxation is Rs. 260 lakhs (Rs. 216 lakhs). The transfer to general reserve is Rs. 169.50 lakhs (Rs. 147.50 lakhs). The dividend and bonus on equity capital will require Rs. 102.40 lakhs (Rs. 89.60 lakhs). Miscellaneous expenses for Rs. 8.49 lakhs were written off on the last occasion and there was also a transfer of Rs. 4.58 lakhs to profit

and loss account being excess taxation provision no longer required.

CAFI's Interim

Chemicals and Fibres of India Limited could not avoid a marginal fall in sales in the first six months ended March 31, 1971 due to interruptions to production in the first quarter. Gross sales were lower at Rs. 16.74 crores against Rs. 17.34 crores in the corresponding period of 1969-70 and net sales at Rs. 7.07 crores against Rs. 7.72 crores. The net profit, after depreciation and before taxation, also dropped to Rs. 1.68 crores from Rs. 1.78 crores. The provision for taxation is estimated at Rs. 90 lakhs (Rs. 94 lakhs). Out of the balance an interim dividend of 11 per cent taxable is to be paid as in the previous year. The expansion of capacity to 6100 tonnes from 4,500 tonnes has been cleared while the production of new items is under consideration. Research work is being carried out on a new polymer staple fibre. An application has been submitted to the Government for manufacture of polyester film. Though there are enough internal resources besides scope for borrowing, the company is raising fresh capital with a view to reducing the share of the British interest in the equity capital to 55 per cent from 60 per cent as per the understanding with the Government while negotiating for the expansion. While the right shares will be allotted to the Indian shareholders shortly, the public issue will be made in July. The directors hope to pay the same final dividend as last year on the increased capital. The expansion is estimated to cost Rs. 3.87 crores though the capital expenditure will be only Rs. 173 lakhs. The balance will be for working capital.

The public will be offered 2,67,273 equity shares at a premium of Rs. 15 per share while there will also be a right issue to Indian shareholders at the same premium of 1,78,182 shares in the proportion of 10 shares for every 109 shares held. It is estimated that it will be possible to raise production by 15 million lbs. after completion of the scheme in 1972. The total proceeds of public and right issues including the premium will thus amount to Rs. 111.35 lakhs though the increase in paid-up equity capital will be only for Rs. 44.54 lakhs. The foreign exchange cost of the expansion will be only Rs. 21.1 lakhs as most of the equipment will be fabricated indigenously. An import licence has been received for securing the plant and machinery.

Indian Explosives

Indian Explosives Limited could increase its sales substantially in the half year ended March 31, 1971 due to the higher output

of the fertilizer division in spite of labour trouble for a few weeks. Total sales amounted to Rs. 18.61 crores in the six-month period against Rs. 25.49 crores for the whole of 1969-70. Explosives and allied items accounted for Rs. 6.69 crores against Rs. 12.55 crores for 1969-70 while the turnover in fertilizer was as much as Rs. 11.92 crores against Rs. 12.91 crores. The estimated trading profit for the six-month period is also markedly higher at Rs. 377 lakhs against Rs. 441 lakhs for 1969-70. Interest charges were however proportionately higher at Rs. 120 lakhs against Rs. 155 lakhs. After writing back Rs. 10 lakhs (Rs. 45 lakhs) from development rebate reserve, there is an estimated surplus of Rs. 267 lakhs against Rs. 327 lakhs. There is no tax liability in view of the heavy expenditure incurred on the Kanpur project. The interim dividend has been maintained at 7½ per cent taxable and the 'A' shares will be ranking for this dividend for the first time since they were issued some years back. It is expected that the dividend for the whole year will be maintained on the old and 'A' shares at the previous year's level.

Travancore Rayons

Travancore Rayons Limited has done well in 1970 with an improvement in sales and earnings. But the dividend on equity capital has been only maintained at 15 per cent taxable. The turnover increased significantly to Rs. 9.27 crores from Rs. 7.62 crores in 1969. However, with higher working costs, the net profit, before depreciation and bonus to staff, rose only modestly to Rs. 134.02 lakhs from Rs. 118.56 lakhs. The provision for depreciation is Rs. 38.18 lakhs (Rs. 33.04 lakhs) and for bonus to employees Rs. 14.50 lakhs (Rs. 12.45 lakhs). Taxation claims only Rs. 19.50 lakhs (Rs. 54.25 lakhs) as development rebate reserve gets as much as Rs. 23 lakhs (nil). There is also a larger transfer of Rs. 38.76 lakhs (Rs. 23.76 lakhs) to general reserve. There may be a further increase in turnover in the current year as the full benefit of the expanded capacity for cellulose film would be available. The company has sought Government permission for expanding the rayon capacity by 5 tonnes daily while an industrial licence is awaited for increasing the cellulose firm capacity by 10 tonnes daily. The Silver Jubilee of the company is being celebrated this year and shareholders will be happy to know that it is poised for further sustained growth in the years to come.

Sundaram Finance

Sundaram Finance Limited has reported a further expansion of its hire purchase activities during 1970 when there was an increase

in both the volume of business and gross income. The stock on hire rose again to Rs. 12.11 crores from Rs. 9.50 crores in 1960 while the finance charges earned increased to Rs. 148.90 lakhs from Rs. 135.96 lakhs, and income from other sources even without charging higher interest on hire purchase credit. But the profitability of operations was affected by higher interest burden on deposits and bank borrowings. With the result the net profit after taxation was only marginally better at Rs. 24.35 lakhs against Rs. 24.32 lakhs in the previous year. The dividend has been maintained at 16 per cent taxable with the announcement of a final payment of 10 per cent taxable. The provision for taxation is Rs. 41 lakhs (Rs. 43.40 lakhs) while general reserve gets Rs. 22.09 lakhs (Rs. 22.11 lakhs). The final dividend will absorb Rs. 10 lakhs out of this reserve. Deposits at the end of the year stood at Rs. 7.08 crores against Rs. 5.48 crores at the end of 1969 and Rs. 3.99 crores in 1968. The directors have indicated that there has been a further sharp improvement in turnover in the first four months of this year. If this trend continues in the remaining months, the year may end with better working results as compared to 1970.

Rajalakshmi Pays More

Rajalakshmi Mills Limited has earned a larger profit of Rs. 29.47 lakhs before depreciation and taxation, in 1970 against Rs. 26.79 lakhs in 1960. The equity dividend has been increased by one per cent to 11 per cent, taxable. The provision for depreciation is Rs. 8.83 lakhs (Rs. 9.03 lakhs) and bonus to employees Rs. 2.26 lakhs (Rs. 1.25 lakhs). Taxation claims Rs. 8.50 lakhs (same) while the transfer to development rebate reserve is Rs. 65,000 (Rs. 1.70 lakhs) and general reserve Rs. 3.54 lakhs (Rs. 4.31 lakhs).

Escorts Earns Less

Escorts Limited could not derive any benefit out of its expanded activities in 1970 as profit margins were eroded by uneconomic selling prices for tractors. In fact, even with larger output, loss on tractor sales was as much as Rs. 80 lakhs. But the total turnover in tractors, motor cycles, piston rings and other auto ancillaries jumped to Rs. 39 crores from Rs. 28.70 crores of which tractors alone accounted for 50 per cent. Production, and sales of other items were higher and there was also an improved profitability. Sales of tractors rose to 11,000 units from 8,000 in 1969. Even then, the net profit before depreciation and taxation, declined to Rs. 270.85 lakhs from Rs. 286.60 lakhs after paying as much as Rs. 73.96 lakhs

(Rs. 51.21 lakhs) as interest charges. The directors have however maintained the dividend at 13 per cent on a higher capital as raised by a right issue and the amount required is more at Rs. 45.89 lakhs. Depreciation claims Rs. 92.10 lakhs (Rs. 75.82 lakhs) and taxation Rs. 77 lakhs (Rs. 98 lakhs). A part of the dividend will be exempt from tax in the hands of shareholders while reserves have increased to Rs. 278.22 lakhs from Rs. 194.68 lakhs in the previous year. The new subsidiary, Escorts Tractors Limited, a joint venture of Escorts and Ford of U.S. has gone into production of Ford 46 HP tractors in a record time under the phased programme and the first CKD-assembled Ford 3,000 tractor with 50 per cent indigenous content rolled off the assembly line by middle of April this year. It is claimed that Escorts is the biggest tractor producer in Asia, accounting for 50 per cent of the total Indian production. With the new facilities available, the company expects to increase its overall sales substantially in 1971.

Enfield India Pays Same

Enfield India Limited has reported a further rise in sales of motor cycles and agro-engines in 1970 to Rs. 6.41 crores from Rs. 5.84 crores in 1969. But the net profit, before depreciation and taxation, improved only modestly to Rs. 40.40 lakhs from Rs. 35.70 lakhs due to increased costs of raw material and higher wages. The dividend on equity capital has been only maintained at 10 per cent taxable as the directors are anxious to conserve available resources for expansion purposes. The provision for depreciation is Rs. 20.27 lakhs (Rs. 15.42 lakhs) and for development rebate Rs. 3.10 lakhs (Rs. 6.18 lakhs) but there is no tax liability as in the previous year. General reserve gets as much as Rs. 9 lakhs (Rs. 4.50 lakhs) while preference and equity dividends will claim another Rs. 8.25 lakhs (same). There is however a transfer of Rs. 69,847 (Rs. 1.35 lakhs) from development rebate reserve. The company has approached the Government for permission to raise its motor cycle capacity to 30,000 from the present licensed capacity of 12,800 units. Arrangements are being made to increase output to 16,000 units per annum by installing balancing equipment and improving the facilities in the paint and assembly shops. This phase of expansion is estimated to cost Rs. 50 lakhs of which Rs. 30 lakhs will be found by a loan from the Industrial financial Corporation.

Food Specialities

Food Specialities Limited could not avoid

a decline in its earnings in 1970 despite a sizable increase in turnover of Rs. 9.59 crores from Rs. 7.78 crores in 1969. The net profit, before depreciation and taxation dropped to Rs. 158.29 lakhs from 182.28 lakhs, due to the abolition of the tax credit scheme, besides shortage of milk and high cost of coffee. However, the Directors have raised the total dividend for the year to 23 per cent from 20 per cent previously, with the declaration of a final payment of 13 per cent taxable. Depreciation claims Rs. 26.67 lakhs (Rs. 26.79 lakhs) and development rebate Rs. 3.25 lakhs (Rs. 2.60 lakhs). Provision for taxation is naturally less at Rs. 77.50 lakhs (Rs. 87.60 lakhs). The final dividend is to be paid out of general reserve which is credited with Rs. 35.34 lakhs (Rs. 47.14 lakhs) after transferring Rs. 2.87 lakhs to profit and loss account being excess tax provision no longer required.

Anglo-French Earns Less

Anglo-French Textiles Limited had difficulty in operating its weaving division during 1970 and with a sharp increase in cotton price the company has reported a sizable drop in the net profit before depreciation, to Rs. 54.75 lakhs from Rs. 66.95 lakhs in 1969. However, the dividend on equity capital has been maintained at 15 per cent, taxable. The new shares will get a proportionate dividend of 13.75 per cent taxable. The provision for depreciation is Rs. 47.90 lakhs (Rs. 36.99 lakhs) and bonus to employees claims Rs. 5.52 lakhs (Rs. 4.55 lakhs). The dividend will claim Rs. 6.56 lakhs (Rs. 4.5 lakhs) and it will be necessary to dig into reserves to complete the dividend payment. As the new looms are working satisfactorily, there may be a much higher production of cloth in the current year though the high cost of cotton may not allow a corresponding improvement in the earnings.

Bharat Commerce

Bharat Commerce and Industries Limited has earned a much higher profit of Rs. 153.96 lakhs in 1970, before depreciation and taxation, against Rs. 127.85 lakhs in 1969 thanks to a big increase in sales to Rs. 19.17 crores from Rs. 16.94 crores. Though the dividend has been cut to 12 per cent taxable from 15 per cent taxable, the amount required is more at Rs. 18 lakhs against Rs. 15 lakhs as the payment is on a higher capital as raised by a one-for two bonus issue. The sum set aside for depreciation is Rs. 54.03 lakhs (Rs. 49.22 lakhs) and for development rebate Rs. 4 lakhs (Rs. 2.60 lakhs). Gratuity reserve gets as much as Rs. 26.74 lakhs (nil). Taxation claims Rs. 37 lakhs (Rs. 35 lakhs)

while the transfer to general reserve is Rs. 32.99 lakhs (Rs. 41.03 lakhs). The dividend is to be paid out of this reserve and is well covered.

Digvijay Pays More

Shree Digvijay Cement Limited has increased its equity dividend for 1970 to 11 per cent taxable from 9 per cent taxable in 1969 as there was an improved profit in spite of loss of production of asbestos cement products due to prolonged strike at the Ahmedabad unit. Production of cement rose to 7.38 lakhs tonnes from 6.76 lakhs tonnes while that of asbestos cement products dropped to 29,976 tonnes from 34,537 tonnes. However sales turnover of the latter showed only a marginal decline to Rs. 2.85 crores from Rs. 2.98 crores. Sales of cement improved to Rs. 9.86 crores from Rs. 9.01 crores. There was however an improvement in profit margins as the net profit before depreciation and taxation, rose appreciably to Rs. 157.21 lakhs from Rs. 130.22 lakhs. A sum of Rs. 7.14 lakhs (nil) was received as tax credit certificate for excess clearance of cement. Depreciation claims Rs. 56.13 lakhs (Rs. 58.04 lakhs) and development rebate Rs. 3.50 lakhs (Rs. 7 lakhs) while the provision for taxation including that deducted at source (on dividend) amounts to Rs. 38.70 lakhs (Rs. 30.83 lakhs) and debenture redemption reserve Rs. 25 lakhs (same). The equity and preference dividends are to be paid out of general reserve.

Sankey Wheels

Sankey Wheels Limited could report only a slight improvement in turnover during 1970 to Rs. 2.57 crores from Rs. 2.29 crores in 1969 as it had to contend with a critical steel shortage and labour unrest. The net profit for the 52 weeks ended January 2, 1971 before depreciation was marginally lower at Rs. 18.43 lakhs against Rs. 19.53 lakhs. After providing Rs. 18.43 lakhs (Rs. 19.53 lakhs) for depreciation, the balance amount has gone to bring down the accumulated loss from Rs. 36.64 lakhs to Rs. 30.74 lakhs. It is pointed out by the directors that there was an improvement in productivity since the closing months of last year and with larger steel supplies it would be possible to increase output, significantly in 1971. Meanwhile, with a view to increasing the production of tractor wheels, Government permission has been sought to raise the licensed capacity to 3.80 lakh wheels. There will be no foreign exchange outlay on the expansion scheme.

Volkswagenwerk Group

Volkswagenwerk Ag of West Germany,

one of the leading automobile manufacturers, has reported continuing growth and receding profits for 1970. The group's worldwide sales improved further by 13 per cent as compared to 1969 to DM 15,800 million (Rs. 3,320 crores). Of these exports accounted for as much as 69 per cent (though less than the 71 per cent in 1969) indicating the high overseas demand for the cars. The high sales are attributed to improved turnover of subsidiaries, higher prices and larger proportion of more remunerative models. However, net earnings of the VW group dropped by more than 20 per cent. The parent company, VWAG increased its turnover by 7 per cent to DM 9,900 million (Rs. 2,080 crores) but net earnings declined to DM 190.5 million (Rs. 40 crores) from DM 330.2 million in 1969 or by over 42 per cent due to a 25 per cent rise in labour costs and revaluation of the mark earlier. The latter alone led to a cost increase of DM 240 million. However, the company has maintained the dividend at 18.5 per cent on the capital increased in 1969 by DM 150 million to DM 900 million from its own funds (Bonus issue in the ratio of one for five). Naturally, reserves get only DM 26 million against DM 165.9 million in the previous year.

Production and sales of the group increased to 2.21 million vehicles from 2.09 millions in 1969. The higher sales were contributed mainly by Audi NSU Auto Union AG (by 17 per cent to 309,560 units), Volkswagen de Brazil; (by 33 per cent to 234,837 units) and Volkswagen of Mexico (by 38 per cent to 35,488 unit). The parent company's sales at 1.63 million units was less than the 1969 figures due to bottlenecks in production caused by introduction of new models. While the group's domestic sales fell by 8 per cent to 725,055 vehicles exports at 1.48 million units were 4.5 per cent higher. Even in the U.S. sales were increased by 3.3 per cent against stiff competition from Japanese and local small cars. The Group incurred fresh capital expenditure for DM 1,540 million in 1970 of which the parent firm alone accounted for DM 1,130 million to expand production facilities and adapt them to suit new requirements. Fresh investment in 1971 may reach DM 2,000 million and it may be necessary to rely on outside capital to a large extent. In the first quarter of this year, production of the parent company has risen by 7 per cent as compared to the corresponding period of last year and this growth rate is expected to be kept up in the remaining months of 1971. But there may be no improvement in profit margins, particularly in view of the safety and environment control legislations passed in many countries.

An agreement has been concluded on the control and transfer of profits between VW

AG and Audi NSU Auto Union AG which is to be approved by the shareholders of the respective companies. Under the agreement concluded for a minimum period of 10 years, Audi NSU will place the responsibility for management of its company in the hands of VW with due regard being given to the requirements of the law relating to shares. There is also guaranteed dividend for Audi NSU shareholders of two-fifths of VW dividend besides the right to exchange their shares for VW shares in the ratio of 2.5 to 1. The holders of participating certificate issued in respect of the Wankel engine, on the occasion of the merger of the then NSU Motorenwerke AG and Auto Union GmbH, are guaranteed a correct dividend for their share of the income for Wankel licences for the particular period.

Camphor & Allied

Camphor and Allied products Limited have done better in 1970 when there was higher production and turnover and a sharp rise in earnings. The dividend has been maintained at 12 per cent taxable on a higher capital as raised by a one-for-five bonus issue. Production of camphor improved to 636 tonnes from 571 tonnes in 1969 while that of other products increased by 15 per cent. The turnover increased to Rs. 251.75 lakhs from Rs. 197.59 lakhs. Sales of by-products and new chemicals alone rose by Rs. 25 lakhs to Rs. 73 lakhs. But the net profit, before depreciation and taxation, showed a less impressive rise due to a sharp increase in the cost of turpentine. There was however a drop in the cost in the later part of the year. After providing Rs. 8.16 lakhs (Rs. 9.54 lakhs) for depreciation and Rs. 30,000 (Rs. 1.45 lakhs), the claim in respect of taxation is higher at Rs. 39.13 lakhs (Rs. 26.75 lakhs). Deferred taxation reserve gets Rs. 2.50 lakhs (Rs. 2 lakhs) and replacement reserve Rs. 6 lakhs (nil) while the transfer to general reserve is Rs. 12.50 lakhs (Rs. 7.60 lakhs). However, the equity and preference dividends are to be paid out of general reserve this time whereas there was a separate allocation of Rs. 6.92 lakhs for this purpose in 1969. The equity dividend will absorb Rs. 7.20 lakhs and is thus covered nearly three times. Exports of the company's products jumped to Rs. 10 lakhs from Rs. 2.56 lakhs.

The expansion scheme for taking up manufacture of turpene chemicals is making good progress and full production is expected to commence in the third quarter of this year. At the end of the year, against a paid-up equity capital of Rs. 60 lakhs, reserves and surplus amounted to Rs. 74.4 lakhs (allowing for the dividend payment) and thus

the company is in a position to make a fresh bonus issue.

Gujarat Steel Tubes

Gujarat Steel Tubes Limited could increase its sales and earnings during 1970 in spite of acute shortage of steel and there was a decline in output. With the delinking of steel imports from export performance, exports also suffered a setback and their proportion to total production fell from 45 per cent in 1969 to 40 per cent and their value from Rs. 178 lakhs to Rs. 104 lakhs. Total sales however improved to Rs. 417.33 lakhs from Rs. 376.94 lakhs in 1969 due to more remunerative indigenous prices. The net profit, before depreciation and taxation, also increased to Rs. 84.66 lakhs from Rs. 75.60 lakhs. The sum set aside for depreciation is Rs. 12.60 lakhs (Rs. 9.54 lakhs) and development rebate Rs. 3.70 lakhs (Rs. 50,000). The provision for taxation including surtax is Rs. 35.32 lakhs (Rs. 37.75 lakhs), while general reserve gets Rs. 32.33 lakhs (Rs. 32.81 lakhs). There is also an additional provision of Rs. 70,946 (nil) towards taxation for previous year. The dividend has been maintained at 10 per cent on a capital increased by a one for five bonus issue and the amount of Rs. 12 lakhs (Rs. 9.95 lakhs) will be paid out of general reserve. Reserves and surplus after allowing for dividend payment stand at Rs. 86.94 lakhs against a paid-up equity of Rs. 1.20 crores and a net block of Rs. 1.62 crores.

MICO Pays Same

Motor Industries Company Limited has maintained the dividend on equity capital for 1970 at 17½ per cent. A final payment of 7½ per cent taxable is to be made while an interim dividend of 10 per cent has already been paid. The company has earned a net profit, after depreciation and before taxation, of Rs. 211.14 lakhs against Rs. 206.27 lakhs for 1969. The estimated tax liability is unchanged at Rs. 105 lakhs.

COMMODITIES:

Slow Growth in Fertilizer Consumption

While agricultural production in the country is being stabilised at higher levels with every year, it is disheartening to find the slow growth in the rate of consumption of fertilizers. Fertilizer consumption in 1970-71 is stated to have gone up by only 6 per cent against the targeted 40 per cent

Bombay Oxygen Pays More

Bombay Oxygen Corporation Limited has raised the equity dividend for 1970 to 10 per cent taxable from 8 per cent taxable in 1969. There was significant rise in sales to Rs. 62.08 lakhs from Rs. 52.13 lakhs while the net profit, before depreciation was slightly better at Rs. 23.99 lakhs against Rs. 21.94 lakhs. The provision for depreciation is Rs. 4.43 lakhs (Rs. 5.74 lakhs) and development rebate Rs. 4,873 (Rs. 87,867). After allocating Rs. 1.50 lakhs (nil) for doubtful debts, the transfer to general reserve is Rs. 3.12 lakhs (Rs. 1.25 lakhs). The equity dividend will require Rs. 14.89 lakhs (Rs. 11.91 lakhs). The company has received a letter of intent for expanding its capacity while an application has been made for licence to import plant and machinery.

Swadeshi Polytex

Swadeshi Polytex Limited came on the market to raise capital for Rs. 2.75 crores, in equity shares for Rs. 1.65 crores and in 9.5 per cent preference shares for Rs. 1.10 crores. The company has been licensed to manufacture 6,100 tonnes of polyester fibre per annum at its factory being set up at Ghaziabad near Delhi. The West German firm Vickers-Zimmer AG, Frankfurt, will be supplying the required plant and machinery besides technical know-how. The total project cost is estimated at Rs. 12.72 crores, including a working capital of Rs. 2.22 crores. The foreign exchange content is Rs. 2.29 crores. The capital outlay is proposed to be met by issue of capital for Rs. 4.40 crores, term loans and debentures for Rs. 6.49 crores, cash credit facilities from banks for Rs. 1.65 crores and UP State Industries Corporation's deferred credit on land for Rs. 18 lakhs. Out of the issued equity capital of Rs. 3.30 crores, Swadeshi Cotton Mills will be taking shares for Rs. one crore and directors, nominees and associates for Rs. 65 lakhs. The balance of Rs. 1.65 crores and the entire preference capital of Rs. 1.10 crores were offered for

public subscription. The whole of the public issue has been underwritten. The Chairman & Managing Director of the company, Mr. Sitaram Jaipuria has said the plant would be the first to use continuous polymerisation and direct spinning process which would bring down the cost of production by 5 to 10 per cent as compared to the conventional process. With a likely surge in demand for blended fabrics, it is expected that the company will have no problem of disposing of its entire production though three more similar units are being set up and will be going into production in the next two or three years. Commercial production at Ghaziabad is scheduled for early 1973.

Hindustan Ferodo to Issue Bonus Shares

The Directors of Hindustan Ferodo Ltd., intend recommending to the shareholders a proposal to issue Bonus Shares in the proportion of one equity share for every four existing equity shares held.

For this purpose a sum of Rs. 62,04,260 consisting of Rs. 49,93,580 standing to the credit of the Share Premium Account, Rs. 9,58,393 standing to the credit of the Exchange Reserve Account, and Rs. 2,52,287 out of the amount standing to the credit of the General Reserve, will be capitalised.

The issued and paid-up share capital of the Company amounts to Rs. 2,48,17,030 and after allotment of the Bonus Shares now proposed, this will be increased to Rs. 3,10,21,290 divided into 31,02,129 shares of Rs. 10 each.

The proposal that will be put to the shareholders at an Extraordinary General Meeting to be held in Bombay, on 16th July, 1971 will be subject to the consent of the Central Government under the provisions of the Capital Issues Control Act, 1947, and also subject to the approval requisite under the Foreign Exchange Regulations Act, 1947, for allotment to non-resident members, being obtained by the Company.

cal plant nutrients. The recent conference of State Agricultural Officials in New Delhi was told that lack of credit was one of the principal factors for the stagnancy in fertilizer use in increasing volumes. With the gradual reduction in availability of short-term credit from State agriculture departments, farmers have been finding it difficult to apply more fertilizer though they are well aware of the benefits of various farm inputs and are eager to adopt new techniques. Consumption figures in recent years reveal

that offtake of nitrogenous fertilizer had gone up from 8 lakh tonnes in 1966-67 to 1.42 million tonnes in 1970-71 while that of phosphatic fertilizer increased from 2.5 lakh tonnes to 4.6 lakh tonnes and of potassic nutrients from 1.5 lakh tonnes to 2.2 lakh tonnes in the same period. The growth is uneven among the various fertilizers and in fact the imbalance between them has considerably been accentuated. Even among States, there have been shortfalls in targets for consumption though there was a quantitative increase in the case of 13 States including Tamil Nadu and Mysore. Andhra Pradesh and Kerala however consumed less of nitrogenous fertilizers in 1970-71 than in the previous year. Vigorous promotional measures will be needed along with the easier credit facilities to make the farmers use more fertilizers on their lands. There is no dearth of supplies as indigenous capacity has been considerably strengthened for various types of fertilizers and with more units coming up in the next few years, the problem if any would relate to creating sufficient demand to keep all the units working at optimum capacity.

Setback in Textile Exports

Shortage of cotton and its high price have affected textile exports in the current year. Total exports in the first four months of 1971 amounted to Rs. 32.69 crores from Rs. 39.28 crores in the same period last year. Yarn exports which had contributed to the increase in previous year suffered a setback this year, with shipments declining from 14 million kg valued at Rs. 12.37 crores to 2.9 million kg. worth Rs. 2.69 crores. This is attributed to poor offtake by Ceylon on account of its foreign exchange difficulties and unsettled conditions due to insurgent activity. Apparel exports improved to Rs. 3.11 crores from Rs. 1.06 crores and there may be a further sharp increase in this category with keen demand for some of the fashion materials. Piecegoods also earned Rs. one crore more at Rs. 21.59 crores but the quantity declined to 124 million sq. metres from 130.9 million sq. metres. Other made-up goods also earned a crore of rupees more at Rs. 5.25 crores. There was however a drop in the hosiery exports due to high yarn prices to Rs. 4.1 lakhs from Rs. 5.6 lakhs.

C.C.I.'s Operations

The newly created Cotton Corporation of India is expected to achieve a turnover of Rs. 30 crores in the current cotton season. Purchases so far made come to 1.21 lakh bales of foreign cotton valued at Rs. 12.8 crores and Indian cotton worth Rs. 1.15 crores. Sales however were much less in the

case of foreign cotton at 21,298 bales valued at Rs. 2.50 crores while 6752 bales of Indian cotton worth Rs. 1.01 crores were sold. The CCI has been authorised to import staple fibre worth Rs. 8.5 crores of which Rs. 1.5 crores is against U.K. credit and free foreign exchange. So far, the corporation has issued subsidiary licences in favour of mills or their nominees for 62,535 bales of American P.L. 480 cotton, 58,517 bales of US cotton against free dollars, 65,000 bales of global cotton, 1.84 lakhs of Egyptian and 2.05 lakh bales of Sudan cotton.

Coffee Export Drive

An all-time record crop of 1.1 lakh tonnes in 1970-71 has forced the coffee board to think seriously about an export drive with a view to preventing a slump in indigenous prices. The chairman of the Board, Mr. H. G. V. Reddy said recently in Madras that coffee exports this year were likely to earn about Rs. 30 more in foreign exchange. In quantity, shipments are expected to be 50,000 tonnes. Mr. Reddy said two teams would be sent to West Europe and the Far East to explore the possibilities of stepping up exports to those regions. The internal market will get about 42,000 tonnes this year while a buffer stock of 18,000 tonnes is proposed to be built up to take care of any short supplies to the internal market next season which is expected to witness a much lower crop. The Board also proposes to boost sales in North India by popularising the coffee habit through the opening of coffee houses at important tourist spots.

Sugar Output

Sugar output in March this year has been lower at 6.93 lakh tonnes against 7.32 lakh tonnes in the same month last year. With this the total production in the first six months of the current season comes to 31.10 lakh tonnes, only slightly better than the 30.83 lakh tonnes in the corresponding period of the 1969-70 season. However, there may be a decline in the remaining months of this season as sugar units are not eager to extend their crushing beyond May or June due to accumulation of stocks and unlifting of levy stocks in the southern region. Offtake of sugar in the first six months totalled 18.32 lakh tonnes for internal consumption and 1.79 lakh tonnes for export against 15.58 lakh tonnes and 17,000 tonnes respectively in the same period last season. Closing stocks at the end of March amounted to 31.86 lakh tonnes against 28.13 lakh tonnes a year ago. There may be a further rise upto 35 lakh tonnes by the end of May before the stocks get depleted due to offtake exceeding the

monthly output from June. This level of stocks has posed serious financing problems to the industry. There are large arrears towards payment to cane growers and cess. In fact the U.P. Government only recently announced that some mills would be auctioned to pay off their arrears to growers. Only an immediate revision of levy prices and a reduction in the excise duty on open market sugar can save the situation. The industry is keenly awaiting the outcome of the reports the Centre had sought from various State Governments asking for details on the recovery from sugarcane and duration of crushing operations on the average in the current season. The Centre has also asked for computations of cost increases under various heads.

Billet Re-roller Panel

A Billet Re-rollers Committee has been set up under the chairmanship of the Steel Controller consisting of representatives of the main producers and Steel Re-rolling Mills Association to regulate the production, distribution and prices of steel materials produced and sold by re-rollers. Under the scheme, billets will be supplied to re-rollers on condition that the rolled products will be placed by them entirely at the disposal of the Committee which will earmark a substantial portion of these products to meet the priority and bulk requirements of government departments and undertakings and quasi-Government institutions. The remaining quantity will be distributed with the help of the main producers' stockyards. The re-rollers will be given a fixed conversion charge. The scheme is in operation since the beginning of May.

ISMA MEET

The 38th Annual General Meeting of the Indian Sugar Mills Association, which will be held on June 9 at New Delhi, will be inaugurated by Mr. Fakhruddin Ali Ahmed, Union Minister for Agriculture. Mr. S. K. Somaiya, President of the Association, will preside over the meeting.

Besides a review of the various important developments in the sugar industry in the outgoing year, certain important resolutions having vital bearing on the sugar industry such as measures for maintenance of sugar production at the desired level, need for adequate bank credit to the sugar industry, partial decontrol of molasses, sugarcane development, levy sugar prices, increases in cane freight, need for reduction in excise duty and maintenance of same rate of duty both for levy and free sugar will be adopted.

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STOCK MARKET:

Cautious Reaction to Budget

The initial reaction in the stock markets to the Central budget imposing fresh direct and indirect taxation for a staggering Rs. 220 crores in 1971-72 was one of subdued concern. Prices in the post-budget session on May 28 did not reflect nervous selling and even shares of companies in the priority list of industries which have come in for less considerate treatment in the hands of the Finance Minister generally held their previous price levels. Market-men were closely studying the implications of the various proposals affecting the future profitability of the different industries in the private corporate sector and were not inclined to enlarge their commitments either way though stray profit-taking was in evidence in select countries in subsequent sessions as a mark of precaution.

No Undue Pessimism

However, there would seem to be no undue pessimism as direct taxation has not been as severe as indirect taxation. While it is felt that the fresh imports on a wide range of industrial products may ultimately be passed on to the consumers through higher selling prices, the existing rates of company taxation remain unchanged for most industries. Only aluminium, motor vehicles, cement and refractories, soda ash, petrochemicals and auto ancillaries will no more enjoy the priority status which entitled them to a special tax exemption up

to 8 per cent of their profit. But these industries will not find the extra burden very severe as, barring cement, all the other industries have laterly been operating on a highly profitable basis (Automobile units which also produce cars will however feel the extra incidence heavy due to the loss on car sales). The other priority industries will also have a reduced exemption of only 5 per cent. Shareholders in new units will also have reason for grief as the effect of the tax holiday has been whittled down by way of a reduced capital base for calculating the quantum of profits to be exempted. Units having a high proportion of debentures and long-term borrowings, which is the case of most of the new undertakings set up in the Sixties, will find the new provision raising their tax burden unconscionably. It may be recalled that the buoyancy of the stock markets in the past two years has been mostly due to the attractive net dividend from new companies and old companies with expanded facilities. The exemption of a major portion of their profits from tax as also the dividends at the hands of shareholders besides the consequent build-up of substantial reserves had been behind the sustained support extended to these scrips.

The withdrawal of exemption from wealth tax till now available for shares forming part of initial capital issues will be a disincentive for investment but still the flow of

funds will continue to be encouraged by the retention of the exemption from income tax of dividend and other incomes and from wealth tax of the investments in approved forms of savings. The increase in surcharge on various above Rs. 15,000 may also affect the savings of the upper middle class which is the backbone of the capital market. The increase in surtax from 25 to 30 per cent in the case of chargeable profits above Rs. 15 lakhs may affect the efficient units. While the decision to do away with development rebate in respect of new investment in ships and machinery after May 1974 may have no immediate impact, it remains to be seen if this notice is taken seriously by the entrepreneurs so as to make them quicken the pace of their investments in the next three years. The smaller deduction allowed from long-term capital gains on shares from 65 per cent is also bound to be a disincentive to long-term investments.

Impact of Railway Budget

The Railway budget for 1971-72 has left the stock markets generally not much upset as the reclassification of freight categories has only affected some of the basic industries which use low-rated raw materials like coal, limestone, manganese ore, etc. Heavy chemical units like caustic soda and soda ash and cement units besides steel plants will however find it difficult to absorb the increased transportation costs at a time when they are trying to operate at optimism capacity levels.

Economy Poised for Quick Growth

But basically the economy is much better poised for accelerated growth than ever before. The private sector can draw some

PRICE MOVEMENTS

Madras			Bombay			Calcutta		
	May 10	May 29		May 10	May 29		May 10	May 29
Indian Cement	5.73	5.78	Tata Ordy.	103.75	103.25	Indian Iron	12.10	12.00
Mettur Chemical	12.45	12.15	Indian Iron	12.04	12.04	Hind Motor	12.85	12.80
S.I. Viscose	181.50	179.00	Telco	248.50	237.50	Guest Keen	37.40	38.00
Madura Mills	18.87	18.50	Century	892.00	871.50	Dunlop India	38.60	37.90
Ashok Leyland	6.53	6.55	Natural Rayon	525.00	490.00	Indian Alum.	38.60	37.90
Madras Alum.	181.50	181.00	Herdillia	17.44	17.88	Alali	31.62	31.75
Dalmia Cement	14.75	14.25	Nagpal	16.76	16.00	CAFI	45.00	44.25
E.I.D. Parry	14.12	13.90	NOCIL	239.50	233.00	Zuard	17.12	16.75
Seshasayee Paper	14.30	14.00	Polyolithins	244.00	241.00	Goodyear	57.31	56.87
Tr. Rayon	20.50	20.75	Gujarat Fert.	315.00	302.00	Union Carbide	33.25	32.87

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hope from the observation in the Finance Ministry's Economic Survey that a fair portion of the savings has to be left for deployment with the private sector itself. While the economy's growth rate in 1970-71

has kept close to the targeted level of 5.5 per cent industrial output has registered only an increase of about 5 per cent against the Plan target of 10 per cent though a higher rate of growth was recorded in certain sec-

tors and in small-scale industries. The Survey at the same time points out that while the climate for private investment appears to be good and the industrial licences and letters of intent issued in 1970-71 were nearly twice the figures for the previous year, investment in new projects has been moderate. This is reflected in the weak demand for products of investment goods industries. This is proposed to be overcome by an improvement in the magnitude of public investment. It is also recognised that shortage of steel and other raw materials like cotton, oilseeds, and non-ferrous metals has affected some of the major industries like cotton and engineering. Fresh investment was naturally confined to certain chemical and engineering fields. The export performance has however been quite encouraging with a growth of 8.5 per cent over the previous year while imports showed an increase for the first time since the devaluation of the rupee and with the liberal policy announced for the current there is bound to be a further substantial rise in imports. This should help industry to operate its capacity more fully and relieve critical shortages. The statutory financial institutions have also been tending increasing assistance to small and medium projects, the quantum of aid raising sharply to Rs. 192 crores from 141 crores in 1969-70.

The decision of the Central Government to decontrol prices, movement and distribution of sugar, has been interpreted as indicating the Government's readiness to understand the problems of industry though it has been made clear that the cane-growers interests will be protected. The sugar industry will now have greater freedom to mend its financial position and if the releases are judiciously made by Government taking into account the huge stocks with mills, it might be possible for the industry to start operating on a reasonably profitable basis at least from the next season. The removal of discriminatory levy on open market sugar must be particularly helpful in cutting down losses considerably.

BOOK REVIEW

THEORY AND PRACTICE OF BANKING by H. L. Bedi, G. S. Ayyar, A. P. Shenoy, H. P. Shenoy and N. V. Subramanian. Copies are available from Shri Sadan, Narayan Dabholkar Road, Bombay-6. Price: Rs. 15.

The book under review represents an earnest attempt on the part of a team of senior officers of the Bank of India to provide a comprehensive and reliable guidance for the growing generation on the staff of Indian banks in the efficient discharge of their daily duties. There is undoubtedly a need for such guidance in the present selling of nationalised banks, governmental directives about liberal credit policies and advances to agriculturists and reduced stress on the time-honoured methods of grooming young recruits for larger responsibilities. In fact, all technical literature in modern times is inspired by faith in the feasibility of crushing years of concrete experience into a few months of more or less arm chair study. It is too late in the day to question the faith, since economic progress, particularly in the developing countries, rests on the belief that what the advanced nations achieved by natural processes over nearly a century can be accomplished in a matter of decades through the blueprints of the planners. But a text-book on banking must not only afford instruction in the practical job of banking, the routine of daily work in the different departments, particularly the pitfalls for the unwary, but also a good foundation in the economic theories relevant to banking and banking operations. The content of the book does not quite bear out its title. The

authors seem only too eager to accept current governmental policies as the basis on which the book is to be preferred for its prospective beneficiaries. There is no doubt that the clerical and junior officer staff will find the book invaluable for their daily work. It is not easy to bring within the scope of a relatively thin volume of the law and practical procedures of which young bankers should acquire a full knowledge in a comparatively short period. And the body of concrete knowledge necessary for them tends to grow with the introduction of licensing, import and exchange controls and the like, not to speak of the special accommodation which the banks are directed to provide small scale agriculturists and industrialists. In all this, the book will well serve its purpose. One would wish however that all these were adequately prefaced by a succinct, though brief, account of the theory of currency and banking, set in the perspective of the changes that have come about in this sphere of economic thought since the great depression. Though orthodox banking, as it was understood in the early thirties, has been rightly discredited—or more probably because of it—there is need for the average student of banking to appreciate the difference between the administration of correctives to the errors of the past and allowing the pendulum to swing all too violently towards disregard of credit-worthiness. It would be a pity if the omission is to be attributed to the authors' advance of this sphere as being too controversial in the present conditions in this country.

—PRS



VITAL NEED FOR LARGER FOREIGN AID

The outcome of the forthcoming meeting of the Aid India Consortium at Paris has special significance for the planners in the present juncture. At one stage India's trade deficit was nearly Rs. 1,000 crores. It was necessary to effect large commercial purchases of foodgrains besides supplies under the PL 480 agreement for overcoming the food deficit. The displacement of these imports to a great extent and the hastening of the process of import substitution have been helpful in eliminating unwanted imports and in 1969-70 there was a sharp contraction in the trade deficit to Rs. 157 crores and in 1970-71 to Rs. 97 crores. The recovery in agricultural production after 1966-67 and the establishment of a new record in 1970-71 has enabled a considerable saving in imports of foodgrains besides bringing about a revival in industrial activity.

Foreign exchange reserves stood at the highest level on March 31, 1970. In the subsequent year, however, there was a net decline in these reserves by over Rs. 15 crores as the standby credit taken from the International Monetary Fund was completely repaid and the other debt instalments also was paid, along with interest charges. It is clear from the developments of the past year that it would be difficult to prevent the increase in imports with increasing industrial production. Though there was some complication on account of an unexpected shortfall in the yield of raw cotton and a rising demand for edible oils, it was found necessary to import large quantities of steel, crude oil, non-ferrous metals and other items which cost heavily in foreign exchange.

It is therefore necessary that the Aid India Consortium takes into account the difficulties created for India on ac-

count of the serious shortfall in firm commitments over promised aid. The consortium, no doubt, was appreciative of the difficulties and the World Bank's suggestion that gross aid should be \$1.1 million and there should also be assistance of \$100 million for the re-scheduling of debt repayments, was accepted. But against the gross aid of Rs. 1,650 crores in two years, actual aid was only Rs. 1,240 crores, which was nearly absorbed by debt repayments and interest charges. As these repayments are heavy in the current year at over Rs. 550 crores, it will be possible for the Central Government to continue to permit liberal imports only if there was net aid of Rs. 250 crores. Even here there should be a larger non-project element, as it is quite likely that the trade deficit in the current year will increase to Rs. 135 crores even with a higher level of exports.

The World Bank is reported to have taken a favourable view of the resurgence in agriculture and the sustained improvement in the industrial sector. As there has been a drop in net aid in the past two years, the World Bank is reported to have emphasised the need for adhering to promises and not proffer aid on a niggardly basis. USA has been the main sinner in this regard, though it has also the disadvantage of being the main donor. It has its own special problems and with the continued pressure on the dollar, there may not be any great enthusiasm to extend assistance generally. The more opulent members of the consortium had therefore a special responsibility in this context. Japan, West Germany, Belgium and Switzerland can easily increase their quotas by \$100 million. If the USA can ensure a minimum of 450 million dollars, the quota of \$1.2 billion can be easily fulfilled. The donor countries will be helping India significantly in a crucial phase.

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There is no doubt that aid resources are being used productively and with the liberalisation of imports of raw materials and components, the growth rate in industrial production can be doubled to 10 per cent. There are even now reports of shortage of aluminium, copper, lead, zinc, alloy steels and flat products of common steel, machinery spares, and raw materials required by the electro-chemical and petro-chemical industries. It has been roughly estimated that strategic imports will have a multiplier effect of at least 5 times which would mean that for additional imports of Rs. 50-75 crores, there can be additional production of Rs. 250-375 crores.

NEW LOANS ON ATTRACTIVE BASIS

The Reserve Bank has taken a correct and bold decision on formulating terms of the new loans of the Central Government for the current financial year. There was speculation in money market circles over the future policy of the Government as it was not clear whether interest rates will be raised on the short-medium dated loans. There has been hesitation in bringing about the adjustment to the new structure of interest rates. The new loans carry a higher rate of interest and the yield has risen by a full quarter per cent in all cases.

The changes in open market prices did suggest that there will be a change in the terms of new loans. It was, however, felt that a direct increase in lending rates would be avoided, as earlier procedures under similar circumstances did not indicate decisive actions.

It has now been decided to raise Rs. 375 crores in the first stage of the borrowing programme of the Central Government. The budget estimate for 1971-72 places gross borrowing at Rs. 500 crores and net borrowing at Rs. 167.10 crores. There is only one maturing loan falling due for repayment on July 1, 1971. But the outstanding amount is sizable at Rs. 332.90 crores. Since conversion terms have to be offered to the holders of 4½ per cent 1971 loan and cash subscriptions also are being invited, three loans have been issued. The short-medium dated loan is 4½ per cent 1978 issued at par. The medium-dated loan matures in 25 years and is also offered at par carrying interest at 5¼ per cent. The long-dated loan has the same duration of 30 years, the interest rate being higher at 5¾ per cent. The issue price has been fixed at par. The list for all the loans opens on July 1 and will be closed on July 3 or earlier if there was over-subscription. As before, applications upto 10 per cent in excess of the notified amount will be accepted. This may result in the Government mobilising over Rs. 400 crores in the first instance leaving a balance of Rs. 100 crores roughly to be raised in the second stage.

For 1970-71, the long dated loan was issued in April 1970 at 5½ per cent and at par. It matures in 2,000. The amount raised was Rs. 290 crores. In the second stage there was

The Indian delegation has prepared a note for consideration by the Aid India Consortium at its meeting. The vital need for larger assistance has been emphasised. India is not asking for more than Rs. 275 crores as net aid. What is really happening now is a sort of a funding operation on a convenient basis with the availability of fresh aid on soft terms. If during the next five years assistance for \$1.2 billion can be granted annually, the period of heavy debt repayment could be got over. It should certainly be practicable to reduce the quantum of net aid to about Rs. 100 crores by 1974-75 and by 1980 dispense with foreign-aid altogether.

an issue of 4½ per cent 1977 loan and a re-issue of the 5½ per cent loan in October and a sum of Rs. 137.50 crores was subscribed. Net borrowing amounted to only Rs. 136.29 crores as gross borrowing was restricted to Rs. 427.50 crores against the target of Rs. 455 crores. This was perhaps due to the need for issuing for compensation bonds for nearly Rs. 80 crores for taking over the business of 14 major banks.

The target of Rs. 500 crores for the current year can be easily exceeded as in the second stage it should not be difficult to raise Rs. 150 crores through cash subscriptions. The present move should be considered intelligent as the States can complete their borrowing programme in the third week of August without difficulty. Many State loans are due for repayment on August 19. The Reserve Bank will have to take a decision whether it should help the State Governments to raise a larger net amount on the present occasion. There are 13 maturing loans in the third week of August, besides another loan of the Maharashtra Government on July 15. These loans among themselves will account for repayment of over Rs. 72 crores. Last year, the State Governments raised a net amount of about Rs. 90 crores. If this year this figure is raised to Rs. 100 crores, there will have to be borrowing of the gross amount of Rs. 135 crores. This will not be imposing any great strain on the money market though the Central Government itself may be anxious to secure a larger share of available resources for itself in order to meet the heavy expenditure that has now been incurred on refugees and minimise also the overall deficit. It will however be possible to make a success of the State loans and mobilise Rs. 175 crores for the States, and yet leave something tangible for the Centre to exceed its target for 1971-72.

After the State loans are out of the way, there will probably be re-issues of the new loans now offered for subscription, particularly the short-medium and medium dated loans. The technique of raising has become simplified as the Central and State Governments have assured institutional support and the resources of banks, the Life Insurance Corporation, provident funds and trusts have been growing impressively.

Indo-British Textile Tangle

The British decision to impose a 15 per cent import duty on Indian textile exports to that country has created a clamour in the Indian Parliament for snapping our ties with the Commonwealth. The decision, no doubt, is a violation of the 1939 trade agreement between India and Britain. But there is little point in getting peevish over it. On the contrary every avenue of influence through the diplomatic channel will have to be explored to ensure that the decision is rescinded in time. During the discussion on this issue in Parliament, the Union Minister for Foreign Trade, Mr. L. N. Mishra, took care to stress that the present duty-free entry of Indian cotton textiles into England is our right and that, if the U.K. feels it is helping developing countries like India and at the same time resorts to such measures, then it will affect our economy and our sentiments. The basic fact is that the duty will come in at a time when members of the European Free Trade Area like Portugal and Austria will obtain duty-free entry into the British market for their textiles under the recent liberalisation of Anglo-EFTA trade. What hurts India most is that this discriminatory decision has been taken in violation of the specific clause in the agreement which says that any proposal to vary the terms of imports of Indian textiles should be subject to consultation between the two Governments, but the British have chosen to decide unilaterally.

Britain Blowing Hot and Cold

The British argue that what they have chosen to do is only to regularise what should have happened already or what other countries have achieved already. It is their contention that they have kept an open door when all other countries have sought to impose duties

or quotas or both on textile exports of growing regions. It looks as if they are wishing us to recapitulate British trade experience in the heyday of free trade when the Continent had a tariff wall but Britain kept its door wide open. The analogy fails, however, insofar as the British attitude to the Generalised System of Preferences is concerned. It is common knowledge that Britain, the United States and Japan are the only three big powers which have indicated that they would keep textile exports under the excluded list while applying the preferential tariff under the Generalised System of Preferences. Mr. Mishra's hint that Britain is blowing hot and cold on the issue of concessions to developing countries thus seems to have been vindicated.

Errors in Cost Computations

The British have also agreed that the tariff is attuned to the cost advantages that India enjoys as a traditional producer of textiles. The Indian Cotton Mills' Federation, it may be recalled, had called into question the cost assumptions behind this statement. It had been stated by the ICMF that the cal-

JAPAN LAUNCHES WORLD'S LARGEST TANKER

Japan recently launched the world's largest tanker at the Kure Shipyards.

The 372,400 = DWT Nisseki Maru will be used in hauling crude oil from Persian Gulf to the oil storage depot of the Nippon Oil Company group in Kagoshima.

The builders of the ship have received orders from a British company for two tankers larger than the Nisseki Maru.—(UNI).

culations have not taken into account the disparities in costs of diverse fabrics and the increases due to higher freight changes as a result of the closure of the Suez route. Perhaps if consultations between Britain and India on this question had been made as stipulated in the 1939 agreement, this error in cost computation could have been clarified. In any case, the error is not so minor as to be resigned to pamphleteering debates between the two countries. What is strange is that, after all this, spokesmen of the British Government have volunteered to provide additional aid to offset loss of exports due to the duty. By asking us to take to aid, the British are saddling us with a burden of debt charges in addition to prospective export losses.

It is all a question of obliging Lancashire textile industry, a phenomenon characteristic of the histories of British textiles. But the pitch is now being queered by the fact that the G.S.P. as being envisaged by the European Economic Community is likely to involve onerous burdens in respect of textiles. As an expert puts it: "The point at issue — and one which has attracted little comment compared with the Common Agricultural Policy — is whether Britain should accept in toto the European Economic Community G.S.P. of import preferences for goods coming from the developing countries. The British delegation has excluded textiles and carpets from its offer to fall in line with the E.E.C. Preference Scheme and as yet no one can be sure whether it will be able to hold this position. If Mr. Geoffrey Rippon and his advisers are obliged under pressure from the Six to include textiles along with the other trade sectors covered by the Scheme, there seems every chance that the problems which beset this country's cotton industry in the past (and which now appear to have been solved) will reappear.

Obliging Lancashire

The problem consists in that yarns, fabrics and made-up goods exported by developing countries will disrupt

Lancashire textile industry. All through its history, this industry had been protected by the ceilings and quotas imposed on imports. Under the E.E.C. system of G.S.P., these imports will pay no duty but will only be carefully monitored; that is after a ceiling

had been reached, these imports will attract the common external tariff of the E.E.C. In the case of textiles particularly, the E.E.C. has fixed its level of acceptable imports using a formula which takes 1968 as the reference year. Nothing would dis-

The Problem of Punctuality

The Railway Minister's interest in tightening up the administration and giving better service to trade and industry, the travelling public and the nation could be welcomed with some enthusiasm if past experience of similar statements from his predecessors had not been so disheartening. In fact, past experience only prompts one to ask whether there is indeed anything which the Minister can do in this sphere. The financial results of the working of the Railways depend for their improvement on such a wide variety of factors and circumstances that it may well be considered beyond the capacity of even the Union Ministry as a whole. If working expenses keep rising on account of the rise in the price of coal and oil, the rise in wages and salaries, the impact of the recommendations of successive pay commissions and the tepid zeal of the average worker for his work, nothing but a complete transformation of the people, the politicians, trade unionists and the economic set-up will be of any use. The cry for reducing the payment to general finances on the basis of the capital at charge will only mean a shifting of the burden to other shoulders, and the nation as such will have no relief.

What is unfortunate is the coincidence of high rates and fares, heavy losses and irritatingly poor service. And it is only fair to ask for improvement in the administration at least on the point of view of the day-to-day work. Mr. P. C. Mathew, the retiring General Manager of the Southern Railway, has called upon the heads of Departments and Divisional Superinten-

dents to tackle the problem of train punctuality on an emergency basis and to achieve the Railway Board's target in this regard. He has emphasised the need for a special and continuous need for keeping a watch on the running of all express, mail and passenger trains at all levels. But is there not more to this than keeping such a watch? If the records show the trains which have been notably unpunctual, what sort of effective follow-up action will be taken? Effectiveness will depend on fixing the responsibility for the delay on those to whom it belongs and taking the action necessary to prevent its repetition.

Need for Remedial Action

It has been said by some, with what truth it is not possible to say, that the lower officials' report on the causes of the delay are not as strictly factual as they should be, because of the fear of reactions of the workers in those sections who may be implicated by more rigorously veracious accounts. It is for the senior officers to make sure that the causes of unpunctuality are traced to the true sources and remedial action, which need not necessarily consist of penal measures, is taken. But those who travel fairly frequently cannot help feeling that delays are more often due to sheer indifference towards punctuality than to other factors. Foreigners visiting a country always regard the punctuality of railway trains as the prime test of a nation's sense of discipline. It would be sad indeed if we continue to fail miserably in this test.

please Lancashire more than this, for imported woven cloth flooded the British market in that year in greater volume than at any time during the past six years. So far as the E.E.C. is concerned, this does not appear to have mattered at all because the E.E.C. has been striving to keep close to the views of the United Nations Conference on Trade and Development and the general indications are that this policy is going to be liberally interpreted in favour of developing countries. The only country which will be denied duty-free entry for its textiles is Hong Kong.

One reason why the textile problem is being soft-pedalled could be that man-made fibres have begun to replace cotton in large way. One of the speakers at the last week's World Congress of Man-made Fabrics in Munich pointed out that 50 per cent of West European Yarn production in 1970 was provided by man-made fibres and that by 1980, the figure would have risen to 68 per cent. The proportion in developing countries is at present much smaller but there is no denying the faster pace at which these artificial fabrics are replacing cotton. Yet in the immediate present, the textiles issue cannot admit of any shelving, particularly the Indian exports to Britain. It may be palpably unfair to dump on Britain a quota on the 1968 import basis and hence there could be some watering down of the figure as now indicated by the E.E.C. for the reference year. So far as British textile circles are concerned, they are not optimistic about their prospects once Britain enters the E.E.C. Either Britain is allowed to keep textiles under the excluded list, which is quite improbable; or it will have to face the possibility of 'a draught of competition' through the quotas allowed for cotton as well as man-made fabrics. Incidentally, the time has arrived perhaps for all countries including Britain to be less anxious about cotton and more anxious about man-made fabrics as the future textile trade will be dominated by the latter.

—R.S.

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The Logic of Regional Planning

To those familiar with the political ideology of the ruling party in Tamil Nadu, the decision of its government to constitute a Planning Commission may strike as yet another indication of the party's autonomy demand. It is entirely unnecessary, however, to approach this issue by attributing motives and drawing conclusions therefrom and on that basis. As Mr. Mohan Dharia, Union Minister of State for Planning, clarified in Parliament recently, Tamil Nadu was absolutely within rights to call its planning body a commission even when other States called their planning organisations either committees or boards. The issue to be decided is, however, the role assigned to this Commission. According to the Tamil Nadu Government's Press release its objectives will be:

(i) to make an assessment of the material, capital and human resources of the State, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the State's requirements;

(ii) to formulate a plan for the most effective and balanced development of the State's resources;

(iii) to indicate factors which are tending to retard economic development and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the plan; and

(iv) to make such interim or ancillary recommendations as appear to be appropriate either for facilitating the discharge of the duties assigned to it; or, on a consideration of the prevailing economic condition, current policies, measures and development programmes; or an examination of such specific problem as may be referred to it for advice by the Government.

While Dr. Bright Singh, Professor of

Economics at the Madurai University, will be a full-time member of the Commission, Dr. Malcolm Adiseshiah (former Deputy Director General of the UNESCO), Dr. B. Natarajan (Economic Adviser to the State Government), Mr. N. Mahalingam (Industrialist) and Dr. V. Shanmugasundaram will be part-time members. The Chief Minister will be the Chairman of the Commission and the former Chief Secretary E. P. Royappa will be the Deputy Chairman.

Fulfilling A Long-Felt Need

While commenting on the objectives of the Planning Commission, it is necessary to steer clear of reading too much or too little in them. It will be conceded on all hands that the setting up of a State Planning Commission fulfils a long-felt need. Many of the committees which have had occasion to enquire into the structure and development of planning in the country have bewailed over the absence of a sense of responsibility in this regard at the regional level. Indeed the general complaint has been that, while at the top the central planning body was multiplying its activities and was transforming itself into a replica of the central bureaucracy, the State Governments have not cared to constitute an efficient planning cell.

LICENCE FOR ANOTHER 50,000 CARS TO PRIVATE SECTOR

A licence for manufacture of some 50,000 passenger cars a year will be granted to the private sector.

Announcing this in the Lok Sabha recently, Industrial Development Minister Ghanshyam Oza said the total installed capacity for passenger cars in the country was expected to be 135,000 by 1973-74, taking into account some 50,000 cars planned to be manufactured in the public sector and the present private sector capacity of 35,000 cars a year.—(UNI).

The logic of regional planning consists in the fact that ours is such a large country that, without the regions working out details of their plans, a co-ordinate national plan will degenerate into a few shrewd and not so shrewd guesses. As an expert put it, the country is so large that each State has to its development as if it were a nation by itself, leaving it to the central planning body to effect the requisite degree of co-ordination.

Should not be Overdone...

But the exercise should not be overdone in any case. The third objective indicated in the Press release states that the Commission should indicate the factors which are tending to retard economic development besides determining the conditions which, in view of the current political and economic situation, should be established for the successful execution of the Plan. This has a nebulous connotation at least for those who have had the opportunity to watch how the D.M.K. had been sedulously seeking to keep walking on the razor's edge between itself and secession. The point, however, is that the Chief Minister has categorically stated that his party does not seek to work for any type of secession except secession of more powers by the Centre in favour of the States. Even some of the amendments to the fiscal clauses of the Constitution, consequential or fundamental as the case may be, that the Rajamannar Committee has suggested may not easily muster the requisite consensus among State Governments to become effective. Instead of seeking to dig into the minds of people, it would be better to go by their observations; in which case the Tamil Nadu Planning Commission will at its best be an ideal planning cell as envisaged by the Administrative Reforms Commission or at its worst a minor bureaucracy. One should be thankful if in the final event its ineffectiveness either way is mitigated by timely correction.

—S.R.

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Enormous Proportions of An Old Problem

The refugee problem is older than the nation's independence, starting, as it did, with the communal riots of 1946. It assumed enormous proportions after the Partition, particularly of Punjab and Bengal. It remained formidable for a long time after, since resettlement and rehabilitation were by no means easy even with adequate financial provision. Today, the insurrection in East Pakistan and the inhumanity of the military action taken to quell it have recreated the problem in a form in which it impinges on India and/or international relations alike in numerous and deplorable ways.

CALL TO AID BANGLA DESH

The Tamil Nadu Chief Minister, Karunanidhi appealed for help to the suffering people of Bangla Desh and contribute their mite, in money and materials, to alleviate their distress.

Inaugurating the Tamil Nadu Bangla Desh Aid Committee at a meeting on May 29, the Chief Minister said he was in total disagreement with the argument that what was happening in Bangla Desh was an internal matter of Pakistan. "When a Government refuses to hand over power to freely elected representatives of the people but instead chooses to kill them and suppress the whole population, it becomes the right of everyone in the world to interfere and bring to an end the unhappy state of affairs," he said.

The Chief Minister announced a donation of Rs. 25,000 from the Chief Minister's Fund and Rs. 5,000 from the D.M.K. to the Aid Committee. Mr. Karunanidhi announced on the occasion that he would not urge the Centre for early action on the Rajamannar Committee Report on Centre-State relations in view of Pakistan's aggressive postures towards India.

The Sheriff of Madras, Mr. R. Rathnam, Mayor S. Ganesan and Mr. K. Eswaran, Chairman of the Committee, were present. Mr. Ghosh, convenor, welcomed the gathering.

Inhuman to Refuse Assistance

It is idle at this stage to ask whether India could have done anything to stem the tide of refugees in India, or the Government could not have washed its hands of all responsibility for relief of the refugees. Neither is within the pale of practical politics, though no one today could legitimately blame this country, if it guarded its frontiers or if it refused to provide relief. Every nation has the right to forbid the entry of aliens. And, for all the sympathy that the people of East Bengal have evoked in the minds of all classes and communities of India, the fact is that they have themselves brought this fate on themselves, since they could very well have opted in those days for continuing as part of the Indian Union. But such a contention would appear almost inhuman. The Indian budget provides for Rs. 60 crores for refugee relief. The Government receives contributions from countries like Japan and expostulates with others both for providing relief and for creating conditions in East Bengal which will persuade the common people to stay there.

In spite of the trouble in East Pakistan having continued so long, the great powers have been incredibly tardy either in providing relief or taking a definite stand on the larger political issue. Though non-interference in the internal affairs of one country by another is the basis of normal inter-

national relations, adherence to that principle in the present case over a long period is utterly indefensible. So far at least as India is concerned, Pakistan has no right, even if it did not owe its origin to the Partition with all its explicit and implicit obligations between the two nations of the sub-continent, to drive millions of its citizens across the Indian border. But the embarrassments and difficulties of her neighbour may count as a major incidental advantage in the eyes of the ruling clique in Pakistan. India may well find her hands forced in the matter of recognition of Bangla Desh, if neither Pakistan nor the great powers show interest in the restoration of normal conditions.

Futility of "Political Settlement"

In the context of declaration of the independence of Bangla Desh and the unmistakable impracticality of East and West Pakistan remaining as a single national unit, it is difficult to understand what the great powers mean by "political settlement." In matters of this kind, prevarication is the first refuge of international diplomacy. But it has fairly outrun its usefulness. If India is prepared to bleed herself for the sin of tame acquiescence in the Partition scheme, it is no reason for the nations of the world to ignore the other problems which have stemmed for it, though so belatedly.

—PRS



Discretion is better than Moral....

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THE CITY CORNER:

Tamil Nadu May Take Cauvery Issue to High Court

Leaders of political parties in Tamil Nadu met at the Secretariat on June 15 and strongly disapproved of Mysore's decision to proceed further with unilateral construction of irrigation dams on the Cauvery and the Centre's failure to stop such construction and refer the dispute for arbitration to a tribunal. They decided to observe June 27 as Protest Day all over the State when meetings will be held to condemn the sluggishness of the Government of India in taking appropriate measures in the matter.

The Chief Minister Mr. M. Karunanidhi who presided over the all-party leaders meeting agreed with the suggestion of one of the newsmen who were subsequently briefed, that the Centre's attitude that there should be no construction of irrigation works on the Cauvery without the approval of the Tamil Nadu Government and outside the 1924 agreement might have undergone some changes. It was, therefore, necessary for the people of Tamil Nadu, he said, to show the strength of feeling behind this obvious injustice being done to them.

The Centre by its vacillating attitude had allowed Mysore to complete three-fourths of unauthorised works like the Hemavathy dam. There was a great danger of Tamil Nadu's Cauvery delta being starved of part of its water requirements from the river Cauvery. He said the Centre's demi-official letters to the State Government had clearly shown that it had no appreciation of this danger or had been influenced by political considerations in dealing with a problem which was going to affect the lives of millions of people in Tamil Nadu. He promised to consider suggestions of taking the matter to the Supreme Court to establish the inalienable rights of Tamil Nadu for definite amounts of the Cauvery water which it had been

enjoying from time immemorial. This could be done if the protest day and other measures to acquaint the public with the gravity of the situation did not produce any result.

Philippines Interest in Indian Auto Components

The Industries Minister of an Asian country has given his impression that among the Asian countries (barring of course Japan) India's level of development in the mechanical and engineering industries is the highest. The Philippines Minister Mr. V. T. Paterno had visited all the countries of the region before undertaking a tour of the industrial centres of India. In the course of the his tour of India, Mr. Paterno was in the City on June 11. He was identifying areas of collaboration between industrialists of India and his country. His country was very much interested in the Indian automobile components for the 20,000 cars it was planning to manufacture on a progressive basis, he told newsmen.

Leading industrialists of Madras met the Philippines Minister and acquainted him with the features of Indian development. They explained that India had the advantage of possessing the technical know-how of all leading manufacturers of the world. Collaboration between the Philippines and India could be discussed further and concrete steps taken if a delegation from that country would attend the Asian Management Conference scheduled to be held in New Delhi in November 1971, they told Mr. Paterno. The visiting Minister accepted the suggestion and agreed to send a delegation to the conference.

Co-operative Hospitals for Rural Areas

The Tamil Nadu Government would

extend financial assistance if seven or eight doctors joined together and set up cooperative hospitals in rural areas to meet the medical needs of the people in the countryside. This announcement was made by the State Governor, Mr. K. K. Shah, when he presided over the 44th anniversary celebrations of the Tamil Nadu Medical Services Association. The problem was not one of hospitals in the villages. Charitable organisations, governments and local bodies have already opened many hospitals, dispensaries and health centres but the difficulty is only with regard to doctors to man them. According to Mr. Shah, 2,300 primary health centres are without doctors. It was in this context the Tamil Nadu Government thought in terms of extending financial assistance by way of encouraging doctors to start co-operative hospitals in the countryside. Mr. K. Anbazhagan, State Health Minister, inaugurated the celebrations.

Extension of UNDP Aid to Mineral Development

The United Nations Development Programme which has just completed a three-year term of assistance to the Tamil Nadu Mineral Development Project has agreed to extend assistance for another six months. The Rs. 75 lakh (in foreign exchange) assistance had been useful to form the nucleus of a systematic exploration of the State for minerals utilising modern techniques hitherto unknown in Tamil Nadu.

The project covers an extent of 6,000 sq. miles in North Arcot, Dharmapuri and Salem districts. Surveys completed so far have brought to light the existence of deposits of 500 to 600 million tonnes of iron ore—many of it unknown before.

—V.M.

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Stimulating Economic Activity Through Proper Planning

The latest budget has attempted to mobilise resources on a massive scale and there will be a general rise in prices for manufactured goods. The objective of the nationalisation of import duties, on industrial raw materials and machinery is not clear. For the revenue from these duties amounting to Rs. 54 crores in a full year will automatically result in an increase in prices for most items by 20 to 25 per cent. In quite a few cases there has been a sharp increase in end prices and it has been reported that manufacturers of tractors, motor cycles and commercial vehicles are examining the impact of these levies with a view to finding out to what extent there should be an upward revision of selling prices. The cost of imported machinery also will increase sharply.

It is feared that if the facility for claiming development rebate was not available, many new industrial establishments would find it difficult to carry on their activities. Even though it has been stated that development rebate can continue to be claimed for another three years, some of the new flotations of recent months may find calculations seriously upset if plant and machinery could not be installed and commissioned before May 1974. With higher prices for indigenous equipment and extended deliveries there is no guarantee that the implementation of new projects can be completed on schedule. Mr. Chavan's expectation of a hastening of the tempo of fresh investment in order to take advantage of the development rebate in the next three years may not, therefore, materialise to the desired extent.

Apart from the inflationary effect of higher import duties, it would be wrong to expect that the process of import substitution would be hastened if adequate supplies of raw materials and components could not be secured. There will have

to be liberal imports which will depend on adequate foreign aid and availability in world markets. There will also have to be a gearing up of industrial production within the country particularly in the public sector.

Inflationary Effects of Excise Duties

As matters stand, the levy of heavy excise duties has resulted in higher prices for petroleum products, automobile components, common articles of consumption like cigarettes, ceramic ware and many other items. There has been particularly a crippling increase in the cost of motor spirit and aviation gasoline, while the prices for all other petroleum products have been raised marginally or offsetting the increase in cost of imported crude oil. It is also feared that selling for prices for steel will have to be raised because equipment and extended deliveries, of the higher freight rates charged by the railways on the movement of raw materials and finished goods. Many industries like cement and commercial vehicles may find themselves compelled to raise their selling prices not only for offsetting higher cost of raw materials and components but also for overcoming the erosion of profitability on account of a higher burden of direct taxation. The inflationary effects of higher excise duties and direct taxes will therefore be far-reaching.

In his reply to the budget debate, Mr. Chavan went to the extent of saying that he would even dispense with savings if it resulted in accumulation of wealth. Presumably, Mr. Chavan had in mind accumulation of vast wealth. But he overlooked the fact that any saving resulted in the creation of wealth and therefore accumulation at some points. As it is obvious that there cannot be any accumulation of wealth beyond Rs. 16 lakhs and that fresh additions to wealth in the higher brackets can be only in the form of capital gains, the objective

should be to encourage the capital formation at least in the middle income groups. With higher direct and indirect taxes those having incomes between Rs. 30,000 and 1 lakh are not in a position to save anything beyond their contributions to the Provident Fund and Insurance, and it is very doubtful whether the salary groups between Rs. 30,000 and Rs. 50,000 annually will be in a position to take advantage of the rebate in respect of long-term savings for Income tax purposes after the upward adjustments in slab rates on the last occasion and the further increase in the surcharge on the present occasion. The Finance Minister should have made the rebate more attractive for encouraging savings and minimising the burden of heavy taxation. Instead, he has chosen to reduce the quantum of relief by lowering the rebate to 40 per cent in regard to savings beyond Rs. 5,000 annually.

It is said that the Central Budget is growth oriented and a larger provision has been made for plan schemes and for generating additional employment. There will also be larger assistance to the State Governments. These bigger appropriations will, no doubt, be helpful in stimulating economic activity. But the Central Government must handle the resources at its disposal productively and in the absence of a higher level of output in the private sector, plan schemes should be implemented properly.

Rural Savings for Industrial Production

Only the agricultural sector has been left untaxed and the availability of savings in the rural areas may be helpful to the industrial sector for implementing their schemes but the individual saver will be prepared to part with his surplus resources only if there could be reasonable return on his investment.

Glimpses.....

By P. R. SRINIVAS

The Sacred Cow of the Indian Economy

The complexities of the problems of taxation and fiscal policy in this country have of late been increasingly confused by posing some special issues on grounds of imaginary or real differences between the burden of taxation on the urban areas and that on the rural: There is a facile identification of the latter with the poor and the former with the rich, which fires the ardour of the leftist groups for heavier taxation of industry, trade and the upper slabs of salary income and lightening of the burdens on the rural areas. Such misconceived zeal finds vent whenever the Union Finance Minister includes in his budget, proposals for levying an excise on tractors or other requirements of the agriculturists, or the question of price-fixing for any agricultural commodity crops up. The utilisation of such opportunities as they arise relieves the champions of the rural areas from going into the distribution of tax burdens between the rural and urban areas or the people of the two distinguishable sections, because agriculture is the sacred cow of the Indian economy and the justice of its claims for exemption from the burdens is considered automatic or as an article of faith with popular politicians.

Villages' Share in Indirect Taxation

Low

The Mathai Commission may be said to have set the ball rolling when it stated that the weight of taxation bore more heavily on the rural than on the urban population. Even if it was there at that time—which is by no means indubitable—the trends since then have almost completely changed the situation. On the one hand, there has been the abolition of land revenue in most States. On the other, direct taxation, which does not reach the people in the villages, has rocketed to dizzy heights. Such increase as there has been in the minimum level for exemption from

income-tax has not only been offset by the rise in prices, but has been accompanied by a steeply progressive sales tax in the States and by higher rates of excises on an ever increasing range of goods, in the total consumption of which the rural areas have, if anything, but a small share. Not only is the share of the village in indirect taxation, Central and State, low, but direct taxation of the more well-to-do and richer classes by the Centre touches them comparatively lightly.

Mr. Chavan has been the first among the Union Finance Ministers to complain about the rural rich being beyond the scope of direct taxation by the Centre. Agricultural incomes are on the State list. And though Mr. C. Subramaniam, as Planning Minister, has spoken of a talk with State Governments on the subject, there is little reason to expect a real change. The proposal for levying excises on maida and coarse cloth stands on the different footing from the tax on tractors, since it affects the costs of living all over the country and Mr. Chavan's response to the criticisms in the Lok Sabha is reasonable. But some hoary superstitions about agriculturists and rural areas must be exploded if we are to have a more equitable system of taxation. The question of relating the contribution of the rural areas to the outlay on irrigation and agricultural development, not to speak of agriculture accounting for half the national income, has not even been mentioned in the discussions on the subject.

Ingenuity of Crime

Whatever may be our drawbacks in other marks of modernism, we have certainly outpaced the advanced nations in sheer ingenuity of crime. Not content with hold-up of banks or vans carrying large amounts of legal tender, which is attended by a vulgar show of force, new methods of inducing bank officials to pay out large sums or change currency notes to yield a wide

margin of illicit gains appear to have been evolved. Some men are active wherever a large section of the public is ready to respond to the offer to double their notes. Others there are apparently who buy soiled notes at a fraction of their face value, but are not content with changing them into new notes. They seek to get three notes out of two by some ingenious use of scissors and paste.

But these are small fry by the side of Mr. Nagarwalla who has been convicted and sentenced by a Court of law for obtaining as much as Rs. 60 lakhs from the State Bank of India, on his admission, by nothing more strenuous than imitating the voice of the Prime Minister and saying that the amount was needed for a public purpose calling for the utmost urgency and secrecy. None of the circumstances attending this attempt at defrauding the bank can claim the credence of even the most simple-minded. All modern governments have to maintain and utilise secret funds for different purposes on a large scale. But while such expenditure may be kept outside the scope of normal audit, the procedures for payment from the Treasury as the Banks doing Treasury work cannot be circumvented. "The king can do no wrong" is a familiar dictum for students of British constitutional history. It implies no more than that the king's order is no defence of any illegal action on the part of an official or any other citizen. The word of the Prime Minister or of any high functionary of the State, even if it is genuine, cannot obviate the processes preliminary to payment.

Whatever that may be, Mr. Nagarwalla has not only shown the value of skill as a mimic or a ventriloquist but the case with which a bank official can be imposed on. All this is on the assumption that nothing more lies behind this incident than the ingenuity of one individual and the gullibility of another. An incident of this kind must prompt probes in many directions, which have, as a matter of fact, been notably absent. The phenomenally expeditious trial and conviction of Nagar-

walla has led to a petition to the Delhi High Court challenging, on various grounds, the sentence imposed on him and asking for the exercise by the High Court of its power, *suo moto*, to summon for the records and consider the legality and propriety of the conviction. Mr. Justice Kapur has passed orders for the records to be placed before the court after the vaca-

tion. The danger of abridgement of legal processes would now seem to have been warded off.

Stress on Quality of Technical Education

Contrary to current trends the Damodaran Committee which was appointed by the All-India Council of Technical Education to study all as-

pects of polytechnic education and to prepare a ten-year plan for its reorganisation and development has put unswerving emphasis on the improvement of the quality of the education. Quantitative development is not even expedient since a survey conducted on behalf of the Committee has shown that though there was unemployment among diploma holders, there was also a tendency in industry to assign a significant proportion of technical positions to persons who have no formal qualifications but can claim experience at craftsman level. It is also found that 36 per cent of the positions at the middle level in industry were occupied by diploma holders, 48 per cent by persons who had risen from the craftsman level and 16 per cent by engineering graduates. These facts, together with the prevalent unemployment, have led the Committee to set its face against the establishment of new polytechnics for the next five years and concentrate on the measures necessary for the improvement of quality. The two key moves towards this end, in the opinion of the Committee, are the insistence on a pass in the higher secondary or the P.U.C. examination as the minimum qualification for admission into the polytechnic and the accord of a large degree of academic freedom to the polytechnics themselves. The former is necessary because the Committee wants full three years after one-year pre-technical course or P.U.C. to be devoted to diploma course. The unsatisfactory nature of the training imparted by the polytechnics is borne out by the fact that industry generally prefers a craftsman with experience to diploma holder, though there is no prejudice against the latter. Training is bound to be better if there were production-cum-training centres which can give both book knowledge and practical experience in proper proportion. The curricula and methods of teaching and/or evaluation will have to be scrutinised and revived. And this can be done by the polytechnics only if they have some freedom in the formulation of the curricula and programmes of practical training.

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Sugar Industry in the Wake of Decontrol

By N. MAHALINGAM

The Union Government's decision to remove all controls on the price, distribution and movement of sugar has received a mixed reception. The decision of the Government took the industry a little unawares and the mill-owners in certain areas preferred the policy of partial decontrol to continue atleast for the current season. The policy of partial decontrol was first initiated in 1967-68 when the levy and free proportions were fixed at 60:40 and this was subsequently revised at 70:30 in 1969-70. In the current season (1970-71) levy and free proportions were further revised at 60:40. The industry achieved an all-time record production of 42.6 lakh tonnes in 1969-70 resulting in a huge carry-over stocks to the extent of about 21 lakh tonnes. In spite of a marked rise in internal consumption from 26 lakh tonnes in 1968-69 to 33 lakh tonnes in 1969-70, the stocks with the mills at the end of the sugar year in September will again be 21 lakh tonnes even with a further rise in consumption and the likelihood of a slight decline in production to 41 lakh tonnes in 1970-71. This situation of surplus production caused considerable worry to factories as well as to the Government and the latter thought it prudent to decontrol the commodity rather than worry about engaging in buffer stock operations. Decontrol, it is presumed, will be helpful in three ways: (i) to unload stocks by the mills, (ii) enable the mills to clear their arrears of payment to the growers and (iii) overcome the court orders secured by some mills with the levy prices fixed at a high court level. However, it has not solved the real problem facing the industry viz. the continuance of a highly inequitable price structure.

Principle of Proportional Premium

The official view is that there should be no change in the price of sugar

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following decontrol. But it cannot be denied that there will be regional variations. It is possible that the price may fall in the surplus areas and rise in the deficit states. It is gratifying that Mr. Fakhruddin Ali Ahmed has assured that the interests of the cane growers would be protected and the Government would fix the minimum prices of cane, region-wise, according to their cost of production. Cane prices may be fixed as per the recommenda-

tion of the Sen Commission which held that the minimum cane price fixed should be linked to a lower recovery with a suitable premium fixed for higher recovery which will be proportionate to the minimum price. Hence, it is necessary that the minimum cane price may be fixed at Rs. 73.70 per tonne linked to a recovery of 8.5 per cent and below instead of 9.4 per cent. However, it must be borne in mind that in fixing the

Overhauling Planning Commission...

C. Subramaniam's ideas of overhauling the structure and methods of working are such that it is difficult to decide whether they are in furtherance of what is suspected to be the intention of Indira Gandhi's Government, namely, the reduction of the Planning Commission to the status of a departmental appendage, or whether it will lead to a more effective functioning of the planning authority. For the Planning Minister is credited with the idea of changing the old system of assigning specific departments of the national economy to each member of the Commission to one in which the portfolios allocated to the different members will be data collection, plan preparation, gauging the progress of implementation and evaluation of results. The reason for this is said to be that under the older system, all these were done by each of the members in respect of his allotted spheres and therefore led to reduplication of the work. The change has been recommended by P. L. Tandon, Chairman of the State Trading Corporation, after an enquiry conducted at the instance of the Minister for Planning into the methods of working of the Planning Commission. It is strange that implication in the work of data

collection and evaluation of results stage by stage would be deemed a conducive argument against the system under which specific spheres and departments of the national economy were in the charge of individual members. For one thing, some duplication is inevitable, if the plan is to be the product of the Commission as such. For another, collection of data and of all available economic intelligence is best carried on by a department working under the Commission, which can continuously collate the work of the Reserve Bank and other research bodies as well as initiating work on certain lines on its own. The Commission can not only draw on the data thus gathered but also have its special requirements met by the teams which will be allotted such work. If the members of the Commission are to be engaged in the spade work of data collection and evaluation, then their grip on the Commission's real function of formulating the Plan and watching its implementation is bound to loosen. Unless, as is not unlikely that is precisely the aim of the Government and the Planning Minister as a member of it, the proposed change in the methods of working will only aggravate the misgivings of the public.

—PRS

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premium above 8.5 per cent recovery, the principle of proportionality should be adhered to and this would mean providing a premium for every increase of 0.1 per cent of recovery and the proportionate cost based on the linking of a price of Rs. 73.70 with a recovery of 8.5 per cent. The principle will work out as shown below:—

Rs. 7.37	8.7 paise per quintal
8.5 per cent	as against the present rate of 5.36 paise per quintal.
or	
737 paise	
85 points	

There has been a very steady and sharp increase in the excise duty on sugar. From Rs. 2.60 per quintal in 1937, it was increased to Rs. 28.65 per quintal in 1968 in 1969-70 the specific rate of Rs. 28.65 per quintal was converted into an *ad valorem* rate of 23 per cent on entire sugar, both levy and free. In 1970-71, a discriminating rate of excise duty was levied on free and levy sugar. While free sugar was subjected to a high rate of 37.5 per cent *ad valorem*, levy sugar was subjected to a duty of 25 per cent

ad valorem. Now this discrimination has been abolished and the excise duty on sugar is now fixed at an average of 30 per cent *ad valorem*. The basic excise duty will now be 24 per cent *ad valorem* and the additional excise duty in lieu of sales-tax will be 6 per cent *ad valorem*, making a total of 30 per cent *ad valorem*. But, even this uniform rate of 30 per cent duty is high enough to affect their profitability as it is levied on the basis of tariff value representing in effect a weighted average of earlier duties and hence

has to be brought down to 27½ per cent *ad valorem*.

Evolving A New Marketing Strategy

The revised cane price policy will be found extremely helpful in evolving a new strategy regarding marketing. It should be the objective to ensure a uniform price through the pooling of freight arrangements. It is necessary that in a planned economy, the prices of essential commodities must be kept uniform all over the country. This calls for a new strategy in the market-

ing of sugar. For this purpose, the country can be divided into appropriate zones and the mill owners must set up an organisation of their own to exercise a kind of self-regulating informal control over the distribution of sugar and to maintain a uniform f.o.r. price as approved by the Government from time to time. Sales efforts in rural areas should be done by making sugar available in bags of 102 kilograms. A set of wholesalers and retailers, with their areas of operation broadly defined, will have to be creat-

ed and they may be given a small margin to keep stocks. The wholesale price fixed must take into account a margin for carryover charges as well as distribution cost. Any extra expenditure on transport, not met in pricing, has to be met out of Central excise collections. If the industry is organised on these lines, it will be helpful in eliminating the anomalies that now exist in the cost structure and enable mills to avoid the violent fluctuations in output witnessed in recent years.

Need for Optimum Price for Cane

In order to make sure that there was no sharp rise in prices, following decontrol of sugar, the Government has released for the current month a large quantity of 4.5 lakh tonnes of sugar against the usual release of 3 lakh tonnes of levy and free sugar. It is expected that this release will be absorbed at slightly lower prices, though mills feel that any decline in the open market values to below Rs. 185 per quintal will affect mills in Tamil Nadu and Andhra Pradesh. Curiously however, in Maharashtra and Gujarat open market prices are higher than those in Tamil Nadu even though the cost of production of mills in Maharashtra is much lower than those of Tamil Nadu and Andhra Pradesh.

As indicated by the Union Minister for Agriculture, Mr. Fakhruddin Ali Ahmed, the minimum price for cane will continue to be fixed every season. There will necessarily have to be regulation of releases of sugar with a view to ensuring the payment of these minimum prices. The Government will not be agreeable to the abolition of minimum prices because of the political complications that might arise thereby. But there is no justification for continuing a policy which creates anomalies in cost structures and makes it difficult for sur-

plus States which have high cost sugar to market their quantities in areas which will require heavy freight charges to be borne on the movement of sugar. Without the refixing of the minimum price for cane on the basis of recovery of 8.5 per cent the anomalies in the cost structure cannot be eliminated.

The Government cannot escape its responsibility in this regard as Maharashtra alone cannot feed the whole country and the present policy will also be highly favourable to areas which have a low recovery. There should of course be development of the industries in areas best suited for the cultivation of cane. What is more important is the yield of sugar per acre rather than the achievement of higher recovery for any given quantity of cane. It will be difficult to meet the needs of the growing population in the coming years unless the southern States were helped to grow cane and produce sugar. In Andhra Pradesh and Tamil Nadu the yield of cane per acre is quite good but the recovery is not so in Maharashtra. But the recovery of sugar per acre is nearly thrice that of U.P. and Bihar. In the not too distant future it may be necessary to produce over 6 million tonnes of sugar which can be possible only if between Maharashtra, Mysore,

A.P. and Tamil Nadu over 4 million tonnes can be manufactured. This aspect of the long-term policy will have to be carefully examined before the cane price for next seasons is announced.

Arrears of Payment to Cane Growers

Meanwhile, it is expected that the output in the current season will not be more than 40 lakh tonnes as cane supplies in particular areas had not been according to expectations. It is reckoned that there will be a sharp rise in consumption to 37 lakh tonnes and in exports too over 3 lakh tonnes. If there was larger offtake following decontrol there can even be a reduction in the stocks brought in from the last season to 19 lakh tonnes. The outlook for the next season is not clear but it has been complained that the heavy arrears of payments against cane purchases by mills have had a discouraging effect and the high minimum price alone has not been helpful. The lesson of the past two seasons is this. A high price for cane by itself will not protect the interests of the grower. A low price will create shortage. What is needed is an optimum price which can be borne by the industry and consumer and above all the working of a major industry on a reasonably profitable basis. —(FOC)

Giri Unveils Statue of Ramasamy Raja

"The private sector has been accorded an honoured place and it has a pivotal role to play in the fuller utilisation of resources and talents. By using our resources, human and material, to the fullest extent, we can make a dent on poverty and unemployment," declared President Giri.

The President, who was speaking on the occasion of the unveiling of the statue of the late Mr. P. A. C. Ramasamy Raja, the founder of Ramco Group of Industries, at Rajapalayam, paid glowing tributes to the

Raja's vision, hard-work, dynamism and pioneering efforts.

Labour-Intensive Technology

Mr. Giri called for urgent and effective steps for generating mass employment combined with rapid economic growth. To translate this into action, he suggested a labour-intensive technology to absorb the entire manpower surplus through all channels of development.

The President felt the problems could be resolved only by massive de-

velopment of agro-industries which could provide jobs for the unemployed and under-employed and urged the need to enlist the help of modern technology. He hoped "our scientists and technologists would give a good account of themselves provided we gave them an opportunity."

Mr. P. R. Ramasubramania Raja, son of the late Mr. P. A. C. Ramasamy Raja, and Managing Director of Madras Cements Ltd., recalled his father's association with the President who was in 1938 Labour Minister in the first Rajaji Ministry of the then Composite State of Madras.

Earlier, Mr. R. V. Sundaram Pillai, President of the Ramasamy Raja Statue Committee, welcomed the guests. Dr. M. A. Muthiah Chettiar released a souvenir brought out on the occasion.

A welcome address was presented to the President by the P. A. C. Ramasamy Raja Statue Committee.

Mr. S. Arjuna Raja, Secretary of the Committee, read the report.

Mr. S. R. Narayana Raja, Vice-President of the Statue Committee, proposed a vote of thanks.



President Giri unveiled the statue of Mr. P. A. C. Ramasamy Raja at Rajapalayam on June 5. He is seen with Mr. Ramasubramania Raja, head of the Ramco Group

New Credit Policy for Nationalised Banks

By SURESH CHANDRA SRIVASTAVA

Nationalised banks need a credit policy which meets increasingly the credit needs of all the productive sectors and particularly those of agriculture, small industry, export, budding entrepreneurs and weaker sections of the society. The existing pattern of sectoral distribution of credit is heavily weighed in favour of large-scale industry, wholesale trade and commerce rather than agriculture, small-scale industries, retail trade and small borrowers. Agriculture which contribute to more than 50 per cent of the national income gets 2.1 per cent of the bank credit, whereas industry which contributes less than a fifth of the national income appropriates nearly two-thirds of the bank credit. More than four-fifths of the scheduled commercial banks' credit goes to industry and commerce which account for roughly one third of national income. Although there has been a slight increase in advances to non-conventional borrowers from the agricultural and small industry sectors, under the scheme of social control introduced towards the end of 1967, the pattern of bank advances has generally remained unchanged. Again, loaning policies of the banks are largely security-oriented; 86 per cent of the scheduled commercial bank advances were against tangible security as late as in May 1969.

The new credit policy should, therefore, do away with excessive preoccupation with considerations of tangible security. Financing of non-conventional borrowers in the agricultural and small-scale sectors involves a shift from traditional concepts of credit-worthiness to a loaning system based on technical feasibility, economic viability and projected repayment capacity of the borrowers.

Liberalised Loan Facility

At a joint meeting of the nationalised banks and the fertilizer industry held in Madras recently, the nationalised banks announced a liberalised loan facility to the farming sector under which short-term production loans upto Rs. 5,000 or Rs. 10,000 would be advanced to farmers, both big and small, without demanding any tangible security other than hypothecation of standing crop. For larger production loans exceeding Rs. 5,000 or Rs. 10,000 additional collateral security by way of mortgage of lands, houses, shares or insurance policies would be called for. On behalf of one of the nationalised banks, it was also announced that its agents had been given discretionary power to allow clean production loans upto Rs. 1,500 per farmers. The loan will be extended for the duration of the crop and the due date will be fixed in a way that the loan becomes payable immediately after harvest of the crop.

Quantitative Assessment

Before credit can be increased to the priority sectors, it is necessary to have a proper quantitative assessment of the credit needs of the different segments of the economy. The task of assessing the credit needs of that region and the responsibility of meeting such needs should be mainly the concern of that banks. The National Credit Council should collect these data and, on the basis of availability of resources with the banking system, fix targets of credit for different sectors.

Expanding Banking Services...

The deposits which worked out to Rs. 80-85 per capita in this country are the lowest compared with other industrially developing or developed countries. In India, hardly 17 per cent of our Gross National Product is banked at present, while in the case of Japan, it is 55 per cent. This percentage ought to be improved during the Fourth Plan, if we have to harness this very potent source of investment capital. While the present

deposits of Rs. 4,200 crores with our banking system ought to be augmented, it may be observed that the spread of banking habit helps frozen currency to become productive. Bank increases the velocity of money which augments investment capital without any increase in money supply in a country. In India, the velocity of money is virtually equal to unity. The new branch expansion drive would help to spread the banking habit of our people more and more and would ultimately result in improving the velocity of circulation of our currency.

Lead Banks...

In this context, a scheme of 'lead banks' prepared by the Reserve Bank of India may be mentioned. Under this scheme, specific districts are allotted to individual banks and the selected commercial bank is required to take the lead in surveying the potential for banking development, in extending branch banking and in expanding credit facilities. The Reserve Bank has also laid down that during the first half of 1970, a minimum of 600 new branches should be opened by the major scheduled banks of which not less than 400 should be unbanked centres. Whereas for financing the farm credit needs, the 'lead bank' may adopt the crop loan system as the basis, it will have to frame a comprehensive credit plan for the district in which credit needs of rural industries, artisans, retailers... will have to be adequately met.

At present, the credit guarantee scheme is applicable only to small-scale industries. It would, therefore, be in fitness of things if we establish a National Guarantee Fund along the lines of the one in existence in Japan. The Japanese Fund guarantees credit for industry only; the one to be operated in India can be extended to giving guarantees to farmers and other vulnerable sections of the economy.

The 'lead bank' should, in its turn earmark certain proportion of deposits mobilised in rural areas for local deployment. The average credit deposit ratio of 70 per cent may be taken as the guiding norm. This would give a momentum to deposit mobilisation effort, for rural savings are most likely to be rendered available where most seem to be used for rural needs.

Once a comprehensive credit plan is prepared, the commercial banks should not wait until their own branches are established in all the areas of the district but should utilise the available institutional channel, viz. primary agricultural credit society for executing the plan. Commercial banks should directly finance primary agricultural credit societies, where central cooperative banks are not in a position to provide adequate credit facilities to the societies. There should be a closer coordination and functional relationship between the commercial and co-operative banks.

The new credit policy will have to see that no hardship is caused to industry so far as its genuine needs of

credit are concerned. Industries and business so far were availing of much larger credit limit than their genuine needs; outstanding were only 60 per cent of the sanctioned limits. The rationalisation of loan policy in this regard is, therefore, indispensable.

Differential Interest Rates...

It has been suggested that the nationalised banks should work out a scheme of differential interest rate — lower rates for "carefully selected" low-income groups and progressively higher rates for the well-to-do sections. This implies that there would be no differential lending rate structure for the different sectors of the economy, but a varying rate for various categories of borrowers. This is, however, not justified. Discrimination in interest rates of this sort would either distort the pattern of investment laid down in the plan or it may add fuel to the fire of inflation. Also, it will tend to make the interest rate structure in the organised sector as complicated and usurious as it is in the unorganised sector.

There are some obstacles to a new

credit policy. Firstly, banks are vague about the method and manner of working the new schemes. Secondly, the bureaucratic attitudes and the old habit of playing safe with advances had not died with the bank staff with the result that they would like to treat even a small loan of Rs. 2,000 to an artisan or trader as an advance of Rs. 2 lakhs requiring elaborate details. Thirdly, the long training in antiquated procedures in banks with considerable emphasis on adequate security to the exclusion of any other consideration is yet another obstacle which the bankers, at the grass-root level, are not in a position to overcome.

Much of the difficulties can, however, be encountered by preparing a well thought-out District credit plan and instituting the National Guarantee Fund. The Banking staff will have to be strengthened and there will have to be a change in the basic attitude, outlook and approach of managerial personnel of banks, particularly at the branch level which, once the things get started, will take place in due course of time.

The Coffee Glut

India is now facing a problem of surplus in coffee. This year's record crop of about 1.1 lakh tonnes against an estimated target of about 80,000 tonnes, has been attributed partly to the prevalence of favourable weather and partly to the rise in the yield of replanted coffee.

In 1969-70, India ranked twelfth among coffee producing countries and 22nd in exportable surplus. Among world producers India was fifth in yield in 1964-65. India's position may advance further to the second or third place on the basis of production in 1970-71.

According to the Coffee Board, the Central Government's revenue from coffee increased from Rs. 18.3 million to Rs. 24.4 million between 1962-63 and 1966-67, a rise of 33 per cent. During the same period the State revenue increased from Rs. 7.9 million to over Rs. 16 million and sales-tax, both State and Central, from Rs. 8.5 million to Rs. 16.5 million.

Production Erratic

The production of coffee in India is some-

what erratic. During the last ten years production has fluctuated between a low 46,000 tonnes in 1961-62 and 1.1 lakh tonnes in 1970-71. Next year's crop is not estimated beyond 80,000 tonnes. Plans are underway for building a buffer stock of about 18,000 tonnes to tide over the anticipated lean period next year.

For once, at least, there shall be no shortage of coffee for internal consumption. International consumption last year was about 39,000 tonnes. This year the Coffee Board has earmarked 42,000 tonnes for internal releases.

With a limited home market, the Government is compelled to find new markets to ensure fair price, particularly to the 37,000 small growers who hold less than 5 hectares of land.

The quota under the International Coffee Agreement is fixed at about 24,000 tonnes and the normal offtake to non-quota countries is around 13,000 tonnes. The Coffee Board expects the exports to non-quota countries to be raised to 24,000 tonnes. The

Government will be sending two delegations — one to the West by the end of June and another to the Far Eastern countries during August and September — to explore new markets for coffee exports and to increase sales in existing markets.

Adopting Improved Techniques

Coffee is mainly in Mysore, Tamil Nadu and Kerala. Of the total 128,000 hectares under coffee cultivation, Mysore had 77,000, Kerala 28,000 and Tamil Nadu 23,000.

Mr. H. G. V. Reddy, Chairman of the Coffee Board, recently said that the Board had extended financial assistance of Rs. 15 crores to coffee planters particularly to the small planters. It was also encouraging the planters to adopt improved techniques including the use of spraying equipment to increase the output from the present 330 kg. to 500 kg. per acre, large-scale use of hybrid varieties and better cultural and watering processes. Through measures being propagated at present it should be possible to sustain coffee production in India at 1.5 lakh tonnes a year.

Quantum of Compensation to Shareholders of General Insurance

The nationalisation of general insurance business has been taken for granted and there was no adequate discussion in the Parliament on the inadequacy or otherwise of the compensation sought to be paid for the taking over of management or ownership. The accounts of prominent companies have been carefully examined by experts and it has been found out that in more than ten cases which account for over 70 per cent of the business of all general companies, the compensation paid by the Government would be only 50 per cent or 60 per cent of the average of distributable profits. What is more, the exclusion of the results for 1970 from the base period has meant that the quantum of compensation would be much smaller than what it would be if the average for three years 1968-70 had been taken into account.

Problem of Deciding Final Compensation

The change over of the management from private sector to the Government for insurance companies, Indian and foreign has no doubt been smooth but

many problems remain to be sorted out and it is only to be hoped that the acquisition of ownership of the business of General Insurance will be done in a fair manner. There are indications that a flexible attitude will be adopted by the Government when handling outstanding problems. It is learnt that such of those companies as have published their accounts for 1970 and announced also their dividends will be allowed to hold the meetings of shareholders and that the dividends may even be paid after being approved by the shareholders. It has even been suggested that where the accounts have not been finalised they will be got ready by the custodians and made available to the directors, who can convene the meetings if they so desire and take such action as is permissible with the disposable profits. It is not clear however how the final compensation for taking over assets will be determined and what exactly happens to the profits that now accrue after paying interim compensation before ownership is finally taken over.

If compensation for change of ownership is not determined on the basis

of assets on the date of transfer, the companies will lose in respect of accrued profits after payment of interim compensation for management. These profits are sizable and if even there is a gap of six months, between the date of management take over and date of vesting of ownership, the accrued profits in some cases may even amount to half of the average of distributed profits for the base period or even more. If on the other hand, the date of transfer is taken into account, it is contended that the accrual of profits may not be on the same scale as it would have been when the earlier managements were in power and a raw deal would have been given to the shareholders.

The Government is obviously anxious to examine the accounts of different insurers as a proper evaluation of outstanding claims and unexpired risks is necessary. Since it is contended that the business is being taken over just at a time when there are indications of a faster rate of growth and many securities in the portfolios will have good capital appreciation after some time, it is being represented to the Government that the whole question should be approached with an open mind and the quantum of compensation fixed on equitable basis. Some method should be found for speedy disposal of the compensation though if the amounts were paid to the corporate bodies, the disposal will take time and there would also be confusion about liability towards taxation. It is also likely that many "erstwhile" insurance companies might elect to undertake other forms of business and available resources used for different purposes. With the nationalisation of general insurance, the Government will have a complete grip on the credit structure and it should be its objective to use purposefully and effectively the vast resources at its disposal. —(FOC)

RAILWAY ACCIDENTS ON THE DECLINE

Indian Railways established a new record in railway safety in 1970-71. The total number of train and other accidents reached the lowest ever figure of 4,928. In 1951-52, the total number of train and other accidents was 16,142 with 298.2 million train kilometres run. The number of accidents declined to 4,928 in 1970-71 with 465 million train kilometres run. In spite of a 59.9 per cent increase in the train kilometrage, the total number of accidents declined by

69.5 per cent during this period. The incidence of accidents per million train kilometres run has come down from 54.1 during 1951-52 to 10.6 in 1970-71. This represents an improvement of 80.4 per cent. This improvement has become possible on account of sustained efforts made by the Railway Administration to use technological aids ranging from rudimentary interlocking to sophisticated devices like Automatic Train Control and better training and supervision of staff.

Corporate Reporting and Social Responsibility

By TILAK SHANKER

In recent times, one could observe sudden prominence to "environment" in corporate reports. Chairman and managing directors dwell at great length and variously express their concern about environment. In this context, however, the Chairman and managing directors of various corporations do not refer to environmental pollution of any kind, but merely Government's controls and "excessive" interference. To devote a major part of the chairman's statement to the economy is not merely fashionable, but as these business leaders have found, helps in diverting the shareholders' attention from worrying about their companies' performance. Viewed against the backdrop of a gloomy and inexorable economy the company's performance appears good and the shareholders are pleased with their sagacity.

Firstly, Government's interference with the industry through the monopoly commission and price control are given extensive coverage in corporate reports. By implication, it is often asserted that but for these controls, industry would have had phenomenal growth and thus would have accelerated economic growth.

The public sector is a tempting target. The Rs. 3,500 crore investment is variously described as blunder and colossal waste. Most of the corporate reports maintain that but for public sector, Indian economy would have grown in leaps and bounds. While extensive coverage is given to the "macro level" study, organisation's performance, and future plans are buried in vague generalities and faint hopes.

The private sector's arsenal is usually an odd assortment of oft-repeated verbal infelicities and comforting clichés like the following:

"Government participation in the economy is the antithesis of industrial growth."

"Private sector's growth has been stifled by ill-conceived Government controls."

"Private sector's profitability and efficiency have been a victim of unwise price control," and so on.

To an impartial observer, these innuendos, while providing interesting reading material do not carry conviction. In fact, one could even go to the extent of saying, but for these controls private sector would not have grown as fast or remained as profitable as they had been.

Corporate Reporting

Annual General Meetings are not forums for "letting steam off." It is a place for self criticism and objective evaluation of performance. If it is used for staging a "well rehearsed" performance, with the chairman's speech punctuated with polite applause one wonders at the utility of such meetings. If it is a meeting for "proxies only", with no dissension allowed, if it is only to comply with the companies act, let us face the facts and at least accept them.

It would be more realistic to start with the assumption that "environmental factors" are above the influence of a single firm and that Government controls are inevitable at least in the short run. This, however, does not mean that Government is above criticism. But it is only a question of approach. If one were to start with the assumption that "Government can never be right" and build a case around it, the result would only be more misunderstanding and greater inconvenience. Instead if industry

were to place their cards, telling exactly what they can do and the problems in achieving these targets they would be in for a pleasant surprise.

The single minded pursuit of profits is irrelevant in any economy today. Multiple objectives of greater customer service, fair return to shareholders and public responsibility alone can make the existence of a firm meaningful to the society. The need today is for a Responsible Corporate Citizen.

Occasions for Introspection

More specifically, the annual general meetings should be considered as occasions for introspection and should be directed towards the four groups to whom the organisation is accountable viz. shareholders, customers, employees and Government.

To the shareholders, the management should explain the failings in the past nor as a creation of Government's interference, but how best it has reacted to the new situation vis-a-vis the competitors. Because no single firm, however big, can influence the larger economy. Secondly future plans would have to be placed before the shareholders, not as vague generalities as "we hope to do better". A conglomerate company should place before the shareholders performance of the company productwise—as "breadwinners" as well as the "also rans". The management should explain why a particular line of product is being continued year after year in spite of losses and what is the contribution from the various other profitable lines. Then the shareholder could make a judgment for himself as to whether his company is doing well vis-a-vis the industry, and whether the future holds any promise.

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The customer expects the organisation to enlighten him about price rise—especially in the case of institutional customers, and inferior quality—especially in the case of industrial products. The organisation should admit its drawbacks and put forth plans for tackling these problems.

To the employees—what the organisation offers them—prospects, wages

and how they compare with rest of industry and stock option plans.

And lastly to the Government the organisation should put forth concrete plans as to how it intends to do its bit to the society. It could be a budget to tackle pollution problem, it could be the executives sparing their time for community activity, it could

be company's contribution to the family planning programme or it could be company's export plans.

The private sector would have to come more than half way because no society is built on caustic criticisms and cries of helplessness. And more importantly because this attitude alone will be in tune with the social awakening in our country.

I BELIEVE:

Reforming Examination System Towards Purposeful Education

I believe that the time has arrived for taking up seriously the question of examination reform. The mammoth and massive numbers of candidates appearing for S.S.L.C. examination is such that a near 60 per cent pass on the aggregate leaves as wasted 80,000 young minds. When it is remembered that even this higher aggregate percentage of passes is the result of "moderation", the unedifying process of a bulk addition of marks to the total all along the line, the volume of disguised inexcellence becomes clear to the mind. At the college level the main problem in many cases has been that the final examination is the only examination that the candidate has taken effectively all through the PUC. Consequently, the claim of written examination as the only feasible test of knowledge gets weaker all the more.

Inflating Marks Marginally

Indeed over the last decade, a vicious circle has been in operation on which there has been too frequent comment and too little action. It has been contended that, for various reasons like imperfection of the curriculum, insufficiency of teacher-pupil contact etc., there has been a compulsion to inflate marks marginally which results in more than marginal increases in passes with their consequent pressures in the form of "seat-seekers" at colleges. New colleges have been

opened, evening colleges inaugurated and the permissible strength of existing colleges augmented. There has been an anxiety to berth every one somewhere without the least worry about standards; or perhaps standards, in these circumstances, have no relevance and have got to deteriorate. But that is precisely why some thought deserves to be devoted to discovering ways by which avoidance of wastage does not ipso facto lead to declining standards. It is exactly here that the present system of knowledge tests is provenly incompetent.

The elementary disability is the fact that the student's fate hangs on the final, university examination. What matters is, not his competence in his subject but the manner in which at a given time-sequence of three hours, he was able to answer any give out of jumble of ten questions. If his mind was not at its very best, his excellence all over the year would not be worth a candle. And, at the opposite extreme, if the accident of the final examination is adverse, a full year or three years or two get wasted in a whimsical whiff.

Some of our students intending to join American universities or Indian Institutes of Management staffed and operated by Americans should be quite familiar with the annoyance expressed by the foreigners in charge of admission over the fact that they can-

not take the applicants' present performance at college into consideration unless it is rounded off with similar excellence at the final examination. Psychologists will vouch for the fact that man is not an automation which can be trusted to repeat its performance at the same calibre always. That is the reason why in Western schools and colleges, the curriculum and the educational system are so devised as to make the student progress at every stage in his academic career leaving individual differences to be reflected as far as it is feasible, not in passes and failures but in passes and classes.

Intensification of Academic Effort

This system has been too slow in coming so far as India is concerned, slow because only recently technical institutions have begun adopting the semester system and orientation courses for teachers at all levels from basic school to college have been started. It is everybody's hope that the experiment will prove successful and will induce a further intensification of the academic effort. For only then will educational institutions have served their purpose as the means to excite judgement without informing it tediously. Only then will the class room cease to be a mass prison with all its built-in deficiencies.

—Horace

BUSINESS BRIEFS:

More Stringent Bonus Issue Rules

The tightening of the rules for giving consent to bonus issue proposals has come at a time when there is every need to make equity investment more attractive. The Government has now stipulated that companies intending to issue bonus shares can capitalise reserves only to the extent that the residual reserves constitute one-third of the increased capital. Till now it was enough if the balance of reserves amounted to 20 per cent of the enhanced capital. This new measure will hit even shareholders of companies which are in a position to avoid any cut in dividend on the increased capital. It has also been stated that the managements should indicate the dividend on the increased capital and that the shareholders should approve the resolutions in this regard. Only in April 1970, the bonus issue regulations were made more stringent by insisting, among other things, that not more than two issues can be made within five years and bonus issues are not to be allowed in lieu of dividend besides the condition that there should be a time-lag of at least 18 months between two bonus issue announcements. It was at the same time to be ensured that 10 per cent of the average amount of the pre-tax profit of the company in the preceding three years yields a return of eight per cent on the increased capital or the average rate of dividend declared in three preceding years whichever is lower. The Controller of Capital Issues was also directed to entertain a fresh application only after the expiry of 12 months from the date of enlistment of the last issue of shares in a recognised stock exchange besides seeing that the bonus issue did not result in overcapitalisation of the company. While a large number of new companies have got clearance for their bonus issues in spite of the stringent guidelines of last year, many established companies which had been making modest bonus issues at fairly regular intervals of two to four years have found it difficult to capitalise their reserves latterly though they can easily maintain their dividends on the additional capital. The latest guidelines will mostly hit new companies which have just started accumulating reserves and are thinking of compensating generously their shareholders for having waited for a number of years before they could get their first dividend.

E.I.D.-Parry

The directors of E.I.D.-Parry Limited have

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explained the adverse working results for 1968-69 as due to accumulation of sugar stocks, sizable outstanding against fertilizer sales and increased manufacturing costs. Interest charges alone rose by over Rs. 50 lakhs to Rs. 1.93 crores during the year mainly due to heavy sugar stocks and slow recovery on fertilizer sales. Average selling prices were also lower due to decline in open market prices while prolonged labour strike at the Nellikuppam factory affected output. The factory could crush only 4.67 lakh tonnes of cane against 6.03 lakh tonnes in 1968-69 while, with a drop in recovery to 7.65 per cent from 7.83 per cent due to operations in summer, sugar output fell even more to 35,705 tonnes from 48,058 tonnes in the previous year. There was a major break-down in the ammonium sulphate plant of the Ennore Fertilizer unit but fertilizer output could still be increased by 10 per cent. Though there was also a marginal rise in sales, there was difficulty in getting prompt payments against earlier transactions in Andhra Pradesh particularly as farmers there had been affected by natural calamities and unfavourable weather conditions last year. The Ranipet factory however functioned satisfactorily and sales of sanitaryware were higher. The merchanting division also did well, with larger sales of consumer goods though offtake of engineering goods was lower. Total direct sales were only marginally lower at Rs. 41.23 crores against Rs. 41.82 crores but sales on consignment account declined to Rs. 38.75 crores from Rs. 40.40 crores in 1968-69. The overall turnover thus amounted to Rs. 79.98 crores against Rs. 82.23 crores. But trading profits declined sharply to Rs. 155.24 lakhs from Rs. 315.49 lakhs. After providing for interest charges and as much as Rs. 26.79 lakhs (Rs. 2.04 lakhs) for doubtful debts, and setting aside Rs. 127.42 lakhs (Rs. 126.06 lakhs), besides taking credit for other income, there was a loss of Rs. 170.90 lakhs against a profit of Rs. 87.44 lakhs in 1968-69. The net loss after taxation and adjusting for share of minority interests in profits was Rs. 170.08 lakhs against a profit of Rs. 28.70 lakhs, the provision for taxation being Rs. 2.66 lakhs (Rs. 58.79 lakhs). The seeding programme of Madras Fertilizers Limited continued satisfactorily, with a substantial rise in sales. Negotiations are underway on long-term distribution arrangements for the production expected to commence in October this year.

Amalgamations Repco

Amalgamation Repco Limited commissioned its plant for complete clutch assemblies only in the second half of 1970. Hence sales were modest at Rs. 8.28 lakhs. There was also a loss of Rs. 7.05 lakhs before depreciation. It has however been decided to claim Rs. 5.88 lakhs for depreciation and Rs. 6.21 lakhs for development rebate besides writing off preliminary and pre-production expenses for Rs. 2 lakhs. After all these, there is a debit balance of Rs. 21.14 lakhs. A substantial portion of this may be wiped out this year as sales in the first four months totalled Rs. 17 lakhs and output and turnover in the remaining months will be much higher. Shareholders may have to wait for two years from now to receive their first dividend.

Hindustan Ferodo

Hindustan Ferodo Limited has had to revise the earlier ratio for its proposed bonus issue under the new guidelines. Due to the stipulation on keeping a larger residual reserve, the directors have decided to capitalise only Rs. 49.63 lakhs out of share premium account for issuing bonus shares in the proportion of one-for-five against the earlier ratio of one-for-four. Many more companies which have recently announced bonus issues may have to reconsider their proposals.

Anglo-French Textiles

The setback in working results of Anglo-French Textiles Limited was due to the fact that the new mill did not attain its full operational efficiency until towards the end of the year, while cotton cost also increased appreciably. Production was also affected by two strikes and despite an output of over five million metres by the new Plesnal looms, total production of cloth increased by only 2.2 million metres as compared to 1969. Exports to U.K. and West Europe declined sharply and the Chairman, Mr. T. S. Krishna has called for immediate steps by Government to revise the trade with U.K. Of the total turnover of about Rs. 7 crores, exports of cloth amounted to Rs. 2.58 crores and yarn exports Rs. 2.69 crores. There was thus an increase in internal sales to Rs. 4.21 crores from Rs. 2.64 crores but yarn sales declined to Rs. 10.76 lakhs from Rs. 42.80 lakhs. The outlook for this year is uncertain in view of the high cost of cotton. There has however been some improvement in exports.

Kohinoor Mills

Kohinoor Mills Limited has announced a

larger distribution on equity capital of 17 per cent taxable for 1970 against 12 per cent taxable in 1969. The dividend has been maintained at 12 per cent while an interim payment of 5 per cent has already been made in connection with the company's platinum jubilee. Though sales increased to Rs. 13.66 crores from Rs. 11.29 crores in 1969, the net profit, before depreciation and taxation, has dropped to Rs. 90.65 lakhs from Rs. 101.91 lakhs. After providing Rs. 25.57 lakhs (Rs. 26.43 lakhs) for depreciation and Rs. 3.66 lakhs (Rs. 3.98 lakhs) for development rebate, taxation claims Rs. 22 lakhs (nil) while there is a larger allocation of Rs. 21.75 lakhs (Rs. 12.85 lakhs) for bonus to employees, including a special distribution. Even then, it has been possible to take Rs. 14 lakhs (nil) to general reserve as in the previous year, it was necessary to wipe out the earlier loss of Rs. 58.48 lakhs from disposable profits. In the latest year, there has also been a receipt of Rs. 1.24 lakhs (Rs. 58,107) in respect of income-tax refund.

Andhra Bank

Andhra Bank Limited, the biggest bank in the private sector after nationalisation of the 14 major institutions, has been making sustained progress in recent years. In 1970, its deposits rose by 24.3 per cent to Rs. 65.05 crores from Rs. 52.31 crores in 1969. The average increase for all scheduled commercial banks in 1970 was only 16.38 per cent. This was due to the doubling of the number of branches since the middle of 1968 and out of 223 branches, as many as 159 are in rural and semi-urban areas and at 68 of these there are no other bank branches. An innovation by the bank which is being followed by others is the system of cluster of branches in villages working for a few days in a week. There was also better utilisation of resources as advances increased by 30.52 per cent to Rs. 46.27 crores from Rs. 35.45 crores in 1969. Advances to the priority sector at Rs. 18.64 crores amounted to 40 per cent of the total. Of this, agriculture accounted for Rs. 9.85 crores and small industries Rs. 7.01 crores (from Rs. 3.69 crores). Investments were higher at Rs. 20.09 crores (Rs. 15.56 crores). The bank raised its dividend to 7 per cent from 6 per cent in 1969 following an improved profit in spite of a steep rise in establishment charges. The institution has been assigned the lead Bank role in four districts in Andhra Pradesh by itself and in two others jointly with another bank. Intensive and impressionistic surveys were conducted to identify growth centres in these districts. The Chairman Mr. K. Gopal Rao has however observed that the banking habit has not spread as fast as it should have in

rural areas. He has suggested that banks must grant advances first in these areas before they can hope to attract deposits.

Coromandel Fertilizers

Coromandel Fertilizers Limited had trouble in operating some of its units in 1970 and as a result valuable production was lost. Actual production of plant nutrients was 2.20 lakh tonnes which worked out to 76 per cent of rated capacity. Loss of output due to the technical difficulty was 35,000 tonnes of complex fertilisers and 16,000 tonnes of urea. Sales in Andhra Pradesh absorbed 1.41 lakh tonnes and outside 92,000 tonnes. Working results in 1970 were quite satisfactory. Sales amounted to as much as Rs. 25.11 crores against Rs. 26.27 crores for the previous 15 months. After providing for depreciation, the balance of profit has been utilised to reduce the debit balance from Rs. 451.80 lakhs to Rs. 396.63 lakhs. The first phase of expansion under which capacity for complex fertilisers will be raised from 2.60 lakh tonnes to 2.87 lakh tonnes and for urea from 16,500 tonnes to 43,000 tonnes has been approved by Government. The estimated cost of the project is Rs. 5.3 crores with a foreign exchange content of Rs. 1.73 crores. The required financial assistance is being negotiated with the International Finance Corporation and the World Bank. Details of the second stage of expansion have also been worked out and are being studied by Government.

Southern Petro-Chemicals

Southern Petro-Chemical Industries Corporation Limited, a joint venture, is making good progress with its plans to set up a huge fertiliser plant at Tuticorin. The President, Mr. K. R. Srivatsa, recently disclosed that the project will cost about Rs. 70 crores, including the ammonia reflux plant for supplying feedstock to the heavy water plant to be located in the same area by the Atomic Energy Commission. The foreign exchange content will be Rs. 29 crores and will be found mainly from sterling and Yen credits. The plant and machinery will be secured from British and Japanese firms while the technical processes will be acquired on an outright basis. There will be an issue of capital for Rs. 16 crores (in equity for Rs. 12 crores and preference shares for Rs. 4 crores). The promoters and their friends will subscribe Rs. 3.8 crores, brokers and insurance firms Rs. 1.2 crores and the Tamil Nadu Government about Rs. 4 crores. The balance of Rs. 7 crores will be raised with the assistance of statutory financial corporations and a public issue of equity and preference capital. Loans in rupees and foreign

exchange will be secured from institutional lenders and the Government. There will be no participation by foreign interests in the paid-up capital. The urea plant with a capacity of 1600 tonnes daily will be the biggest in the world while the 1,100 tonne single stream ammonia plant will be the largest in India. The project includes facilities to produce 600 tonnes of ammonium phosphate and NPK, 470 tonnes of sulphuric acid and 105 tonnes of phosphoric acid. Naphtha for the plant will be imported. Construction work is expected to commence by the last quarter of this year and the plant scheduled to go into production early in 1974. The capital cost per tonne of plant nutrients may be lower than other modern plants. Total annual production will be 2.9 lakh tonnes of nitrogen, 52,800 tonnes of phosphoric acid and 41,200 tonnes of potash.

Dalmia Cement

The lower profit of Dalmia Cement (Bharat) Limited in 1970 was due to reduced despatches following transport difficulties and increased cost of lime-stone. In fact, production of clinker was higher at 4.84 lakh tonnes against 4.77 lakh tonnes but cement output dropped to 5.04 lakh tonnes from 5.36 lakh tonnes. Raisings of iron ore however showed a rise to 4.91 lakh tonnes from 4.46 lakh tonnes. But due to delays at ports and labour's go-slow tactics, sales declined to 4.66 lakh tonnes from 4.86 lakh tonnes. The expansion of the dead-burnt magnesite plant at Salem is expected to be ready by the middle of next year. There has been some difficulty in getting heavy castings from the Heavy Engineering Corporation. The Kundara Cashew Unit operated satisfactorily last year while larger exports of coffee were effected through Dalmia International. The new travel agency is also likely to be helpful in raising earnings in the current year.

FACT Know-how for Brazil

FACT has provided the technical know-how, basic design and engineering assistance to set up a 10 tons per day ammonium chloride plant for Engechlor Industries Quindim, Rio de Janeiro, Brazil, South America. Brazil presently imports about 3,000 tons of ammonium chloride per year to meet the requirements of the domestic industries.

The Engechlor plant built at the Industrial Region of Cubatao with the assistance of FACT has commenced production. Chemically pure ammonium chloride was produced for the first time in Brazil in March. The plant has a capacity to produce 3,000 tons per year to meet the present requirements.

With very minor changes the plant can produce upto 4,500 tons per annum. The raw

materials, ammonia and hydrochloric acid are obtained from Ultra Fertil Complex and Carbochlor plant respectively. The Engechlor plant is fully equipped and is self-sufficient in all the utilities like water, steam and service air.

The total investment in the project is about US \$ 5,00,000 and it has fulfilled the much needed gap in meeting the requirements of Ammonium chloride, which is presently being imported into Brazil.

Swastik Rubber

Swastik Rubber Products Limited has maintained the ordinary dividend for 1970 at 12 per cent taxable though there was an appreciable increase in earnings over 1969. With higher output at the Chinchwad Unit, the turnover improved to Rs. 6.04 crores from Rs. 5.15 crores. There may be a further sharp rise in sales as the new Nasik factory has started making two-colour P.V.C. gum boots. The net profit, before depreciation, has also increased to Rs. 65.81 lakhs from Rs. 55.33 lakhs. Depreciation claims Rs. 43.69 lakhs (Rs. 39.87 lakhs). It is felt the funds that may become available as a result of the merger of Bank of Maharashtra Limited with Swastik Rubber will be useful for implementing the latter's expansion schemes. The additional funds involved is Rs. 1.75 crores. Shareholders of both companies have approved the scheme and only the High Court has to clear it.

Tensile Steel

Tensile Steel Limited has declared a maiden dividend of 12 per cent taxable for the year ended March 31, 1971 after wiping out earlier losses. The company's sales jumped to Rs. 2.04 crores from Rs. 1.41 crores in 1969-70 while there was a four-fold increase in the net profit, before depreciation, to Rs. 39.43 lakhs from Rs. 10 lakhs. The sum set aside for depreciation is Rs. 6.07 lakhs (Rs. 3.31 lakhs) and development rebate Rs. 51,243 (Rs. 57,286). After wiping out the debit balance of Rs. 16 lakhs brought in there is a transfer of as much as Rs. 16.84 lakhs (nil). Output of steel wires increased during the year to 8,243 tonnes from 5879 tonnes in 1969 while sales rose to 7777 tonnes from 6330 tonnes. The company is expected to reach capacity production in respect of pre-stressed concrete wires shortly. There is a proposal to raise this capacity to 12,500 tonnes in the first stage and to 17,500 tonnes in the second stage. Production of fine wires will also be taken up with an initial capacity of 1200 tonnes which will be later raised to 3000 tonnes. The cost of the whole project is estimated at Rs. one crore. But there is no intention to raise fresh equity capital to meet this cost.

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Alembic Glass Fares Well

Alembic Glass Industries Limited, one of the leading units in the industry, has reported heartening results for 1970 and the directors have maintained the equity dividend at 12 per cent on the capital as raised by a bonus issue in the proportion of one share for every two shares held. This works out to 18 per cent on the old capital. The turnover was higher at Rs. 5.23 crores against Rs. 4.58 crores in 1969 while there was a more impressive rise in the net profit, before depreciation and taxation, to Rs. 154.94 lakhs from Rs. 101.28 lakhs. After setting aside Rs. 49.64 lakhs (Rs. 28.87 lakhs) for depreciation, taxation claims Rs. 53.80 lakhs (Rs. 33.50). The transfer to development rebate reserve is Rs. 9.85 lakhs (Rs. 2.18 lakhs) and general reserve Rs. 41.80 lakhs (Rs. 45.41 lakhs).

New Tyre Capacity

The Planning Commission has estimated the total demand for automotive tyres by 1973-74 at 7.2 million for which it has suggested an installed capacity of 8 million. But it is felt in industry circles that the demand will be 8 million for which a capacity of 9 million may be required. At present, the seven existing units (Dunlop—14.49 lakhs, Goodyear—6.03, Firestone—6.72, Ceat—6.50, Premier—6, Madras Rubber—6.1, Inchek 6.0 lakhs) have a licensed capacity for 48.84 lakh tyres though all this capacity will take some time to be utilised. Besides Modi Industries, which is yet to take action on the letter of intent for setting up a new unit for 4 lakh tyres, letters of intent have been issued to 8 new parties for an aggregate capacity of 2.4 million. The new units proposed with three lakh tyres capacity each are by (1) Ludhiana State Industrial Development Corporation (Ludhiana); (2) Orissa Industrial Development Corporation (Paradip); (3) Andhra Pradesh Industrial Development Corporation (Hyderabad); (4) Tamil Nadu Industrial Investment Corporation (Ramanathapuram); (5) Gujarat Industrial Investment Corporation; (6) Jaswant Vora, Dhanbad (Madhya Pradesh); (7) R. B. Jesudasan of South India Export Corporation (Mysore) and (8) Ruby Rubber Works (Kerala). While the expanded capacities of existing units may be completed fully only by 1973-74 or 74-75, the expanded capacity of 5.6 million (including the Modi Unit which however is not likely to be set up before the plan ends) may fall very much short of the required capacity of 8 to 9 million. Of course, the facility to produce upto 25 per cent in excess of the licensed capacity may add another 1.4 million to effective production. This would take care of a demand of 6.5 million. It is a pity

that Government has not thought of fresh capacity expansion in the existing units which can be brought into production much earlier than new units and at much lower cost. There is thus the gloomy prospect of an acute tyre shortage in the next two or three years.

Woolcombers of India

Sales of Woolcombers of India Limited jumped in 1970 to Rs. 11.53 crores from Rs. 7.29 crores in 1969 but the net profit, before depreciation and taxation, improved only slightly to Rs. 47.28 lakhs from Rs. 42.64 lakhs. The equity dividend has been raised to 7½ per cent taxable from 6 per cent taxable. The charge in respect of depreciation is Rs. 12.99 lakhs (Rs. 15.17 lakhs) and taxation Rs. 19.02 lakhs (Rs. 15.30 lakhs). The transfer to development rebate reserve is Rs. 6,000 (Rs. 26,500) and general reserve Rs. 15.07 lakhs (Rs. 11.43 lakhs). The dividend will absorb Rs. 7.87 lakhs out of this reserve. The company's production has been hit by labour trouble though the dye plant has shown slight improvement. Working in the first four months this year has been satisfactory. The plant capacity is fully booked for both Mareno and Indian wool for the rest of the year. In view of the anticipated rise in demand for wool tops, an application has been made for expansion of capacity.

Century Enka

Century Enka Limited has achieved full capacity working and is now producing nylon yarn of international standard. The company has already received a letter of intent for expansion of its capacity upto 6.5 tonnes a day while a licence is awaited for the same. The Government has taken a policy decision to permit expansion of smaller units to a minimum capacity of 6 tonnes a day. Applications have also been invited for granting industrial licences for setting up nylon yarn plants of upto 12 tonnes capacity. Century Enka has thought it desirable, in view of the delay in getting the licence for its expansion, to utilise the resources generated so far to repay various rupee loans.

New Tamil Nadu Corporation

A new corporation, called the State Industrial Promotion Corporation of Tamil Nadu (SIPCOT) is proposed to be set up by the State Government to provide financial, technical and other help to entrepreneurs. The Industries Minister, Mr. S. Madhavan, said the new corporation would help start new small, medium and large-scale industries. A bill to provide for its establishment is now under preparation.

SIPCOT will provide loan assistance upto 75 per cent of the capital. Under this corporation's scheme, new units would be given sales-tax remission for six years.

Alkali & Chemical

Alkali & Chemical Corporation of India Limited has done extremely well in the half year ended March 31, 1971 and the directors have decided to increase the interim dividend on equity capital to 7½ per cent, taxable, from 5 per cent taxable for the previous year. The total payment in 1969-70 was 15 per cent, taxable. The company's sales in the first half of 1970-71 rose sharply to Rs. 12.28 crores from Rs. 9.30 crores in the corresponding period in the previous year while the turnover for the whole of 1969-70 was Rs. 21.51 crores. It is stated that the encouraging working results were mainly due to technical improvements in the polythene plant which helped to raise the production substantially. There was also better raw material efficiency. Also, the company successfully produced and marketed a new plant protection chemical. The net profit, before taxation and after depreciation, improved sizably to Rs. 130 lakhs from Rs. 113 lakhs (The total profit for 1969-70 as a whole was Rs. 2.38 crores). The estimated liability for taxation is Rs. 74 lakhs (Rs. 71 lakhs) while development rebate claims Rs. 6 lakhs (nil). For 1969-70, after providing Rs. 1.44 crores for taxation and Rs. 3 lakhs for development, the net profit was Rs. 91 lakhs.

Tubes and Malleables

Tubes and Malleables Limited has reported very encouraging results for 1970 with an impressive rise in sales and earnings though the volume of black and galvanised sheets sold declined to 9,218 tonnes from 10,637 tonnes in 1969. The company must have benefited from higher selling prices as the turnover improved to Rs. 2.81 crores from Rs. 2.63 crores. The net profit, before depreciation and taxation, trebled to Rs. 29.10 lakhs from 9.63 lakhs in 1969. The dividend on equity capital has been raised to 15 per cent taxable from 10 per cent taxable. A final payment of 10 per cent is to be made. Depreciation claims only Rs. 57,903 (Rs. 61,673) while the allocation for taxation is as much as Rs. 18.93 lakhs (Rs. 5.57 lakhs). General reserve gets Rs. 5 lakhs (nil).

Hyderabad Asbestos

Hyderabad Asbestos Cement Product Limited has done much better in 1970. Sales increased by 48 per cent as compared to the previous year, exports amounting to Rs. 1

crore. The net profit, before depreciation, also rose sharply to Rs. 61.29 lakhs from Rs. 21.71 lakhs in 1969. The directors have decided to resume the dividend on the equity capital, with a payment of 10 per cent taxable. There was no distribution in 1969 while in 1968, a dividend of 10 per cent was paid. The charge in respect of depreciation is Rs. 34.44 lakhs (Rs. 32.97 lakhs) while general reserve gets Rs. 29.99 lakhs (nil). There is a transfer of Rs. 3.10 lakhs from development rebate reserve and of Rs. 25,000 being provision for doubtful or bad debts no longer required whereas in the previous year, there was a transfer of Rs. 11.80 lakhs from general reserve.

Elgi Rubber Products

Elgi Rubber Products Limited has been promoted by a well-known group of Coimbatore industrialists to produce reclaimed rubber. The factory is to be located at Chingleput in Tamil Nadu. An industrial licence has been obtained for producing 2,500 tonnes of reclaimed rubber. Import licences for machinery worth Rs. 11.24 lakhs have been secured. The plant is expected to go into production early next year. The company will have an issued capital of Rs. 20 lakhs, of which Rs. 5 lakhs in equity is already paid-up. Out of the balance of Rs. 10 lakhs in equity shares and Rs. 5 lakhs in preference shares, equity shares for Rs. 2.65 lakhs are being taken up by promoters and their friends. The public has been offered equity shares for Rs. 7.35 lakhs and the entire preference issue.

Permanent Magnets

Sales of Permanent Magnets Limited have increased to Rs. 1.31 crores in 1970 from Rs. 90.70 lakhs in 1969. But with an improved profitability there has been a jump in the net profit, before depreciation and taxation, to Rs. 25.32 lakhs from Rs. 14.77 lakhs. The dividend on equity capital has naturally been raised to 12 per cent taxable from 10 per cent. Even then, the dividend amount will be only Rs. 3.30 lakhs against Rs. 2.75 lakhs in 1969. The provision for depreciation is Rs. 4.14 lakhs (Rs. 4.42 lakhs) and development rebate Rs. 19,936 (Rs. 47,000). But the tax liability is much higher at Rs. 11.41 lakhs (Rs. 4.52 lakhs) though the transfer to general reserve is also considerable at Rs. 9.60 lakhs (Rs. 5.70 lakhs). The dividend will be paid out of this reserve and is amply covered. The company has decided to issue fresh equity capital for Rs. 16.50 lakhs on a rights basis in the proportion of three shares for every five shares held. The funds are required to meet part of the expansion costs.

Straw Products

Straw Products Limited could increase its output of paper and boards in 1970 to 34,629 tonnes from 33,221 tonnes in 1969. The turnover was also higher at Rs. 7.49 crores against Rs. 7.21 crores. The net profit, before depreciation and taxation, improved to Rs. 1.78 crores from Rs. 1.66 crores. But the equity dividend has been only maintained at 12 per cent taxable. After setting aside Rs. 49.11 lakhs (Rs. 46.32 lakhs) for depreciation and Rs. 8.50 lakhs (Rs. 16.10 lakhs) for development rebate, the provision for taxation has been slightly raised to Rs. 56.60 lakhs (Rs. 51.50 lakhs). General reserve gets a larger sum of Rs. 33.04 lakhs (Rs. 21.65 lakhs). The company is implementing an expansion scheme at a cost of Rs. 8.5 crores. The new MG machine installed towards the end of last year has been in operation, producing tissues and poster papers while arrangements are being made to erect another machine. A crash programme costing Rs. 1.40 crores is also under study to raise output by adding balancing equipment. After this scheme, further expansion may be considered.

Atul's Nylon Project

Atul Products Limited has a scheme for taking up the manufacture of nylon filament yarn and for raising its intermediates capacity. The cost of these projects is estimated at Rs. 12 crores, the former scheme alone costing Rs. 7.50 crores. The nylon scheme can be financed out of internal resources and there will be no need for raising fresh capital for this purpose. The Chairman of the company Mr. Kasturbhai Lalbhai told the recent annual meeting that the project can be completed in 18 months once Government permission is obtained. The current year's outlook for Atul and Atic Industries (subsidiary) has been clouded by the uncertain conditions in the cotton textile industry. Sales so far this year have however been satisfactory and thanks to higher exports, it is expected that the total turnover for the year will show a net rise of Rs. 2 crores, with a corresponding improvement in earnings.

Synthetic Doubles Payment

Shareholders of Synthetics and Chemicals Limited who had to wait for quite a number of years before receiving their maiden dividend for 1969 would be glad over the decision of the directors to double the dividend for 1970 to 12 per cent, taxable. The company's output of synthetic rubber increased by about 25 per cent to 30,339 tonnes from 24,590 tonnes in 1969 but with lower

demand from tyre and rubber units due to labour trouble and easy availability of natural rubber sales improved only slightly to 27,749 tonnes from 26,170 tonnes. The turnover was even marginally lower at Rs. 13.14 crores against 13.92 crores due to adjustment in selling prices. There was also a drop in the net profit, before depreciation and taxation, to Rs. 3.35 crores from Rs. 3.43 crores. The charge in respect of depreciation is Rs. 1.31 crores (Rs. 1.26 crores) while development rebate claims as much as Rs. 2.04 crores (Rs. 38 lakhs). General reserve gets only Rs. 5 lakhs (Rs. 1.29 crores). The latest dividend will be paid out of this reserve, absorbing Rs. 68.97 lakhs (Rs. 34.48 lakhs).

ILTD Enters Long Term Agreement with its Union

A Memorandum of Settlement for 4 years has been entered into between ILTD Company and the Andhra Pradesh ILTD Company Workers Union, Guntur, covering all the terms and conditions of service of the Company's employees in Andhra Pradesh, whose strength is over 23,000.

The Agreement is the fifth of a series of long term Agreements between the Company and the Union, the first one being in 1957. Benefits under the present Agreement are to the tune of Rs. 25 lakhs per year, which include higher emoluments than prescribed by the Tobacco Wage Board. On its part, the Union agreed for maintenance of higher productivity. It is also agreed that the Company and the Union would evolve a scheme whereby bonus will be linked with productivity instead of profits. Work standards have been fixed for all categories of employees.

Vijaya Bank

Vijaya Bank Limited was able to garner larger resources during 1970 than in the previous year with the opening of new branches. The Chairman of the bank, Mr. Mulki Sunder Ram Shetty, recently indicated that there was a 47 per cent increase

in deposits in 1970 to Rs. 27.52 crores from Rs. 18.71 crores in 1969. This follows a 42 per cent improvement in 1969 over the previous year, indicating that regional banks are proving to be more popular and their growth in respect of deposits is much higher than the nationalised banks. Advances also rose sharply to Rs. 17.54 crores from Rs. 13.01 crores, the agriculture and small industries sectors accounting for 12 per cent and 19 per cent of the total respectively. There was an impressive increase in gross income to Rs. 201.97 lakhs from Rs. 142.52 lakhs while the net profit nearly doubled to Rs. 8.49 lakhs from Rs. 4.60 lakhs in 1969. The dividend has been raised to 10 per cent taxable. There was an issue of additional equity capital for Rs. 20 lakhs last year to bring the paid-up capital into better relationship with the surging deposits. It may become imperative in the near future to raise the authorised capital to facilitate any further issue of capital that may be decided on. Twelve new branches were opened during last year, bringing the total to 128 branches at the end of the year.

Vysya Bank

Vysya Bank Limited also maintained its steady growth during 1970 though there was a slower growth in deposits and other accounts as compared to the previous year. These rose only modestly by Rs. 85 lakhs to Rs. 9.15 crores against an increase of Rs. 1.55 crores in 1969. But advances jumped to Rs. 6.28 crores from Rs. 4.95 crores while investments were higher at Rs. 2.60 crores against Rs. 2.11 crores. Borrowings also increased to Rs. 30 lakhs from Rs. 18.39 lakhs. The gross income was much higher at Rs. 83.05 lakhs against Rs. 66.22 lakhs while the net profit, after taxation and after making the usual provisions, doubled to Rs. 7.38 lakhs from Rs. 3.79 lakhs in 1969. Interest on deposit and borrowings was higher at Rs. 39.25 lakhs (Rs. 33.62 lakhs) and salaries etc. at Rs. 26.11 lakhs (Rs. 20.14 lakhs). After transferring Rs. 4.50 lakhs (Rs. 2.25 lakhs) to statutory reserve and pro-

viding for bonus to staff the dividend has been raised to 10 per cent taxable from 9 per cent taxable.

Tube Investments

Tube Investments of India Limited could show a substantial improvement in pre-tax profits in 1969-70 despite substantial increases in raw material costs mainly due to the taking up of outside work on sub-contract basis to utilise the idle capacity caused by lack of steel and other raw materials and realisation of higher prices on steel scrap. Better use of resources in all the units including the subsidiaries also contributed to improved profitability. The bicycle unit however could not work on a profitable basis due to a sharp rise in working costs. The Chairman, Sir A. Ramaswami Mudaliar, has expressed confidence that the progress made last year would be maintained this year. Encouraging results have been obtained from rationalisation in production and more effective use of resources has been achieved through organisational changes and revision of systems. The Indian shareholders will be getting an opportunity to acquire a few shares of the company at a concessional price (as compared to the market rate now). In terms of an earlier agreement with the Government of India, Tube Investments Limited of U.K. which holds 60 per cent of the equity shares of the Indian company, will sell 25,000 shares this year and 3,125 shares next year to bring down its holding to 52.5 per cent in the company's equity capital. The Government has approved the offer of 25,000 shares this year by the British interests to the other shareholders in the proportion of one share for every six shares held, excluding fractional entitlements less than half a share. After the concessional price at which these should be offered is approved by Government, shareholders will get details of the offer through the British firm's agent. (We regret the error in our report on this company in our May 1 issue. The above gives the correct position—Ed. I.E.).

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STOCK MARKET:

Post-Budget Outlook Discouraging Still Hazy

Stock marketmen would appear to be still studying the wider implications of the Central budget proposals as they affect individual savings and investments and profitability of the private corporate sector. With the result, a drifting tendency has been noticeable and share prices since the beginning of June following bull liquidation. But no strong bear pressure has been in evidence.

While it is generally agreed that the Finance Minister has an unenviable job of raising large resources to meet the additional burden imposed on the national economy by the influx of over five million refugees (for which only Rs. 60 crores has been provided) and to finance a bigger annual plan to improve employment opportunities, the manner in which the new imposts have been levied has come in for criticism. It is felt that some of the measures might as well defeat the very purpose of the Government by discouraging fresh investments in industry. It is pointed out that the increased surcharge on tax on incomes exceeding Rs. 15,000 will affect the flow of funds into industry from a section of the community which has been providing most of the needs of the private corporate sector. The removal of the base slab upto Rs. 1,00,000 for levying tax on wealth exceeding Rs. one lakh for individuals, the virtual ceiling on salaries of company executives and directors, hike in wealth tax rates above Rs. 15 lakhs, the withdrawal of exemption from wealth tax for shares forming part of the initial capital issues and the reduced deduction allowed from long-term capital gains from shares (50 against

65 per cent) are all bound to have a restraining effect on steady flow of savings into worthwhile industrial investments. No doubt the exemption limits from income tax and wealth tax for incomes and wealth from approved forms of investments like shares, bank deposits, etc., have been retained but in the absence of larger savings, these by themselves cannot attract large funds.

As regards company taxation, the most dreaded measure is the proposed withdrawal of the development rebate facility from May 31, 1974. This single facility has alone been a powerful incentive for entrepreneurs to invest in new schemes. Representative bodies have pointed out that the decision to do away with this incentive will affect fresh investment decisions even from now as any claim of rebate will arise only when the new machinery is installed. Also, the development rebate had been helpful in meeting the higher cost of replacement of machinery and modernisation while its withdrawal will raise the tax burden considerably. Another decision that will affect the disposable profits of a number of industries in the reduction in tax exemption for priority industries from eight per cent of the taxable profits to five per cent. The removal of six industries, which have shown the most vigorous growth in recent years, from the priority list will raise their tax liability by 10 per cent. However, these industries will continue to get the higher development rebate allowed for priority industries till 1974 as they still find a place in Schedule V of the I.T. Act along with other non-priority industries like cotton textiles. The increase in

surtax rates from 25 to 30 per cent on chargeable profits in excess of 15 per cent of the capital and the hike in capital gains tax on companies from 40 to 45 per cent in respect of lands and buildings and from 30 to 35 per cent in respect of other gains will hit companies operating efficiently. But the worst affected will be new companies and their shareholders. The exclusion of debentures and long-term borrowings from the capital base for purposes of calculation of the quantum of tax-exempt profits (5 per cent of the capital employed) and tax relief on dividends is also seen as a damper to investors. It is pointed out that risk capital comprising equity and preference shares generally forms one-third of the total capital employed in new ventures, particularly in capital-intensive industries, and hence the tax relief will be whittled down by two-thirds of the hitherto available quantum.

The cumulative impact of these new imposts will be felt in the working results of companies for the latest year. But for the sound outlook for the economy as a whole as a result of satisfactory agricultural production and larger plan expenditure in the current year which will create better demand for industrial products, the stock markets would have reacted to the budget proposals in a nervous manner. It cannot however be overlooked that the higher import duties on machinery and vital raw materials will push up capital costs of new schemes as also working expenditure significantly. Against this background, it should be expected that share prices will show irregular trends.



GIVING THE GO-BY TO A GOOD SCHEME

The decision of the Tamil Nadu Government to repeal the dry law might not come as a surprise to many. Sections of the DMK have been clamouring for the lifting of prohibition for quite some time in the past. The revenue considerations of the Government, which have already reached saturation levels in a number of its heads, weighed heavily in favour of scrapping prohibition. The total deficit in the State budget has been estimated at Rs. 36 crores during 1971-72. Added to this was a deficit of Rs. 23.23 crores in the opening balance of 1971-72 which takes the total deficit at the end of the current financial year to around Rs. 59 crores. The State has already a reputation for the stiffest levels of taxation on vehicles, sales tax, urban land tax, entertainment tax... It was too tempting to resist the repeal of the dry law and the one restraining factor here had been the acceptance of prohibition as a necessary State policy which has been welcomed by a large cross-section of people.

Was not prohibition a success in Tamil Nadu? The beginning of the enforcement of the prohibition law can be traced to 1937 when the Rajaji Ministry introduced this law in Salem. After Independence, it was extended to the whole of Tamil Nadu and in the last two decades and more, a generation of people has grown far away from the practice of drinking. The frittering away of energy by over-drinking has been very much reduced, particularly in the rural areas. The consequence was an improvement in the living standards of the working class both in the agricultural and the industrial sectors.

Over the years, the village economy has improved considerably. Particularly in recent years, thanks to the exotic varieties, better water management and energisation of a large number of pump-sets multi-cropped agricultural operations have become a continuous process extending

round the year. By and large, a minimum of two crops are grown and in more favourable areas like Thanjavur, Chingleput and Coimbatore Districts, three crops are also attempted in a large-scale. The result is that farm labourers today get reasonable wages for nearly 300 days a year which are comparable to their counterparts in the urban industrial sector. The absence of prohibition has certainly helped these sections of society to afford their families a much better standard of living. One can see an average village in Tamil Nadu undergoing a tremendous transformation. Most of the villages have power. Tea shops and small hotels do roaring business. An average villager affords better food and clothing, even entertainment—attendance at the picture-houses in the rural areas is large. It is regrettable that all the good that has been done by keeping at least a majority of the people—let us omit, for the present, those addicts who take to illicit liquor—is being done away with the decision to lift prohibition. Introducing the dry law afresh will become almost impossible because no State could afford to lose its revenue-yielding resources.

The Karunanidhi Government earned the gratitude of the large cross-section of masses for its novel and fresh approaches in regard to beggar rehabilitation, slum clearance programme, assignment of cultivable lands to the landless, Harijan welfare schemes, allotment of house sites for agricultural labourers in Thanjavur district and the like. Certainly it could have desisted from the decision to scrap the dry law which is bound to undo a lot of good that has been done to the people of the State for a number of years.

His reference to the difficulty of Tamil Nadu surviving as "a solitary votary of prohibition—a gem of camphor, as it were, surviving in the midst of the flaming tongues of a hoop of fire" smacks of empty rhetoric. His analogy

PRICE MOVEMENTS

Following are closing quotations for select scrips on May 29 and June 8

Madras			Bombay			Calcutta		
May 29			May 29			May 29		
June 8			June 8			June 8		
India Cements	5.78	5.65	Tata Steel	103.25	103.75	Indian Iron	12.00	11.50
Mettur Chemical	12.15	12.00	Hind Motors	12.20	11.68	Hind. Motors	12.80	11.75
Ashok Leyland	6.55	6.60	TELCO	237.50	238.00	Guest Keens	38.00	37.80
S.I. Viscose	179.00	179.00	Century	871.50	873.00	Dunlop India	38.80	38.10
Tr. Rayon	21.00	21.00	National Rayon	490.00	489.50	Indian Alum.	37.90	37.40
Madura Mills	18.50	18.10	Tata Chemical	30.50	30.25	Alum. Corp.	16.37	16.19
E.I.D.—Parry	13.90	13.75	United Carbon	430.00	422.50	Hind. Alum.	35.50	35.50
Madras Alum.	181cd	168.75xd	Nagpal	16.00	16.24	Philips India	39.50	41.06
Seshasayee Paper	14.00	14.55	NOCIL	233.00	230.50	Shree Synthetics	11.81	11.31
S.I. Shipping	217.00	216.00	Synthetics	183.00	167xd	Tribeni Tissues	19.50	18.60

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that we have to give up because of the surrounding States of Mysore, Andhra Pradesh, Kerala and Pondicherry are wet is again not logical. It is like stating that one cannot help becoming immoral if his neighbours are so.

The Chief Minister has stated that the Tamil Nadu Government "need not be ashamed of honestly admitting that no other good has flown out of this." He has cited a grievous loss in revenue, the difficulty in the creation of atmosphere in which the implementation of the policy itself is in jeopardy, as reasons for his decision. To suit his logic, he has stated that the only consequences of the present prohibition laws are the overflowing of prisons and an increase in vile diseases.

A clever politician he is, Mr. Karunanidhi was also careful in making the Centre a scapegoat of his decision. It has been known for quite some time past that the Central Government, which has its own problems of resources, cannot afford to help the States to stick to prohibition by subsidising the loss in revenues to the States as a consequence of their prohibition policy.

Are the revenue considerations very attractive? It is gathered that during the current year the total revenues, as a consequence of lifting prohibition, would be in the region of Rs. 10 crores. We may still expect a certain restraint on the part of large masses of people to take to drinking at least for some more years. In a full year,

TAMIL NADU BUDGET—BOLD ATTEMPT IN RAISING RESOURCES

The revised budget estimates of Tamil Nadu for 1971-72 make a bold attempt to mobilise resources in a big way for meeting the additional commitments arising out of the implementation of the recommendations of the Second Pay Commission and an enlargement of the scope of the Fourth Plan. On these two counts alone, there will be an increase in expenditure to the extent of Rs. 46 crores in the current year, the full impact of the Pay Commission's recommendations being Rs. 29 crores and the additional expenditure on Plan schemes Rs. 17 crores. These and other increases in expenditure have been responsible for the revenue budget swelling on the disbursement side to Rs. 358.52 crores from the budget estimate of Rs. 349.64 crores in the interim budget and Rs. 320.43 crores in the revised estimate for 1970-71. There has also been an increase in revenue receipts to Rs. 342.65 crores from Rs. 338.68 crores and Rs. 312.60 crores respectively. Even so, the deficit on Revenue Account is much higher at Rs. 15.87 crores in the revised budget against Rs. 10.96 crores in the interim budget and Rs. 7.83 crores in the revised budget estimates for 1970-71.

As there will also be a deficit on capital account by about Rs. 20 crores, it is expected that the closing balance for 1971-72 will reveal a cumulative deficit of Rs. 59 crores against the opening debit balance for the year of Rs. 23.23 crores.

the total revenue might not exceed Rs. 20 crores unless the Government gears up its propaganda machinery to stimulate the drinking habit as it does in the case of lotteries.

Even the revenue estimates might be belied; the State earns a large income out of entertainment tax, through cinema (around Rs. 8 crores this year). The disposable income in the hands of agricultural and industrial workers will certainly be reduced as a consequence of prohibition and to the extent the large rush towards picture-houses from the families of these would consequently diminish the revenue from entertainment tax.

Mr. Karunanidhi could certainly have proceeded with a greater degree of caution. He could have emulated the example of Bombay where they liberalised the prohibition laws which met the demand from the various cross-sections of people. The law could have been made less stringent permitting the drinking of liquor with low alcoholic content such as beer or toddy. After all, the number of offenders who have been punished for violation of prohibition law in 1960 was 3.38 lakhs. Even assuming that another lakh of persons are not detected the total number of persons taken to drinking would form just around one per cent of the total population of Tamil Nadu. This is bound to increase to at least 10 per cent within very short time after the repeal of the dry law. Is this increase healthy or unavoidable?

The overall deficit of Rs. 36 crores for the current year is proposed to be reduced to Rs. 14 crores by the levy of new taxes for Rs. 7.8 crores, the issue of rural debentures for Rs. 3.5 crores by the State Electricity Board and the suspension of prohibition effective from August 30, 1971. It is expected that through revoking the dry-law, there will be fresh receipts from excise for Rs. 10 crores in the current year and perhaps Rs. 20 crores in a full year. The Chief Minister has indicated that there will also be higher taxation of agricultural incomes particularly those derived from the cultivation of commercial crops.

Many may question the justification and desirability of some of the new levies as they will penalise urban consumers and create also special hardships for holders of urban property and consumers in the Madras City area. The Urban Land Tax will now be levied on a graduated basis and the incidence will be heavy on holdings above 2 grounds. There will in fact be a doubling of the tax rate above 5 grounds and an increase of 2½ times above 10 grounds. As it is feared that there will also be an increase in the basis of valuation after 1973 and the scope of the Act has been extended to Madurai, Tiruchi, Salem and Coimbatore, there will be considerable discouragement to residential building construction, especially as the taxes on houses have also been on the increase in recent months in Madras and elsewhere.

The increase in the multi-point Sales Tax to 3½ per cent from 3 per cent has also been opposed by business interests as the burden of Sales Tax in Tamil Nadu is already high. It has also been complained that the surcharge of 10 per cent on Sales Tax payable by dealers in Madras City subsequently reduced to 5 per cent, but extended to Coimbatore, Madurai, Tiruchi and Salem towns is unfair. The yield from this surcharge alone is expected to be Rs. 3 crores in the current year and much more in a full year, while the higher multi-point sales tax will fetch Rs. 3.8 crores in the remaining months of 1971-72. With the new proposal for increasing the Sales Tax by ½ per cent on components, there is apprehension in business circles that the growth of trade in the border areas will be seriously retarded.

From the budgetary angle, the new proposals will result in cornering of resources for over Rs. 35 crores in a year and the Finance Ministry probably thought it advisable to make a big effort even in the initial stage. This policy cannot be said to be quite correct as the long term interest will be prejudiced to a great extent. The more appropriate course would have been to secure additional

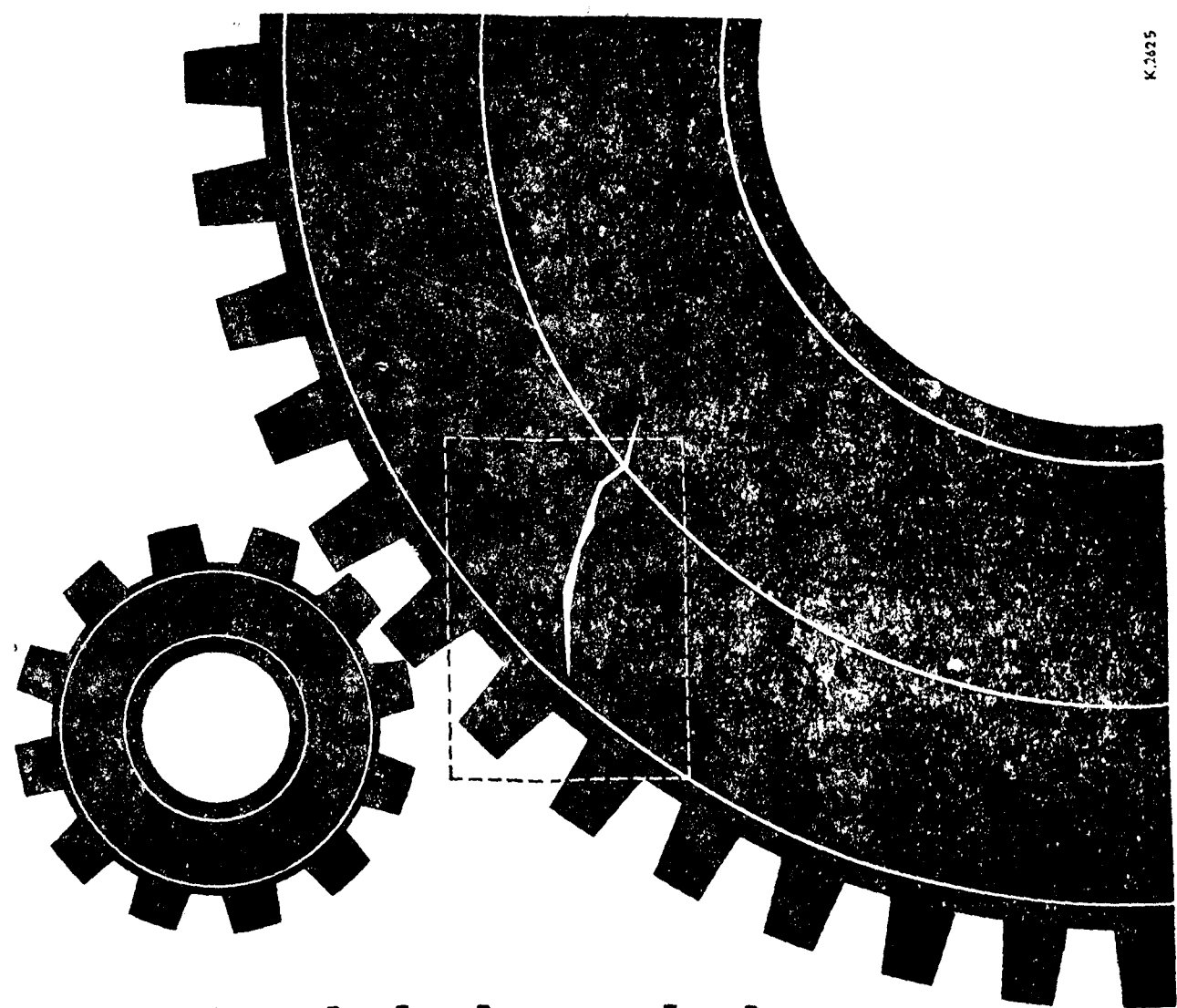
revenues by eliminating the subsidies that are now being incurred on the supply of power and on the provision of irrigation facilities.

Mr. Karunanidhi has correctly pointed out that Central assistance will be greatly reduced, as repayments against loans alone will amount to Rs. 160 crores against fresh loans for Rs. 141 crores. But the Tamil Nadu Government should not be penalised for implementing efficiently Plan schemes and it should be helped to execute a Plan of Rs. 575 crores in 1969-74. It is towards this end that Plan outlay for 1971-72 has been fixed at 106.71 crores. There should also be larger outlay on Central schemes and the Sethu-samudram Project and the Neyveli second mine cut should be taken up on the Central sector without delay, as the benefits arising out of Plan schemes have been reflected in a strengthening of the agricultural and industrial economies and it is necessary to execute rural electrification and power schemes on an emergent basis. There should be no serious constraint of resources particularly when the State itself has done a commendable job by prudent husbanding of resources and their intelligent utilisation.

TAMIL NADU REVISED BUDGET 1971-72

(Rs. in crores)

	Accts. 1969-70	Revised Estimate 1970-71	Budget Estimate 1971-72	Budget Estimate Revised 1971-72
Revenue Account				
Revenue Receipts	280.91	312.60	338.68	342.65
Expenditure on Revenue Account	306.23	320.43	349.64	358.52
Revenue Deficit (—) or Surplus (+)	— 25.32	— 7.83	— 10.96	— 15.87
All Accounts				
Receipts				
Opening Cash Balance	9.74	6.39	— 23.23	— 23.23
Loans from the Government of India	63.65	51.05	44.57	44.50
Open Market Loans	22.05	18.46	21.81	21.81
Inter-State Settlements (net)	0.03	— 0.01	—	—
Loans from Autonomous Bodies	44.58	15.77	16.91	15.42
Ways & Means Advances (net)	— 9.00	— 16.65	—	—
Deposits (net)	22.82	12.96	18.72	18.73
Contingency Fund (net)	4.91	0.40	—	—
Effect of Budget Proposal	—	—	—	22.00
Total	158.78	88.35	88.78	99.23
Disbursements				
Revenue Deficit	25.32	7.83	10.96	15.87
Capital Expenditure excluding State Trading	29.01	33.73	34.42	40.50
Capital Expenditure on State Trading	10.06	— 17.61	— 3.57	— 6.37
Repayment of Government of India Loans	50.54	36.68	36.72	37.54
Loans & Advances (net)	22.93	19.02	13.40	23.82
Repayment of Loans from Autonomous Bodies	23.47	24.50	13.54	16.02
Repayment of Open Market Loans	11.18	7.43	8.85	8.85
Closing Cash Balance	6.39	— 23.23	— 35.54	— 37.00
Total	158.78	88.35	78.78	99.23



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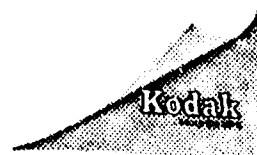
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Aid, Trade and Investment

The Aid India Consortium has assured, subject to ratification by the legislature of its member countries an aggregate assistance of \$1,150 million comprising \$650 million in non-project aid and \$500 million in project aid. It may be recalled that Dr. I. G. Patel, Economic Affairs Secretary in the Finance Ministry, had stated that India would require \$1,750 millions of external assistance for the current financial year, outside whatever amounts would be required in respect of refugee relief. There are certain essential details about external assistance needs which should be borne in mind in order to disabuse complacency over the fact that the assistance now promised is very near to the Rs. 825 crores to Rs. 900 crores which the Indian Government has been highlighting as the possible aid target for the remaining years of the Plan. This is because the volumes of external assistance has, over the years, been declining. There has been a wide gap between aid commitments and realisations. The shortfall was around Rs. 200 crores in 1968-69 and the experience in 1970-71 was no better. The difficulty that could arise out of this can be gauged by the fact that, against an utilisation of Rs. 1,196 crores Rs. 903 crores and Rs. 866 crores in 1967-68, 1968-69 and 1969-70, commitments in these years amounted to Rs. 795 crores, Rs. 756 crores and Rs. 831 crores. There has been consequently a shrinkage in the volume of aid in the pipeline. The figure had come down to Rs. 1,715 crores in 1970-71 from Rs. 2,451 crores in 1967-68 through Rs. 1,872 crores at the beginning of 1970-71.

Decline in Non-Project Aid

The volume of project and non-project aid in the pipeline taken to-

gether which stood at Rs. 1,694 crores at the beginning of 1970-71 has diminished during the year to Rs. 1,634 crores almost entirely as a consequence of the drawing down of non-project aid. Unutilised non-project aid has come down to Rs. 462 crores from Rs. 510 crores at the beginning of 1970-71 largely because commitments for 1970-71 are expected to amount to only Rs. 342 crores as compared to Rs. 394 crores last year. In the meanwhile debt service charges had mounted to Rs. 435 crores in 1970-71 from Rs. 333 crores in 1967-68 and the figure of Rs. 458 crores for 1971-72 is likely to be larger than the volume of non-project aid. To the extent non-project aid gets used up largely in servicing past indebtedness and in view of the fact that debt relief of Rs. 90 crores sanctioned for 1971-72 is unlikely to make any big saving on this account, there is every urgency for the Government to ensure that commitments follow close on promises both in respect of their dimension and time-lag. This is not to minimise the difficulties of lenders in speeding up their aid bills in their legislatures organised democratically as they are like ours. But, there should not be any great difficulty in softening the rigours of delay, if only our Government can brief their counterpart at the lending side adequately about the way of expeditious decisions in this field.

Already there are reports that International Development Association will be unable to begin its lending operations as scheduled originally for July 1, 1971. This is because the third replenishment from the contributory countries to this soft loan window of the World Bank is being delayed. It may be recalled that the I.D.A. was to approve credits of \$20 million for the Cochin fertilizer project and \$40 millions for the Pochampad irrigation pro-

ject. Since, however, the major contributor to the I.D.A., the United States, is yet to legislate for providing \$320 million out of aggregate third replenishment of \$800 million, India which is a major beneficiary of I.D.A., is likely to be kept waiting. Government spokesmen have themselves averred that a good part of the debt burden is attributable to the comparatively harder terms, both as regard interest rates and maturity periods, attaching to a considerable part of the foreign debt contracted during the Second Plan and the early years of the Third Plan period. There has, of late, been marginal improvements in this regard due to some softening of aid terms through a slight fall in interest rates and equally slight increase in the average maturity of outstanding debts. In such circumstances, prudence demands that the Indian Government should coax lenders to raise the proportion of project aid in the aggregate assistance so that with its fuller utilisation, the strain on non-project aid for developmental purposes is eased and debts are serviced thereby without affecting the momentum of development.

Significant Export Efforts

In any case, there can be no gainsaying the fact that the country is nearer to a situation in which it can dispense with foreign aid altogether. This is not to minimise the significance of export efforts which have, of late, been making it possible to improve foreign exchange earnings at rates faster than targeted. While the Fourth Plan desired an annual seven per cent growth in exports, the rate currently hit is 9.2 per cent. But alongside of this, there has been a steady growth and diversification of industrial capacity. "This", according to the Economic Survey, "has endowed the economy with a capability to produce a comprehensive range of industrial products, including a wide variety of machinery and equipment. There has, therefore, been a shift in import requirements towards

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raw materials, components and spares. Much larger imports of such inputs have now become essential not only for a fuller utilisation of industrial capacity but also for subjecting the industrial sector to a greater degree of competition." It is estimated that imports which rose to Rs. 1,628 crores in 1970-71 from Rs. 1,582 crores in 1969-70 are likely to register a further 5 per cent rise in 1971-72. Consequently a reinforcing of the export effort as is under way at present with special emphasis on extension and consolidation of the new grounds gained in the markets of developed countries is the need of the hour and there should be no let-up in this regard.

Indeed the overall balance of payments in 1970-71 showed a reversal of the favourable position gained in 1969-70. The decline was matched, however, by repurchases of short term obligations from the I.M.F. and the payment of the gold portion of the increased I.M.F. quota. (In 1970, India's I.M.F. quota was raised by \$190 million of which \$7.5 million was payable in gold). The creation of additional international liquidity through the S.D.R.

scheme helped supplement India's reserve resources. India has so far received Rs. 170 crores worth of SDRs. During the past year, India was designated by the I.M.F. for the acceptance of SDRs in exchange for convertible currencies. Up to March 31, 1971 Rs. 30.60 crores worth of SDRs had been thus acquired. This prestigious position can be very well improved only if the drain on resources is contained by activating overall production and its export channel.

Change in Ideological Stance Will Help

It is precisely here that a change in the present ideological stance of the Government will help. The experience of Western Europe proves that a judicious flow of foreign investment can usher in an era of bulging prosperity. The flow of Euro-dollars, whatever be its present aftermath, has made for quicker industrial development of continental Europe. It cannot be pretended that the countries that invited such investment had been compelled to sacrifice any part of their sovereignty or economic freedom. In any case India

has become sufficiently mature politically and economically to be capable of stemming any such 'outside-influence'. Foreign investments can bridge a part of the gap in aid besides assuring an inflow of technology and expertise in the measure necessary to keep Indian products competitive. Much depends, therefore, on how the economic policy of the Government co-ordinates foreign trade, aid and investment in the judicious proportion in which each of them singly and all of them collectively can help the country scale significant heights in production. The flow of foreign investment cannot be automatically the result of the mere thaw on our rigid rules regarding its entry into the country. On the contrary, the foreign investor is much more concerned about the tax milieu in the host country. Budget after budget, expectations have been dampened by the newer and yet newer exercises in tax gathering whose uniform effect has been to curb initiative and enterprise. Unless the economic policy of the government changes airtight in this regard, the shortages of external resources for development will, if anything, be only aggravated.—R.S.

implementing schemes for developing the economies in both wings. Immediately Pakistan has been obliged to seek a moratorium from the creditors in respect of its debt repayments and interest charges for a six month period. Its foreign exchange reserves are reported to have come down to the very low level of Rs. 75 crores from over Rs. 300 crores, more than a year ago and it would be impossible to continue to finance imports without commercial credits or aid from the exporting countries.

Resistance to Devaluation

In the absence of a pick-up in exports from East Bengal which alone contributed Rs. 300 crores in terms of foreign exchange, the Pakistan Govern-

ment will not be in a position to relax the restrictions recently imposed on imports. Even before the holocaust in East Bengal, there were persistent reports that the Pakistani rupee should be devalued drastically. The Pakistan Government was not agreeable to the suggestion and has been resisting successfully a reduction in the external value of its currency. This was because Pakistan did not stand to gain to any great extent on account of devaluation as it had no surpluses and gunnies could always be sold competitively because of its advantageous position in the world market. On the other hand, the cost of imports would be heavy and without a large industrial base, the process of further development would become more costly and there will be no great advantage rising

out of the protection to indigenous industries arising out of devaluation.

The position, however, has deteriorated vastly in the past few months and with the likelihood of East Bengal insisting on the use of its own foreign exchange resources secured through exports, for developing its own economy, West Pakistan would be obliged to find new methods for developing its own resources. It is difficult to see how the conflict between the western and eastern wings can be solved and the demand for devaluation resisted. Since massive aid will in any case have to be given by the western powers for rehabilitating East Bengal and for temporarily financing imports needed by West Pakistan during the period of transition, there may be hard bargaining between the World

Bank and Aid Pakistan Consortium on the one side and the Pakistan Government on the other. There will have to be a rescheduling of debt repayments and fresh aid on soft terms. The lenders may be agreeable to give generous assistance only if they were assured that fresh aid will be usefully spent and it would be possible to build up the strength of Pakistan over a period for servicing its foreign obligations.

Pakistan has neither political stability nor the economic fabric to build up strength and boost exports. There will have to be eventually devaluation of its currency before the consortium pledges further aid and this may not happen until peace returns to East Bengal and there were proper political ties between the two wings.—(FOC)

industries. Feeder industries should be located over the entire zone so that employment opportunities might be even throughout the State.

The Symposium was sponsored in the context of the appointment by the Government of India of a committee to survey the unemployment situation. Panels which had been constituted to make a special study of six different aspects of the situation presented their reports to the symposium on which there was some discussion. Mr. D. C. Kothari summing up the proceedings said that there were no ready made solutions for the problem. Employment could be generated only by setting up industries. It must be made worthwhile for entrepreneurs to set up industries. This was a matter in which three parties had to collaborate and cooperate without any reserve whatsoever—the big industrialist, the small industrialist and the Government which should provide the necessary infra-structure. He suggested that the Government of India could at the time of issuing a licence for a big project, tie it up with a number of feeder units in the small scale sector.

Difficulties in Consortium's Aid to Pak.

The Aid Consortium for Pakistan has postponed indefinitely Pakistan's request for fresh aid, as a definite decision in this regard can be taken only after studying closely the significance of the latest developments. In view of the steep fall in exports following the chaotic situation in East Bengal and an increase in imports for supporting the military adventure in East Bengal, the economy of Pakistan particularly in its west wing has been seriously affected. It is not also known when normalcy will return to East Bengal and to what extent there can be a re-

vival of exports of tea and raw jute. The stoppage of work at the only newsprint mill at Chittagong has also led to rationing of newsprint in West Pakistan.

Apart from the disruption in foreign trade, heavy expenditure will have to be incurred on the rehabilitation of the shattered economy of East Bengal. The military regime is reported to have requested the World Bank and friendly powers for short term aid as well as long-term aid, short term aid for overcoming the threat of famine that is expected in East Bengal later in the year and long-term aid for

Symposium on Unemployment

Suggestions for relieving unemployment were made by a number of speakers at a symposium organised by the Rotary Club of Madras in association with the other Rotary Clubs and institutions concerned with employment and productivity. Two suggestions merit serious consideration. One of them, coming from Mr. R. A. Gopalaswamy, a former Chief Secretary of the Tamil Nadu Government, would want the Government to take the responsibility for providing jobs for all those whom it helped to educate. In other words, the Government should help educate just the number of people that it could provide jobs. For this purpose, Mr. Gopalaswamy would want the creation of an Employment Assistance Fund out of a part of the funds devolving to the States from the Centre. Unemployment relief works in rural areas should be the first charge on the Fund.

Mr. K. K. Shah, Governor of the State, who gave the other suggestion wanted the State to be divided into zones for purposes of allocating big



Governor K. K. Shah is seen inaugurating the Symposium on Unemployment

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Glimpses

By P. R. SRINIVAS

Events Tear Open U.S. Mask on Pak..

Events, not mere intelligent guesswork or surmise, have proved the utter futility of the Indian Government's attempt to persuade the American, British and other Governments to adopt a proper attitude towards Pakistan on the East Bengal problem. That India has never appeared before the great powers except as a supplicant or as a sermoniser with nothing to back her appeals or her preachings is indeed well-known. It is equally well-known that on all crucial issues, the powers have felt irritated by the pose behind her pleadings. There was no reason to think that it would be any different in the present case. The fact that the refugee problem cuts a big hole in India's pockets for the present and will be from across the border, while at the same producing other complications, can hardly be expected to make a difference. To placate Pakistan, at any cost, with a view to keeping the thorn on India's side both sharp and strong has been the cardinal point in the foreign policy of nearly all the other nations of the world. India has been all along too innocuous to make them pause and reconsider the wisdom of such a policy.

The East Bengal problem is different from other issues only to the extent that the murderous regime of the Army in East Pakistan and the palpable impropriety of dubbing the leaders of an elected majority as mere rebels or insurgents has called for professions of sympathy for people of East Bengal and some gestures of recognition of the difference. Such gestures are no more than belated offers of relief, a show of pressure on Yahya Khan for a "political settlement" instead of

continuing to describe the uprising as an "internal affair" and some "assurances" to India about supply of arms to Pakistan after March 25. They amount to no more than a thick mask to cover their feelings and actions.

But events have torn the mask wide open. Even while the U.S. Secretary of State, Mr. William Rogers assured Mr. Swaran Singh that "we agree with the things you have said tonight and the things you have told officials of our Government," and in spite of definite statements that no more arms would be supplied to Pakistan and nothing was in the pipeline, Pak ships were being loaded with arms or on the high seas speeding towards Pakistani Ports. What is most worthy of note is that things have been done in such a way as to leave a lot of room for excuses or explanations. The supplies have been made mostly by private firms which had been given licences to ship arms and which are not, of course, the same thing as the American Government. The ships are Pakistani ships which cannot be interfered with on the way except in contravention of international law and usage. The Pentagon is in fact, though not in law, an imperium in imperio. And the communication between the U.S. Secretary of State and the brass hats at the top is at best tardy. Lastly, there is a difference between "delivery" and "sale" of which much can be made. Whether it was deliberate deception that was practised on Mr. Swaran Singh or an ingenuous misstatement, the blame that attaches to the American Government is the same. But it is the Indian Government that the Indian people can address themselves to. It may be that we may not be able to negotiate from positions of strength

a la Dulles. But we need not remain so helpless and poor that none will do us reverence.

Mistakes in Estimating Manpower Needs

The report that the country may be faced with a shortage of civil engineers at the end of the Fourth Plan and was experiencing it even at the end of the Third, though in a milder form, points to the ease with which calculations of manpower in technical lines can be made. The report is certainly surprising in view of all the hue and cry made about unemployment among engineers and the fall in admissions into engineering colleges in place of the rush for admissions in previous years. It is not clear how far the shortage of civil engineers now detected by the experts in manpower estimates extends to other branches of engineering and whether it can be attributed, in part at least, to civil engineering being accorded a low place in the preferences of the applicants to engineering courses. Such an attitude is understandable because of the attractive careers that are possible for graduates in mechanical or electrical engineering or in the more sophisticated branches like electronics, chemical engineering and the like. But the Governments which ought to have special care for the maintenance of existing buildings and the soundness of new construction, not to speak of the growing needs of irrigation, ought not to have allowed a decline in the prospects for civil engineers. At any rate, the shortage of civil engineers now reported and the unemployment among them at the same time constitute a paradox comparable to the poverty amidst plenty which characterised most national economies in the early 'thirties. We should not complain about embarrassment *de richesse* in any sphere of the national economy, but learn to use the surplus whenever, by some chance, it may be found to occur.

More Heed to Needs of Law and Order

The merits of the Preventive Detention Bill, which is now before the Rajya Sabha after its successful passage through the Lok Sabha are to be sought in the conditions prevailing over wide areas in the country and not judged in relation to the abstract principles of a democratic polity. Doubtless, the idea of detention without trial is repugnant to all lovers of freedom of the individual and to the rule of law. And the repugnance is not easily got over. But when the alternative to such arbitrary powers for the Executive is the increase in

civil disorder and in the shocking crimes which have become common in West Bengal, one has to pay more heed to the needs of law and order than to the possibility of abuse of power by the Executive. The latter danger is never absent in countries in which the electorate is immature or the voters cherish chauvinistic ideas which ambitious politicians can exploit to their own personal advantage. India, perhaps, suffers from both these dangers. But the remedy certainly does not lie in leaving the Executive in a state of weakness, but in the exercise of vigilance which is, proverbially, the price of freedom. It

is encouraging to be told that the Old Congress is not opposed to the measure, unlike some of the opposition groups who are emotionally soft on the sections against which the P.D. Act is aimed. From the larger political point of view, one should welcome the necessity which the Ruling Congress is now said to feel for angling for the support of its enfeebled associates. The Government's hands are somewhat tied in the matter of accepting an amendment after the Bill has passed through the Lok Sabha. But there will be delay rather than difficulty in the measure finding its way to the Statute Book.

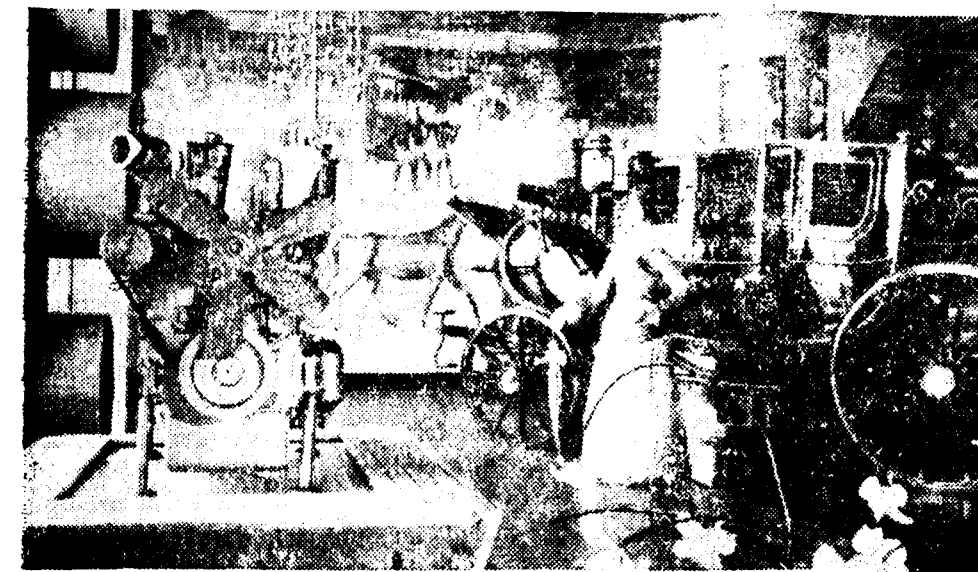
A PANORAMIC VIEW OF AMALGAMATIONS' ACTIVITIES

Amalgamations, the largest light engineering complex in India, has opened in Mount Road in the heart of the City an imaginative exhibition giving in a nutshell the background of activities of its 28 constituent units.

"The primary object of this exhibition", explained Chairman A. Sivasailam in the course of a talk with newsmen, "is to provide, at a central place, visitors from abroad, a view of the wide range of quality products manufactur-

ed by Amalgamations. More than anything else this exhibition is an export show."

The range of Amalgamations' activities covers a wide spectrum: from production diesel engines, tractors and farm implements to pistons, rings, liners, bearings, fly wheel ring gears, clutch plates and discs, paints, varnishes, synthetic resins, heavy forgings and castings, bicycle rims.... it has a coffee plantation, a modern



A view of the Export Show of Amalgamations

printing press and a daily newspaper and also an advertising agency.

Amalgamations, founded by the late Anantharamakrishnan, has contributed richly to the industrialisation of this part of the country. The visionary zeal of the founder has seen the group blossom into a giant complex of 28 companies employing about 16,000 persons with an annual turnover of roughly Rs. 500 million.

Exports from the group have been growing in volume and hence in value. The present export earnings is in the region of Rs. 20 million per annum.

The parent company Simpson had its beginning in 1840 when a shop was set up to build coaches—one of these coaches built, used by the Prince of Netherlands, is on display at the exhibition.

The typical scene of Madras at that period is recast in a beautiful painting. On seeing this pavilion of progress one is reminded of the industrial museums of famous business houses in Germany such as those of Siemens and Krupps. Perhaps working models of the evolutionary phase of the different manufacturing activities and the improvement in the products over the years could have been displayed. The difficulty here might be the space available.

—S.V.

More Stress on Employment in Reappraised Fourth Plan —C. Subramaniam

"A reappraisal of the Fourth Plan is being done. One of the objects of this will be to incorporate proposals which would create more employment opportunities and link these within the frame work of the Fourth Plan," said Mr. C. Subramaniam, Minister for Planning, Science and Technology, in a talk with Pressmen in Madras recently. From the talk of Mr. Subramaniam one gathers that the emphasis of the reappraised Fourth Plan would be on agricultural programmes, limiting the attention to industrial programmes to the minimum.

Generating More Jobs...

The consolidation of cultivable lands, modernisation of irrigation facilities and other allied developmental programmes are bound to generate more employment opportunities. In this context, the Minister seemed to feel that there should be a more discriminate approach to tractorisation. Notwithstanding the Minister's belief that the introduction of tractors would mean the exploitation of the farm workers by the landlords, the need of the hour is to make people work more conscientiously. Either in industry or agriculture, the main problem today appears to be the lack of connection between wages and productivity.

On his observation of exploitation by the private sector, it was pointed out by a correspondent that this problem is as much with the public sector as with private employers. How could one explain the low productivity of State-owned enterprises such as the Heavy Engineering Corporation? The answer of Mr. Subramaniam was that the existing system has proved to be inadequate. A new atmosphere has to be created and more positive measures taken to infuse confidence in the minds of labourers and workers. "The toiling masses feel a sense of being exploited and there is need to bring about an atmosphere in which we assure a better return for better work."

There is earnestness in the approach of the Minister. His system of meeting scientists, economists, industrialists, and trade unionists with a view to measuring the existing problems and finding out suitable alternatives towards better production is indeed commendable. One hopes that the diagnosis will help him device the appropriate treatment in the present reappraisal of the Fourth Plan.

Employing the Teeming Millions....

Certain approaches of the Minister certainly breathe a lot of fresh air. His proposal to form a National Water Grid, his stress towards reorienting the plan towards rural and agricultural reconstruction should have been taken up years back in view of the employment potential these have. In fact, on the same breath the Minister could also take up massive road building programmes which have a high employment potential. Next to food and clothing, the immediate need is to gainfully employ our teeming millions and unfortunately necessary stress has not been laid on this problem and as a consequence the list of unemployed has been bursting. The proposal that he



Mr. C. SUBRAMANIAM

made to create a Western Ghats Development Corporation when he was the Minister for Food and Agriculture, could certainly have helped in tapping the huge resources in terms of forestry, horticulture, fisheries, etc. Once these resources are put to use as stated by the Minister, they would certainly have helped in generating self-sustained growth of a much higher order.

Mr. Subramaniam conceded that there is a case for reappraising the Centre-State relations within the frame work of the three general principles: The concept of a united India is, of course, the first. That India is a large country where unitary system of Government cannot function is the next. And the third is that of development activities which can take shape only at the State level leaving no doubt about the role of the States. Mr. Subramaniam said that the factors that had led to fissiparous tendencies and the impediments that came in the way of implementation of schemes by Centre could be analysed and if found necessary certain amendments could be made in the constitution. He recalled that the plea towards this reappraisal was nothing new. Even when he was the Minister for Finance and Education in the then Government of Madras, he had been the spokesman for States along with Mr. Y.B. Chavan and Dr. B.C. Roy.

Mr. Subramaniam was also in favour of the State coming out with their own planning bodies. In fact he seems to feel it was overdue. "The lacuna in our planning system is that it comes down from the Centre to the State and districts." He felt that this must be reversed and planning from the grass roots should flow towards the Central organisation. In regard to the resources he felt rather than worrying about financial resources with which the States seem to be too much pre-occupied, an approach should be made to evaluate the real resources—manpower and others.—S.V.

INDUSTRIAL ECONOMIST

Central Budget:

Dampening Industrial Growth..

By N. MAHALINGAM

The massive taxation proposals of Mr. Chavan claim to achieve the three objectives of simplification and rationalisation of the tax structure, equitable distribution of the tax burden, and retention of the climate needed for higher rate of growth.

It is strange that none of these aims is likely to be fulfilled. The objective of rationalisation of the tax structure is not likely to be achieved. It is so because the changes sought to be introduced in the sur-tax as well as in the wealth-tax may create fresh complications for the tax collector as well as for the tax payer. Again, the proposals for levying income-tax at rates going upto 99.75 per cent and wealth-tax at rates going upto 8 per cent with a 7 per cent higher rate in the case of urban property, will bring about difficulties with regard to the equitable distribution of the tax burden. If a person with an income of Rs. 60,000 a year, increases it to Rs. 6 lakhs a year by the dint of hard work, the net additional income in his hands after paying income-tax could be only Rs. 23,650. This is highly confiscatory.

High rates of taxation might corrode the very basis of economic

THE ELEVENTH COMMANDMENT

The proposal for levying income-tax at exorbitant rates virtually amounts to annual confiscation of income and wealth. These proposals make it clear that the Government is determined to let public morality die in India. Let the citizens observe only the Eleventh Commandment, "Thou shalt not be found out."

—N. A. Palkhivala

INDUSTRIAL ECONOMIST

growth. Certain proposals in Mr. Chavan's Budget appear to do so. The twin objectives of the pre-budget economic survey, viz. (a) raising the rate of domestic capital formation and (b) doubling the rate of industrial growth have not been adhered to by his tax proposals which have been rightly described as "savage." Savings and investment in the corporate sector have been positively discouraged. Increase in the rate of sur-tax on company profits from 25 per cent to 30 per cent on chargeable profits in excess of 15 per cent of the capital will impair the badly needed climate for a higher growth-rate. Further, the exclusion of debentures and long-term borrowings from capital employed for purposes of a tax holiday is another disincentive for growth. What is more, the tax exemption of 8 per cent allowed in the 29 priority industries has now got reduced to 5 per cent in 23 industries and withdrawn in the case of the rest. Though the revenue expected from this source is a meagre Rs. 6 crores the adverse effect it might produce on potential growth may even exceed a sum of Rs. 60 crores.

Towards Brain-Drain

It will be seen from the budget that companies will not be permitted deduction in regard to salaries in excess of Rs. 5,000 and perquisites in excess of Rs. 1,000 per month paid to Directors and Executives. Even if their contracts of service have been duly approved by the Government, the net effect of these is that most executives will pay income-tax at the rate of 90 per cent or more and the companies will again virtually pay tax on the same amount at the rate of 55 per cent or more. A measure of this kind will

cause flight of enterprise at a time when the nation badly needs it. In short, it will cause a sort of brain-drain.

The benefit given by way of a rise in the exemption list of Rs. 6,000 with a condition of compulsory savings is not likely to benefit the middle section of the society. Already, those who are in the Rs. 5,000—Rs. 10,000 income group are finding it hard to make both ends meet. Even if they are compelled to save, they will be forced to draw on these savings before the end of the next financial year. Even a conservative Boothalingam Committee recommended the raising of exemption limit to Rs. 7,500. Not only that this has not been done, but the GEL has been put down to Rs. 6,000. If middle classes are to save more, the general exemption limit must be fixed at Rs. 10,000 per annum.

Taxation of personal income is rather too high and above a certain level it works to as much as 97 per cent. The rates of taxation hit hardest at those assesseees who are without a cushion in the law to absorb the highest impact. The tax as a percentage of income at

DANGER AHEAD!

"Danger—Men at work" is the sign on many roads. "Danger—Men without work" is the sign which broods over this benighted country with more than 20 million unemployed today. With this year's Budget one can confidently predict that the estimate of 28 million desperate job-seekers at the end of the Fourth Plan will be substantially exceeded by the actual figures. Any Budget which on ideological grounds prevents the full development of job potential constitutes a crime against the nation.

—N. A. Palkhivala

the level of Rs. 50,000 is 37.40 in India, whereas it is 22.55 per cent in the U.K., 8.28 per cent in the U.S. and 15.34 per cent in W.Germany. What is more, the tax as a percentage of income of Rs. 1,00,000 is 57.20 per cent in India whereas it is 28.62 per cent and 13.55 per cent the U.K. and the U.S. respectively.

In order that there can be equity in our tax structure, rates of taxation on individual incomes as well as on agricultural incomes should be such that their burden is uniformly distributed. As no agriculturist with a standard

THRIVING WITH SOCIALISTS

The old definition of an optimist was a man who bought from a Jew and sold to a Scot and expected to make a profit. The new definition of an optimist is a man who believes that the Union Budget will eradicate poverty. Alexander the Great said on his death-bed, "I am dying with the help of too many physicians." Poverty might well say, "I am thriving with the help of too many socialists."

—N. A. Palkhivala

Gauging the Impact of New Levies . . .

Mr. K. Narasimhan, Member, Central Board of Excise and Customs, who was on a visit to Madras to measure the impact of the budget proposals on the various cross sections of the people had a meeting with the various Chambers of Commerce, associations, manufacturers, etc. While one admired the anxiety expressed by the department to measure the impact of the budget, one could not help feeling that representation and plea towards revision of these imposts could be made only by organised sections of society. But consumers in general who do not have any forum or organised associations are not able to express their problems clearly to Government officials.

limit of acreage, can earn more than Rs. 10,000 per year, the measure will not hit the middle class farmers. Further, the system will help raising resources from those who earn more than a certain level of income whether they are individuals or farmers.

Taxing Mobility

The proposed 20 per cent levy on the purchase of air-tickets in rupees for foreign travel has been rightly described by Mr. J. R. D. Tata as "catastrophic." The measure may at the most yield a meagre sum of Rs. 7 crores; but its adverse effect on the earnings of the Air-India will be considerable, for, it is already facing a recession in air travel. It will be seen that a return ticket from New Delhi to London, which now costs Rs. 6,070 will hereafter cost Rs. 7,284.

What is needed in India today is a proper climate for a higher growth-rate. At a time when Japan is forging ahead with an annual industrial growth of 18 per cent, we have not

even touched the figure of 5 per cent. This is so because of the absence of the proper environment for growth which has to come from such measures as growth-oriented tax policy and industrial policy. When the need is for the creation of more employment for the educated unemployed, the budget has to be growth-oriented. At no stage should it dampen the incentive for growth. The earlier we realise this, the better it will be for the nation.

THE MOUSE IN THE BEER

There is the story of the monks who belonged to a religious order which prohibited them from complaining. One evening, sitting at dinner, a monk found a small mouse in his tankard of beer. Mindful of the rule against complaints, he turned to the Superior and meekly said, pointing to the monk next to him, "There is no mouse in my brother's beer." When one points out that there is no mouse in the agriculturist's beer, one is only pointing out the inequity of subjecting the urban sector to a staggering burden of direct taxation when for political reasons agriculture is almost wholly spared.

—N. A. Palkhivala

in this sector to deregister their companies, said Mr. Narasimhan. At present the excise duty of 20 per cent is to be levied on readymade garments manufactured by the organised sector and sold under distinct brand names.

Mr. Narasimhan held discussion with the representatives of Travel Associations and Steamer Agents with a view to persuading them to collect the travel tax of 20 per cent from their clients and transmit them to the Government. This quantum being sizable—on a return ticket to the U.K. the travel tax would come to nearly Rs. 1,214—the amounts to be handled by the Travel Agents as a consequence of this levy will increase by over a fifth. Can the Government force the travel agents to take the additional burden of collecting such huge sums and transferring them to the Government without any return? —(FOC)

INDUSTRIAL ECONOMIST

Mini Steel Plants for Meeting Marginal Needs

The Union Minister for Steel and Mines has been considering for some time past how the output of steel in the public and private sectors can be raised and the growing demand for common and alloy steel met from indigenous sources. As a result of a sharp rise in internal consumption and a larger volume of exports of engineering goods, it is now estimated that there is a gap between demand and availability by over 1½ million tonnes of ingots. Against this, the output of the three major public sector plants in 1970-71 was not more than 3.6 million tonnes, while the two private sector units accounted for 2.6 million tonnes. Mr. Mohan Kumaramangalam observed recently that efforts were made to step up internal production through better labour-management relations and improved operating efficiency. He has actually fixed targets for production for the three public sector units—60 per cent for Durgapur, 70 per cent for Rourkela and 90 per cent for Bhilai. Bhilai is already making fairly good use of its capacity but it has been pointed out by experts that imbalances in manufacturing facilities and difficulties relating to iron ore supplies have prevented this plant from raising output to near 2.5 million tonnes of ingot. Rourkela still faces some technical bottle necks and Durgapur has of course a special problem.

It can be expected that there will be an increase in production in 1971-72 to 4.5 million tonnes in the public sector under favourable circumstances though it will still work out to only 75 per cent of rated capacity of all the plants. The private sector units can be expected to acquit themselves more creditably as Tata Iron and Steel Company will be deriving some benefit out of its efforts to improve operating efficiency and upgrade the quality of raw materials. Between TISCO and IISCO (Indian Iron and Steel Company) there can, therefore, be an output of 2.7 million tonnes of ingots taking the total to 7.2 million tonnes. The increase in availability by

merely 1 million tonnes from indigenous sources will thus be helpful in preventing large drain of foreign exchange on imports. But consumption would have gone up in the meantime to 8 million tonnes or more, so that there will still be a gap of 1 million tonnes.

Manufacturing Special Purpose Steels

It will therefore be clear that the steel shortage is man-made to a great extent and it is no use merely emphasising the fact that a difficult situation would have arisen if HSL has not produced in such large quantities. With the new climate now prevailing and greater attention to operating efficiency, indigenous production can be raised to 8 million tonnes easily with the existing capacity. If at the same time arrangements were made to instal balancing equipment at Bhilai and Rourkela, there can be a further increase in output by 7.5 lakh tonnes in the public sector and by over 3 lakh tonnes in the private sector. It is rather unfortunate that instead of thinking on these lines, an unnecessary controversy has been created over the role of mini steel plants. These plants can certainly be helpful in meeting marginal or special requirements. It is funny, however, to imagine that the needs of such a large country with vast resources for developing the iron and steel industry on sound lines, can be met by mini steel plants which will necessarily have high costs. There are already many foundries which are having excess capacity but which are not being profitably utilised because of a lack of demand for iron castings. It is not as if the demand has not grown but there is excess capacity at present. This may be profitably utilised for producing steel. But such steel which will have to be based on high cost scrap can be used only by engineering units on a captive basis. Also it will be possible to produce steel only for special purposes, as is being done by Guest Keen

Williams, Mukund Iron, Textile Machinery Corporation and others.

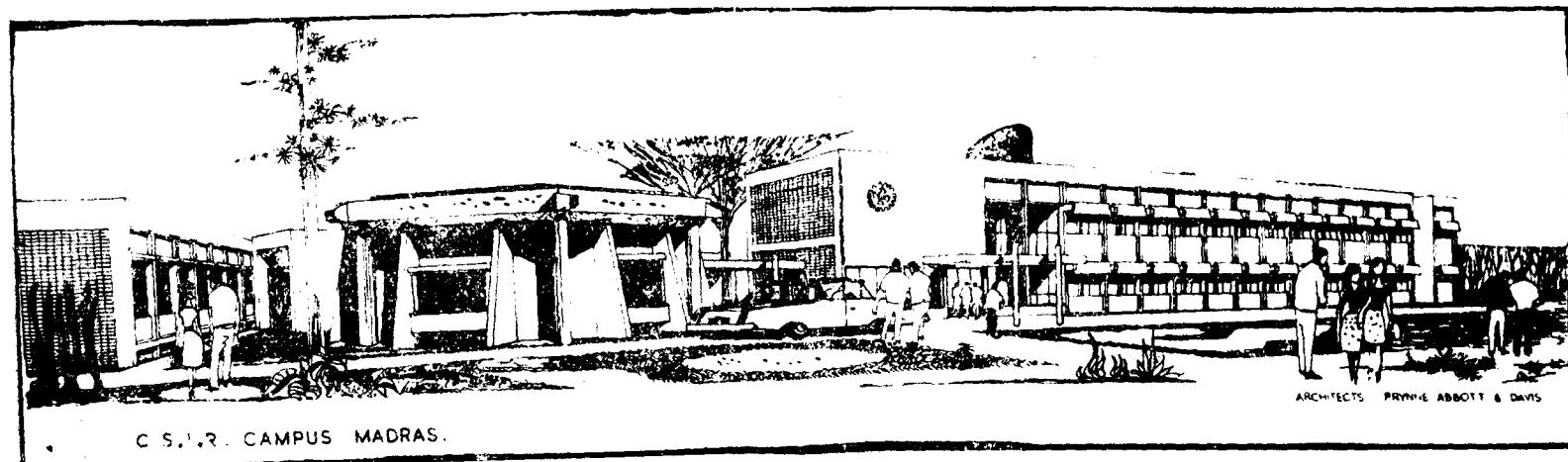
Eight Licences for Mines

Mr. Kumaramangalam's indication that eight licences had been issued for this purpose and that by 1970-74 these plants would be able to make a contribution by about 8 per cent of the total availability is to be welcomed though there is nothing to be enthusiastic about this move of the Government. Mini steel plants can at best fulfil small and specific needs under certain circumstances. Besides they will be more profitable to operate in countries like Japan, where there is difficulty in securing raw materials or where plenty of steel scrap or industrial scrap is available. In this country, available high grade scrap is being used for manufacturing alloy and special steels, while the big units themselves may be inclined to use their own scrap, for reducing costs.

Encourage Them for Special Purposes . . .

It will, therefore, be advisable to encourage mini steel plants based on electric furnaces only for special purposes. It may of course be examined whether medium sized plants can be advantageously located in different parts of the country, so that freight costs are minimised and regional development is encouraged to a greater extent thereby. It is estimated that by 1980 there will have to be an increase in production to 19 million tonnes with the share of mini steel plants at 8 lakh tonnes. It will be obvious that mini steel units will play only a minor role and that they cannot at any stage meet any large part of the internal demand. It is quite likely that even some of the licences may not fructify as the cost of single plant is estimated at Rs. 5 to 6 crores, and profitability may not be quite satisfactory unless the steel produced was sold at 30 to 40 per cent higher than the selling prices of the bigger units.

—Meenam



Towards More Application Oriented Scientific Research...

By S. VISWANATHAN

Mr. C. Subramaniam, Minister for Planning and Science & Technology, laid the foundation stone for the CSIR campus in Madras on June 21. The function was presided over by the Tamil Nadu Governor K. K. Shah.

The CSIR campus would ensure greater contact of the units with industries in the Southern region and also help a lot of coordinated activity among the laboratories themselves. The campus is expected to be in full operation in about a year from now.

The CSIR campus in Madras is the first of its type in India where different units of the CSIR are located in the same area which will provide the pattern for more such centres.

The campus consists of regional units of six national laboratories—the Structural Engineering Research Centre (SERC), Roorkee, the Mechanical Engineering Research and Development Organization (MERADO), Durgapur, the Central Electro-Chemical Research Institute (CECRI), Karaikudi, the Cen-

tral Scientific Instruments Organisation (CSIO), Chandigarh, the National Metallurgical Laboratory (NML), Jamshedpur and the Central Public Health Engineering Research Institute (CPHERI), Nagpur. Some more units of the CSIR might also join the campus in course of time. Dr. Atma Ram, Director-General of CSIR, said that the location of the campus in an industrial town will help to close the gap between research and industry to a considerable extent and also ensure a good feed-back from industry to the research institute and vice versa.

The total cost of the project is estimated at Rs. 62 lakhs in two phases. This does not include the cost of equipment which is provided by the constituent laboratories. The UNDP and the UNESCO have also supplied some sophisticated equipment.

Research for its own Sake: Can't it be Left to 'Varsities?

To a question whether it is possible to quantify the contribution of CSIR towards introducing new products, or towards cost reduction, Dr. Ram said that the impact portion is not seen in any part of the world. "The research scientists produce the idea... He cannot translate it into an industrial application." Thus in effect a majority of the various units coming under CSIR

seems to pursue scientific investigation for its own sake.

The vital contact with industry and orienting research towards industrial applications is not seen to any great extent, with the result the large amounts that have been spent on the units ultimately turn to be research on pure science which could better be left to the universities where scientific pursuits could be made for their own sake.

CSIR Patent Taken By TISCO But HSL Sticks to Imports...

This is not to belittle the achievements in some directions. Some of the units of CSIR such as the SERC

and the CECRI, to cite only two of these, have contributed to a lot of new thinking in their respective fields. We are told that Tata Iron and Steel Co. has been making use of the inventions in regard to the production of ribbed steel used in constructions and pays substantial royalty to CSIR for this patent. At the same time one is rather surprised to hear that Hindustan Steel, an undertaking owned by the Government, continues to pay royalty for a very similar process to German know-how. I gather the royalty involved is Rs. 9 per tonne and one can imagine the sizeable outflow of foreign exchange for a process for which indigenous know-how is available and

made use of by a leading private sector unit.

Lot of new ideas in construction techniques have been incorporated in the buildings and layout of the campus. The shape of the different structures including the water tank have been conceived with lot of aesthetic sense of course meeting functional requirements. Improving the production methods of concrete sleepers with a view to reducing costs has been one of the problems referred to the CSIR and it is getting lot of successful results.

Reduction in Construction Costs

One understands considerable cost reduction could be achieved by adopting more scientific construction techniques. For example, building construction costs have been soaring up in recent years largely due to increase in prices of materials and cost of labour. Granting that there is no scope for any reduction in costs of these, the only other avenue left towards cost reduction is in trying to economise on the quantum of materials. One can substitute solid brick walls with prefabricated concrete panels; one can introduce hollow bricks and save on materials, ofcourse, without their impairing the strength of the building.

The campus buildings have been designed under the direction of Prof. G. S. Ramaswamy, Director of SERC. The object is to motivate engineers and architects to apply new designs and architectures. The CSIR campus also provides the facility to test the relative strength of this with conventional constructions. But, unfortunately the results of these interesting and very important experiments have not spread far enough and a lot of money is being wasted on conventional construction methods. The cost of construction in the conventional way, for example, has increased in the last 15 years from about Rs. 18 per sq. ft. to Rs. 32 per sq. ft. It is gathered that with the new ideas of construction such as prefabricated concrete slabs, hollow bricks... the cost of construction could be brought down to around Rs. 18 to Rs. 20

—S.V.

RICH POTENTIAL FOR JOINT VENTURES IN S. E. ASIA—A. SIVASAILAM

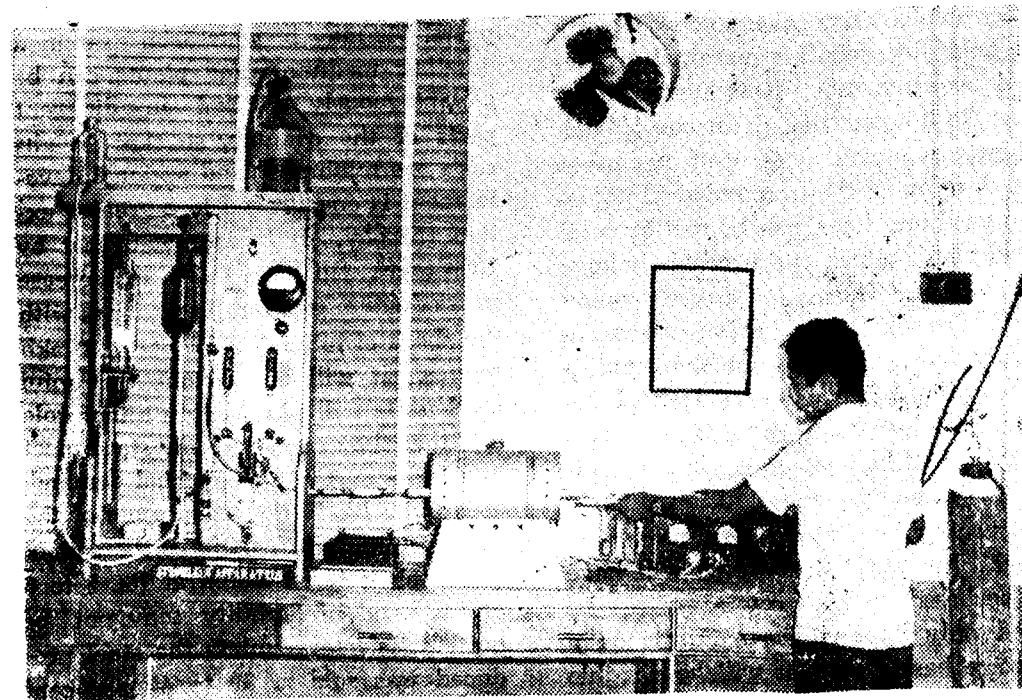
The project of India Pistons in Malaysia, to be set up in collaboration with Malaysian Government, is expected to turn out the products before the end of next year said Mr. A. Sivasailam, Chairman, Amalgamations Private Limited in a recent talk with pressmen.

The project is the first of its type from the South India which is accredited pioneer status by Malaysian Government. It will be a turn-key project. The technical expertise, raw materials and semi-finished material required in the initial stages and 49 per cent of the equity will be provided by India Pistons. In the initial stages, India Pistons will be contributing to Rs. 12.5 lakhs towards equity. It is expected to increase in course of time along with the increase in the volume of production. Most of the machine tools will be shipped from India. It is gathered that the Government of Malaysia is anxious to limit the models to 4 or 5 in the beginning.

The Western countries and Japan are mostly interested in trading but the Asian countries like to create manufacturing facilities providing scope for employing local people. The Govern-

ments are also willing to extend every possible assistance and there is absolutely no problem about foreign exchange. Mr. Sivasailam said with free foreign exchange available they can get the best raw materials imported at most economical prices and so the quality of the components will be assured.

There is similar desire on the part of Thailand, Singapore and the Philippines to create manufacturing facilities for a number of ancillary components. These and Malaysia together would like to set up complementary facilities which would give them the scope for exports among themselves and also help them concentrate on production of specific items. Mr. Sivasailam feels that there is tremendous potential for making use of the opportunity afforded and the Pistons Project would be among the first of its type. Some 40 per cent of the total employees will be Malays. The first shipment of equipment is expected to be made in 6 to 8 weeks from the final clearance. This might be possible around September 1971 and the production is expected to commence after 12 months from that time. The products will be marketed under the Indian brand name itself.



Carbon & Sulphur estimation in progress at the CSIR Campus

per sq. ft. The builders should be assured that the strength of these structures will not in any way be less than that of the conventional construction. There is every need to popularise this.

Problems of Small Scale Units

A similar problem is confronted in regard to its utilising the services offer-

ed by CSIR to small scale industries. Units in this sector are not conscious of the quality required of their products and so there is not much enthusiasm on their part to avail of the excellent facilities offered at nominal costs for testing. As pointed out by Mr. R. Venkatraman at the foundation stone laying function of the campus,

the purpose of such units of CSIR would best be served only under competitive conditions under which for survival there have to be efforts towards constant cost reduction and improvement in quality."

The Tamil Nadu Government has allocated 60 acres of land for the establishment of this research campus.

A PLANT TO PRODUCE CARDIOGRAPH PAPER...

The Tamil Nadu Health Minister K. Anbazhagan said that his Government would take necessary action to modernise district and taluk headquarters' hospitals in the State with sophisticated equipment for medical treatment. Speaking at the inauguration of the Tokushu-Menon Paper Manufacturing plant at Polal, Red Hills near Madras, the Minister said that all the Government hospitals in the State may soon be provided with Cardiographs. He said that till now sophisticated equipment had not been installed in hospitals due to shortage of foreign exchange. He assured every assistance from the State to ventures that would obviate the need for import of such costly equipments.

Industries Minister S. Madhavan, who declared the factory open, said

that there would be no problem for establishing industries in Tamil Nadu since there were a number of financial institutions to extend credit facility to new ventures. He announced on the occasion that the State Industrial Investment Corporation proposed to open branches in Madurai and Coimbatore shortly.

Industrialising the Rural Areas

Mr. Madhavan said that more industries should be started in rural areas so that concentration of industries in cities could be avoided. The State Government, therefore, was very particular in encouraging small industries in rural areas. He said that the Government might even impose a tax on industries started in urban areas.

Mr. Madhavan also referred to the

Tamil Nadu Government's proposal for starting joint sector projects. Projects taken up by the joint sector have the financial advantages of a public undertaking and the managerial skill of private enterprise. He said that it was wrong to think that the Government would interfere in the management of industries run in the joint sector. He said that the Government would interfere only in the event of a failure to manage the industries properly.

The plant at Polal has been set up in collaboration with Messrs. Tokushu-Paper Manufacturing Company, Japan, to manufacture Cardiograph and other sensitized papers. The President of the collaborators, Mr. K. Watanabe who had come to Madras just to attend the function, released the first roll of Cardiograph paper and handed it over to the Health Minister. Speaking at the function, he said that the quality of the paper manufactured here was among the best produced elsewhere.

Japanese Interest...

Earlier, Mr. M. A. Chidambaram, Chairman of Tokushu-Menon Paper Manufacturing Company, welcomed the gathering and said that Japan was greatly interested in joint ventures in India. He said that this should be utilised for promoting more industries in the State. He expressed the hope that the Tamil Nadu Industries Minister who was planning to go abroad would explore all possibilities of fruitful collaboration.

Mr. K. T. B. Menon, Director of the company, proposed a vote of thanks.

—P. S. R.

INDUSTRIAL ECONOMIST

The Crisis of Cotton Textile Industry

By C. VEERARAGHAVAN

The Indian cotton textile industry is passing through a critical period. Shortage of cotton, old machinery, raw material supplies, stringency of working capital and lack of resources for modernisation are the problems facing the industry.

The textile industry, comprises 647 mill units (358 spinning and 289 composite) with a total installed capacity of 174.5 lakh spindles and 2.08 lakh looms. The investment by the entire industry has been placed on a rough analysis at Rs. 304 crores. The number of closed mills in any month during the last 3 years had ranged between 40 and 60. At the end of April 1971, 81 mills remained closed, affecting 81,000 workers. These show a rise of 17 mills and 21,000 workers, or 33 per cent over March 1970. As many as 17.50 lakh spindles and 19,000 looms remain closed. Total textile output in the country is valued at about Rs. 700 crores per annum. The industry employs nearly one million hands and produces about 4,500 million metres of cloth.

Lowest Yield Per Acre

India, which has the largest area under cotton cultivation has the lowest yield per acre. It is only one-seventh of the best in the world. The fact remains that we are terribly short of cotton, especially long staple cotton. India's 1970-71 cotton crop has been great failure. With domestic production placed at no more than 54 lakh bales, the total availability will be much short of the requirements, with its consequent adverse impact on cloth production and the fortunes of the industry. The present requirement of cotton is around 70 lakh bales. Government plans to import 10.55 lakh bales of cotton during the current season ending August. India

spends about Rs. 90 to Rs. 100 crores of foreign exchange on imports of cotton. Our dependence on imports and the drain on our foreign exchange resources on this account would continue to exist for a long time, unless something is done to augment supplies of man-made fibres. Imports of staple fibre in large quantities could be a way out. It is a moot point whether with the levy of 100 per cent duty in the budget, it would be worthwhile to go in for staple fibre.

During 1963-68 the per-capita availability of cloth had varied irregularly between 15.09 and 16.71 metres. The present per capita consumption in India is a little more than 16 metres—one of the lowest in the world. Though we are now in the midst of our fourth five-year plan, cloth availability has not registered much improvement.

The Disappearing Dhoti

Production of cotton yarn showed an upward trend till 1964 but afterwards it declined and has been falling since. On the other hand production of man-made fabrics or cotton blends with various fibres like wool, polyester etc. was increasing. It is estimated that man-made fabrics share only 2.2 per cent of the cloth market or 975 million metres annually. The share of the market of superfine variety rose from 4.6 per cent to 7.9 per cent since 1961. The trend of the shift in production has been from coarse and medium material to fine and superfine. In this shift the dhoti and traditional sari with border have lost their popularity.

The production of man-made fibres in India in 1969 was a little more than 96,000 tonnes (38,000 tonnes of viscose



A view of the Weaving Shed at the Coimbatore Unit of Lakshmi Mills, one of the large composite mills in the South

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Mr. K. T. B. Menon is seen speaking at the function at Polal. Others (L to R): Messrs. K. Watanabe, S. Madhavan, K. Anbazhagan, M. A. Chidambaram and Rajkumar Menon

and acetate filament and 58,000 tonnes of viscose and acetate fibre) the present demand is estimated to be around 60,000 tonnes of filament rayon (including acetate filament) and 100,000 tonnes of viscose staple. By the end of the fifth plan these demands would rise to 76,000 tonnes and 200,000 tonnes respectively.

The production of man-made fibres in creased cost of production. During the past few years, the price of cotton

had risen by 200 per cent, the cost of labour by 12 per cent and prices of stores, dyes and chemicals by 20 per cent. In addition, fine and superfine producers of cloth would have to bear the brunt of increased excise levies on textiles amounting to Rs. 5 crores. Though claimed to be modest, the increase in excise on cloth medium A and medium B varieties which is of the order of 11 to 25 per cent is certainly not modest in terms of the budget of the *janata* consumer.

As more than 50 per cent of the capacity of the Indian cotton mill industry is old and outmoded, steps should be taken urgently for the modernisation of mills producing cloth for export. The special sub-committee appointed by the Government in October 1970 has recommended Rs. 20 crores of foreign exchange every year for some years for importing modern, sophisticated textile machinery not made in this country or made in small quantities.

The Ecological Breakdown

By C. S. MAHADEVAN

The Ecological Seminar sponsored by the 77 Society, a group of socially conscious citizens, interested in the healthy development of the urban areas formed recently in collaboration with UNICEF and the IIT, deserves approbation from all. The problem is so important that people all over the world are concerned about it. It is feared that by 1980, the pollution problems of some major cities will be unsolvable. By 1982 or 1983, an air pollution catastrophe will kill thousands in some U.S. cities. During the mid 'eighties, every man, woman and child in the hemisphere will have to wear a breathing helmet to survive outdoors. Most animals and plants will be dead.

By the end of the 'eighties, the U.S. will begin the experience in major ecological breakdowns of its soil and water. Plagues of new diseases—which humans cannot resist and which our medicines cannot cure—will rage. In 1990, those of us who are left will be living in domed cities.

The Problem of Population

The real problem behind pollution is the problem of population. If popu-

lation continues to grow at the present rate, the prospect for man is rather bleak. Today's world population of 3.5 billion, growing annually at 2 per cent, will double itself in about 35 years. To provide for all these will be a staggering task. The impact of a higher technology to provide for them will result in the increase of pollution. More fertilizers and intensive farming will be used to get more out of agricultural land. More land will be mined and to greater depths, perhaps using nuclear devices, to extract more minerals. And to process these, more industries will be started. To move the output more vehicles will be required. The result of all these on mankind will be appalling. Pollution will begin to reign supreme.

Air pollution has been causing \$500 million damage annually to plant life in U.S.A. An excessive exposure to sulphur-dioxide induces chronic bronchitis and emphysema.

The decrease in infectious diseases will be replaced by an increase in non-infectious diseases such as heart disease, high blood pressure and stroke, cancer, especially lung cancer, chronic bronchitis and emphysema.

The mushrooming growth in population in India has been acting as a catalyst for pollution. In the last 45 years, the urban concentration went up from a mere 12.5 per cent of India's total population to 25 per cent. This figure will move up in the future and by the end of this century, about one third of the population of India will be urbanised. The urban density will spiral to 6,500 per sq. km. This is a serious situation if it is revealed that the U.S. regards its 2,500 per sq. km. density as excessive from the pollution angle.

Among others, the following remedial measures may be considered: Industries have to be zoned and population establishments should be kept out of the danger zones situated around industries; all factories, mines and workshops should be compelled to follow certain absolute emission standards and penalties may be imposed if these standards are violated; modifications may be made in the fuel or raw materials in such a way that they cause minimum pollution; research has to be conducted in internal combustion engines for minimising the harmful wastes in the emissions; a switch-over to electric power for automobiles must be considered.

The Omnibus Specials

The boy flashes a bright smile at me. He is hardly fifteen but claims that already he has been at his job for more than a year. Glancing round the little, well-kept office, my eyes alight on a few tourist maps of Jaipur, Ajmer and New Delhi, pictures of goddess Lakshmi and god Vighneswara. A hippish saint with flowing mane and a large circle of *kumkum* on the forehead smiles down benignly on me from a portrait on the wall. And yet in this office, a roaring business has been going on for four years—a business technically and legally suspect but winked at by the authorities and actively encouraged by the public for its own reasons. This is the "Omnibus Specials."

You stand in the long queue at the booking counter in Egmore station with dwindling patience, aghast at the prospect of travelling to Madurai or Tiruchi without reservation, packed in the sardine box of a compartment in Pandyan Express or Trivandrum Mail. A soothing voice invites your attention and the owner of the voice is a youth solicitously asking you to accompany him if you wish to travel in comfort to Madurai. You follow him to a little office already crowded with people of all descriptions with their luggage—a middle aged woman called urgently to the bedside of a daughter who delivered prematurely, a bank official suddenly called on business or a reporter hurrying to pick up some hot news—all in haste and fed up with the vagaries of the government transport. You see a streamlined luxury bus sporting the

title of "Contract Carriage" or "Omnibus" on bright top. You become an immediate convert to the cause of such cosy and easy mode of travel.

Economical, More Comfortable and Punctual....

The boy mentioned in the beginning is in charge of such an office and he is good enough to explain the procedure. Everyday they run two luxury coaches to Tirunelveli via Madurai and Tiruchi, starting at 7-30 p.m. and 8-30 p.m. The charge for Madurai is Rs. 16 and for Tirunelveli Rs. 21. The bus starting at 8-30 p.m. reaches Madurai by 5 a.m. and Tirunelveli by 8 a.m. There are only four stopping places: Tindivanam, Tiruchi, Tuvarakurichi and Madurai. There are two drivers in charge of the bus, one of them acting as conductor while the other takes his turn with the steering wheel. Each gets a bata of Rs. 18 to Rs. 20 per trip. After one trip from Madras and back, they are given rest for one day. He showed me a ticket in which the only details recorded are the date and time of journey, the number of the ticket, the charge and the destination in code letters—for example "M" standing for Madurai. This has to be surrendered on getting into the bus. There will be one "leader" chosen from the group who must declare, if any question is asked, that they are proceeding as a party to the destination for a marriage. The boy, with a knowing smile, assured me that even this was hypothetical since the drivers will take care of the

officials and there was absolutely no difficulty for the passenger. "You just get into the bus, sleep well and wake up at your destination," he said. When I asked him the reason for the public preference for omnibus to state express or trains, he pointed out the advantages; less number of stops, quick travel and more comfortable seats. He claimed that the coach run by his company was a forty-seater, even more comfortable than the omnibus of a neighbouring travel service run to Pudukkottai with fifty-two seats. Asked about economy-aspect, he said that there was always a heavy rush for the daily buses. People did not mind the extra payment of one or two rupees for the fare which is however, less than the Express train fare with sleeper because they were assured of a better and reliable service. Business was brisk in spite of the crippling taxes imposed on the tourist buses. It was raised from Rs. 35 to Rs. 50 and then to Rs. 100, per seat per quarter whereas for the State Transport vehicles it remains stationary at Rs. 5 itself. For a boy of his age, he seemed very competent as an administrator of his office.

Real Service to Travelling Public

Within a short span of four or five years, the omnibus travel has really caught up with the travelling public, who demand service first. The travel services seem to do real service also to the travelling public, suffering so long at the hands of reservation clerks at the railway station and express bus depots, with their own whims and predictions. Some travel services even offer certain special attractions. It is said that the passengers travelling by a certain bus to Tirunelveli and beyond can rest for a while in Tiruchi, take bath in a comfortable place rented by the company. It is also reported that a travel service in Kodambakkam area offers a free cup of hot, sweet milk to their passengers, before they embark upon their midnight travel which is an adventure.

—Forscher



INDUSTRIAL ECONOMIST

Yet Another Attempt to Solve Cauvery Tangle

Yet another attempt is to be made to resolve the Cauvery waters dispute between Tamil Nadu and Mysore. According to an announcement made by Mr. M. Karunanidhi on the floor of Tamil Nadu Assembly, Dr. K. L. Rao, Union Irrigation Minister is considering "the next step" in the resolution of the conflict and in this connection he has scheduled discussions in Delhi. In the absence of the Chief Minister Karunanidhi who is busy with the Assembly session Ministers Sadiq Pasha and Madhavan are to take part in the discussions. It is too early to speculate whether these discussions will lead to a settlement of the vexed problem or whether they will end as another frustrating, unsuccessful endeavour.

Since Mysore is under the President's rule, the Centre is indirectly a party to the Cauvery waters dispute and so they would await the formation of the new ministry to resolve this. Mr. Subramaniam was averse to referring the matter to a tribunal in view of the long time it would take to make its recommendations. He, however, said that certainly action will be taken in regard to those issues such as building of dams in the upper reaches of Cauvery without the prior sanction of the Planning Commission or the Government of India.

The reluctance to come out with a solution on the eve of the elections in Mysore is understandable. Nevertheless the postponement of decisions in such a vital question which is hanging fire for quite some months is bound to cause more anxiety to the Tamils. Further, the new Ministry will take quite some time to settle down before it can think of taking up such a difficult question as this. Suppose no party gets a size-

ble majority: Does the solution to the Cauvery water dispute should await the results of another election?

The 50-Year Scheme

There was another interesting Assembly announcement. The Central Government, subject to the Planning Commission's approval, has agreed to investigate the mammoth river grid scheme of India (Ganga-Cauvery) and carry out its implementation in three stages—Cauvery-Krishna, Narmada-Ganga and last Krishna-Narmada. The Tamil Nadu Government has also agreed to bear a part of the investigation expenditure. With all the earnestness in the world, the scheme would take 50 years to be completed.

From Defence to Enterprise.....

Retired defence officers will benefit from a scheme taken up for implementation by the Small Industry Service Institute, Guindy. Under the scheme, the Institute will offer a course to retired officers drawn from the defence forces to help them acquire technical know-how needed for starting small industries in their retirement. The course, industrial management appreciation course, was inaugurated on June 21 by the new Tamil Nadu Governor Mr. K. K. Shah who commended the scheme greatly. Defence officers retired at an early age would like to engage themselves gainfully after retirement. The Director of the Institute, Mr. Jagannathachari pointed out that the defence officers by virtue of their qualities of leadership would turn out to be above-average entrepreneurs.

Wooing Foreign Capital

According to Mr. D. C. Kothari, the

present is the most opportune moment to woo foreign capital, especially the German D-mark and the Japanese Yen. These two countries possessed enormous external resources and were in fact searching for a foreign country to invest. He advocated three steps to achieve the immigration of capital to India. Mr. Kothari who recently returned from a world tour which had taken him to a number of countries including Japan, Hongkong, Singapore, Malaysia, the USA, Germany, France and the UK, spelt out these steps at a press conference. Decentralisation of the industrial licensing authority, liberalisation of know-how, import both as regards quantum and period, and effective action to project the image of India as a country with sufficiently developed industrial base were necessary if we should succeed in wooing foreign capital. There was ample scope for collaboration in the fields of petro-chemical and electronics industries. Even if foreign capital was restricted to minority participation, the know-how fee should be raised to five per cent on production, and be payable for ten years. It would take quite some time for Indian know-how to develop. The image of India as a country with sufficiently developed industrial base should be projected abroad by sending high power delegations including executives from public sector units.

Mr. Kothari who met industrialists, bankers and representatives of chambers of commerce in the various countries he visited, was sure that there was abundant goodwill towards India and there was also an awareness that India was the one country in the entire region where there was a tremendous market. Also there was an appreciation abroad of the political stability created by recent elections.

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THE MADRAS ALUMINIUM COMPANY LIMITED

Shri P. R. RAMAKRISHNAN'S REVIEW

The following is the address to the Members of the Company delivered by Shri P. R. Ramakrishnan, Managing Director, at the 11th Annual General Meeting of The Madras Aluminium Company Limited held at the Registered office at "Jayalakshmi", Race Course, Coimbatore-18 on Monday the 28th June 1971:

I have great pleasure in welcoming you all to the 11th Annual General Meeting of the Company.

Your Board of Directors' Annual Report, Balance Sheet as on 31st December 1970 with the Profit and Loss Account and the auditors' report have been with you for some time. I am sure you would have noted with great satisfaction the excellent working results of the Company during the year under review in spite of several odds and also the recommendations of your Board of Directors to maintain the equity dividend at 12% and to transfer Rs. 96 lakhs to development rebate reserve.

Shortage of Raw Materials

During the year, we were hopeful of increasing the production by about 1,000 tonnes. Not only this could not be achieved, but the production was marginally lower during the year when compared to the previous year due to reasons beyond our control. An acute shortage of raw materials like Synthetic Cryolite and Aluminium Fluoride and Carbon lining materials like Carbon Blocks, Calcined Anthracite and Metallurgical Coke of low ash content developed in the international market. We did not get the import licences in time to obtain our requirements. This is most unfortunate, considering the fact that a large amount of expenditure in foreign exchange was incurred in the import of aluminium into the country. At present the position has considerably eased in the international market due to increased capacities for these materials and also due to the anticipated fall in production in aluminium in the international field. The import of cryolite was canalised through State Trading Corporation of India (S.T.C.) from 1970-71. Right through the year, the S.T.C. was not able to import cryolite and supply to the Indian industry. The Government have now agreed in principle for issuing advance import licences to cover the requirements for the next three years. This, I hope, will go a long way in overcoming the anticipated difficulties in the procurement of raw materials required for this vital industry.

Fresh Imposts...

I need not stress on the role of the importance of aluminium in the Indian economy. The aluminium industry has made spectacular progress in India in the last decade. This is in no small measure due to the initiative and entrepreneurship exhibited by the producers as well as due to the encouragement given by the Government in their efforts to substitute aluminium for scarce copper and zinc. Hence it is painful for me to place before you some of the recent measures of the Government which are likely to stifle the growth of this vital industry. In the recent Budget, aluminium industry has been deleted from the list of priority industries and as such is ineligible for the special tax exemption on profits. This is a retrograde step. Recently, the Government of India have fixed the prices of aluminium products from 24th May 71 at very unremunerative levels, though the Government, considering our uneconomic size, have given a rebate in Excise Duty to compensate the loss to some extent. As per the directives of the Government we have enforced these prices from that date. We have appealed to the Government to review the situation and to refix the prices at more realistic levels. The implementation of these prices by the Government would mean a reduction of nearly Rs. 50 to Rs. 60 lakhs per year in our earnings. The Tax Credit (Excise Duty on Excess Clearance) Scheme has also lapsed and we will not have this advantage for the accounting period 1971 onwards. This would mean a reduction in the earnings by about Rs. 20 lakhs. A company of your standing will find it extremely difficult to overcome the impact of such huge loss in earnings. Yours is a highly capital intensive industry with a small plant. In international parlance, even units of 50,000 tonnes capacity are not considered economic and viable. Even with our expansion, we will still be producing only about 25,000 tonnes which by no means can be considered a very economic unit. Moreover, at present, we do not have the benefit of the manufacture of fabricated items like sheets and extrusions.

In addition, there has been a continuous rise in the prices of all raw materials. You will be surprised to note that the prices of some of the essential raw materials have gone up by more than 200 per cent. The recent changes in the Customs Duty and Excise Duty and the increase in the prices of petroleum products have cast a heavy burden on us. For example, the additional cost on account of furnace oil alone will work out to nearly Rs. 5 to Rs. 6 lakhs per year as we are using furnace oil for raising steam unlike the other aluminium producers who use coal. The imposition of Excise Duty on Calcined Petroleum Coke would mean an additional expenditure of another Rs. 5 lakhs per year. It is most unfortunate that the Government of India have not taken these aspects into consideration while fixing the prices for Aluminium. Moreover, the economics of our expansion programme have been based on the continuance of the price structure and any change would seriously affect our expansion programme.

Technically Most Advanced

In this connection, I do not want you to feel that the profitability of your Company would go down unduly due to the recent measures of the Government. During 1970 we have been able to sell intermediary products like Calcined Alumina, Alumina Hydrate and Carbon Electrode Paste to the value of Rs. 49 lakhs. This sale has helped to boost profitability of your Company. I am glad to inform you that the sale of these products would be continued and efforts are being made to increase such sales. The pot line of our Company is at present operating at nearly 90,000 Amps.—something unique in the country. Our expansion is expected to operate at more than 100,000 Amps. This is a technical achievement of the highest order. I may be pardoned if I take pride in the fact that as on date, we are the most technically advanced Aluminium Unit in the country as the other aluminium producers operate at a maximum of 65,000 Amps. only. The technical excellence of the present plant as well as the plant

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of our expansion will to a large extent nullify the deleterious effects of the recent actions of the Government. As you are aware, the original plant of 12,500 tonnes capacity cost us nearly Rs. 17 crores whereas the expansion to another 12,500 tonnes will cost us only Rs. 12 crores (in spite of the increased cost of machinery, duties, etc.).

You will be glad to know that the additional capacity will be achieved without increasing the share capital of the Company. Moreover, the operation of the expanded capacity will not entail much additional labour and staff.

Expansion Plans...

Ours is such a highly capital intensive industry, that only with the increased productive capacity, we will be able to achieve economies of scale. The cost of production will be brought down considerably with the expansion of the plant. Moreover, as you are aware, we have planned to create facilities for the manufacture of rolled products and extrusions. It is expected that the expansion of the primary aluminium capacity will be completed in 1972-73 and the creation of fabrication facilities could be achieved in 1973. The fabricated items like rolled products, extrusions will yield larger margins of profit. The expansion will be so achieved that we will be able to exploit economically low grade bauxite of our mines. This will also help us in reducing our cost of production. Your Directors are exploring the possibility of setting up a captive Caustic Soda Plant to meet the requirements of your Company. The industrial licence application for this purpose is pending with the Government of India. The economics of the exploitation of low grade bauxite, utilisation of our own caustic soda, increasing the capacity to 25,000 tonnes and

the creation of fabrication facilities will sharply increase the profitability of your Company. With the continuously increasing demand for aluminium products in the country, your Directors are hopeful of maintaining and improving the profitability of the Company in spite of several odds.

I also wish to inform you that our expansion programme is going according to plan in spite of the delays encountered in obtaining import licences and in finalising loans. We expect to receive the import licences very shortly. As you are aware, the import content of our expansion is going to be comparatively small and the delay in the receipt of import licences will not materially affect the scheduling of our expansion project. The Industrial Development Bank of India have agreed to give guarantee to Mediobanca loan and to sanction a rupee loan of Rs. 250 lakhs. As you have been intimated, they have taken the option to convert Rs. 30 lakhs of loan to equity shares to the face value of Rs. 25 lakhs. I share the feelings of all of you that fixing a premium of only 20% on our shares is an injustice to you, who had to wait for eight long years to receive the first dividend. But, unfortunately, we had no choice in the matter as I.D.B.I. linked up the issuance of guarantee to the foreign loan with the rupee loan. I hope you will appreciate the predicament in which your Board was placed and we have to go along with the policy of the Government in this respect.

I am glad to inform you that our labour relations continued to be smooth and cordial. We have recently signed an agreement with the Labour Unions stipulating the settlement to be operative until 31st December, 1975. We have been doing our best to improve the conditions of our employees at all levels. You will be glad to know that a large number of our staff and

workers have been enabled to buy cars, scooters, motor cycles, bicycles, etc., by sanctioning interest free loans. The economy of our country can be developed only with the increasing purchasing power of its labour force. I feel that in the interest of the economy of the country, workers should be enabled to purchase consumer articles of durability to enjoy a high standard of living. In advanced countries this function is done by financial institutions giving loans for such purchases; the employers deducting the repayments in the salaries. This function has to be performed in India by the employers themselves. I once again wish to reiterate my assurance to our workers that their interest will be the prime concern of the Management.

I would like you to join me in paying tribute to our Collaborators M/s. Montecatini Edison for making available the know-how and technical service of the highest order, resulting in the excellent working of the Plant. They have also made available to us the designs, drawings, data etc., pertaining to the expansion, even without receiving in advance their payment, in order to achieve the expansion as per schedule.

I wish to thank 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 cooperation.

In conclusion, I request you to join me in paying tribute to the employees at all levels for their unstinted cooperation and loyal service.

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

in the price of crude oil have put an additional burden of Rs. 1.25 crores a year on Indian Airlines, though the budget proposals do not increase the levy on aviation turbine fuel.

An Airlines source said that even after its fares were increased they would be among the lowest in the world. In many sectors, they run close to, sometimes below railway fare for air conditioned first class. Moreover, many airlines of the world revised their fares by 6 to 20 per cent over the past one year, because of increasing costs and declining yields. (UNI)

Company Meeting

Gentlemen:

I am pleased to welcome all of you to this meeting—the twentyfifth Annual General Meeting of the Company—the Annual General Meeting falling in its Silver Jubilee year. Personally it has been a proud privilege and pleasure for me to be associated with the Company from its inception.

Before proceeding further, I am sure you would like to join me in recording our appreciation of the valuable guidance and direction your Company had received from the late Shri C. S. Loganathan, who was a director on your Company's Board since 1952.

Stable Central Government

I am happy that the recent General Election has resulted in a Central Government with an overwhelming majority for one party—the ruling party—a government strong enough to impart purposeful direction and stability. This, by itself, is a great relief and a great hope to industry and citizens of our country.

The Economy

Our economy continues to gather strength. But, whatever progress is achieved, the same is neutralised by the tremendous rate of population increase; and to sustain a high level of activity, the national economy has to be strengthened all across the line. We have to see that production and productivity are increased at a faster rate all-round and established capacity is fully utilised. I, therefore, come back to the same fundamental point I had made in the past, viz: that Government policies should be designed to induce greater production and stimulate growth.

Encouraging Results of 1970

As you would have seen from the Directors' Report & Accounts, 1970 has been yet another good year for your Company. The sales-turnover has increased from Rs. 7.62 crores in 1969 to Rs. 9.27 crores—recording a new high. The gross profit has also recorded an increase to Rs. 134 lakhs before providing depreciation of Rs. 38.19 lakhs and bonus to employees of 14.50 lakhs. The net profit too, is higher at Rs. 81.33 lakhs (Rs. 73.07 in 1969). The net profit has not recorded improvement proportionate to the increased turnover because of higher raw material and labour costs, higher depreciation-provision and the benefits of the new plants accruing only towards the year-end



THE TRAVANCORE RAYONS LTD.

Speech delivered by Shri AR. Ramnathan, Chairman at the 25th Annual General Meeting held at Rayonpuram, Kerala, on June 29, 1971.

Disposition of Profits

Out of the net profit, your Directors have provided Rs. 23 lakhs for Development Rebate Reserve and Rs. 19.50 lakhs for taxation. The lower taxation provision is due to the benefit of development rebate and higher depreciation on account of expansion. The balance of Rs. 38.76 lakhs has been transferred to the General Reserve. The gratuity liability of the company has been actuarially ascertained and provided (Rs. 31.72 lakhs). Having regard to the continuing expansion and the need for funds, your Directors have thought it prudent to recommend maintenance of the dividend at 15% taxable—which, if approved by the General Body, will be paid out of general reserve. You will be glad to note that by such careful husbanding of resources through the years, your Directors have raised the gross block from about Rs. 2 crores to close to Rs. 10 crores and built-up reserves of a high order—about 75% of the paid-up capital.

Production & Sales

The upward trend in the production of both Rayon Yarn and Cellulose Film has been sustained for another year in succession. The Rayon production was higher than that of 1969 by about 8% and that of Cellulose Film by about 17.5%. The sales were also brisk, resulting in a higher turnover of Rs. 9.27 crores. The sales of rayon yarn, which were sluggish for a long time past, picked up towards the last quarter of 1970.

Raw Materials

The costs of almost all raw materials have continued to rise, as also the cost of labour,

transport, freight, etc. Temporary shortages of raw materials had also occurred—especially in regard to imported ones, on account of delays caused by various factors. The cotton shortage has had its natural impact on the cotton linter supply position and the cost of cotton linters—required for the manufacture of our Cotton Linter pulp—shot up exorbitantly. More and more items are being routed through the State Trading Corporation, which involves the need to put up with delays and to avail, often, bulk arrivals of more than normal stocks, resulting in higher inventory—apart from lack of competitive market conditions and the benefits thereof.

Government Policies

I am glad to find some liberalisation of licensing procedures—which is good so far as it goes. I would like to add that there is vital need for extending further this liberalisation. The import policy has also some good features. However, the period under review witnessed the emergence of some radical measures like the Monopolies and Restrictive Trade Practices Act, which may have impeding effect on industrial progress. I am inclined to agree with the widespread opinion that, under present Indian conditions, there is no monopoly or economic concentration as such, and with such measures as the abolition of Managing Agencies, increasingly stringent provisions under the Companies Act, credit regulations, and the like, there is actually not much need for the MRTP Act which is having a dampening effect on industrial development—whereas what is needed today, on all accounts, is the opposite of it. It will be a great loss to the country, if, for ideological reasons, we do not take advantage of the expertise, the proven experience, the capital, and the organising capacity of the existing entrepreneurial class. More recently, we have had the nationalisation of general insurance. If the after effects of nationalisation of Banks is any guide, I only hope that the tendencies of deterioration in service and indiscipline will not be allowed to manifest themselves.

The Central Budget

In the Central Budget for 1971-72, the Finance Minister has come down with a massive dose of taxation. The removal of development rebate in 1974 will have its impact on industrial growth. No doubt, the various measures in the Budget will have

15 Per Cent Fare Rise in Domestic Flights

The Finance Ministry is understood to have approved a 15 per cent raise in the domestic air fares of Indian Airlines on all sectors except in the eastern region. The increase allowed in the eastern region is upto 7 per cent.

The Airlines had sought permission to raise the fares by 28 per cent, but was asked to review the proposal and see how far economies could be effected in its working expenses. The permission given now is after studying the Airline's reply and also the

effect of the additional taxation proposed in the Central budget for 1971-72, now awaiting parliamentary approval.

The Airlines will certainly not be happy over the present approval because it was fighting for a bigger percentage in view of rising costs—a phenomenon suffered by airlines the world over—and not merely because various factors imposed a loss of Rs. 4.65 crores in 1970-71.

The Central budget and the revision

their financial impact on your Company's working, as in the case of others. The impact is roughly estimated around Rs. 12 lakhs per annum.

Expansion Schemes

As your directors have mentioned in their Report, the commissioning of the new Cellulose Film Plant, in regard to which there was a long stalemate for want of labour co-operation, was effected through an agreement. The modification of the Moisture-proof Plant has been completed. Your Company is now equipped to do copolymer (ucaran) coating on Cellulose Film.

The Government of India has been approached for expansion of the rayon capacity by 5 tonnes/day, and for an industrial licence for expanding the Cellulose Film capacity by 10 tonnes/day.

For financing the expansion, a scheme to merge the Indian Overseas Bank Limited with your Company, thereby ensuring finance to the extent of Rs. 250 lakhs has been approved by your Board of Directors and that of IOB Ltd. on mutually advantageous terms. For every share of the IOB Ltd., we will issue 7 Trayons shares of

Rs. 10/- each and one Debenture of Rs. 100/-. We will be coming to you with full details in due course to seek your approval before finalisation of the scheme. This proposal is particularly advantageous to your Company, now, in view of the numerous credit restrictions.

Silver Jubilee

Twentyfive years ago, India's man-made fibre industry was born at Rayonpuram, Kerala. Travancore Rayons are proud to be the pioneers in this field. To mark the Silver Jubilee, news-paper supplements will be brought out throughout the country and an open-air theatre-cum-stadium is being built at Perambavoor—a long felt need of this place which was once a hamlet. On this happy occasion, I have pleasure in joining your directors in wishing the best to you all, to the Trayons' employees, to the Government of Kerala and India and to the Company's Bankers, and others closely or remotely connected with Trayons.

Exports

Your Company has also made further progress in the export of Cellulose Film. The

film is going to countries in South East Asia, Middle East, Africa and New Zealand.

Labour Relations

The relations with labour during the year except for starting the new Cellulose Film unit, have been satisfactory. Tripartite discussions are going on for renewing the long-term agreement. I look forward to full co-operation from labour so that the full benefits of the expansion could be reaped and productivity maximised, to mutual advantage. In this connection, it is encouraging to note the dialogue in New Delhi between the Prime Minister and the Union Labour Minister on the one side and the leaders of the trade unions on the other. Particularly, the idea of creation of a common bargaining agency for multiple unions thereby eliminating problems of inter-union rivalries, and the stress that higher rewards should be linked to productivity, are hopeful signs of realism—which alone can really make for better life for the working class and prosperity of the country.

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

Air-Borne Survey for Mineral Deposits

The second phase of Operation Hardrock—airborne mineral survey by the Geological Survey of India—covering 80,000 sq. km. in parts of Mysore, Madhya Pradesh, Maharashtra, Gujarat and South Rajasthan, was inaugurated by Mysore Governor Dharma Vira on June 13.

The present survey, carried out in collaboration with France, will first cover about 30,000 sq. km. in Mysore in the next three months before moving over to northern India.

The results of the survey would be scientifically exciting and economically most promising for the future plans for development of non-ferrous metals. India was importing Rs. 90 crores worth of non-ferrous metals annually to meet its requirements of about 93,000 tonnes while it produced only about 9,000 tonnes of copper.

With the development of the Khetri complex and the proposed expansion of the existing copper smelter, the

production of copper would be about 40,000 tonnes annually in the next few years. The current demand for zinc was about 106,000 tonnes annually, while the present installed capacity was only 38,000 tonnes, and import during 1970 amounted to 66,000 tonnes. With the doubling of the existing zinc smelters and the setting up of the Vizag smelter, a production capacity of a little over one lakh tonnes was expected to be achieved by the end of the fourth Plan.

Use of Modern Instruments

The mineral survey will be carried out by the Aerial Wing of the Geological Survey of India in collaboration with a French firm. The most modern magnetic, electromagnetic and radio metric instruments will be used during the flights, which will cover 144,000 line Kms in all. The project is expected to be completed within 30 months but even while the surveys

are on, preliminary results will be available for ground follow-up action.

The new project is being taken up in view of the promising results achieved in the first project called "Operation Hardrock" which was implemented with U.S. collaboration. This operation covered an area of 90,000 sq. kms. in Rajasthan, Bihar, West Bengal and Andhra Pradesh. After the survey flights, over 11,000 "aero-anomalies" were selected for ground follow-up action. More than half of these have been examined so far and five major zones, which may contain rich mineral deposits, have been located.

The Government of India took up the airborne mineral surveys programme in 1967 in order to speed up exploration of deposits for non-ferrous metals. The need has become urgent because India is now spending foreign exchange worth over Rs. 90 crores every year on imports of metals like copper, lead and zinc to meet the requirements of industries. (UNI)

Company Meeting :

SOUTH INDIA VISCOSE LIMITED

Sri G. K. DEVARAJULU'S REVIEW

Speech of the Chairman, Sri G. K. Devarajulu, delivered at the Thirteenth Annual General Meeting of the Shareholders held on the 28th June, 1971, at 10-00 a.m. at the Registered Office of the Company, "Shanmuga Manram", Race Course, Coimbatore-18.

Ladies and Gentlemen,

I have great pleasure in welcoming you all to the Thirteenth Annual General Meeting of the Company.

The Report of the Board of Directors and Audited Accounts of the Company for the year 1970 are already in your hands and with your permission, I will take them as read and approved.

Before I proceed to outline the prospects and the activities of our Company, I will deal in brief with the political and economic trends prevailing in the country at present. Due to uncertain conditions in the political and economic fields, the production in general has remained stagnant, the prices of essential commodities continued to rise, while the wage bill for the organised labour has swelled up without any corresponding increase in productivity resulting consequently in inflationary trends and spiralling prices.

With a view to check inflationary pressures and to hold the price line, the Bank rate was increased; but the purpose has not been served as expected and the only way to combat this evil is to increase production of goods and services.

The other problem facing our country is the large scale unemployment. With the spread of education, the unemployment among educated, skilled and semi-skilled personnel, has increased to the maximum and unless more industries are set up and the Government launch large scale projects and schemes, this problem cannot be solved.

Fortunately, the results of the last General Election have given rise to a stable Government at the Centre, thus ensuring for the country political and economic stability.

The increase in Railway freight, import duty on raw materials proposed in the recent budget will tend to increase the cost of production. Again the increase in the surcharge on the income of the individual above Rs. 15,000/- p.a., increase in the rate of Surtax on Company's profits and withdrawal of exemption of investment in equity shares in the initial capital of Companies for wealth tax purposes and proposed withdrawal of development rebate concession for

machines installed after 1974 will dampen fresh investments.

I now wish to turn to the affairs of our Company.

Pulp Plant

The Pulp Plant commissioned in the year 1969, has reached the rated capacity of 60 tons per day from July, 1970. Out of the total production of 16,250 tons of pulp, about 6,650 tons have been sold to Rayon and

It may not be out of place, if I mention, that India at present produces only about 80,000 tons of dissolving pulp out of which 22,000 tons only of rayon grade pulp, as against the total demand of about 1,20,000 tons. As our industry mainly depends on the forests for raw materials, viz. hard wood and soft wood etc., forest management and development planning should aim at utilising the available forest resources to the fullest extent and simultaneously regenerating the forests of the species required for the purpose.

Rayon

The margin of profit in Rayon has decreased considerably on account of the sale of 45% of production of Rayon yarn at concessional rate to the actual users consequent on the agreement reached with them and the sale of 10% of production at a further reduced rate to the exporters of Viscose filament fabrics under Export Promotion Scheme. This margin will still go further down for 1971 during which 50% of production will have to be sold to the Actual users at a concessional rate as per new agreement besides 10% allotted to weavers under Export Promotion Scheme.

Expansion

I am happy to inform you that for implementing Staple Fibre expansion scheme from the present 10 tons per day to 30 tons per day and Polynosic Fibre of 20 tons per day, the cost economics and other technical details are being worked out in detail and are under examination.

Letter of Intent has already been issued by the Government and the Industrial Licence for the above expansion is awaited from them.

A scheme for the expansion of the Pulp Plant from the present 60 to 120 tons of pulp per day has also been submitted to the Government of India. Letter of Intent and Industrial Licence are awaited.

To explore the possibilities of getting increased supplies of pulp wood from the forests an expert was deputed from Spain to



Sri G. K. DEVARAJULU

Staple Fibre manufacturers and 6,650 tons utilised for our own consumption. With the production of our own pulp, we were not only able to produce Rayon and Staple Fibre uninterruptedly but have also saved considerable foreign exchange. The current expansion under review will have the full benefit of the rated full output production of pulp.

I would, however, state that at present the movement of our surplus pulp is slow on account of the present policy of the Government's issuance of import licences liberally to the other indigenous rayon spinners, the only consumers of our pulp. We have made strong representations to the Government of India to restrict the import of pulp and we hope our representation will receive due attention of the Government.

INDUSTRIAL ECONOMIST

inspect the forests in the State with a view to industrialise forest expansion. He toured the forests in the State and has submitted a report which is under study.

At the recent Forest Advisory Committee Meeting held at Ooty, it was suggested that Government be requested to enter into a joint venture with the Company and place at the disposal of this Company, 10,000 acres or more of land in the Tamil Nadu Forests in the Nilgiris, Kodaikanal and other areas growing bluegum plantations. The Company would take over these areas and intensify the growth of bluegum trees by adopting latest methods and technique at their cost. The Committee has agreed to recommend this suggestion to the Government for their consideration and the results are awaited.

Raw Materials

Caustic Soda, one of the raw materials for the production of pulp, rayon etc. is in short supply for the past few months on

account of continued shortage of graphite anodes and slabs. Our suppliers who have been supplying this regularly are at present unable to meet our demand and the same has therefore to be purchased from the open market at a much higher price resulting in increase in the cost of production. The supply position is expected to improve shortly.

Financial Results

I am happy to inform you that the performance of our company during the year under review is very satisfactory. The net profit for the year is Rs. 112.71 lacs after providing for depreciation of Rs. 168.65 lacs for Pulp and Rayon Plants. After transferring Rs. 53.9 lacs to the General Reserve, your Directors are pleased to recommend a dividend of 12% on Equity Shares absorbing Rs. 58.80 lacs.

It is hoped that the results of the current year will also be satisfactory as the Company will have the full benefit of the pulp production in 1971.

Conclusion

Man-made Fibre Industry plays a pivotal role in improving the standard of living of people and its contribution to the country's economy is also very great. As natural fibres alone cannot cope with ever increasing demand for cloth, man-made fibre fabrics will fill the gap. It blends easily with natural fibres to produce attractive varieties of fabrics to suit the modern taste of the people.

I am happy to state that the relation between the Labour and the Management were cordial during the year.

Before concluding, I wish to express my warm appreciation and thanks on your behalf and on behalf of my colleagues in the Board, to the Management and the employees of the Company for their devoted service to the Company's progress.

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

A Big Stride for Cooperative Schemes

The financial year 1971-72 envisages big strides in the cooperative sector. The National Cooperative Development Corporation (NCDC) proposes to give about Rs. 12.05 crores as loan and about Rs. 2.32 crores as grant for various cooperative development schemes under its purview.

The centrally-aided State Plan schemes will get Rs. 4.9 crores as loan and Rs. 2.11 crores as grant, the centrally-sponsored State Plan schemes will receive Rs. 3 crores as loan and Central Sector Plan Schemes Rs. 2 crores as loan. For Corporation-Sponsored Schemes about Rs. 2.15 crores would be given as loan and Rs. 21.67 lakhs as grant. Besides, the State Governments would be spending about Rs. 6.33 crores for Cooperative Development Schemes during the financial year 1971-72.

The NCDC assistance to the State Governments expects cooperative Agricultural Marketing Societies to market agricultural produce to the tune of Rs. 675 crores. Fifty new agricultural processing units including sugar mills

will be established in the cooperative sector. The cumulative storage capacity of the cooperatives will increase by about 3 million tonnes. Besides, the cooperatives will handle fertilizers and consumer articles to the tune of Rs. 300 crores and Rs. 270 crores respectively.

To enable the cooperative wholesalers to raise a part of the margin money, a centrally-sponsored scheme has been included in the Fourth Plan with a total outlay of Rs. 14.5 crores. During the year 1971-72, the cooperatives have been set a distribution target of Rs. 300 crores worth of fertilisers.

The Fourth Plan envisages organisation of 550 additional cooperative processing units in the country. A special provision of Rs. 9 crores has been made in the plan to provide block loans to small and medium sized processing units.

Implementing NCDC Schemes

The Corporation will continue to implement during 1971-72 its own spon-

sored schemes and finance them out of the funds available in its corpus. During the year it will provide finance to State Governments and national level federations under various Corporation sponsored schemes evolved earlier. Emphasis will be laid on the implementation of certain NCDC-sponsored schemes like granular fertilizer plants, service and hire centres for agricultural machinery and provision of margin money for processing units. In addition, assistance will be provided to the National Cooperative Agricultural Marketing Federation.

During 1971-72 special assistance will be provided to two new seed producers-cum-sales units. Five new granular fertilizer units will get spillover assistance by way of second and final instalment. Besides, assistance will be provided to most of the granular units which have gone into production towards margin money under the enlarged scheme.

The new measures include assistance to ten new agricultural machinery service and repair centres and two new pesticides and insecticides units and two soil testing laboratories.—(UNI)

COMMODITIES:

Slow Impact of Decontrol on Sugar Prices

There seems to be no marked impact of the decontrol of distribution and prices of sugar on the commodity's price in various centres. There has been no pronounced fall in values as anticipated immediately after Government's decision in May in spite of the substantial release of 4.5 lakh tonnes that accompanied decontrol. Prices have eased only slightly in Madras, Bombay, Kanpur and other principal centres in northern and eastern regions. In Madras E-30 variety is ruling around Rs. 180 and in Bombay C sort around Rs. 193 per quintal against Rs. 182 and Rs. 201 respectively before decontrol. There may, however, be a fresh drop in prices as an equally large quantity of 4.50 lakh tonnes has been released for June-July. But it must be remembered that the current open market prices are beneficial to mills as the excise duty has been reduced to 30 per cent from 37½ per cent *ad valorem* and is applicable to all sugar (there is no levy quota now). The absence of a slump in prices even when mills are faced with accumulating stocks is rather intriguing and may be due to some caution on the part of industry and trade to unload such large quantities on a market which is already saturated. At present there is no distribution mechanism which can ensure the orderly disposal of the regular releases announced by Government nor is there any compulsion to dispose of the releases within a stipulated period. However it is felt that sugar prices have already hit the rock bottom levels and can only look up in the coming months. The industry is also genuinely concerned about the long-term outlook for the commodity. At the present rate of releases and internal consumption, the current season may well end with lower stocks of about 18 to 19 lakh tonnes against 20.6 lakh tonnes at the end of 1969-70. If output in 1971-72 falls below the current year's level of 40 lakh tonnes and there is a further rise in consumption, a psychology of impending shortage may develop. For the present, the problem of mills will relate to steady and sizable reduction in stocks in the remaining months of this season so that the distribution of stocks is even among the various states.

Tyre Shortage

The automobile tyre industry of India has warned of a developing shortage is truck tyres and has urged the Government to allow imports to meet the shortfall. This is a strange situation as there is sufficient capacity in the country to meet even a larger

demand. But the temporary difficulty in the supply position has been caused by factors over which the industry has no control. The industry had emerged from a series of labour strikes in a number of units only towards the end of last year but fresh labour trouble this year in a number of factories since April this year, has affected output considerably. Workers of Madras Rubber Factory have been on strike since the third week of April. Severe loss of production has also been reported by tyre units in certain parts of northern and eastern India owing to disruptions in power supplies. The industry has taken counter measures to ensure equitable distribution at recommended retail prices but it is pointed out that unless some imports are allowed immediately, the situation may get out of control and undesirable trade practices may be difficult to prevent.

Spurt in Rayon Prices

There has been a sudden firming up of prices for various deniers of rayon yarn in Bombay and other centres, with 120 denier yarn for instance shooting up to Rs. 9.12 per lb from Rs. 8.40 earlier. This follows fears that rayon spinners might have to suspend production if prompt steps are not taken by State Trading Corporation to arrange adequate imports of rayon-grade pulp. Pulp requirements of rayon units are met by imports to a substantial extent as indigenous capacity is only slowly building up. Pulp imports are canalised through STC since last May which, it is mentioned, is unable to handle the imports of such short notice. Even earlier the spinners had some difficulty in getting this import licences processed promptly and imports were not regular since the beginning of this year. Any drastic cut in production of rayon yarn and tyre and cord will hit the weaver, particularly the numerous small units, besides tyre units. The S.T.C. which has large stocks of yarn now in short supply is unable to come to the weavers' help due to some procedural wrangles. Nylon manufacturers whose raw material imports are also handled by S.T.C. are equally concerned about regular supplies, though nylon yarn prices have remained easy for some time.

Cotton Imports

The Union Foreign Trade Minister recently announced in Parliament that the Government intended to import 17 to 19 lakh

bales of cotton to tide over a critical shortage being experienced by the industry following a short crop this year. But this has failed to cheer the mills as even earlier, the Government had indicated import of about this magnitude. The industry's present concern is over the slow pace of actual imports from various sources. So far import quotas released this season total 11.55 lakh bales including one lakh bales of Sudan cotton proposed under a barter deal with Russia (under which the finished goods will be shipped to that country after being processed in Indian mills) and another 55,000 bales of Sudan cotton which are yet to be allocated to the mills. But arrivals against this are placed at no more than 5 lakh bales till end of April, about 50 per cent of the quarter released to the mills. Against this background the industry is naturally not enthusiastic about fresh import quota for 7 to 8 lakh bales.

Steel Shortage

The Government has estimated the current steel shortage at one million tonnes a year, but imports have fallen very much short of this level. The Steel Minister told the Rajya Sabha that imports of steel materials in the first 8 months of 1970-71 totalled 1.14 lakh tonnes worth Rs. 58.6 crores. A number of steps have however been taken to check blackmarketing in steel. While it has been made obligatory on the part of re-rollers to sell almost the entire quantity of their production for distribution through the Steel Controller, the provisions of the Essential Commodity Act have been extended to steel also. Regional offices of the Steel Controller have also been opened at Madras, Bombay Calcutta and Delhi to cut procedural delays in allocation of steel items.

New Levy on Metals Opposed

The Small-scale Non-ferrous Industries Association, Calcutta, has strongly resented the recent hike in import duties on non-ferrous metals. The association President Mr. S. K. Chowdhry has pointed out that the additional duties to the existing rates of Rs. 1,500 per tonne on copper and Rs. 500 per tonne each on zinc and lead, work out to an increase of 30 per cent in the case of copper and 40 per cent in the case of zinc and lead. The increased rate is also to apply on other items like silicon metal, manganese metal crucibles and red phosphorus. It is feared that small units using non-ferrous metals, which are mainly imported, will be severely hit by the increased costs. The additional rates will also raise the financial requirements by about 50 per cent which will be difficult to secure in the present tight money conditions.

BUSINESS BRIEFS:

Tata Steel's Good Showing

The better performance of Tata Iron and Steel Company Limited, the biggest private sector firm in the country, in the year ended March 31, 1971 against heavy odds, has created confidence in the minds of investors about the outlook for the corporate industrial sector. The company has been able to offset continuously escalating costs and a higher wage bill following the award last November and yet show improved profitability. Though the higher prices allowed in January 1970 were in operation for the whole of last accounting year, there was also greater efficiency of operations. This has enabled the company to maintain the dividends on equity capital at Rs. 8.60 per share of Rs. 75 each or 11.47 per cent taxable besides allowing larger net accretions to reserves of Rs. 2.20 crores against Rs. 87 lakhs in 1969-70. The turnover for the year hit a new high at Rs. 150.75 crores against Rs. 144.37 crores in the previous year, a rise of 4.4 per cent while the net profit, before depreciation and taxation, recorded a 23.5 per cent increase to Rs. 30.27 crores from Rs. 24.51 crores in 1969-70. This is a new record as the previous best was Rs. 27.14 crores in 1965-66. The ratio of gross profit to sales is also quite high for a basic industry at 20.08 per cent against 16.98 per cent in the previous year.

The provision for depreciation has been significantly stepped up to Rs. 16.10 crores from Rs. 13.19 crores. This is explained as due to larger additions to plant and machinery during the year and partly due to the facility afforded by the 1970-71 budget to claim higher rates of depreciation. Development rebate reserve also gets a larger sum of Rs. 3.10 crores against Rs. 2.25 crores while the tax liability is higher at Rs. 6.70 crores against Rs. 5.20 crores. The disposable surplus of Rs. 4.37 crores (Rs. 3.88 crores) has been taken to general reserve. But the equity and preference dividends will require Rs. 5.27 crores (same) and it will be necessary to draw on reserves a sum of Rs. 89.92 lakhs (Rs. 1.38 crores). However, as stated earlier, there will be a much larger net addition to reserves. It is also noteworthy that against a profit of Rs. 30.27 crores, the net plough-back is as much as Rs. 18.30 crores which will be helpful in reducing loan obligation or financing the new schemes on hand. The encouraging results have had a salutary effect on the quotation of the equity shares which has spurred to Rs. 105 from Rs. 103 earlier.

Escort's Record Turnover

Escorts Limited has recorded a big spurt in sales during 1970 to Rs. 38.43 crores from Rs. 28.02 crores in 1969 thanks to larger output of tractors, auto ancillaries and other items. But the delay in revising selling prices for tractors affected the profitability of operations considerably and the net profit, before depreciation and taxation, even declined a little to Rs. 270.85 lakhs from Rs. 286.62 lakhs. It is estimated that the loss in earnings due to delay over higher prices for tractors alone amounted to Rs. 80 lakhs. The dividend on equity capital has however been maintained at 13 per cent, taxable. The right shares issued last year are eligible for a proportionate dividend part of which will be exempt from tax deduction at source. The charge in respect of depreciation is higher at Rs. 92.10 lakhs (Rs. 75.82 lakhs) but taxation claims only Rs. 77 lakhs (Rs. 98 lakhs). The transfer to development rebate reserve has been raised to Rs. 25.03 lakhs (Rs. 14.21 lakhs) but general reserve gets a smaller allocation of Rs. 81.29 lakhs (Rs. 114.19 lakhs). The appropriations have been helped by a transfer of Rs. 15,287 (nil) from development rebate reserve and Rs. 4.46 lakhs (Rs. 15.60 lakhs) being excess provision for taxation in earlier years. The President of Escorts, Mr. H. P. Nanda, expects better results this year as tractor sales may be less unremunerative and output of other products is being raised substantially. The Patiala unit is increasing its capacity for ring carrier pistons with a mark loan from the Industrial Finance Corporation. The subsidiaries are also working satisfactorily. The new tractor unit will be stepping up its production of Ford tractors gradually. The authorised capital is being raised from Rs. 7 crores to Rs. 10 crores, indicating that the company may be raising fresh capital to finance new schemes if it becomes necessary.

Zuari Agro-Chemicals

The Goa plant of Zuari-Agro Chemicals Limited will be going into production next year. Construction work which commenced in April 1970 is proceeding apace. The design and engineering work is substantially complete, all major items of imported and indigenous plant and equipment have been ordered and good progress has been made on civil works connected with various fac-

tory buildings. There was some delay due to labour trouble experienced by the Japanese contractors, Toyo Engineering Corporation and their sub-contractors for about three weeks in April this year but it is hoped that the project will be completed on schedule. The Chairman Mr. K. K. Birla, told the annual meeting recently that a close watch is being kept on project costs which have so far remained within the budgeted amount of Rs. 56.55 crores despite the recent budget levies, which have raised capital costs by Rs. 34 lakhs.

A big sales organisation is being set up to handle the huge quantities of fertilizers that will be available from July next year along with customer service facilities in various parts of the country. Mr. Birla has held out the hope that the company would be giving a good account of itself from 1973 onwards once the teething troubles are over. When in full production, the plants will be turning out 430,000 tonnes of fertilizers, comprising 150,000 tonnes of highly concentrated complex fertilizer, with nitrogen and phosphoric acid in equal proportions and 280,000 tonnes of urea.

Bank of Madura

Bank of Madura Limited has reported a modest increase in deposits in 1970 to Rs. 980.26 lakhs from Rs. 920.49 lakhs in 1969 but there was a decline in advances to Rs. 686.33 lakhs from Rs. 692.66 lakhs. It was therefore possible to reduce borrowings to Rs. 11.97 lakhs from Rs. 64.28 lakhs. Cash balances were naturally higher at Rs. 110.97 lakhs against Rs. 102.38 lakhs while investments were raised to Rs. 263.03 lakhs against Rs. 256.41 lakhs. In spite of lower advances, there was a substantial rise in income to Rs. 93.73 lakhs from Rs. 80.20 lakhs. Interest on borrowings and deposits was slightly higher at Rs. 45.39 lakhs against Rs. 40.47 lakhs while salaries, allowances, etc., increased to Rs. 35.25 lakhs from Rs. 27.73 lakhs. As there were increases under other heads of expenditure also, the net profit, after taxation, declined to Rs. 2.02 lakhs from Rs. 2.80 lakhs. The transfer to statutory reserve is only Rs. 50,000 (Rs. 1.17 lakhs) and contingent reserve Rs. 15,000 (Rs. 30,000). The dividend has been maintained at 8 per cent taxable which will require Rs. 1.29 lakhs (same).

Ambika Mills

Shri Ambika Mills Limited is expected to put up an encouraging performance this year despite the uncertain outlook for the textile division. The diversified activities of the company have stood in good stead. The chemical, machinery, steel tubes and cylin-

der units are working satisfactorily and may be contributing to a larger turnover. Already in the first five months, sales have been higher at Rs. 5.93 crores against Rs. 5.20 crores in the corresponding period of 1970. The cylinder plant will be executing larger orders from the Indian Oil Corporation while, with easier availability of steel, there may be an improvement in the output of steel tubes which declined to 11,000 tonnes in 1970 from 21,500 tonnes earlier. Four schemes have been submitted to Government for producing nylon filament yarn, polypropylene, ethylene glycol and polyester film. The company is even willing to locate the new units in Haryana or Punjab if their location in Gujarat is not favoured.

Britannia Biscuit's Setback

Britannia Biscuit Company Limited could not maintain its growth in sales and earnings in the year ended March 31, 1971 due to closure of the Calcutta factory for 2½ months and levy of excise duty on biscuits. Sales were however nearly maintained at Rs. 17.38 crores against Rs. 17.85 crores in 1969-70 as offtake of bread and other products was larger. However, owing to a rise in working expenses, a sharp decline in earnings could not be avoided, the net profit, before depreciation and taxation, being only Rs. 209.82 lakhs against Rs. 275.28 lakhs in the previous year. The total dividend on equity capital has been reduced to 16 per cent, with the announcement of a final payment of 12 per cent. In 1969-70 there was an interim of 6 per cent (against 4 per cent now) and a final of 16 per cent, making a total of 22 per cent. But the quantum of dividend will be 20 per cent more as the latest interim and final payments are on an increased capital as raised by a three-for-five bonus issue. The interim dividend absorbed Rs. 10.62 lakhs (Rs. 9.96 lakhs) while the final will be paid out of general reserve which gets a much larger sum of Rs. 102.78 lakhs (Rs. 83.38 lakhs). The larger transfer to this reserve was possible as taxation claims only Rs. 73 lakhs (Rs. 150 lakhs) after providing Rs. 24.44 lakhs (Rs. 27.44 lakhs) for depreciation and Rs. 75,000 (Rs. 2.50 lakhs) for development rebate.

Motor Industries

Motor Industries Company Limited could increase its turnover significantly during 1970 to Rs. 16.06 crores from Rs. 14.46 crores in 1969 but there was no proportionate increase in the net profit, before depreciation and taxation, which rose only modestly to Rs. 381.77 lakhs from Rs. 358.41 lakhs. The provision for depreciation has been raised

to Rs. 123.63 lakhs from Rs. 103.93 lakhs but development rebate claims almost the same amount at Rs. 47 lakhs (Rs. 46.20 lakhs). The tax provision amounts to Rs. 105 lakhs (Rs. 109 lakhs including Rs. 4 lakhs for earlier years). The transfer to general reserve is lower at Rs. 58.83 lakhs (Rs. 68.34 lakhs). The interim dividend of 10 per cent claimed Rs. 37.50 lakhs (same) while the final dividend will require Rs. 28.12 lakhs (same). The total dividend of 17½ per cent is thus amply covered. In the latest year, credits relating to earlier years for Rs. 3.64 lakhs (Rs. 26.91 lakhs) and transfer from development rebate reserve of Rs. 15.37 lakhs (Rs. 8.18 lakhs) were helpful in completing the appropriations. At the end of the year, the net block stood at Rs. 7.02 crores (Rs. 6.09 crores) against which paid-up equity capital amounted to Rs. 3.75 crores (Rs. 2.16 crores held by Robert Bosch GmbH, West Germany) while reserves were as much as Rs. 6.78 crores. The company is thus in a position to declare an attractive bonus issue, which is however linked with the Government's approval for the expansion scheme. There has been some delay in getting the industrial licence for this substantial expansion as it was necessary to get clearance under the Monopolies Act. The licence is now expected to be received in the second half of this year. Exports of the company's products in 1970 totalled Rs. 1.1 crores, including indirect exports of Rs. 30 lakhs. There may be a further improvement in this regard if the manufacturing capacity is expanded, particularly as the company has the active assistance of the German parent company.

Textile Machinery Corporation

Textile Machinery Corporation Limited has resumed profitable working with a jump in production and sales during 1970. Production rose to Rs. 14.15 crores from only Rs. 8.74 crores in 1969 in spite of raw material shortages. It was necessary to get supplies from the open market at heavy premium which prevented a proportionate increase in earnings. With home demand still sluggish due to the difficult situation in the textile industry and poor orders from the Railways at uneconomic prices, the company had to depend on increased exports (Texmaco ranks the foremost in export performance in the engineering industry). Production and despatches of the textile machinery division at Belgharia near Calcutta rose appreciably during the year and it was possible to get a repeat order from UAR for ring frames. There are plans to take up manufacture of high speed spinning machines like carding engines, simplex and draw frames with foreign collaboration. The

foundry division also raised its output substantially with a switchover to more sophisticated castings. The machine tool division could not use its capacity fully though there was an increase in production. Efforts are being made to diversify the products. The rolling stock division, at Agartala, was affected by decline in orders from the Railways. It has however got an order for 1,000 wagons from Hungary which is being executed. Another order worth Rs. 9 crores has been obtained from Yugoslavia. There has been a marked improvement in the output of the boiler, structural and sugar machinery divisions though prices were not remunerative due to stiff competition.

Sales rose sharply in 1970 to Rs. 13.15 crores from Rs. 8.08 crores in 1969 while there was a net profit of Rs. 48.67 lakhs, before depreciation, against a loss of Rs. 61.81 lakhs previously. But this was only sufficient to meet debenture issue expenses for Rs. 5.24 lakhs and provide a part of the depreciation charges for Rs. 43.43 lakhs. (nil). There is still a sum of Rs. 6.09 lakhs to be provided for depreciation while preference dividend for the year amounting to Rs. 11.36 lakhs has not been provided for. On the previous occasion the loss was adjusted by a transfer from general reserve. There may be a further growth in sales in the current year if the Railway Board could place adequate orders at economic prices.

National Organic

Shareholders of National Organic Chemical Industries Limited can look forward to an early maiden dividend. The Chairman, Mr. Arvind N. Mafatlal told the annual meeting recently that the company hoped to wipe out its accumulated losses of Rs. 2.81 crores and show a small surplus out of the current year's earnings. Though he would not commit himself to a definite time for dividend payment, he indicated that shareholders would not have to wait for long. It is quite likely that an interim dividend would be possible for 1972 as there would be a sizable disposable profit and there would be no tax liability though there is a large sum to be claimed towards development rebate. Performance of the various units has been quite satisfactory so far this year and sales in the first 5 months amounted to as much as Rs. 12 crores against Rs. 7.82 crores in the same period in 1970. The turnover for the whole year thus promises to be substantially higher than in 1970 with an improvement in profitability.

Polyolefins Industries

Polyolefins Industries Limited has been gradually increasing its output of high den-

sity polyethylene and with a larger proportion of sales in the remunerative internal market, turnover and earnings have been rising in a more pronounced manner. In the current year, production in the first five months was much higher at 8,700 tonnes against 6,000 tonnes in the corresponding period of 1970 while sales jumped to Rs. 4.58 crores from Rs. 2.73 crores. The lower sales last year were however due to a shut-down of the plant for overhauling purposes. The Chairman, Mr. A. N. Mafatlal has indicated that total sales for 1971 might amount to Rs. 11 crores against Rs. 9.45 crores in 1970 and it would be possible to wipe out earlier losses from current earnings though it may not be feasible to declare a maiden dividend on equity capital. Shareholders can however expect a dividend for 1972. The scheme, for raising capacity by 50 per cent to 30,000 tonnes can be implemented in 18 months from the date of permission for the expansion which can be financed entirely out of internal resources and borrowings if necessary.

Baroda Rayon

Baroda Rayon Corporation Limited has earned a slightly higher profit in 1970 following a modest improvement in sales to Rs. 7.33 crores from Rs. 6.73 crores in 1969. The dividend on equity capital has been maintained at 8 per cent. The net profit before depreciation and taxation, was better at Rs. 2.04 crores against Rs. 1.98 crores while, the disposable surplus after providing for depreciation, development rebate, and taxation showed a more pronounced rise to Rs. 55.12 lakhs from Rs. 42.68 lakhs in the previous year while taxation gets as much as Rs. 77.85 lakhs (nil). The provision for depreciation is Rs. 65.62 lakhs (64.92 lakhs) and development rebate only Rs. 5 lakhs (Rs. 82 lakhs). The transfer to general reserve No. 1 is Rs. 40 lakhs and to general reserve No. 2 Rs. 15 lakhs. The dividend is to be paid out of the first reserve.

Gujarat Polyamides

Gujarat Polyamides Limited, in which Baroda Rayon is substantially interested has come on the market to raise Rs. 238.63 lakhs, in equity shares for Rs. 128.63 lakhs and in 9.5 per cent redeemable preference shares for Rs. 1.10 crores. The company is setting up a plant at Udhana, Surat with a daily capacity of 5 tonnes of nylon-6 yarn. An Italian firm, Italviscosa Eastern Trading S.P.A. of Milan, will be supplying the spinning machinery besides providing technical and financial collaboration. The estimated cost of the project is Rs. 11 crores which is to be

met by equity capital for Rs. 3.30 crores, preference capital for Rs. 1.10 crores foreign currency loans from Industrial Credit and Investment Corporation and Industrial Finance Corporation for Rs. 312.50 lakhs, Italian Credit for Rs. 70 lakhs and rupee loans and debentures for Rs. 277.50 lakhs from Industrial development Bank of India, IFC, Unit Trust and Life Insurance Corporation. These institutions can convert upto Rs. 60 lakhs into equity at par in 1977-78. Of the equity capital Baroda Rayon has already subscribed for Rs. 89.18 lakhs. The Italian collaborators will be allotted shares for Rs. 67.50 lakhs against supply of plant and machinery. The Maharaja of Baroda and his nominees have taken up shares for Rs. 20.71 lakhs while shareholders of Baroda Rayon will be offered shares for Rs. 23.90 lakhs in the ratio of one share for every 20 shares held by them. Of the public equity share issue of Rs. 128.63 lakhs, shares for Rs. 42.81 lakhs have been underwritten by a number of financial institutions while of the balance Baroda Rayon has undertaken to take up any unsubscribed shares. The plant is expected to go into production in the second half of 1973.

Mahindra Ugine

The Chairman of Mahindra Ugine Steel Company Limited, Mr. Harish Mahindra, has expressed optimism about the outlook for the current year. Sales in the first five months were much higher at Rs. 4.29 crores against Rs. 2.83 lakhs in the corresponding period of 1970. The company has finalised the financial arrangements for installing balancing equipment to increase the effective capacity and orders are being placed for plant and equipment required to produce 24,000 tonnes of finished steel on an integrated and sustained basis. Even in 1970, an output of over 26,000 tonnes was achieved though this entailed re-rolling of 1,500 tonnes of blooms into finished products. With a view to achieve greater economies of scale, a comprehensive plan to expand capacity to 60,000 tonnes of finished tool, alloy and special steels has been submitted to Government and a favourable decision is expected shortly. The expansion will take into account the advantages of an optimum product mix. Mr. Mahindra has however pointed out that inflow of orders for the company's products has not been upto expectations while large-scale imports have accentuated this situation. On representations from the industry the import licensing policy has been reoriented to allow imports only of those categories and types of steels which are not available within adequate quantities. The impact of these restrictions will not be felt only until the end of the year though the order inflow has started looking up.

FCI's Profits Decline in 1969-70

The Fertiliser Corporation's net profits have gone down by over Rs. 3 crores during 1969-70. The profits of the Corporation were only about Rs. 1.06 crores as against about Rs. 4.42 crores during the previous year.

The profits, before providing for depreciation and interest on loan from the Union Government, amounted to about Rs. 18.23 crores in 1969-70 as against about Rs. 15.56 crores during 1968-69. Of this, the Corporation has provided for depreciation of about Rs. 11.46 crores as against about Rs. 8.29 crores during 1968-69. The Corporation also provided for interest on loans amounting to about Rs. 4.24 crores as against about Rs. 2.84 crores in 1968-69. The net profit of the Corporation during 1969-70 was only about 1.06 crores after expenditure like repairs and renewals.

FCI's units under production are Sindri (Bihar), Nangal (Punjab), Trombay (Maharashtra), Gorakhpur (U.P.) and Namrup (Assam). The Units under construction are Durgapur (West Bengal), Barauni (Bihar), Namrup Expansion Scheme (Assam) and Sindri Rationalisation Scheme (Bihar).

The projects recently allocated to the Corporation for implementation are the Revised Trombay Expansion Scheme (Maharashtra), Ramagundam Project (Andhra Pradesh) and Talcher Project (Orissa). In addition, a coal-based fertiliser plant at Korba (Madhya Pradesh) is also proposed to be implemented.

Trombay Expansion Scheme

The Trombay expansion scheme is designed for production of 1,32,000 tonnes of nitrogen and a similar quantity of phosphatic fertiliser involving an expenditure of over Rs. 34.5 crores out of which the foreign exchange component is expected to be slightly over Rs. 10 crores.

The Ramagundam project is designed for the production of 229,000 tonnes of nitrogen, using coal as raw material. The revised estimated cost of the project is about Rs. 95 crores with a foreign exchange component of about Rs. 35 crores.

The Talcher project is also designed for the production of 229,000 tonnes of nitrogen, using coal as raw material. The revised estimated cost of the project is about Rs. 95 crores, with a foreign exchange component of about Rs. 35 crores.—(UNI).

Oil Refinery for N.W. Region

The techno-economic feasibility report on setting up an oil refinery in the north-western region, which has "just been received",

has suggested four or five sites for the refinery which would have a capacity of four to five million tonnes annually. The need for this new refinery would remain even after the capacity of the Koyali Refinery was expanded from 3.8 million tonnes to 5.5 million tonnes. The Government had appointed a committee of experts to find out whether the oil reserves would diminish or not beyond 1974-75.—(UNI).

Hindustan Ferodo Issues Bonus Shares

As a consequence of the revised guidelines recently issued by the Government, the Directors of Hindustan Ferodo Ltd. now propose that bonus shares be issued in the proportion of one equity share for every five existing equity shares held (instead of one share for every shares held). For this purpose a sum of Rs. 49,93,410, out of the amount of Rs. 49,93,580 standing to the credit of the share premium account in the books of the company, would be capitalised.

The issued and paid-up share capital of the Company amounts to Rs. 2,48,17,030 and after allotment of the bonus shares now proposed this would be increased to Rs. 2,97,80,440 divided into 29,78,044 shares of Rs. 10 each.

Fertilizer Plant for Maharashtra

Clearance is understood to have been given on June 9 by the Union Cabinet to the Rs. 40-crore fertilizer plant being set up by Messrs Dharmasi-Morarji and Company in the Konkan region of Maharashtra.

The firm was given a letter of intent nearly two years ago and its validity period was extended more than once owing to delay in the finalisation of the price of ammonia which the firm is to import or feedstock.

Now that the price settled by the firm with the foreign supplier is considered reasonable, the Government has decided to issue the firm a formal licence. It is understood that the firm would also be allowed to import its requirements of sulphur and raw phosphate. The import of ammonia will be temporary and the firm will have to set up a captive plant to produce the ammonia needed for their fertiliser.

The decision in favour of the ammonia-based plant of the firm is to be regarded as an exception from the general policy of discouraging units relying on imported ammonia for raw material. The Government will hence forward insist on new fertiliser plants using alternative raw material.

Even in the case of Tatas' Mithappur Fertiliser Project, no final decision has been taken regarding feedstock, it is learnt. An exception had to be made in the case of the Konkan fertilizers of Messrs Dharmasi-Morarji in view of the original decision permitting import of ammonia.—(UNI).

HEL Equipment for Haryana EB

The Heavy Electricals (India) Limited, Bhopal has undertaken to supply 90,000 KVAR, 11 kV Capacitors along with associated equipment, valued at nearly Rs. 60 lakhs, to the Haryana State Electricity Board.

This is the biggest single order for indigenous capacitors received so far by the Bhopal factory, after facing severe competitions. The associated equipment on order include Circuit Breakers, Residual Voltage Transformers and series Reactors.

L & T's New Heavy-Duty Fuse-Switches

Larsen & Toubro has put on the market, for the first time in India, indigenously developed low tension heavy duty fuse-switch units. The units in the newly introduced range are rated at 250 A, 400 A and 630 A. They can make and break currents up to 300 per cent of the rated current at 0.3 power factor at 110 per cent of the rated voltage. Thus these units comply with heavy duty fuse-switch standards. The switching is double break; fuses are completely isolated when the switch is 'off'. The operation is quick-made and quick-break, manually independent and has a positive break feature. In the development of the fuse-switches, special attempts have been made to ensure maximum utilization of indigenously available raw materials.

Kalpakkam Gives More Order to HEL

The Department of Atomic Energy has entrusted the Heavy Electricals (India) Ltd., Bhopal to supply Feed Water Heating Plant, valued at Rs. 60 lakhs, for the Madras Atomic Power Project at Kalpakkam.

This is the first time that equipment of this type will be designed within the country at the Bhopal factory.

The Heavy Electricals has secured the order against a public tender facing very tough competition. An earlier order for turbo-generator from the Department of Atomic Energy for the same nuclear Project at Kalpakkam is already under execution at the Bhopal factory.

Traction Gears from HEC

The Heavy Machine Tools Plant, one of the constituent units of the Heavy Engineering Corporation Ltd., set up with an invested capital of Rs. 21 crores has taken up for manufacture, besides machine tools of sizes and types not hitherto attempted for manufacture in the country, high precision traction gears for electric locomotives of the WAG4 type being built in the Chittaranjan Locomotive Works.

Production of traction gears of the above type, so far being imported has largely been streamlined and 20 gear sets for a total value of Rs. 11 lakhs have already been supplied. The railways have also placed orders for 295 sets of gears for another type of electric loco, the WAM4 also being built at Chittaranjan.

Boiler Plant Bags Rs. 10 Crore Export Order

The High Pressure Boiler Plant, Tiruchy—a Unit of Bharat Heavy Electricals Limited—has secured in the face of severe international competition an order to completely design, manufacture, erect and commission three oil-fired Boilers of 120 MW each for the 600 MW Super Thermal Station of the National Electricity Board of Malaysia, coming up at Port Dickson. This turn-key Contract is worth 38 million Malaysian Dollars or nearly Rs. 10 crores. Today, it is the largest order for a single engineering equipment to be exported from this country.

The Boiler Plant, which is only five years old, entered the export field last year by securing an order worth Rs. 2.25 crores to set up two 60 MW Boilers in the same Power Station. Bulk of this equipment has already been manufactured and erection work is progressing satisfactorily.

The export order will have to be completed within a tight time schedule. The first of the three Boilers is to be commissioned within 30 months, the second and the third Units to follow thereafter at short intervals.

The Boiler Plant is currently designing 200 MW Boilers with the assistance of M/s. Combustion Engineering Inc., of United States, their Collaborators, for installation by three Electricity Boards, viz: Uttar Pradesh, Gujarat and Maharashtra. It is learnt that other Electricity Boards are also currently negotiating with them for ordering a large number of 200 MW Boilers.

STOCK MARKET:

Marketmen Digest Budget Levies

Now that the budget uncertainties are over, stock markets are slowly trying to recover their earlier poise. Marketmen would appear to have reconciled themselves to the new burdens on the corporate private industrial sector and share groups have on the whole escaped any nervous selling. On the other hand, select scrips have firmed up considerably on sustained investor support and new high levels have been recorded in many cases. The outlook for the industrial sector continues to be promising and many chairmen have expressed robust optimism about their companies' growth prospects.

Corporate News Pleasing

Corporate news has been as pleasing as any investor can wish. Sentiment has been particularly aided by the unexpectedly encouraging working results of Tata Iron and Steel Company Limited for the year ended March 31, 1971. The company has not only earned much larger profits on a much higher level of sales, despite all-round cost increases but has been able to strengthen its internal resources to finance new schemes. Tata Engineering and Locomotive Company Limited, another major company in the private sector, is also expected to come out with heartening results for 1970-71. Its production of vehicles and heavy engineering items is stated have been maintained at a high level. Indian Iron and Steel Company Limited will also be announcing its preliminary results shortly. But its performance in the latest year is not expected to be as encouraging as Tata Steel's since it has not been able to use its capacity effectively due

to labour trouble. The main prop for the markets has however come from the companies engaged in the production of petrochemicals, paper, light engineering goods and consumer articles and other miscellaneous items. Many new companies have already announced maiden dividends following sizable earnings which others are expected to join the dividend list in the not too distant future. English Electric Company Limited has done extremely well in the latest year and has raised the dividend to 15 per cent from 10 per cent for 1969-70. Escorts Limited could not however benefit from a big rise in sales due to unremunerative prices for tractors. Britannia Biscuits also has suffered a setback owing to a prolonged strike at its Calcutta factory, though it will be paying a larger dividend amount as disposable profits are still quite sizable. Textile Machinery Corporation has turned the corner with a modest profit for 1970 and is confident of putting up a better performance this year. Synthetics and Chemicals has been doing well since last year while Guest Keen Williams has staged a remarkable recovery since the recession and is now engaged in consolidating its various activities with a view to reaping the maximum benefit out of existing facilities. Coromandel Fertilizers hopes to pay an early dividend while Zuari Agro-Chemicals will be reaching the production stage next year. The ICI group has grown considerably in strength, and has a good following among investors thanks to the three companies, excellent record latterly. Paper companies are another group which have been in favour at hardening prices in view of the new prosperity of

the companies which are thinking of expanding their capacity to meet an unsatisfied demand.

Some Dark Clouds...

There are, however, some dark clouds on the economic horizon which must cause concern to the industrial sector. The refugee problem is already posing a severe strain on the national resources and it is feared that funds may have to be diverted to meet this situation as international help has not been forthcoming on the desired scale. Capital costs of new projects and costs of imported raw materials like non-ferrous metals, staple fibre etc. will go up as a result of new levies. Enhanced or new excise duties on a number of articles are also likely to create marketing difficulties.

Meanwhile, prices for key shares have remained steady. In Dalal Street, Tata Steel firmed up to Rs. 106 immediately after the announcement of the working results for last year before closing lower at Rs. 104.75. Indian Iron was however weak at Rs. 11.16. There were a few bright spots in cash section, like NOCIL at Rs. 231, Polyolefins at Rs. 250, Herdillia Chemicals at Rs. 17.52 and MICO at Rs. 437.50. In Calcutta, Guest Keen Williams was sought up to Rs. 41 which Dunlop India had buyers at Rs. 39. Indian Aluminium and Orient Paper were also firm in the cleared list. Among miscellaneous scrips, price increases were marked in English Electric at Rs. 20.56, Union Carbide, Hindustan Aluminium, Brooke Bond, and Zuari Agro-chemicals.

In Madras, sugar scrips were in better demand, particularly of the Parry group while paper shares like Seshasayee and Mandya had good following. Dalmia Cements, S.I. Viscose, Travancore Rayon and Ashok Leyland were taken up at firm rates. Plantations were only selectively supported, with coffee shares more prominent. Bank shares showed some life.

PRICE MOVEMENTS

The following were the closing rates for selected scrips on June 10 and June 22:

Madras			Bombay			Calcutta		
June 10	June 22		June 10	June 22		June 10	June 22	
India Cements	5.55	5.45	Tata Ordy	104.00	104.50	Indian Iron	11.30	11.15
Mettur Chemical	12.00	12.00	Telco	238.75	244.00	Hind Motors	11.65	11.10
S. I. Viscose	179cd	172xd	Century	872.00	845.50xd	Birla Jute	22.50	22.25
Ashok Leyland	6.60	6.60	National Rayon	491.00	488.00	Guest Keen Williams	38.40	40.05
Dalmia Cement	14.25cd	12.75xd	Tata Chemical	30.50	29.50	Indian Alum.	37.00	37.35
E.I.D. Parry	13.12	14.00	NOCIL	229.00	231.00	Dunlop India	37.30	38.85
Travancore Rayon	20.00	20.65	Polyolefins	242.00	252.00	Alkali	30.87	30.62
Madras Alum.	168.75	167xd	Herdillia	17.52	17.52	CAFI	43.25	43.75
Seshasayee Paper	14.55	14.95	Century Enka	341.50	340.00	Zuari	16.94	17.69
Amalgamations Repco	11.25	13.50	Mahindra Ugine	21.76	23.52	English Electric	18.12	20.19



STIMULATING DEMAND FOR AUTOMOBILES...

There is stagnation in automobile production since 1967. Production increased from 33,344 cars in 1967 to 35,205 in 1970. Throughout the 'sixties production of cars did not receive any priority; the target set for the Third Plan of 30,000 cars per annum, was continued. With the existing manufacturers denied licence towards expansion of output and with indecision on licensing new manufacturing units, there is no wonder that production ruled at low levels. It was only towards the close of last year that the Government of India decided to issue letters of intent to two private parties and also to set up a project in the public sector with foreign collaboration to produce one lakh cars per annum. The progress in regard to the two private parties has not been fast: one of these is yet to take up the production of prototype. For the public sector project, the Government is examining the relative merits of four foreign models.

In recent years the taxes and duties on automobiles have been increasing so rapidly that it has really become a luxury to afford and maintain a car. The table below indicates the ex-factory retail price of the three brands as fixed by the Supreme Court and their on-the-road prices in Madras:

Brand of Car	Ex-factory retail price	On-the-road price
Ambassador	Rs. 15,769	Rs. 25,000
FIAT	Rs. 14,787	Rs. 22732/74
Standard Herald	Rs. 15,220	Rs. 21,500

The huge imposts on petrol, spare parts, tyres, etc., have boosted up running costs to very high levels. The cumulative effect of these is that the income bracket which could afford a car has been pushed up to a much higher one in the last ten years. It has also come to be generally recognised that a car could be afforded largely at company expense or on Government account.

If the experience of the last ten years is any indication,

with successive additional imposts on the automobile industry, the case for a further increase in the end-prices would be built in the next five years of about Rs. 2,000 per car. It would not be surprising if the minimum price of any car ruled around Rs. 25,000 by 1975. The scope for achieving any economies in production on a larger volume, if past experience is any guide, is extremely limited. In fact in most industries whether it be bicycles, scooters, motor cycles or automobiles, there have been steep increases in the volume of production over the years. But we have not heard of any significant reduction in manufacturing costs. In fact one of the car manufacturers said years ago that he did not believe scale of production had anything to do with cost economics in Indian conditions.

At present levels of raw material costs, components prices, tax incidence and capacity of component manufacturers, one wonders whether the public sector project can achieve significant economies even with mass production, if the establishment of these facilities took a long time. As a first step, a time limit of say, three years, should be fixed to achieve production levels to rated capacity. Since the project is to be set up in collaboration with reputed foreign manufacturers, it should be possible to achieve this even with the help of imported components in the initial stages. This scheme has some specific advantages: setting up the project within projected cost and more important, ensuring the anticipated economies of scale.

As an interim measure the Government should allow the existing manufacturers to expand output to optimum levels. Fresh capacity can be created quickly and at much less cost. This will also help the existing manufacturers to rationalise their production facilities.

Though the capacity of the ancillary industries increased spectacularly in the 'sixties, it is also stagnating in recent months. The value of production of ancillaries during 1970 was around Rs. 97 crores. With stagnation in demand from the vehicle manufacturers a vigorous export drive had been undertaken by the ancillaries and with good results. Even at the current low levels of production of

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many ancillary units, catering to a small volume of production of vehicles and a modest number of vehicles on road requiring replacement, quite a few of these come under the category of dominant undertakings under the Monopolies and Restrictive Trade Practices Act. This has contributed to much listlessness among the manufacturers of components. How the Government is going to reconcile the concept of low volume of production in the ancillary sector with mass production in the vehicle sector is yet to be seen. As it takes quite some time to create fresh capacity

FREEDOM'S FINEST HOUR

The publication of the documents in the Vietnam War by the "New York Times," "Washington Post," the "Chicago Sun-Times" and the "Globe" and their right to publish them as upheld by the United States Supreme Court by a majority of 6-3 indicate the extent to which freedom of the press is guaranteed by the country and the Supreme Court serves as the voice of public conscience. It cannot be imagined that newspaper leakage has been endowed with a sanctity on the score of the right to free expression. The "New York Times" on the contrary did hold back information it had in advance of President Kennedy's ill-fated decision to support an attack on Cuba which it felt was not in the public interest to disclose. Nor can the Supreme Court be deemed over-functious about the freedom of the press.

In the present case, the majority judgment held that the First Amendment of the U.S. Constitution forbade any judicial restraint on the freedom of the press and that the publication of the Pentagon papers would neither pose a threat to security nor cause irreparable damage to the nation as the Nixon administration had contended. (A group of three judges even took the view that the courts had no power to suppress publication, no matter how grave a threat to security it may be). Though the Court did not put it in so many words, it seemed convinced that if in the process some in the previous administrations had been made to look sheepish, that could not be helped, of course.

What was more important was to correct past omissions: The public had been guiled into voting for a war about which people in the administration did not appear to have told them the truth on the crucial occasions. Justice Hugo Black, a veteran of the U.S. Supreme Court, observed: "The paramount responsibility of a free Press is to prevent any part of the Government from deceiving the people and sending them off to distant lands to die. The "New York Times" and "Washington Post" and other papers should be commended and not condemned for serving the purpose that the Founding Fathers of the nation saw so clearly. In revealing the working of the Government that led to the Vietnam War, these newspapers did precisely what the Founders hoped and trusted they would do." The Nixon administration had now acted with grace and decided to release the Pentagon papers compiled in 1967 on the instructions of Mr. Robert McNamara, then Secretary for Defence, and now World Bank President.

in the ancillary sector, any delay in deciding on this will upset the production schedule of vehicles.

But all these programmes revolve around this basic question: For all the capacity to be created, will there be sufficient demand? At current levels of taxation the answer cannot be encouraging. The Central and State Governments have been tampering with the price structure of passenger cars for far too long affecting demand for these. It is time they thought of a coordinated approach to stimulate demand.

And what a story they tell: It seems Ho Chi Minh sought U.S. aid in 1945-46. When he received no answer from the United States to his appeals which were also addressed to Britain, China and Russia, he agreed subsequently to a return of the French to Vietnam for a five-year period telling his Vietnam critics that "he preferred to smell French excrement for five years to Chinese excrement for the rest of his life." Indeed the U.S. appeared to be totally ignorant of what was transpiring in Vietnam and certainly seemed to care less about Vietnam, than about France. The Eisenhower administration deemed the ending of French rule in Vietnam under the Geneva Agreement as a disaster. According to the New York Times' account of the Pentagon papers, the White House made decisions to bolster South Vietnam that had a direct role in the ultimate breakdown of the Geneva settlement.

The escalation of the Vietnam war under President Johnson was due to a failure by U.S. Army Chief to estimate communist resistance, capacity and military strength. The decision to bomb installations in North Vietnam was carried out when Johnson was putting on the cloak of a dove to get the better of his election rival Senator Goldwater. (The Pentagon documents also indicate that President Kennedy made his first fresh commitments to Vietnam secretly ordering out 400 special forces troops and 100 other American military advisers without giving any publicity to either move).

At this point of time all this may not add up to much, being part of historical accident which is incapable of rectification except through reading lessons in it for the future. What matters is, however, the issue of a free press on which America's highest judiciary has sided with freedom. Instead of gloating over the embarrassment caused to Johnson or Nixon as the case may be, one would like to pose the question whether our troops would have faced the Chinese with inferior rifles and mortars in 1962 or the Pakistanis with inferior planes and tanks had our press been more vigilant and our Government really solicitous about the freedom of the press. What transpires on the contrary is the ugly fact that the Indian Government is offended by the disclosures about the Chinese conflict made by army officers involved in it and are keen to prevent similar disclosures in the future. Freedom is a privilege that should be earned before it is enjoyed; and the best way to earn it is to applaud those who point to such faults as have or could have brought freedom into serious jeopardy.

Here and There:

U.S. Arms Aid to Pakistan

According to news agency reports, the World Bank has reported that there is terror, economic chaos and likely famine in East Bengal. These findings are reported to have been communicated to the Aid Pakistan Consortium. Their publication is understood to have been withheld at the instance of the United States which is afraid that the distribution of any written report on these lines would amount to a public declaration of no confidence in President Yahya Khan's regime. This squares with reports that arms shipments to Pakistan are being maintained as a result of a ruling by President Nixon himself. Senator Frank Church, Idaho Democrat, charged in the Senate that military equipment, worth \$35 million (Rs. 26.25 crores) was still in the pipeline for delivery to Pakistan. The Senator observed: "The administration is so unconcerned about events in Pakistan, as well as voices of outrage in Congress, the Press and among private citizen groups that the transfer of arms to the transgressors continues as a business on the usual basis. Only Britain has stopped such type of aid, telling Pakistan clearly that the issue could not be re-opened except on the basis of a political, as opposed to military, settlement in Bangla Desh.

The Martyrdom of Space Heroes

Lt.-Col. Georgi Debrovolsky, Flight Engineer Vladislav Volkov and Test Engineer Victor Patsayev, the three Soviet cosmonauts of Soyuz-11 were found dead in their seats when their spacecraft landed in the pre-set area. It is reported that the return flight was proceeding according to plan when radio contact was lost after the ship's breaking system for re-entry into the atmosphere was switched. The event has plunged not only the Soviet Union but the entire world in grief. During their long flight, the cosmonauts broke the previous space endurance record of 17 days 16 hours and 59 minutes set by Soyuz-9 cosmonauts, Andrian Nikolayev and Vitaly Sevastyanov. They had grown plants from seeds taken from the earth.

The space programme has so far taken a known toll of seven lives—Vladimir Komarov of Soyuz-1 which crashlanded due to parachute failure, the three American astronauts who died in a fire caused by short circuit in their spaceship and the present three Russians. It has been indicated that death was due to a leakage in the pressurised cabin.

The last words of the cosmonauts add poignancy to the whole episode. Debrovolsky said: "So long; I am starting the orientation project." "I see the station; It is shining marvellously in the sunlight." It may be recalled that the unfortunate Komarov lost contact with the earth during the black-

out period. The entry into the earth's atmosphere is described as the black hole entry. It has claimed a life now due to leak in the pressurised cabin. Commentators have been quick to stress how, during Apollo missions, the U.S. had kept the entire world informed of the progress of the project while the Soviet Union had been reticent about details. This has led many to speculate about possibilities of many unpublished space fatalities on the Soviet side. The point is, however, that scientific information should be made as universal as possible. This does not necessarily mean that anything to undermine the morale of prospective explorers into space should not be safeguarded against. That is perhaps an explanation about Soviet reticence in space matters. It is not very good even as far as it goes. —S.R.

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The Southern Scene

Tamil Nadu :

Legislators Express Concern over Cauvery

The resolution passed by the Tamil Nadu State Assembly on the Cauvery water dispute is quite outspoken. Indeed the construction of the Hemavathi, Kabini, Darangi, Swarnavathi and other reservoir projects on the tributaries of the Cauvery work on which has been of late gathering momentum is likely to lead to a situation in which the Cauvery delta area could become a desert. As pointed out by Chief Minister Mr. Karunanidhi, in his speech on the resolution, the Palar is a classic example of the consequence of impoundment of waters originating in the Mysore State.

The difficulty of Tamil Nadu consists in that the Cauvery is its only major river, the Thambaraparani being very much smaller in length and its irrigation potential being very limited. The first permanent agreement between Tamil Nadu and Mysore on the utilisation of inter-State waters was signed in 1892 which identified streams whose uninterrupted flow was of vital importance to Tamil Nadu and stipulated that no new irrigation work should be constructed on these by Mysore without Tamil Nadu's consent. It was also indicated that when Mysore desired to construct any project across any scheduled stream, full and complete details should be furnished to Tamil Nadu and if these were not furnished Tamil Nadu could withhold consent merely on that account.

Ensuring 'Limit Flows'

The 1924 agreement between the two States concerned Mysore's right to construct the Krishnarajasagar project, just as it permitted Tamil Nadu's right to construct the Mettur reservoir but provided guarantees to ensure that Tamil Nadu got its 'limit flows' viz., the supplies recognised by the agreement. There is a clause in the agreement which says that, should Tamil Nadu construct a reservoir across any of the tributaries of Cauvery such as

the Bhavani, Amaravathy or Noyyal, Mysore would have the right to construct an offset reservoir of 60 per cent capacity of the Tamil Nadu reservoir project subject to the condition that the supplies due to Tamil Nadu or Mysore under any of the preceding clauses of the agreement are in no way affected. Tamil Nadu has also been stressing that the 1924 agreement will not expire automatically after 50 years, that is by 1974. It is its contention that there is only provision for review of certain clauses of the agreement relating to extension of irrigation in Mysore and Tamil Nadu after 1974 and only certain specific clauses of the agreement (Clauses 4 to 8) which deal with the utilisation of surplus waters for the further extension in both States beyond what was contemplated in the 1924 agreement were subject to revision on a mutually acceptable basis and in the light of experience gained in the working of the agreement.

Hitch Over Non-Scheduled Streams

The main hitch is over non-scheduled streams, that is those not covered by the agreement. It is the view of Tamil Nadu that is not the intention of the 1852 and 1924 agreements to give Mysore a free and unfettered licence to make alterations at will. The prescriptive rights of Tamil Nadu in the form of 'limit flows' have to be satisfied. The flows due to Tamil Nadu after all contributed by both scheduled and non-scheduled streams, the latter being the tributaries of the former. Hence any objection in a non-scheduled stream is bound to have an impairing impact on the flows in scheduled streams and on the overall cumulative flows due to Tamil Nadu. It is this interpretation which is being contested in recent years by Mysore.

Mysore :

Towards Eliminating Slums

It is difficult to say whether State Governments will display the courage

that Mysore has shown in dealing with squatters. Near the Indian Air Force Station at Jarak Bandekaval near Bangalore, huts had sprung up on private land given to I.A.F. on lease during the Second World War period. The owner requested and obtained through the court the right to vacant possession of his property; and in the process the I.A.F. assisted by the reserve police moved in for 'operation demolition.' It should be recalled that over the decades, a 4.5 acre site had developed into a village in which some people had put up tiled buildings and some others had opened regular shops. The demolition has affected the segment of Tamilians who were employed in the I.A.F. station or H.M.T. who were living there. It should be stressed that advance notice about demolition had been given to the residents. It is said that over the past 18 months the Air Force had tried all possible methods of persuasion and the residents were told to vacate the area within the specified period by 'tom tom.'

As happens in such cases, the slum dwellers had been deluded by some 'leaders' into believing that they will not be disturbed. Hence they were completely taken aback when their residences were torn of their roofs in a systematic manner. It is stated that the State Government is busy looking for alternative accommodation specially because the rain is on. The question is, however, why sites or *ad hoc* residences could not have been got ready in time, unless it be the State Government believed, which is impossible, that the I.A.F. will not implement court orders for returning the land to the owner. The position may be slightly different in Tamil Nadu where Government land had been encroached. But that cannot underplay the task incumbent on the Government to fulfil its seven year plan now under way to eliminate slums altogether.

Scotching of English

Mysore appears to be giving an inkling into shape of things to come in this country in the field of education. It may be recalled that with the pressing of Kannada as the medium of instruction at the pre-university course, English has been coldshouldered there cent per cent. At a recent

meeting of the Vice-Chancellors of Universities in the State to assess the problems of the two-year pre-university course, the point was made that there should be a progressive increase in the use of Kannada in the degree course in order that those who had studied through Kannada at the pre-university level were not shut out. Obviously if present trends continue, there will shortly be no English paper in the curriculum. Already there is a spate of publications in Kannada of text books on every conceivable subject.

While none can question the relevance of the ardour for having the regional language as the medium of instruction, knowledgeable persons will certainly have serious doubts about the scotching of English implicit in the process. In Tamil Nadu at last, an attempt is being made to firm up knowledge of correct English by substituting classics like Shakespeare by Grammar and by reducing the quantum of prose and verse to be covered in the degree course. Mysore, on the contrary, seems to be going the way of many North Indian universities where the regional tongue, namely Hindi is being made the source of all knowledge. While nothing appeals better than the argument that one understands one's mother tongue better than any other language in which one may be trained, the acid test is whether the stature and quantum of knowledge acquired through translations of original works into the regional language will be such as to enable the student to feel easy in the company of other Indians, not to speak of foreigners. Whom can such educational policy please except its authors?

Andhra Pradesh :

Kurnool Cultivates 'Lakshmi' Strain Cotton

It is reported that Kurnool district in Andhra Pradesh will undertake cultivation of 'Lakshmi' strain cotton under the scheme of Central subsidies for improving the output of commercial crops. The subsidy will be Rs. 24 lakhs and will help develop this cotton strain over 50,000 acres. Growers will

receive a subsidy of Rs. 35 per acre for purchasing pesticides, fertilizer (urea) and seed. There will be 150 power sprayers for use under the scheme. The difficulty with cotton production consists in that cotton packages conceived by the planners are either not implemented or their implementation does not take adequate notice of the peculiarities of the Indian agronomic milieu.

As the Planning Commission has been reiterating time and again, the prospect of self-sufficiency in food and the apparent glut in sugarcane production are points to the need for laying greater stress on commercial crops. While oilseeds targets have been revised downward in the course of perspective planning since 1960-61, the targets have been revised upward in respect of cotton. On the balance of payments side, the barter part of the trade with the U.A.R. in the tripartite arrangement among India, the United Arab Republic and Yugoslavia, is running into difficulties because of the excessive emphasis on Indian imports on raw materials. With the setting up of more textile mills of which present Indian ventures in North Africa are a foretaste, supplies of raw cotton, like supplies of African raw cashew, may pose problems. Obviously the Kurnool scheme has to be duplicated in other cultivable areas in the country to keep our textile industry going.

Nagarjunasagar Shows Promise

The Nagarjunasagar project is showing promise as expected. It has been stated that its cost benefit ratio, the basis on which a project is adjusted as paying proposition, has been quite encouraging. If the interest return is reckoned at 5 per cent, the cost benefit ratio in respect of Nagarjunasagar is 1:8.83 and if the interest is calculated at 10 per cent, it is 1:15.23 against 1:4 in respect of other major projects. Enthusiasm on this score requires to be tempered by the knowledge that the utilisation of the potential of the irrigation project is not upto the mark. Though it is a great thing that within the three years after 1967, about 8.60 lakh acres of ayacut have been developed, the pace of progress is clearly insufficient to enable the

hitting of the Fourth Plan target of 20.74 lakh acres. The funds so far allotted for development of the ayacut have been reported to be equally insufficient.

Project Cost Goes Up

The rub lies in that, in the allotment of allocations, the State Government is understandably unequal to meeting mounting pressure from the backward areas. Alongside of this, there has been a progressive increase in the cost of irrigation project since materials like cement, iron and fuel oil (for running machinery) have gone up in value. As Mr. K. L. Rao, Union Irrigation Minister, observed while commenting on such high costs, some of the factors behind costs of irrigation projects are outside the control of the executing organisation while a good part of them inhere in the endemic inflation about which everybody is talking and on which none is acting. In the circumstances the initiative of the Andhra Pradesh Government in inducing ryots to get the maximum results by taking to light irrigation crops on a large-scale deserves credit. One cannot help wondering, however, how successful cost reduction measures can be in the future which the canal construction will extend to more difficult terrain than now.

Kerala :

Pioneering Programme to help Unemployed Engineers

The Kerala Government began a pioneering programme of assistance to unemployed engineers to enable them to be self-employed. The Kerala State Engineering Technician's Industrial Co-operative Society (ENCOS) is the result. It was started in 1968 to discover the means to absorb in gainful employment as many of the 20,000 engineering graduates, diploma and certificate holders (who are jobless) as possible. Members of the co-operative are charged a fee according to their qualification; they are later absorbed on a stipendiary basis and then on regular wages. There is personal labour of the engineers which is the guarantee of efficiency

of ENCOS. ENCOS has also ordinary members who are shareholders but whose contributions are nominal. The co-operative has a capital of Rs. 12.3 lakhs, half of which is from the State Government. It is operating four units namely, the Attanta scooter factory in Trivandrum, an automobile service-cum-repair station at Alleppey, a boat building project at Thrikkakare and a foundry at Ottapalam. Total investment will rise to Rs. 45 lakhs employing 400 technicians and 50 non-technicians. The scooter factory was

taken over from a private individual and has been made a viable proposition with the assistance of a Government loan of Rs. 3 lakhs, technicians' contribution of Rs. 2 lakhs and a loan of Rs. 1.7 lakhs from the Travancore Maharajah. It is claimed that the factory will soon be able to manufacture 10 scooters a day. This is the only scooter factory without any foreign collaboration and it proposes soon to substitute from indigenous supply its only two imported components, the carburettor and magneto.

It is said that it costs less than other scooters by Rs. 400 and that it has greater stability because its engine as well as the gear box are placed low between the wheels.

Steel Shortage Hits Small Industry

Whatever pride Kerala small industry can take in the production of steel furniture and engineering goods is now being gambled by steel shortage. Most of these units are working far below their capacity. For instance, there is a factory in Alleppey with a capital investment of Rs. 9 lakhs which could provide employment for 400 persons. Most of the equipment there worth Rs. 2.9 lakhs remains idle and the factory gets on somehow employing only 40 workers. There are in Kerala 90 steel furniture manufacturing units and 300 engineering manufacture units. All of them complain that they do not get even a fraction of their requirements of C. R. Sheets and other steel materials. The main difficulty lies in the present distribution of whatever supplies of these raw materials that are all made available. The State quota is distributed to hardware merchants from whom the industry has to buy at black market prices.

Another problem is the difference in selling prices between States. In many other States, the transport charges of raw materials are quite nominal when compared with those of Kerala. A spokesman of the industry in Kerala has stated that the duty taxes and other charges on a tonne of controlled steel at the supply point represents 60 per cent of its cost price. It is also well-known that the steel supplied to consumers by Hindustan Steel Limited costs high. What is strange is that manufacturers of steel furniture and engineering goods in Kerala find it difficult to obtain credit from nationalised banks. There seems to be something wrong everywhere so far as Kerala small industry is concerned. If the powers that be are able to reflect at least for a fraction of their function or the development of initiative of the small-scale sector in actual practice, joblessness in Kerala cannot be the blight that has been allowed to be.

—R.S.

Taxi Business No Longer Attractive

By S. VISWANATHAN

The Contract Carriage (Taxi) Owners' Association, with a view to impressing on the Government the need to increase the fares of taxis plying in the State to equalise the additional burden imposed by the recent budget which, among other things, put up the price of petrol by 23 paise per litre, plans to organise a one-day strike in the City on July 19. It may be recalled that in Bombay a series of agitations had been going on even after the Maharashtra Government had accepted the need to put up the fares as demanded by taximen. But the difference persisted there in regard to the date of implementation — the taximen wanted the rise to be made with immediate effect as the price increase in the case of fuel and others are already in force, whereas the Government wanted to give due notice to the public, of about a month, for gauging the general reaction to this.

In Madras City the present taxi fares were 40 paise per kilometre with the minimum at 70 paise. More than a year ago, to offset the increase in fuel costs consequent on the 1970-71 Central and State Budgets presented during February 1970 which put up the price of petrol by 12 paise per litre, the taxi owners requested the State Government for their permission to increase the fares. This has been granted last week, at 50 paise per kilometre with the minimum at Re. 1. The taxi owners feel that the fresh imposts of this year's budget have made the rate of 50 paise per kilometre, just enforced, uneconomical and they have made a representation for an increase of the fares to 60 paise per kilometre. This will be on par with the new fare structure recently enforced in Bombay. Some of the owners are very frustrated with the Government on its taking so much time to decide on granting these levies which are not due to any faults of their own.

Poor Profitability

How far is the taxi business profit-

able? Some 3,000 odd taxis ply in the City. Excepting for peak hours and in the night, the Association complains, there is lack of demand for taxis and whatever traffic is offered has to be shared by too many of them. The average earnings per day work out to around Rs. 45. Let us work out the economics of operation: The on-the-road price of a new car plied as taxi in Madras is around Rs. 25,000. Depreciation and interest charges (assuming that the taxi was bought on reasonable rates of interest on bank loans which works out to around 10 per cent; but more often they are bought with the help of hire purchase financing companies where the interest rates work to 18 per cent), even taking the favourable case of a bank loan, work to roughly Rs. 4000 per annum. The monthly expenses can be computed as follows:

	Rs. P.
Interest	.. 90.00
Depreciation	.. 200.00
Fuel & Oil	.. 250.00
Taxes and Insurance	.. 75.00
Driver	.. 250.00
Maintenance	.. 100.00
	965.00
Total earnings per month worked on a 25-day-run, on an average collection of Rs. 45 per day	.. 1125.00
Net monthly income	.. 160.00

Even to earn this meagre income there are some severe handicaps. First

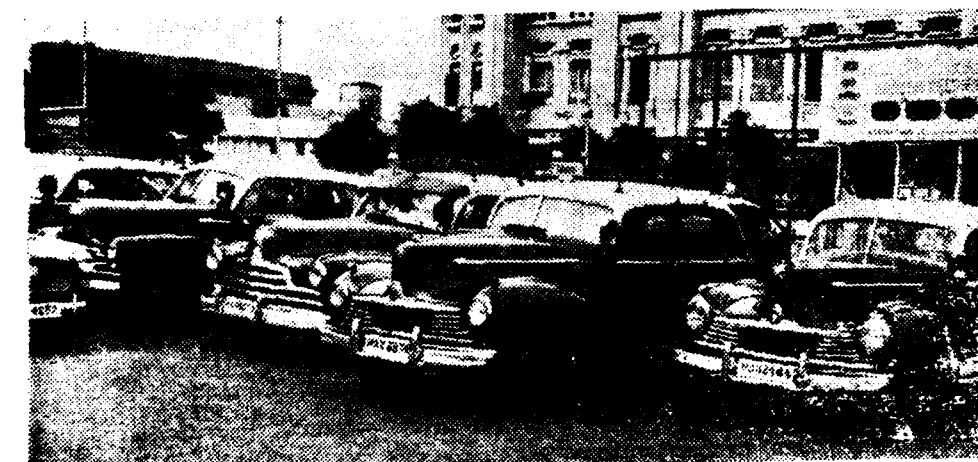
is the long hours a taxi has to ply to get the average collection. Normally taxis are taken out around 6-30 a.m. from the shed and return by 10 p.m. Secondly, in the above calculations no note has been taken of the loss suffered due to accidents. Repair charges on any accident not exceeding Rs. 500 are not covered by insurance and, according to the taxi owners, there is hardly any case of a taxi without involving in at least one accident in a year. Thirdly, the poor quality of new cars necessitates expenditure on the part of the owners even during the warranty period and this adds to their burden.

The liberalisation of permits to autorickshaws made after the advent of the DMK Government knocked off a good portion of the traffic enjoyed by taxis. The increase in the carrying capacity from three members to four also contributed to lesser traffic for taxis. For example, to carry four persons they had to hire two taxis in the past for which one is sufficient now.

They Treat Collections as Income

If the taxi business is so very unremunerative, how could one explain the plying of so many taxis? A taxi owner explained that quite a few of the taxi owners do not differentiate between collections and incomes. They spend whatever collections are made and do not provide for depreciation. The result is that the taxis are plied as long as the expenditure on them did not exceed the collections which holds true for the first 3 or 4 years after buying it new. Once this happens, the interest on the business goes and the owner decides to get out of business.

Will the situation improve by in-



The 'jumbos' among taxis — they have ceased to be popular these days

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creasing the fares? This will help to some extent. But it will not be in proportion to the increase granted. There is bound to be some resistance from the public at least in the initial stages after the increase contributing to a decline in traffic.

The Absence of Large Number of Owner-drivers...

This predicament of poor return from the taxi business is rather peculiar to Madras. No doubt the collections are higher in Bombay or Calcutta. But the expenditure is also higher in these cities due to more difficult traffic conditions. But in these cities running taxis is still a lucrative business. One major reason for this is a larger composition of owner-driven taxis which are markedly less in Madras. When the owner runs a taxi, he is not bogged down by hours of working; he limits empty running to the minimum and he also gives full scope for enterprise. A number of taxis in Delhi, Bombay and Calcutta are operated by Punjabis known for enterprise who own the vehicles. These owner-drivers attend to even minor repairs and they are always able to decide their income by increasing their efforts. Their relations with the public and the police are in much better level. They are found to be, by and large, more courteous and do not murmur on short trips, and as a class, not complaining. The contrast of this in Madras might be attributed to a couple of major factors: First is that the better-educated owner does not want to take this as a profession on grounds of (false) dignity. He is lukewarm to moving about with fellow-taxi drivers or traffic constables, whose education or financial status is, in most cases lower than his; second and more important might be the lack of enterprise. A graduate here normally prefers to work in a white collar job in the Secretariat as a Lower Division Clerk getting a monthly income of around Rs. 200 to becoming a owner-driver of taxi which might fetch him around Rs. 400. This contrasts with the general attitude of an average Punjabi or Gujarati who prefers always an independent profession to salaried employment.

Inter-City Taxi Service in Bihar

Let me cite a few examples of the enterprise that I found in other cities and which is markedly absent here in regard to plying of taxis. I was in Bihar recently moving from one industrial centre to another. Excellent taxi service on a sharing basis is available between important industrial towns such as Ranchi, Jamshedpur, Dhanbad and Bokaro. Between Ranchi and Jamshedpur you get any number of services in the morning leaving at intervals of about fifteen minutes. The fares are comparable with the Express bus fares. In an Ambassador they take seven passengers (of course it was a little too many!) and they charged Rs. 8 per head for Jamshedpur which is at a distance of about 80 miles. Each taxi makes at least a return trip which fetches Rs. 112 per day.

They do the distance in approximately 2 hours 30 minutes. Some days they even get, I gather, two trips up and down. Likewise between Jamshedpur and Dhanbad, a distance of approximately 110 miles to which no direct train service is available, the taxi service is very handy. They take about four hours and the charge is Rs. 10 per head. From Delhi it is more convenient for a passenger to alight at Dhanbad and get into this service and reach Jamshedpur. Most of the taxis ply from Jamshedpur to Dhanbad in the mornings. They stay there for the day and pick up passengers from the Kalka Mail reaching Dhanbad around 2 a.m. and they return to Jamshedpur around 6 a.m. the next day. Thus in a day they make around Rs. 140. Of course, these are mostly owned and operated by the ubiquitous Sardarjis.



Waiting for calls...

Why Not in Madras...

I wonder why such a service could not operate on a regular basis between Madras and other towns in Tamil Nadu. Especially after the relaxation of the permit rules which allows a taxi to ply throughout Tamil Nadu, it should be possible to offer convenient and frequent services with fare structures which are comparable to that of Express bus fares, between Madras and Chingleput, Madras and Arkonam, Madras and Kancheepuram and even between Madras and Kumbakonam and Madras and Tiruchi.

Another interesting enterprise I came across in Calcutta where, in the peak hours, taxis on a share basis, are plied between the various residential areas of Calcutta and Central Calcutta. From Rash Behari Avenue in South Calcutta to Dalhousie Square which is the heart of the City, one gets any number of taxis in the morning on a share basis. The driver collects Rs. 1.25 and takes five passengers. He is happy due to better collections and the passenger is equally happy as he spends only 25 per cent of what he would have to spend otherwise. This has also enabled a much larger cross-section of people to avail of a taxi and save on time. The daily collections of a taxi are much higher and I rarely came across any taxi owner complaining of poor traffic or poor collections.

One may point out that the traffic laws are much stricter here and the police will not wink at these violations to that extent. Well, the present Government has closed its eye on the large number of operators running regular night services to fixed time-schedule under omnibus permits. The Government has recognised the service rendered to the public by these operators and has chosen to ignore the violation of law. Likewise, if some enterprising taxi owners offer such a share service the law might not crack on them heavily. After all the people are preferring the night bus service solely on grounds of their punctuality and efficiency. If enterprising taxi owners decide to tap the potential there is absolutely no limit for returns.

A National Water Grid

Since the commencement of planning, over Rs. 2,142 crores have been spent on major and medium irrigation projects. From the standpoint of the establishment of irrigation potential and its utilisation, the improvements achieved are reflected in the fact that the potential has been firmed up to 10.2 million hectares from 2.6 million in 1950 and the utilisation figure is at 8.2 million hectares in 1970-71 from 1.3 million in 1950. The main problem in irrigation has not, however, been solved because about 70 per cent of the cultivated acreage lies in areas of poor or insufficient rainfall. Meteorological data show that out of nearly 138 million hectares under cultivation in the country, about 41.6 million hectares have an average rainfall of 1150 mm and over. Of the remaining areas, 49 million hectares have a rainfall between 750 and 1149 mm.

Attention on Conventional Lines...

The attention paid to this problem so far has been merely on conventional lines. The Central Board of Irrigation and Power, for instance, undertakes periodic examination of hydrological and irrigational problems, like design of channels for "efficiency passing discharge of about 60 per cent of capacity," rates of sedimentation, accretion of salinity, etc., arrange technical seminars concerning geohydrology, tidal hydraulics and the like. Where assured irrigation facilities are absent, special studies are instituted to identify the availability of groundwater resources. It may not be an exaggeration to say that current thinking is in favour of redressing the imbalance in water supplies in dry farming regions through exploiting groundwater resources. The basic logic behind it is quite sound. When, according to estimates, 22 million hectares of groundwater can be exploited for irrigation purposes, only half of it has so far been developed, the stress has to be on activating the balance.

But the point is that the country has

been going too slow on utilising its river water resources on a national scale. Over the last five decades and more, experts and publicists have been haranguing on the need to think of the nation's river systems. The idea had been spotlighted in the days of the British rule by the late Sir C. P. Ramaswamy Aiyar. But, for long it had been dismissed as utopian much in the same manner in which Bharati's celebrated song about diverting the waters of northern India for irrigation in the South had been described as visionary. It is welcome, therefore, that the Irrigation Commission has at last conceded the feasibility of the scheme. Dr. K. L. Rao, the Union Irrigation Minister, has been enthusiastic about this scheme. He envisages a linking of the Ganga with Cauvery and Thambaraparani. The logistics of this project is based on the fact that though both rainfall and river systems are unequally distributed among the States, the engineering feat of interlinking the river systems is unlikely to be difficult, provided a really long-range plan can be formulated and as a consequence the deleterious effects of the unequal distribution kept in check. Mr. C. Subramaniam, Union Minister for Planning, has observed in Madras recently that the task can be in the form of a 30 year plan.

Mr. Karunanidhi, the Chief Minister of Tamil Nadu, has welcomed the proposal to link the Ganga with the Cauvery and the Thambaraparani and has observed that the scheme should be taken up stage by stage by linking, for instance, the Cauvery with the Krishna and then with the Godavari and the Narmada. But the point is that in the present climate of dispute overhanging inter-State river waters, the idea will not find easy fructification. This is not to overlook the other fact that even where there has been willingness, action has been proceeding at less than snail's pace. When the idea of diverting a part of the Krishna waters for overcoming the shortage of potable water in the Madras city was mooted,

the Chief Minister of Andhra Pradesh, Mr. K. Brahmananda Reddi, offered to divert 15,000 million cubic feet of water for the purpose. The proposal did not, however, materialise because no agreement could be reached on how the cost of the work of division,—whether through open or closed channels—should be distributed between the two States concerned.

Regional Consensus...

Can it really be very difficult to evolve a formula for the purpose? It is precisely because intransigence hamstring the will that special steps should be taken to ensure that the will is made to fructify. If the Ganga-Cauvery link is to materialise, there is every necessity to envisage a regional consensus all along the line. Indeed, the suggestion that the 30-year plan can be proceeded with on a segmented basis should not obscure the basic need to co-ordinate the segmented plans. In fact, as things stand, the national plan is the first thing to be evolved because without an overall outlook, sectoral plans may fall out of focus. As a knowledgeable critic puts it, the Ganga-Cauvery link is a tunnel-like scheme. Just as there should be complete agreement among the persons burrowing the tunnel from either side on the details of its engineering plan, if the execution should not go awry there should be similar agreement among the States who are concerned with the inter-State river link. And charting a sectoral plan, ahead of the overall plan, will be an *ad hoc* remedy which will have to be modified at considerable expense to be in link with the final plan as formulated ultimately. It is therefore obvious that when the Centre should take the States along with it in the entire exercise of blueprinting, formulation and implementation no part of the outlay, which should be gigantic in a scheme of this nature, becomes infructuous. Further, since the scheme by its very nature will have long gestation, the Governments concerned cannot afford to go slow on continuing conventional programmes already under way as, for instance, stabilisation of ayacuts around irrigation systems, prevention of soil erosion and salinity.

—R.S.

Need for Changes in Procurement Policy

It is now clear that the output of foodgrains in 1970-71, in spite of unfavourable weather conditions in some parts of the country during the rabi season, would have been easily 105 million tonnes,—5.5 million tonnes more than the output for 1969-70. The additional output should have been mainly on account of rice and co-cereals as it is stated that the yield of wheat would have been only marginally higher than the last agricultural season. The contribution of rice may probably be 3 million tonnes additionally and co-cereals 1½ million tonnes.

Creation of Bigger Zones

The rise in the yield of rice has no doubt been gratifying but the results of a breakthrough on this front are yet to be realised fully. The high yielding varieties are now being sown over large areas and it is generally acknowledged that the yield per acre has risen significantly with the use of larger doses of inputs and the adoption of new techniques for cultivation. Periodic uses of pesticides and fertilizers, weeding and other procedures have helped to raise the yield and reward the cultivator for his additional labour. But in the surplus areas there are inadequate arrangements for marketing, and there is the curious spectacle of prices ruling at low levels while high prices have to be paid by consumers in the deficit areas. These anomalies can be eliminated with a relaxation of restrictions relating to movements within zones and also the creation of bigger zones as has been suggested by Andhra Pradesh and Kerala. The test of an improved food situation is provided by the fact that there has been no clamour for some time past in Kerala about high prices or the non-availability of rice. As there is a marginal surplus in Tamil Nadu and dealers in Andhra Pradesh have an access to export sizable quantities to Kerala, the latter's requirements have been met without much difficulty.

The question now is whether there should be an early relaxation of the restrictions relating to movement of rice or whether the Chief Ministers

should wait for the arrival of the next khariff crops for taking a decision in this regard. There is bound to be a glut in the surplus areas, if for the fifth season in succession food output recorded a further rise and total production amounted to 108 million tonnes. There are already indications of problems of absorption. In spite of the fact that there is still a marginal deficit in wheat and that self-sufficiency in different cereals can be reached only if the output of wheat exceeded 24 million tonnes, there were annual increases for feeding a growing population. In the current rabi season important developments have been witnessed in marketing surpluses. Even in the khariff season large quantities of wheat had been procured by the Food Corporation and other agencies while in the rabi season there has been unprecedented buying by official agencies. It has been reliably stated that the target for the current season has already been exceeded and over 4.5 million tonnes of wheat would have been procured by the end of June.

TRACTOR PRICES MIGHT INCREASE

The tractor manufacturers, it is understood, have submitted a request to the Government for a price increase on the grounds of increased costs of raw materials, components and the like. In the case of the manufacturer in Madras this is expected to be in the region of Rs. 4,000. The Government has been reluctant to sanction this increase on grounds of unbearable burden on the farmers. However, in the recent Budget it has imposed a 10 per cent excise duty. If the increase in prices sought for is granted, the price of a MF tractor would be in the region of Rs. 30,000.

The production at TAFE suffered last year due to labour problem for a while and to difficulties in procuring imported components. Production fell steeply from 3341 numbers in 1969 to 2165 in 1970. Happily things have returned to normal and the expanded facilities to produce 7,000 tractors per annum are already put to use. At present TAFE is producing around 600 tractors per month.

Suspension of Imports

There will necessarily have to be a suspension of food imports after the end of this year as with a high level of output imported foodgrains will have to be maintained as buffer stocks. Alternatively, the Government may be keen to use these grains for feeding the population in Calcutta and derive some budgetary assistance but the outlay on procurement of foodgrains will still have to be incurred on a large scale and heavy losses on resale can be avoided only if statutory rationing was abolished in Calcutta as well. For some time, however, a cautious policy may have to be followed, not because there is inadequate availability of foodgrains but on account of the prospect of a large leakage of foodgrains across the border because of the likelihood of famine conditions, being experienced in East Bengal after the monsoon is over. The food situation in any case will have to be carefully watched so that price structure is attractive to the farmer and at the same time fair to the consumer.

There is a need for changes in procurement policies in the not distant future to avoid several malpractices. It was reported in April that open market prices of wheat in Punjab and Haryana were considerably below procurement prices and that middlemen earned huge profits and the farmers have not got their full dues. It has also been found that concentrated buying has led to a condition of stocks and heavy damage has been sustained as a result of stacking them in open space. If there was an increase in marketable surplus, the Food Corporation and other agencies will have to undertake only support operations and not procurement operations. Then it will be possible to eliminate malpractices and bring about a quicker movement of crops by private traders. As there are huge buffer stocks, the trade will not be allowed to indulge in speculative activities. In future, procurement will therefore have to be confined only to the making good of shortfalls in buffer stocks which need not be maintained at more than 6 million tonnes. Support operations will of course have to be for unlimited quantities if there was a slump in prices.

—(FOC)

INDUSTRIAL ECONOMIST

Worker Representation in Management Boards

By LALITHA BALU

echo inside the board room and add to the already difficult problems of management.

The British Practice

The Government and the management of the undertakings may like to follow the lead which was given some time ago by the British Steel Corporation when it started experimenting with worker-directors to the group boards. According to the working arrangement, the trade unions had agreed that the worker-director would not hold any office in the trade unions during his tenure on the management board. This was achieved through goodwill, cooperation and fairplay though there was no legal sanction behind such practice as an individual cannot be prevented from joining any association of his choice.

The second question that the Government has to consider is the willingness of managements to trust the workers' representative and also allow him as an equal partner in running the affairs of the organisation. Management, be it government or private, has so far remained insulated against labour and labour was at best treated as one of the factors in achieving the goal with no share in the decision-making process. The decision-making prerogative rested squarely with the 'owners', be it public or private,

IN THE PRIVATE SECTOR TOO...

The prominent Malayalam daily *Mathrubhoomi* will be the first to introduce employees' participation in the management of newspaper industry in the country.

An agreement signed recently between the management and labour has decided to have a Management Council with the Managing Director as its Chairman.—(UNI)

through their 'elected' representatives. Now, the managements may find themselves exposed to the new practice of having to treat a worker as an equal partner. This requires a period of adjustment, proper appreciation of changing values and above all willingness to implement the professed goals.

There is need to train workers' representatives in decision making processes so that they are able to appreciate their role independent of their primary interest in labour welfare activities. If this scheme of labour participation is to succeed, special training programmes are needed for labour representatives. Unless these programmes go hand in hand, even progressive measures aimed at increasing productivity without displacement of labour will run into bad weather as it will be opposed by worker-directors.

So far the scheme is proposed for the public sector and its effects will be felt in the private sector where the demand may start mounting once success is achieved. How does one reconcile private gain with social welfare? It is here that all the available knowledge, experience and interest should be pooled so that the workers get their due place and the economy of the nation does not suffer.

Need for Consumer Representation

While one could appreciate the need for worker-representation, will the government give also some thought to the needs of consumer representation on the boards of some of the essential industries? After all, consumer is at the receiving end and it is but proper that his interests are also safeguarded. It is not to deny that the problems of labour do not deserve serious attention but in the process, the interests of consumers, the bulk of whom include the weak and vulnerable sections of our society, should not be forgotten.

Problems of Decentralised Planning....

The need for decentralising the power to issue licences so that the States can have a better say in these has been pressed by Tamil Nadu Industries Minister Madhavan. In a recent meeting with the Press, opposing points of views were heard on this subject from Union Minister for Planning C. Subramaniam and past FICCI President D. C. Kothari.

Mr. Subramaniam was opposed to this liberalisation on the ground that it would ultimately result in a race between various States to offer attractive incentives to lure private sector industrialists to them. This would result in the concentration of industries in a few States, defeating the purpose of balanced development of different regions. The Minister, however, admitted that the licensing procedures and clearances of foreign exchange are time consuming. Even for the public sector it is a frustrating experience to get these. Rather than talking in terms of decen-

tralising, Government contemplates on improving the licensing machinery by rectifying the snags involved in it.

Quickening the Phase of Industrialisation

Mr. D. C. Kothari on the other hand felt that in spite of many attempts in the past to quicken the procedure—the Swaminathan Committee made quite a few important recommendations—it has not been found possible to eliminate the delays. He felt more powers to the State in this regard will eliminate much of the delays involved. He did not see anything wrong in the different States offering more and more incentives to the entrepreneurs. "In fact it would be a welcome step which will quicken the phase of industrialisation", he said. The private investors would be careful enough of the validity of the various schemes and will avoid creation of huge surplus capacity.

CFTRI Bags American Award

For the first time an organisation outside the U.S.A. the Central Food Technological Research Institute (CFTRI), Mysore, has bagged the coveted Industrial Achievement Award of the Institute of Food Technologists, USA, for developing 'Miltone'—a nutritious food for children.

The award was presented at a function in New York, attended by over 5000 food scientists and technologists from the world over.

'Miltone', which is produced and marketed in Bangalore with the cooperation of the State dairy, is rich in protein and vitamins and costs less. Nutri-

tious, cheap and tasty, it is the best substitute for milk. The United Nations International Children's Emergency Fund (UNICEF) is keen on stepping up production of 'Miltone'.

Currently CFTRI scientists are working on new types of nutritious and protein-rich supplementary foods. The USA has assisted CFTRI in this respect with two research grants totalling Rs. 83 lakhs. Better milling and processing methods for rice and for pulses like arhar have already been devised.

For the first time it has been proved that buffalo milk can be made into a nourishing, easy-to-digest baby food.

The decentralisation of the licensing power to the State level is beset with many problems. Firstly, there will be a rush on the part of the States to take to lines of production which are profitable in the short run. This has to be because the finances of the different State Governments are not very rosy. Even without any powers to license, we see the amusing spectacle of as many as nine State Industrial Development Corporations obtaining licences from the Centre for the manufacture of automotive tyres. None of these has finalised on process know-how or collaboration. Likewise there is a rush for the production of cigarettes. With the States granted the power to licence there is no guarantee against the creation of huge capacities in select lines which are bound to prove uneconomical in course of time.

Problem of Marketing

After all one of the objects of centralised planning with the consequent retention of the power to license industries in the hands of the Centre is to spend the available resources in the most profitable manner avoiding creation of capacities much in excess of demand in different sectors of the economy. Secondly, in the context of poor capital formation in a number of States including industrially developed ones like Tamil Nadu, the State Development Corporations will assume a more and more important role in future. These corporations setting up industries in new lines of manufacture after acquiring the power to license industries of their own will have the problem of marketing. One of the easy ways of solving this problem will be to prevent entry into one State goods manufactured in other States. It may be recalled that some years ago the Andhra Pradesh Government passed an order that all departmental undertakings and major industries under their control should make use of the products of the small scale industries situated in that State. From this point it will be just one step further to find the market for products manufactured in a State within the same State even by eliminating competition through unreasonable restrictions of goods from other States.

—S.V.

Ready Response to Government Loans

Thanks to the availability of large resources with the banking system, the Life Insurance Corporation and provident funds no difficulty has been experienced in securing the required subscriptions for new loans of Central and State Governments. Indeed, the size of loan operations can be on a much larger scale in the coming years and the Central Government can finance to a greater extent highly remunerative projects mainly with borrowed funds. The Central Government can easily raise Rs. 200 crores or even Rs. 225 crores in the current year and exceed the target of Rs. 167.90 crores for net borrowing in the budget estimates for 1971-72. The banking system alone will be in a position to invest afresh about Rs. 250 crores in all new loans, while the Life Insurance Corporation will be able to find over Rs. 135 crores. The provident funds and trusts would invest another Rs. 75 crores. This gives an aggregate of Rs. 425-450 crores, of which the Centre's share can be Rs. 225 crores and that of the States Rs. 100 crores, the State Electricity Boards and financial corporations sharing another Rs. 100 crores.

In spite of the heavy financing of procurement operations, the scheduled commercial banks were not having an over extended position to the same extent as in 1970 and sizable subscriptions could be put in by anticipating the growth in deposits in the coming weeks. The Reserve Bank, however, was careful to avoid unnecessary strain on the banking system and it managed to secure sizable conversion applications for Rs. 298.22 crores out of the outstanding amount of Rs. 332.10 crores of the maturing 4½ per cent 1971 loan.

Total subscriptions were Rs. 405.25 crores against the notified amount of Rs. 375 crores. All subscribers will get full allotment as the aggregate amount did not exceed by 10 per cent of the notified amount for all loans.

Net borrowing has thus been for about Rs. 73 crores leaving a balance of Rs. 95 crores to be mobilised in the second stage.

Reducing the Cost of Funding

The response to the three new loans indicates that banks were keen on investing in the short-medium and medium dated loans, while the Life Insurance Corporation and provident funds were interested in the long-dated loans. Hence cash subscriptions for 5¾ per cent 2001 loan amounted to Rs. 67.55 crores, while those for 5¼ per cent 1986 loan were only Rs. 19.31 crores and for 4¾ per cent 1978 loan Rs. 20.16 crores. The conversion applications of the Life Insurance Corporation must have been mainly for the 5¼ per cent loan, while the Reserve Bank would appear to have converted its holdings into all three loans. This explains the sizable applications for the short-medium and medium dated loans. Thus conversion applications for 5¾ per cent loans amounted to Rs. 103.62 crores, those for 5¼ per cent loan Rs. 111.96 crores and for 4¾ per cent loan Rs. 82.64 crores. This will indicate that the Reserve Bank expects to make a success of its open market operations

HEYDAY FOR TAX EVADERS

The Indian Budget aims at introducing in India the type of socialism which Dr. Sukarnoe introduced in Indonesia with the most disastrous consequences. Some Judges of the Supreme Court in Indonesia had to ply taxis after Court hours in order to eke out a living—such was the cumulative effect of low salaries, rising prices and heavy taxation. After this Budget India will be a particularly fine country to live in, if you happen to be a blackmarketer, a tax-evader or a politician.

—N. A. Palkhivala

in the coming months by effecting sales of the short-medium and medium dated loans to the banking system and realise larger amounts than estimated. This incidentally reduces also the cost of funding to the Government.

The strategy adopted should be helpful in avoiding strain on the banking system as, in the second half of 1971, there will be fresh additions to deposits of over Rs. 600 crores and the banking system may probably be prepared to invest Rs. 200 crores out of this amount in Government securities. Allowing for the investment of Rs. 100 crores in State loans and bonds of public bodies, open market sales of Central loans can be easily Rs. 100 crores. As the Life Insurance Corporation and provident funds also will have investible resources, they can spare another Rs. 50 crores even after investing an equal amount or more in State loans.

Larger Loans for States

The question is whether there will be any anxiety on the part of scheduled commercial banks to take advantage of the re-finance facilities to the extent available and improve their profitability by investing surplus resources in securities which afford a higher yield. The State Government will have to announce the terms of their loans early next month and in view of the anxiety of the Central Government to avoid uncovered deficits of the former as far as possible, an attempt might be made to raise a large net amount on a higher interest. The terms of the new loans are eagerly awaited.

The second stage of the borrowing programme of the Central Government may take place after the State loans were completed in the third week of August. In September there may be only small re-issues mainly for replenishing the holdings of the Reserve Bank and also helping the banking system to a certain extent. The new technique, for some time, will be to mobilise resources to the maximum extent possible through open market sales. The target of the Central Government for 1971-72 is thus bound to be comfortably exceeded.—Meenam.

Rapid Growth of the Readymade Garment Industry

By C. VEERARAGHAVAN

The dressing habits of people have undergone vast changes after the advent of the readymade garments. Particularly in urban areas, the switch-over from custom-made to the readymade garments has been very swift. In Madras city, for example, prior to 1965 the number of people using readymade garments was less than 5 per cent. This has increased to nearly 50 per cent.

This is part of an evolutionary trend witnessed the world over. In a city like London, for example, it is really a great luxury to stitch suit to one's requirements. The sizes of men with different physique have been standardised and suits are mass-produced.

The advent of blended fabrics which are easy to wash has helped the switch-over to readymade garments. Though the initial cost is more expensive, people have taken a great liking to these and one can safely predict that within the next 10 years, stitching shirts to individual requirements would be almost completely eliminated.

Compares Well with the West

The thirty-year old readymade garment industry consisting of about 1,200 manufacturing units compares favourably with Western apparel industry in terms of size and modern methods of operations.

About 25,000 workers are employed in the industry. The industry consumes cloth of all varieties worth about Rs. 40 crores and turns out about Rs. 70 crores worth of gents' shirts, children's apparel, ladies wear and ties and scarves.

The heaviest concentration of the industry is in Maharashtra State. About 65 per cent of the major garment producing units are located in Bombay. Other areas of concentration are commercially well-developed like Calcutta, Delhi, Bangalore and Madras.

Meeting Army's Demand

The readymade garment industry was practically unknown in India until about the Second World War. The first domestic factory (though not wholly Indian-owned) was set up mainly to satisfy the demand for standardised military dresses. The first wholly Indian-owned garment factory was established in 1943. The expansion of the industry started only after independence. The ban on the import of shirts and bush-shirts in 1956 and 1957 gave a powerful impetus to the industry. Shortly, after this, within a few years, a large number of factories was established.

In the 'sixties, the industry achieved dramatic growth rate with the entry of top-ranking mill groups like the Binnys, Bombay Dyeing (Kapitan shirts), Tata Mills (Coromandel Garments), Shree Ram Mills (Garment Enterprises Ltd.) and lately the Mafatlal group. In addition there are Vinar, Ambika, Calico and Finlays. The recession of 1967 and 1968 hit the textile industry hard resulting in poor offtake of cloth and this promoted the big textile mills to venture into the readymade garments market in order to ensure better sale of their cloth. The entry of big industrial houses has completely transformed the character of the industry. The industry producing mainly men's shirts, which was dominated by small-scale manufacturers in the immediate post-war period has passed into the hands of large-scale manufacturers.

8000 Shirts a Day

The market for men's shirts in India is unofficially estimated at Rs. 54 crores a year, including shirts of the value of Rs. 42 crores which are still custom-made by small tailoring shops. Of the estimated Rs. 12 crores worth of readymade shirts, large-scale units which market shirts under brand names account for Rs. 10 crores while the small manufacturers share an annual market of Rs. 2 crores. The large-scale manufacturers have the predominant share of the market

because they market high-priced shirts made from mixed fibre and synthetic fabrics. Currently the large-scale manufacturers make an estimated 8,000 shirts a day.

On the export front, the readymade garment industry is making a great headway. As against export of only Rs. 15 lakhs 10 years back, the industry's exports mounted to Rs. 8 crores in 1969-70. Currently exports are of the order of Rs. 9 crores. Indian readymade garments are exported to 50 countries including sophisticated markets like the United Kingdom, the United States, France, Germany, Canada, the U.S.S.R. and the Scandinavian countries. Japan, Hong Kong and Korea are the chief competitors India has to face in respect of cotton garments. The world trade in apparels is estimated at Rs. 2,250 crores. India's share in this trade is only 0.25 per cent.

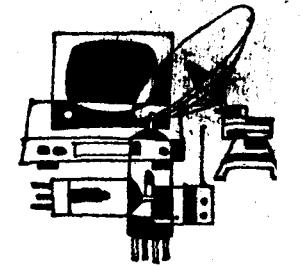
Boosting Exports

The increasing importance of the industry has been realised by the Government. To give a boost to export of readymade garments the Government has evolved a scheme under which special varieties of cotton and synthetic fabrics could be imported at international prices and turned into readymade garments for exports. The industry is well equipped with modern equipments, skilled labour force and financial resources to face the challenge of overseas markets.

Recognising the large amounts spent on readymade garments the Government recently introduced a 10 per cent excise on the garments manufactured in the organised sector. Since the price difference between the excised and the non-excised garments will be significant, there is a rush towards de-registering of firms to escape from the purview of the new levy. After the entry of a number of cloth producers in the field who have created a big demand for branded garments, it has become difficult for the smaller manufacturers to survive the competition. The recent levy might perhaps help in stabilising these.

A SUPPLEMENT ON ELECTRONICS & RADIOS

PART — II



EMERGENCE OF THE ELECTRONICS ERA

A virtual boom is taking place in the electronics industry. The producing units are either engaged in their activities in the public sector or those already in other fields have been taking to the manufacture of electronic components as part of diversification of their activities. The manufacturers of radio receivers and transistors like Philips and HMV are also producing other electrical equipment besides being engaged in different activities. Other important companies manufacturing and marketing well-known brands of radio receivers and transistors like Murphy and Bush Baron are having arrangements with Indian collaborators and the industrial units concerned are closely owned. But a silent revolution is taking place and big and small producers are engaged in a kind of co-operative activity which is perhaps not witnessed to such a great extent in other industries.

The sales of radio receivers and transistors particularly have been increasing phenomenally in the past few years. With the rapid implementation of rural electrification programmes, mains receivers are being sold in large numbers while there has been a virtual explosion in demand for transistors of all types. There are numerous small units engaged in the assembly of transistors particularly by using bought out components and the leading producers like Bharat Electronics in the public sector and Philips India in the private sector are large suppliers of these components to outsiders. Other major producers like Murphy, Bush Baron, National Ekco, Telerad, and Telefunken have their own arrangements and facilities for manufacturing special components.

Advent of TV

The growth in demand for radios and receivers particularly will be accelerated for several years and a new dimension may be added when Television facilities are extended in the next four years to all the metropolitan centres. A beginning has been already made in New Delhi while Bombay and Poona will come on the scene in 1972 and Madras in 1974. The manufacture of TV sets is already being taken up by many existing industrial units, using imported components and having a specified indigenous content. It is proposed to undertake the production of tubes and other intricate equipment within the country itself by Bharat Electronics and other new units that may be formed.

These developments by themselves will result in a further dispersed and diversified development of the industrial units manufacturing electronics components but the growth in the listening public can be ensured only with the extension of facilities

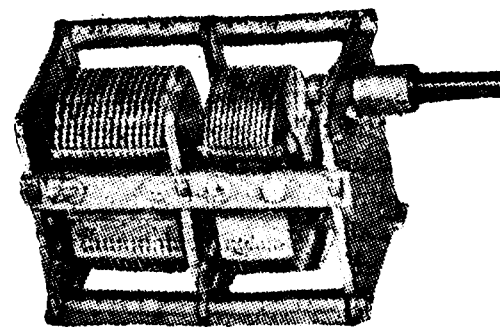
for broadcasting and for televising. The development of broadcasting facilities by All India Radio is being carried out on a systematic basis, and it has just been announced that a powerful medium wave transmitter will be established at Alleppey in Kerala. The equipment required for broadcasting purposes is being made at Bangalore and it can be hoped that the television network also can be created with indigenous equipment to the maximum extent within a few years.

The communications systems too are being developed ambitiously for providing speedy communication facilities for the civil population and for strengthening the defence services. The establishment of microwave systems in different parts of the country, particularly in regions where surface communications are difficult, is considered urgent and good progress has been made in the border areas. The Air Force too is being modernised and provided with the most up-to-date warning and signalling system requiring the use of sophisticated electronics



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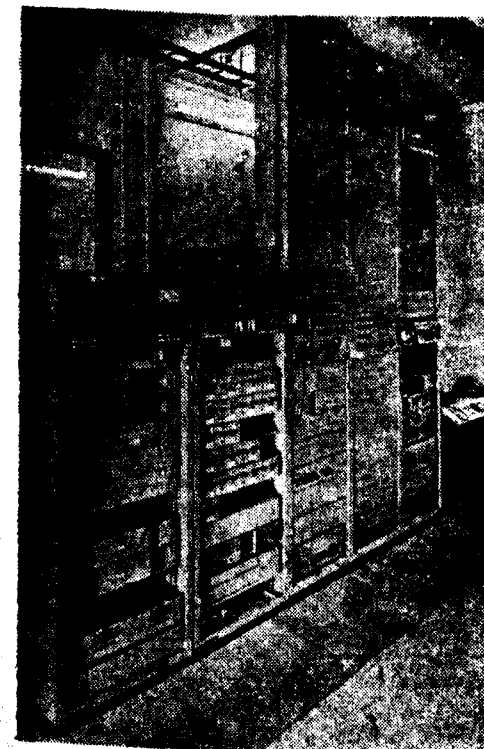
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equipment while the aircraft themselves have been equipped with sensitive instruments, communication facilities and radar arrangements.

Strengthening Line Communication

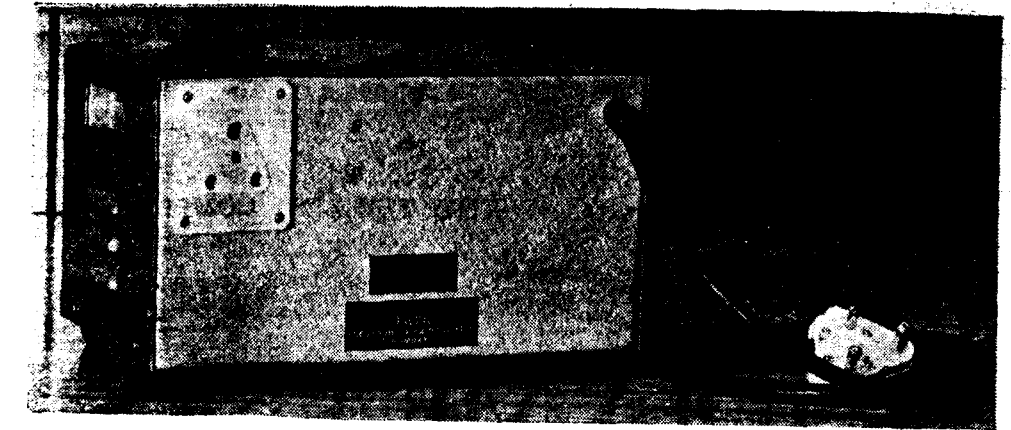
There is a special unit in the HEL complex which is manufacturing special instruments for aircraft, while the Atomic Energy Commission has its own unit at Hyderabad for producing precious instruments and such other equipment required for nuclear research in atomic power stations. Electronics equipment for line communications have also to be made available in



A Control Panel at the Railways

large volume. The Indian Telephone Industries has a proposal for increasing the output of telephone instruments and exchange equipment and an entirely new unit is proposed to be located in U.P. besides expanding the capacity of the existing factory in Bangalore. Bharat Electronics too will be establishing a sister unit in Hyderabad.

The microwave system is bound to be in common use before long for ensuring uninterrupted and clear communication facilities throughout the year. The railways are anxious about speedy communication arrangements between important centres within a railway zone. A good beginning has already been made in this regard in the southern railway and the



Automatic solid-state voltage stabilisers for Protection of Compressor motors in air-conditioners

new expenditure on microwave arrangement has been extremely worthwhile as it is possible to have closer control over the movement of trains and improve operating efficiency. The signalling arrangements also are being modernised with the use of electronics equipment and the extensive electrification of tracks. The field is vast as test instruments will be required in large volume. With computerisation becoming more popular, different types of electronics equipment will be required.

Prospects of Large Output

The output of electronics, products in 1970-71 was roughly Rs. 138 crores against only Rs. 29 crores in 1964 and it has been estimated that this will increase in value to Rs. 305 crores by 1975. The value of radio re-

ceivers and transistors will naturally be large at Rs. 73 crores. This value may be much higher as TV sets also will be sold in large volume. Microwave system and allied equipment will be accounting for Rs. 57 crores by 1975. Radio transmitters, industrial process control instruments, railway signalling equipment and industrial heating equipment for Rs. 50 crores, electronics equipment for line communications Rs. 26 crores, computer and data processing equipment, nuclear instruments and equipment, medical instruments and equipment and other industrial instruments for Rs. 33 crores and test instruments for Rs. 7 crores. It is said that these estimates are extremely conservative and it may not be surprising if by 1975-76 the value of electronics products turned out by big and small units, the public and private sectors goes up to easily 400 crores.

DISTRIBUTION OF ELECTRONICS PRODUCTION

Sector of industry	Production			Project
	1964	1966	1968	1975
(Figures in rupees crores)				
Radio receivers and other consumer products	17.5	26.0	48.0	73.0
Radio communication equipment	3.7	5.9	11.6	59.0
Microwave systems and equipment	1.7	1.3	7.0	57.0
Radio transmitters, individual process control instruments, railway signalling equipment and individual heating equipment	1.1	1.9	4.8	50.0
Electronic equipment for line communication	3.4	3.3	3.9	26.0
Computing and data processing equipment, nuclear instruments and equipment, medical instruments and equipment and other industrial instruments	1.3	2.0	2.9	33.0
Test instruments	—	2.5	3.2	7.0
Total	29.7	42.9	81.4	305.0

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HOW DO THEY DO?

Energy Meters from Tiruchi Unit

Simco Meters Ltd., set up in technical collaboration of world renowned manufacturers of meters and transformers in U.K., Messrs. Denis Ferranti Meters Ltd., went into production of Energy Meters in the middle of 1963.

Simco started manufacturing maximum demand indicating meters with the maximum demand registers only imported from Sangamo Electric Co., U.S.A., which has proved very popular. Simco has put through a diversification programme that has enabled it to fan out into electronic components, like Polyester Variable Condensers, Air Variable Condensers & Trimmers to meet the needs of their customers.

Simco has recently started the manufacture of electronic instruments, and are now selling electronic instruments too, besides electronic components and the original electricity energy meters. The company is planning to manufacture sophisticated electronic instruments on large-scale instead of confining such production to a small range permitted by a diversification programme. In the component field items like Toggle Switches, BNC Connectors, Rotary Band Switches, etc. are under trial production. Simco will soon put into production, the 3 section Polyester Variable Capacitors, the first of its kind in India, which is required for very sensitive radios.

Simco Meters Ltd., has the advantage of making remunerative use of its facilities by undertaking manufacture not only of measuring electrical instruments but also electronic components. The latter line has been developed intelligently in the past few years and a large number of components required for the manufacture of transistors is being produced by arrangement with Eastern Electronics of New Delhi. The company has its factory in a suburb of Tiruchirappalli and has been functioning on a highly remunerative basis in recent years. New records are expected to be established in 1971-72 and the accounts for the year ended March 31, 1971, which are due to be published shortly are believed to be even more impressive than those for 1970-71. The company has a licence for the manufacture of Maximum Demand Indicators with a capacity of 10,000 numbers per annum and also for the manufacture of 1,000 numbers of Magnetic Level Gauge per annum.

Even in 1969-70 there was a turnover of Rs. 94.43 lakhs against Rs. 63.54 lakhs in 1968-69. It is quite likely that the turnover was at a much higher level in 1970-71 as the output of house service meters and electronic components has been stepped up substantially. There are actually reports in stock exchange circles that the earnings for the last accounting period will constitute a new record and the Directors might decide

to raise the dividend on equity capital. The distribution for 1969-70 was 10 per cent taxable and for 1968-69, 7½ per cent taxable. The amount required for paying the equity and preference dividends is not large as there is an equity capital of only 31.85 lakhs and preference capital of Rs. 30 lakhs. The net profit after providing for depreciation Rs. 2.41 lakhs (Rs. 2.35 lakhs) and for taxation Rs. 42,000 (nil) was more than twice at Rs. 11.68 lakhs in 1970-71 as compared to Rs. 5.58 lakhs in 1968-69. After providing for the payment of equity and preference dividends, transfers to Reserve amounted to Rs. 6.83 lakhs (Rs. 90,000). It can, therefore, be expected that there will be a further strengthening of the finances of the company out of the earnings for 1970-71 even after providing for the payment of a higher dividend on equity capital. The success of Simco Meters is an indication that there can be highly profitable working with intensive and intelligent use of production facilities and diversification of manufacturing lines.

India Meters

India Meters Ltd., is one of the largest producers of polyphase meters in this country. With intensive development of distribution and transmission facilities for power there has been a big increase in demand for electrical equipment. Manufacturers of electric meters suffered for a time from lack of demand and excess capacity but there

Electronics Explosion . . .

The production of electronics equipment is estimated to be in the order of Rs. 400 crores during 1975 which will be much higher than the Baba Committee's estimate of Rs. 300 crores. The employment in the electronics industry will consequently be higher at around 400,000 persons, states the Report on Electronics Industry for 1970-71.

Production of electronics equipment during 1970-71 was valued at Rs. 138 crores. This was more than five times the output in 1964-65 at Rs. 26.5 crores. The prices of equipments have also come down progressively and its ruling around two-thirds of those prevailing five years ago.

The output of defence and communications equipments by the three public sector undertakings, Bharat Electronics Ltd., Hindustan Aeronautics, and Indian Telephone Industries increased to Rs. 7.80 crores in 1964-65 to Rs. 38 crores in 1970-71. This output is expected to be further increased with the setting up of Electronics Defence Equipment Factory at Ghaziabad and a second telecommunication factory at Naini near Allahabad.

has been a remarkable transformation in the past few years and all the units are working to capacity or there about and the order books are full.

The company went into trial production in April 1967 and commercial production in September 1967. The licensed capacity per annum was originally 60,000 nos. polyphase and 15,000 nos. single phase meters in one shift. Recently, the company was authorised to produce more than the licensed capacity in multiple shifts. Till July 1969, it was possible to produce only about 4,000 polyphase meters per month. Then was launched a crash programme to increase the rate of production which resulted in an increase by three-fold.

India Meters in its factory in the industrial estate at Ambattur and turned out nearly 1.15 lakh polyphase meters in 1970-71 thus utilising nearly its rated capacity of 6,000 units on a single shift basis. It is expected that there will be a further increase in output in 1971-72. The company has got a technical collaboration agreement with Osaki Electric Company Ltd., Japan for lending the services of trained engineers and for training Indian personnel and supply of technical know-how on a fee and royalty basis.

Out of more than 2 lakhs polyphase meters supplied to various Electricity Boards in India, from 1967 till date, the field rejection is less than 2.5 per cent. Even in the case of these rejections, the majority are due to transit breakages. This is due to the strict quality control maintained at every stage of production.

During the year ended March 31, 1971, there was a doubling of turnover to Rs. 168.92 lakhs from Rs. 82.47 lakhs. This was made possible by a near doubling of production. There was naturally a big increase in the net profit before depreciation to Rs. 23.28 lakhs from only Rs. 6.56 lakhs in the previous year. This is an indication that the company would be in a position to report even better working results for the current year with a further increase in production. The improved earnings have been helpful in providing fully for depreciation of Rs. 4.28 lakhs (Rs. 4.09 lakhs) and wiping out intangible assets. Thus a sum of Rs. 1.28 lakhs (nil) has been written off preliminary expenses, Rs. 45,479 (nil) off share issue expenses and Rs. 1.29 lakhs against underwriting expenses. With a transfer of Rs. 2.47 lakhs from development rebate reserve to the Profit and Loss account and the balance of disposable profits, the debit balance of Rs. 30.60 lakhs brought in from the previous accounts has been reduced to Rs. 12.30 lakhs. The financial position of the company has, therefore, considerably improved and there is a prospect of a maiden dividend on equity capital being paid out of the current year's earnings after wiping out fully earlier losses. There arrears of dividends on preference shares can be even paid partly early next year in the light of actual developments in the next few months. The outlook for India Meters is therefore quite encouraging.

Equipment for Measuring Ionospheric Radio Waves

In an agreement signed recently, the German Democratic Republic has agreed to give India as gift a sophisticated equipment for measuring the ionospheric radio waves worth Rs. 15 lakhs. The equipment will be installed at the Gujarat University, Ahmedabad.

This electronics equipment was constructed in East Germany and is designed to measure the attenuation suffered by radio waves through the ionosphere, the upper part of the earth's atmosphere. The study of these waves in the upper atmosphere is of growing importance for the investigation of the earth's environment.

Surgical Operation Televised

An operation for Peptic Ulcer conducted at the Osmania General Hospital recently was televised through an indigenously manufactured closed circuit television system. A spokesman of the Electronic Corporation of India Limited, Hyderabad which manufactured the television set, said that this system could be useful in teaching medical students. The monitored operations could be recorded on the video tape and replayed.

He said the Union Government had licensed the ECIL to produce 30 such TV systems a

year and that the ECIL had already received a few orders for the equipment.

Airport Electronics Project near Bombay

The Airport Electronics Project of the Trade Development Authority of Government of India will be located near Bombay Airport under the management of the Maharashtra Small Scale Industries Development Corporation. The project, the first of its kind in India, envisages establishment of nearly 100 sophisticated electronics units with foreign collaboration.

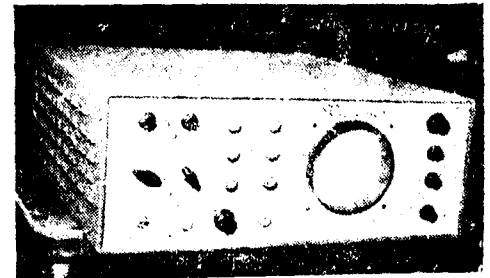
It will be an export processing zone for manufacture and assembly of sophisticated electronics equipment components. It will have an initial export potential of Rs. 5 crores a year. The project will virtually be free trade zone for electronics industry as imports and exports will be free from custom duties. At present there are four such zones in the world—in Formosa, South Korea, Puerto Rico and Mexico.

The actual management of the project will be entrusted to a Board, whose composition has not yet been decided.

The Electronics Commission will be sending a high-powered delegation abroad shortly to study the working of similar projects in other countries and to seek foreign collaborations. Most of the units in the project area are expected to be in the small scale sector.

New Ultrasonic Flaw Detector

Vibronics Private Limited, Bombay, has introduced their new Flaw Detector Model-FD-201. It is smart, compact, portable and has unique additional features.



Ultrasonic Flaw Detector

Ultrasonic Flaw Detector, Model FD-201, has been approved by the Research Design & Standard Organisation (RDSO) of the Railways, Lucknow, for use in large-scale testing of axles and other items, and large orders have been placed by the Railways for this unit.

The unit has been well received in the export market too, and has been sent to Singapore, Bangkok and the Sudan. Manufacturers claim this equipment to be one of the best the country has produced in sophisticated electronic instruments, and is second to none in performance and reliability, compared to similar equipment produced in any other parts of the world.

Statistical Supplement

INDUSTRIAL PRODUCTION IN 1968, 1969 AND 1970

IN SELECT SECTORS

Item	Unit	1968	1969		1970	
		Production	Production	No. of Units	Installed Capacity	Production
1	2	3	4	5	6	7
1. Industrial Machinery						
Sugar Machinery	Rs. Crores	11.60	12.42	16	21.00	13.76
Cement Machinery	"	8.18	9.80	10	23.00	8.99
Boilers (Industrial and Power)	"	19.81	23.48	14	11.50	30.45
					+(1.3 mkw)	
Chemicals and Pharmaceuticals	"	11.00	13.31	53	18.34	16.00
Paper and Pulp	"	2.71	3.30	13	6.06	4.94
Mining Machinery	"	2.99				
Steel Plant Equipment	"	10.20	10.11	2	NA	15.00
Construction Machinery	"	1.05				
Asbestos Cement Plants	"	0.47	0.52	1	2.80	0.56
Machine Tools	"	17.22	21.69	76	65.00	28.75
Furnaces	"	3.07	3.24	14	6.50	3.50
Metallurgical Machinery	"		2.23	14	NA	4.92
Rayon Machinery	"	NA	0.91	4	NA	1.03
Coal Mining and Coal Washery	"	NA	1.55	9	9.63	2.00
Grinding Wheels	Kg.	3730276	4576800	4	5940000	5991386
Coated Abrasives	Reams.	147057	156008	3	272000	153541
Steel Files	'000 Nos.	12220.8	12872.3	6	10100	12662.9
Twist Drills	"	8462.9	3895.3	7	100.60	10132.5
Hacksaw Blades	"	30790.7	25782.3	5	41000	19691.2
2. Automobiles						
Com. Vehicles	Nos.	35947	35161	7	62500	40594
Jeeps	"	7790	7837	1	10000	9334
Cars	"	35799	35264	3	39500	35829
Motor Cycles, Scooters, 3-Wheelers, Moped & Scooterette	"	84604	99862	8	104500	117206
3. Heavy Electricals						
Electric Motors	Mil. H.P.	1.91	2.08	20	2.57	3.19
Transformers	Mil. KVA	4.84	5.04	23	6.27	7.52
Starters	Lakhs	3.53	4.50	11	3.80	5.16
Switchgear and Control Gear (excluding Motor Starters)	Rs. Crores	NA	23.07	35	NA	29.64
VIR and PVC Cables	Lakh km.	3.68	3.72	26	8.14	4.30
ACSR and AAC	'000 Tonnes	64.86	59.54	33	97.83	64.95
Paper Insulated Power Cables	'000 km.	2.36	2.27	7	8.36	2.29
PVC Power Cables	"	11.68	11.36	10	13.69	13.46
4. Heavy Engineering						
Steel Castings	'000 Tonnes	47.20	47.11	43	129.00	44.91
C.I. Castings	"	175.70	175.00	95	384.50	168.00
C.I. Spun Pipes	"	133.08	132.12	8	438.36	165.46
Black and Galvanised Tubes	"	255.50				
Railway Wagons (4-Wheelers)	'000 Nos.	14.50	12.30	16	31.05	12.50
Steel Structural	'000 Tonnes	141.96				
S.G. Iron Castings	M.T.		1334	13	8808	1500

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DEPARTMENT OF INDUSTRIES AND COMMERCE

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Chepauk, Madras-5.

1	2	3	4	5	6	7
5. Light Engineering						
Sewing Machines	'000 Nos.	423.22	407.51	5	493.00	178.00
Ball and Roller Bearings	Mil. Nos.	12.09	13.41	7	15.89	17.50
Bicycles	Nos.	1.95	1.95	9	2.10	2.07
Electric Fans	Lakhs	14.66	15.54	16	18.15	16.23
G.L.S. Lamps	Millions	84.51	90.33	11	83.35	102.77
Storage Batteries	'000 Nos.	870.47	1156.74	7	1068.00	1142.76
Dry Batteries	Millions	408.54	476.63	6	469.00	481.06
House Service Meters	Lakhs	13.20	15.78	8	15.83	16.27
Typewriters	Nos.	45665	28373	4	86400	37950
Water Meters	Nos. in Lakhs	1.07	1.25	6	3.50	1.42
Fluorescent Tubes	Millions	7.69	1.23	7	8.20	10.64
Miniature Lamps	"	27.44	35.11	7	33.80	39.25
Domestic Refrigerators	Nos.	49897	48625	6	36800	62908
Room Air Conditioners	"	12933	12892	7	28280	20036
ERW Tubes for Bicycles, Transformers etc.	M.T.	21301	25998	7	NA	34000
Seamless Steel Tubes	"	24429	24429	1	39600	32000
Welding Electrodes	Million R.M.	217000	260000	20	497000	315000
Lifts	Nos.	402	523	4	670	450
Machine Screws	M. Nos.	417.08	440.69	7	528.24	484.75
Wood Screws	"	1363.59	1385.06	5	994.60	523.57
Razor Blades	"	757.53	916.61	6	1560.00	956.61
Crown Corks	"	1141.00	1298.66	2	705.60	1224.79
Watches	Lakh Nos.		4.24	2	6.70	4.50
Agricultural Implements	M.T.	22000	10108	25	26196.5	10900
Agricultural Machinery	"	1275	1650	8	2179	2430
6 Others						
Cement	M.T.	11.94	13.62	50	17.36	14.034
Paper and Board	Lakh Tonnes	6.48	7.06	57	7.68	7.53
Pencils	Lakh Gross	5.00	5.64	3	8.40	6.20
Newsprint	'000 Tonnes	30.80	35.30	1	75.00	38.34
Paper Grade Pulp	"	NA	17.79	1	22.50	24.00
Rayon Pulp	"	55.80	55.68	2	77.00	70.00
Refractories	"	661.61	646.30	43	1080.00	661.00
Automobile Tyres	Lakh Nos.	34.38	40.15	8	34.82	29.73
Automobile Tubes	"	32.99	30.43	8	34.82	26.63
Bicycle Tyres	Mil. Nos.	24.62	21.61	11	21.29	20.99
Bicycle Tubes	"	18.18	17.06	11	21.29	15.84
Carbon Black	M.T.	NA	34946	2	40000	24780
Reclaim Rubber	"	NA	13217	4	12120	9918
Paints, Enamel and Varnishes	Tonnes	62.106	62.106	17	77520	65959
Titanium Dioxide	"	6909	5266	1	6600	4700
Cigarettes	M.Ps.	60416	59714	13	58288	62112
Soap	'000 Tonnes	216.49	237.53	44	217.32	232.0
Detergents	"	18.70	22.91	5	47.58	24.5
Confectionery	"	15.90	11.78	24	38.75	14.6
Biscuits	"	61.80	62.33	30	72.90	62.10
Glass and Glassware	"	250.00	224.00	47	425.00	250.00
Tractors	'000 Nos.	13.80	18.09	5	30.00	20.54
Power Tillers	Nos.	228	285	1	3000	327
Diesel Engines (Stationary)	'000 Nos.	118.50				
Loco/Diesel Shunters	Nos.		27	1	148	47
Air Compressors	"	6267	5572	11	7734	5809
Fork Lift Trucks	"	502	517	8	—	586
Shovels/Excavators	"	74	55	2	100	90
Petrol Engines	'000 Nos.	23.47	22.57	5	61.60	20.73
Power Driven Pumps	"	330.70				
Detonators	Mil.	86.10	105.5	2	168	87.919
Veg. Tanning of hides	"	2.84	2.38	9	2.16	1.58
Chrome Tanning of hides	"	0.80	0.80	9	2.14	1.19

COMMODITIES:

Molasses Distribution—Policy to be Reviewed

The Central Government has agreed to a review of its earlier order allowing sugar factories to sell 20 per cent of their molasses output in the open market and the balance at controlled prices. A recent meeting of the Central Molasses Board has set up an expert committee to examine the partial de-control as also the present controlled price of Rs. 6.70 per tonne. The sugar States had particularly objected to the facility given to sugar units to dispose of 20 per cent of the molasses on the ground that this could enable them to sell the better quality at attractive prices while the distilleries will be left with poor quality molasses. The free market price now obtained is much higher than the controlled rate. The earlier incentive to sugar units was intended to enable them to invest in building storage facilities for molasses as lack of these facilities had resulted in deterioration of large quantities. Thanks to record sugar production, both distilleries and alcohol-based industries like synthetic rubber, plastics, etc. have had no problem of getting their raw material supplies in full. As alcohol is still a cheap feedstock for these industries, supply of molasses at economic rates assumes considerable importance. In this context, the suggestion by some States to allow the sugar factories to sell their entire molasses production at higher prices will also come under consideration of the proposed expert panel. Another problem of distilleries re-

lates to economic transportation of molasses from the factories. It has been decided by the Molasses Board that the State Molasses Controllers should work out a proper feed-link between sugar units and distilleries in their regions to minimise the transport cost and keep them within the ceiling of Rs. 100 per kilolitre.

Aluminium Prices

The aluminium industry and trade have strongly opposed the new prices fixed by the Government control order of May 24. The major producers have pointed out that the revised prices were not only lower than those frozen in March 1970 but were also 15 per cent below the prices that prevailed in early 1967. The Chairman of Hindustan Aluminium, Mr. G. D. Birla, has also drawn attention to the uneconomic nature of the prices in view of the new imposts on calcined petroleum coke and practically on all raw materials. He has called for a price increase to offset the increased cost of aluminium fluoride, cryolite and power since April 1970 as provided for in the Government notification. The control order also contains certain anomalies which adversely affect the interests of rerollers and traders and representations have been made to remove them. It is pointed out that by fixing uniform prices for the main producers as well as secondary producers namely rerollers and fabricators, for the same products, the latter have been placed at considerable disadvantage due to cost variations. Apart from this, even the prices for dealers have been kept at the same levels. While the main producers can directly convert a portion of their ingot production into sheets and circles, rerollers and fabricators have to get their ingots from the main producers besides incurring transport, sales tax and other charges which inflate their costs.

The Government froze the sale prices of aluminium of various producers and dealers on March 20, 1970 at their ex-factory prices of February 28, 1970 and set up a working group to study the cost structure of the industry and allied matters. The group went in detail into the cost of production of the primary producers and three selected fabricators. Based on its recommendations, the Government has notified the new prices on ex-factory-cum-exercise duty basis. While differential prices may be fixed for the various producers, the rerollers have also the problem of high-priced stocks of ingots purchased before the control order was issued and this will involve additional losses for them.

The target for paper production set by the Planning Commission was one million tonnes for the Fourth Plan period. However, even with the completion of some of the schemes under construction, the country would miss the target by 60,000 tonnes.

The paper mills Mr. Bhargava said, were facing great difficulty in obtaining raw materials at reasonable rates. Besides they were under financial straits. He wanted Government aid to the paper industry to up-date the old machinery to reduce the cost of production.—(UNI).

The Government froze the sale prices of aluminium of various producers and dealers on March 20, 1970 at their ex-factory prices of February 28, 1970 and set up a working group to study the cost structure of the industry and allied matters. The group went in detail into the cost of production of the primary producers and three selected fabricators. Based on its recommendations, the Government has notified the new prices on ex-factory-cum-exercise duty basis. While differential prices may be fixed for the various producers, the rerollers have also the problem of high-priced stocks of ingots purchased before the control order was issued and this will involve additional losses for them.

Break in Oil Prices

Consumers will welcome the sharp break in edible oil prices following a comfortable

supply situation. Prices of Vanaspati and groundnut oil particularly have come down sharply while coconut oil has also registered a slump at wholesale level though it has not been reflected to the full extent in retail prices. A satisfactory groundnut crop has led to the weak trend in oil prices which are ruling around Rs. 370 per quintal against Rs. 450 only a few months back and Rs. 500 a year ago. The liberal imports of soyabean oil till recently were also helpful to the Vanaspati units in getting their requirements fully and at reasonable prices while increasing use is also being made of cottonseed and other edible oils for hydrogenation. Vanaspati production this year is expected to rise further to 5.70 lakh tonnes from 5.21 lakh tonnes in 1970 though there is still considerable idle capacity in the industry following liberal licensing of new units. With a comfortable supply position in regard to groundnut oil, Government has suspended supply of cheap soyabean oil for some time now. The Government has in fact removed all restrictions on the export of Vanaspati in view of the glut conditions but large-scale exports are not likely as foreign demand has been sluggish.

CREDIT GUARANTEE SCHEME— STATE FINANCIAL CORPORATIONS

Loans and other credit facilities provided by State Financial Corporations (including the Tamil Nadu Industrial Investment Corporation Ltd.) to transport operators and small business enterprises other than small scale industries will be guaranteed by the Credit Guarantee Corporation of India with effect from 1st July 1971 under a new scheme. The scheme is similar to the one covering loans by scheduled commercial banks to small borrowers which came into force on 1st April 1971. It will cover the following categories of small borrowers.

The Corporation will reimburse 75 per cent of the amounts which may prove irrecoverable, the remaining 25 per cent being borne by the lending institution concerned. A guarantee fee of one-half of one per cent will be charged. Suitable safeguards are provided in the scheme to ensure that the facilities are used for bona fide and productive purposes.

The guarantee given to State Financial Corporations will not be in substitution of the securities which are to be provided by the borrowers. They are not required to approach the guarantee organisation for obtaining the guarantee or enter into any correspondence with it.

STOCK MARKET:

Shares Suffer Setback

The mild flutter in share prices witnessed in the closing week of June has been short-lived and values have resumed their downward trend. Share prices are now ruling around the lowest levels since October 1970 when all-time peak levels were touched. The present levels are, however, above the June 1970 levels though it remains to be seen if they will go down further in the coming weeks. This year's price trend is in contrast to trends in the corresponding months in earlier years when prices used to harden after April, but this year there have been special factors for the markets. The regular budget was presented only towards the end of May and for the first time in many years direct taxation on individuals as well as the corporate sector has been quite harsh. The huge influx of refugees from East Bengal has also upset the national economy and may as well slow down planned development. This would hit some of the vital heavy engineering sectors which are crying for substantial orders to keep them going. Already the Centre has been forced to take over a number of engineering firms in the eastern region to save them from liquidation while even some of the efficient cotton mills in Gujarat and Madhya Pradesh are facing closure due to special problems. With the result, bull operators have been liquidating their holdings while there has also been bear selling. Investors also have been keeping away from the markets in the present depressed conditions and there are even disinvestments on a small-scale. The present despondency would seem to be exaggerated in the price behaviour as the industrial sector is still going strong and corporate news continues to be good. Institutional support used to mitigate the adverse impact of any selling wave in former years but it has been conspicuously absent latterly. The Unit Trust of India and the Life Insurance Corporation of India have been

lending only stray support on an extremely selective basis which fails to have a steady effect on sentiment. The Unit Trust has replaced the LIC as the major institutional operator in stock markets but its purchases are still not commensurate with the volume of investible funds at its disposal. On earlier occasions institutional support had retrieved share prices as well as investors' confidence at times of crises like the 1962 and 1965 wars but the L.I.C. has been generally keeping away from the markets and has been diverting its funds to other forms of investment.

Unit Trust's Gesture

Otherwise, the outlook for corporate profits is generally bright. More companies have announced satisfactory results for the latest accounting period. The Unit Trust of India has declared a big rise in dividend for 1970-71 to 8 per cent from 7.2 per cent for 1969-70. It had paid 7.1 per cent for 1968-69 and 7 per cent for 1967-68. There was a sharp increase in its income for 1970-71 to Rs. 8.41 crores from Rs. 6.28 crores in the previous year probably due to a significant improvement in dividend income and also from sale of securities. The big rise in income in spite of a slow-down in sales of units would thus indicate more profitable working during the year. Premier Tyres has staged a remarkable recovery with a jump in sales and earnings for 1970-71 and has sharply raised the dividend on equity capital to 12 per cent from 8 per cent. Larsen and Toubro Limited has reported a record turnover for 1970-71 and has increased the dividend to 12½ per cent gross from 10 per cent. Dhrangadhra Chemical Works could, however, only maintain the payment at 10 per cent in spite of higher sales as profit margins were affected by increased costs. The company proposes to double its soda

ONE-PLUS-ONE TELEPHONE

A new system which enables two telephone calls to go over one line simultaneously has been developed by the British post office, a London daily reported recently.

The dual use of exchange lines has become possible with the development of a subscriber's carrier system known as "one-plus-one." Under this system, one connection works conventionally at normal frequencies while the other uses frequencies well above the usual range.

One advantage of the system is that important and emergency calls can be put through without disconnecting an already engaged line, (UNI).

ash capacity. Indian Cable has done extremely well in 1970-71 and has declared a dividend of 15 per cent against only 2.5 per cent in the previous year. General Electric has earned more and raised the dividend to 31.5 per cent from 27.5 per cent while Tata Oil Mills has achieved record sales and profits though it has maintained the distribution at 18 per cent. Metal Box has raised the dividend for 1970-71 following gratifying working results. India Tobacco has announced a final dividend of 7½ per cent making with the interim of 6½ per cent, a total of 14 per cent for 1970-71 against 13½ per cent for 1969-70 though there was a slight drop in profit, before taxation and after depreciation to Rs. 7.42 crores from 7.83 crores. The disposable profit was, however, higher.

At stated earlier, price movements were downward and support at lower levels was hesitant. Dalal Street was particularly weak with key counters shedding many points. Even cash shares in Bombay and Calcutta were friendless and investors were in no mood to enter the market in the prevailing uncertain conditions. In Madras too, buying was extremely selective at prices which were much lower than the levels that prevailed a month ago.

PRICE MOVEMENTS

The following were the closing prices for selected scrips on June 25 and July 10:

	Madras			Bombay			Calcutta	
	June 25	July 10		June 25	July 10		June 25	July 10
India Cements	5.45	5.30	Tata Ordy.	103.50	102.50	Indian Iron	11.10	10.55
Mettur Chemical	12.05	11.95	TELCO	239.00	234.75	Hind Motors	11.00	10.55
S.I. Viscose	172.00	164.00	Century	824.50	815.00	Birla Jute	22.35	22.10
Ashok Leyland	6.50	6.40	National Rayon	475.00	465.00	G. K. W.	40.40	38.50
Travancore Rayon	21.25	21.25	Tata Chemicals	28.25	28.25	Indian Aluminium	37.75	38.20
Dalmia Cement	12.75	12.10	NOCIL	226.00	214.00	Dunlop India	38.40	37.30
E.I.D. Parry	14.50	14.12	Polyolefins	246.00	237.00	Alkali	30.12	29.00
Madras Alum.	155.00	148.00	Herdillia	17.12	16.60	CAFI	43.00	42.56
Seshasayee Paper	14.90	14.40	Century Enka	333.75	315.00	Zuari Chem.	16.87	16.37
Amalgamation Repco	13.00	12.75	Mahindra Ugine	23.00	21.16	English Electric	20.00	19.37

BUSINESS BRIEFS:

TELCO Resumes Cut

The performance of Tata Engineering and Locomotive Company Limited in the year ended March 31, 1971 has exceeded market expectations in that there has been a big jump in sales and earnings, over 1969-70. These results for 1969-70 were however affected by a prolonged strike but even then the improvement in the latest year is really impressive. With a high level of output of vehicles and other heavy engineering products sales rose by over 37 per cent to Rs. 136.24 crores from Rs. 99.35 crores in 1969-70. (The turnover in 1968-69 was Rs. 105.96 crores). Higher selling prices accounted for part of the rise in sales. There was also an improvement in profitability as the net profit, before depreciation and taxation, increased by 52 per cent to Rs. 14.22 crores from Rs. 9.36 crores in the previous year. (Earnings in 1968-69 amounted to Rs. 12.12 crores). Encouraged by the pleasing results, the directors have decided to restore the cut in dividend on equity capital effected last year. The distribution will thus be higher at 14½ per cent taxable against 13½ per cent taxable. Provision has also been made for a proportionate dividend for 6 months from October 30, 1970 to the shareholders of Central Bank of India Limited in pursuance of the merger scheme. An early announcement on the scheme is expected. Out of Telco's latest earnings, depreciation claims Rs. 749.28 lakhs (Rs. 662.40 lakhs) and development rebate Rs. 114.80 lakhs (Rs. 143.44 lakhs) while there is a provision of Rs. 270 lakhs (nil) for taxation. The disposable profits are even then as much as Rs. 288.10 lakhs (Rs. 130.24 lakhs) which has been transferred to general reserve. The equity dividend will be paid out of this reserve and will claim Rs. 208.06 lakhs (Rs. 193.71 lakhs). The gratifying results of Telco on top of the encouraging performance of Tisco for 1970-71 has had a salutary effect on market sentiment. The Rs. 100 Telco shares are now quoting around Rs. 236 affording a gross yield of over 65 per cent.

Telco has a scheme to expand and diversify its capacity. The scheme envisages the manufacture of 9,000 medium and heavier vehicles at a new factory to be set up at Poona, manufacture of 3,000 off-highway vehicles at Jamshedpur and setting up an alloy iron foundry at Poona with a capacity of 10,000 tonnes per annum. The estimated capital outlay on these projects, including cost of raw materials is Rs. 58.7 crores. This is proposed to be found to the extent of Rs. 15 crores as a result of the amalgamation of Central Bank of India Limited with Telco, foreign exchange loans for imported plant and equipment for Rs. 10.5 crores and internal resources for Rs. 33.2 crores. The foreign exchange requirement for plant and equipment, raw materials and

components over the six-year period of the expansion programme will be Rs. 14.62 crores. The project is to be cleared by the Monopolies Commission.

Indian Cable's Recovery

The results of Indian Cable Company Limited for the year ended March 31, 1971 would show that the cable industry has got out of a difficult phase and is poised for vigorous growth in the coming years. Even earlier there were indications of better working by smaller companies in the industry but the record of Indian Cable, the biggest, has removed whatever doubts lingered in the minds of investors in cable shares. The company's sales in 1970-71 jumped to Rs. 18.80 crores from Rs. 13.48 crores in 1969-70 while the net profit, before taxation, and after depreciation, was as much as Rs. 1.90 crores against Rs. 4.51 lakhs. The equity dividend has been sharply increased to 15 per cent taxable from only 2.5 per cent in the previous year. (On news of the dividend, there was a spurt in the share price by Rs. 2 to Rs. 18.65). After providing Rs. 103 lakhs (Rs. 1 lakh) for taxation, the transfer to general reserve is much higher at Rs. 92.52 lakhs (Rs. 12.87 lakhs). There has also been a transfer of Rs. 50,000 (Rs. 3 lakhs) from development rebate reserve to general reserve while in the previous year, debenture redemption sinking fund got Rs. 21,000.

Esso Earns More

In spite of a reduced throughput, Esso Standard Refining Company of India Limited was able to earn a larger profit in 1970 thanks to economies in working expenses and better efficiency of operations. The refinery handled 2.35 million tonnes against 2.44 million tonnes in 1969 due to restrictions imposed by Government as a result of which sales also declined to Rs. 32.69 crores from Rs. 34.06 crores. But the net profit, before depreciation and taxation, improved substantially to Rs. 5.50 crores from Rs. 4.31 crores in the previous year. The claim in respect of depreciation is Rs. 78 lakhs (Rs. 82 lakhs) and development rebate Rs. 42 lakhs (Rs. 66 lakhs), while the provision for taxation is much higher at Rs. 2.36 crores (Rs. 1.68 crores). Yet the surplus is more at Rs. 1.94 crores (Rs. 1.15 crores). It is stated that the refinery can turn out 40 different products which, if allowed by Government, can help displace substantial imports.

Blue Star

Blue Star Limited has reported improved results for 1970 and it is expected that the

performance this year will be even better. With all operating divisions working satisfactorily, income in the first five months has been 34 per cent more than in the corresponding period last year. Work on the second phase of expansion at Thana is in full swing and is expected to be completed by October this year. The expansion will enable larger production of heat exchangers, finned evaporators and instrument panels, etc. The marketing and after-sales-service facilities are also being strengthened and reorganised. The Chairman Mr. Mohan Advani hopes that 1971 would be the best year so far in respect of sales and earnings.

Madras Aluminium

The completion of the expansion scheme in 1972-73 and the creation of fabrication facilities in 1973 along with other schemes are expected to improve the profitability of operations of Madras Aluminium Company Limited. The expansion will also enable economic exploitation of low-grade bauxite ores of the company's mines while it is being examined if a captive caustic soda plant can be set up. The Managing Director Mr. P. R. Ramakrishnan has told shareholders that the expansion plan is going according to plan despite delays in issue of import licences. The import content of the project is however comparatively small. The Industrial Development Bank of India has agreed to guarantee the loan from Mediocredito (Italy) and also sanction a rupee loan of Rs. 2.50 crores. The IDBI has however taken the option to convert Rs. 30 lakhs of the loan into equity shares (at a premium of Rs. 20 per share). The cost of doubling capacity will be only Rs. 12 crores in spite of the increased cost of machinery duties, etc. against nearly Rs. 17 crores for the original plant of 12,500 tonne capacity. There is no proposal to issue fresh capital to finance the expansion. As regards the outlook for the current year, Mr. Ramakrishnan has stated that there will be no difficulty over the supply of raw materials like synthetic cryolite, aluminium fluoride and carbon lining materials as the Government has agreed in principle for issuing advance import licences for three years. The revised prices for products from May 24 are considered unremunerative as the Government order has not taken into account the sharp increase in costs of many raw materials. The implementation of the new prices will involve a loss of Rs. 50 to 60 lakhs in earnings per year while the absence of tax credit facility (on excise duty in respect of excess output) this year will mean an additional loss of earnings of Rs. 20 lakhs. However, these will be offset by larger earnings from sale of intermediary products like calcined alumina, alumina hydrate and carbon electrode paste. In 1970, sale proceeds from these amounted to as much as Rs. 49 lakhs. It is also claimed that the company's operations are the most efficient and will be con-

siderably helpful in maintaining profitability at a high level.

Travancore Rayons

Travancore Rayons Limited is awaiting Government approval for the expansion of its rayon capacity by 5 tonnes a day and the cellulose film capacity by 10 tonnes a day. The Chairman, Mr. A. R. Ramanathan told the annual meeting recently that internal resources have been strengthened through a conservative dividend policy and these along with the amount that might be available as a result of the amalgamation of Indian Overseas Bank Limited would come in handy to finance the new schemes. The new cellulose film unit will be contributing to the earnings for the current year while the modifications to the moisture-proof film plant have been completed. Thus, with brisk demand, sales may set up a new record for 1971, though the shortage of cotton linters and delays over import of raw materials may not allow full use of the pulp capacity. This is the Silver Jubilee year for the company and it can take legitimate pride for the steady growth over the years. Thanks to the prudent policies of the management, the gross block has risen from about Rs. 2 crores to Rs. 10 crores while reserves amount to 75 per cent of the paid-up capital. A bonus issue may not however be round the corner in view of the merger scheme. But the shareholders can look forward to further growth prospects in the coming years when the new schemes take shape.

Metal Box Impresses

Metal Box Company of India Limited, has reported a big increase in gross sales during the year ended March 31, 1971 to Rs. 34.58 crores from Rs. 27.64 crores in 1969-70 thanks to a higher level of output of various products. The increase is also exaggerated to some extent by the new excise levy and price increases. Excise duty alone accounted for a rise of Rs. 2.37 crores to Rs. 3.52 crores. The net profit, before depreciation and taxation, also improved considerably to Rs. 223.85 lakhs from Rs. 172.78 lakhs. The dividend on equity capital has been raised to 8 per cent, taxable, from 6 per cent in the previous year. The provision for depreciation is Rs. 54.56 lakhs (Rs. 46.38 lakhs) and taxation Rs. 92.50 lakhs (Rs. 71.60 lakhs). The transfer to development rebate reserve is Rs. 9 lakhs (Rs. 11.60 lakhs), while Rs. 4.20 lakhs (Rs. 10.75 lakhs) has been transferred from this reserve. After taking into account profit on sale of assets for Rs. 2.78 lakhs (Rs. 4.81 lakhs), debenture redemption reserve gets Rs. 15 lakhs (Rs. 10 lakhs) and general reserve Rs. 5 lakhs (nil). On the former occasion adjustments relating to earlier year had to be effected from Rs. 13 lakhs while there was a transfer of Rs. 5 lakhs from general reserve. The equity dividend will require Rs. 53.13 lakhs (Rs. 39.85 lakhs). An interim dividend of

3 per cent has already been distributed and a final of 5 per cent is to be paid.

The company's performance should be considered commendable particularly in view of the difficulties over tin plate supplies and industrial unrest in the Calcutta units. The Chairman Mr. Bhaskar Mitter has said that the improved performance was achieved by paying close attention to planning and the processes of production by the addition of balancing equipment at the various factories and by further modernisation. The paper and plastics division recorded a sharp increase in turnover to Rs. 3 crores. Direct export however declined to Rs. 53 lakhs due to a number of factors. During the year, fresh capital expenditure for Rs. 1.38 crores was incurred on rehabilitation and modernisation, taking the total in the last five years to Rs. 5.38 crores. The company's subsidiary, Kosmek Plastics Manufacturing Limited, earned a profit of Rs. 6.6 lakhs, wiping out accumulated losses. There may be a further improvement in its working this year and a maiden dividend may be declared.

Bengal Paper

There was a slight fall in output of Bengal Paper Mills Company Limited in 1970 to 40,251 tonnes from 41,092 tonnes in 1969 due to labour unrest and power disruptions. But sales were better at Rs. 9.19 crores against Rs. 8.62 crores. The Chairman, Mr. N. D. Bangur has told the annual meeting that the Government has approved the company's expansion scheme by installing balancing equipment. The application for import licence for Rs. 87.50 lakhs is pending with the Government.

Straw Products

The Chairman of Straw Products Limited, Mr. H. S. Singhanian, has held out improved prospects for the company in the current year. The new MG machine installed last year will be in full operation this year and will be adding larger quantities of MG tissue and poster papers. Work on the third machine to produce 7,500 tonnes of tissue and speciality papers is making progress according to schedule. The imported machinery will be received shortly and erection work will commence. There will however be some delay in supply of indigenous items though every effort is being made to commission the new machine by the middle of 1972. There is also a proposal to install balancing equipment at J.K. Paper Mills in Orissa and at the board mills in Bhopal. The financial institutions have been approached for assistance and if everything goes well the additional capacity may become available in a year.

Motor Industries

Motor Industries Company Limited had to contend with a continuous price increase throughout last year for most of the raw

materials and components. Only towards the close of the year there was some relief due to liberal imports, specially of steel. But the company still continues to face difficulty in getting quality supplies in adequate quantities. The company has obtained clearance for its expansion programme from the monopoly angle besides sanction for the new technical collaboration agreement with Robert Bosch GmbH for 5 years from the Foreign Investment Board. The original point raised over export guarantee has also been settled and what remains now is the foreign exchange and rupee financing. These can be arranged without much difficulty as there is an unsatisfied demand for the products of the company. The bonus issue proposal pending for two years now is linked with the expansion programme. Negotiations with the Government on this are going on and the Chairman, Mr. Bhailal C. Patel has only stated that if all goes well the final sanctions for the expansion scheme and the bonus issue will be obtained before the next annual meeting in 1972. The company's export performance has been commendable, there being an increase in 1970 to Rs. 80 lakhs from Rs. 58 lakhs in 1969, while indirect exports amounted to another Rs. 30 lakhs. When the new unit at Nasik in Maharashtra is completed, there will be a substantial rise in sales and earnings in the next few years. Shareholders are eagerly awaiting the Government's decision on the expansion and any conditions it may impose for raising additional finances that may be required.

Canara Bank

Canara Bank was able to increase its deposits by 29.5 per cent in 1970 to Rs. 239.92 crores from Rs. 185.24 crores at the end of 1969. At the same time, the institution could effectively use its resources as advances rose to Rs. 168 crores from Rs. 125 crores. The agricultural sector accounted for a rise in credit to Rs. 15.61 crores from Rs. 8.19 crores and small-scale industries to Rs. 21.10 crores from Rs. 14.90 crores in 1969. Advances to road transport operators increased to Rs. 4.07 crores from Rs. 1.70 crores and for exports to Rs. 10.88 crores from Rs. 7.84 crores. As lending rates also were higher the net profit, after taxation but before payment of bonus to staff, nearly doubled to Rs. 103 lakhs from Rs. 55 lakhs. The reserve fund gets as much as Rs. 20 lakhs while the Government gets Rs. 27.72 lakhs, a return of 7.7 per cent, on the compensation amount of Rs. 3.60 crores it paid for taking over the bank. In all, 136 new branches were opened during 1970 taking the total to 504. Of these 115 were in semi urban and rural areas, 87 being in unbanked areas.

Indian Overseas Bank

Indian Overseas Bank also created a new record in the growth of deposits which increased by Rs. 18.55 crores in 1970 to

Rs. 108.23 crores. Most of the additional resources were gathered in the southern region where 44 new branches were opened during the year (Tamil Nadu alone accounted for 34 of these new branches), of which 40 were in semi-urban and rural areas and 37 in unbanked areas. Advances also improved sizably to Rs. 65.03 crores from Rs. 56.23 crores and it is stated that 40 per cent of the new credit went to farmers, small entrepreneurs and others. Investments were naturally higher at Rs. 28.87 crores against Rs. 23.31 crores while cash and other balances rose to Rs. 17.30 crores from Rs. 13.08 crores. Borrowings declined to Rs. 1.40 crores from Rs. 1.56 crores. The gross income however was much better at Rs. 797.24 lakhs against Rs. 674.78 lakhs in 1969. Interest paid on deposits, borrowings, etc. increased to Rs. 362.31 lakhs from Rs. 310.39 lakhs but salaries, allowances, etc. jumped to Rs. 280.68 lakhs from Rs. 234.74 lakhs. Other expenses also increased but even then the net profit, after taxation and before bonus to staff, improved to Rs. 37.44 lakhs from Rs. 26.04 lakhs. Bonus to staff claims Rs. 21.6 lakhs and transfer to reserve fund Rs. 7.5 lakhs. A sum of Rs. 8.3 lakhs has been credited to Government, being the return on its compensation of Rs. 2.50 crores.

Punjab National Bank

In the case of Punjab National Bank, fresh advances in 1970 even exceeded the increase in deposits which was itself impressive. Deposits increased by Rs. 68.6 crores to Rs. 459.7 crores while advances rose by Rs. 76.6 crores to Rs. 303.2 crores. Investments and cash amounted to Rs. 173.1 crores. The priority sector accounted for an additional Rs. 46.52 crores. Gross income was better by Rs. 5.3 crores at Rs. 32.2 crores while the net profit after taxation, rose sharply to Rs. 214 lakhs from Rs. 159 lakhs in 1969. After providing Rs. 110 lakhs towards bonus to staff, a sum of Rs. 43 lakhs has been transferred to reserve fund. The payment to Government is Rs. 61 lakhs, working out to a return of 6 per cent on the compensation amount. Ninetyone new branches were opened during the year, taking the total at the end of 1970 to 710. Of the new branches 61 were in rural areas.

S.I. Viscose

South India Viscose Limited is proceeding with its expansion plans to raise the staple fibre capacity from 10 tonnes to 30 tonnes per day and also produce 20 tonnes of polynosic fibre a day. The financial and technical details of the project are being worked out. A letter of intent has already been received and only an industrial licence is awaited now. The company has also submitted a scheme to expand the pulp plant from the present 60 tonnes to 120 tonnes a day. This will take care of the pulp requirements of the expanded staple fibre and polynosic fibre capacities. A Spanish expert

has inspected the forests in Tamil Nadu and submitted a report on the possibilities of getting larger supplies of pulp wood. It was also recently suggested at the Forest Advisory Committee meeting at Ooty that the State Government could place at the disposal of the company 10,000 acres of forest lands in Nilgiris, Kodaikanal and other areas for growing bluegum plantations. The pulp plant reached its rated capacity of 60 tonnes a day in July 1970 and the company will have the benefit of capacity production fully in the current year. The Chairman, Mr. G. K. Devarajulu has, however, pointed to the slow offtake of the surplus pulp by other rayon producers due to the liberal issue of import licences for pulp. Out of the 80,000 tonnes of dissoluble pulp produced in the country now, only 22,000 tonnes are rayon grade as against the total demand of 1.2 lakh tonnes. The profit margin on rayon yarn sales will go down further this year as 60 per cent of the output will have to be sold at concessional prices against 55 per cent last year.

Big Jump in TOMCO Sales

The diversified activities of Tata Oil Mills Company Limited were helpful in pushing up sales to a new peak during the year ended March 31, 1971. There was also, perhaps some benefit from higher selling prices. The turnover jumped to Rs. 50.83 crores from Rs. 39.47 crores in 1969-70. But with increased costs, earnings did not register a proportionate improvement. The net profit, before depreciation and taxation was higher at Rs. 252.18 lakhs against Rs. 222.04 lakhs. The distribution on equity capital has however been only maintained at 18 per cent taxable though last year there was a bonus of one per cent besides the dividend of 17 per cent taxable. This would suggest the director's confidence to maintain the latest rate in the coming years. The provision for depreciation is Rs. 82 lakhs (Rs. 60.50 lakhs) and development rebate Rs. 12.80 lakhs (Rs. 10 lakhs). Taxation claims Rs. 74 lakhs (Rs. 70.50 lakhs). The transfer to general reserve is Rs. 83.49 lakhs (Rs. 81 lakhs). The equity dividend will be paid out of this reserve, absorbing Rs. 35.32 lakhs (same).

Malaysian Project

Tomco is promoting a new company in Malaysia in collaboration with local interests to produce soaps, vanaspati and other products, based on palm oil and other raw materials available in the region abundantly. The project is estimated to cost Rs. 1.2 crores. Tomco will have a 40 per cent share in the equity capital and the balance by plantation interests and others. Tomco will supply plant and machinery fabricated in India against its equity share and will also receive a royalty for providing technical assistance for a period of seven years and the remittance of royalty and share of pro-

fit will be allowed to be repatriated in free foreign exchange. The plant is scheduled to be commissioned by the end of next year.

Cominco Binani Zinc

Cominco Binani Zinc Limited could not give a good account of its working for 1970 due to many adverse factors. Apart from a slight drop in output of zinc due to a strike in December to 13,111 tonnes from 13,165 tonnes, prices for sulphuric acid were lower though its output was better at 24,434 tonnes against 21,430 tonnes. Production of cadmium was however lower at 16,302 kg. against 16,746 kg. in 1969. Sales were almost unchanged at Rs. 5.12 crores but owing to increased cost of imports, higher electricity charges and other factors, there was a slump in the net profit, before depreciation, to Rs. 13.17 lakhs from Rs. 62.17 lakhs. This was not even sufficient to provide for full depreciation of Rs. 52.35 lakhs (Rs. 65.34 lakhs). The sum provided for development rebate is Rs. 96,000 (Rs. 5.26 lakhs). However the debit balance is only slightly higher at Rs. 304.76 lakhs against Rs. 304.44 lakhs brought in as there is a transfer of Rs. 21.81 lakhs to profit and loss account from development rebate reserve, being excess provision. With a liberal import policy, the company may be able to operate its capacity more effectively this year. There will have to be a much higher level of output if earlier losses are to be wiped out and dividend is to be declared.

Lakshmi Mills Pays Same

Lakshmi Mills Limited could not avoid a fall in profits in the year ended March 31, 1971 perhaps due to the steep increase in cotton prices. The net profit, before depreciation and taxation, was thus lower at Rs. 103.33 lakhs against Rs. 127.91 lakhs for 1969-70 though sales improved to Rs. 13.12 crores from Rs. 11.81 crores. Exports at the same time declined to Rs. 118 lakhs from Rs. 157 lakhs. The directors have however maintained the equity dividend at 12 per cent taxable. Depreciation claims Rs. 30.31 lakhs (Rs. 25.93 lakhs) and development rebate Rs. 8.92 lakhs (Rs. 7.59 lakhs). Taxation gets only Rs. 21 lakhs (Rs. 50 lakhs) while the allocation for bonus to staff is Rs. 19.04 lakhs (Rs. 16.87 lakhs). The equity dividend will be paid out of general reserve which gets Rs. 14.20 lakhs (Rs. 26.35 lakhs) though the dividend amount required will be more at Rs. 19.17 lakhs (same). The transfer to debenture redemption reserve is Rs. 5 lakhs (nil). Fresh capital expenditure during the year amounted to Rs. 51 lakhs.

Century Spinning

The Chairman of Century Spinning and Manufacturing Company Limited Mr. R. D. Birla, has pointed out that though all the divisions are working satisfactorily, earnings for 1971 may not be equal to those of 1970.

The textile division has been experiencing difficulty as a result of shortage and high prices of cotton while the cut in rayon cord prices directed by the Government will reduce profits of this division considerably, particularly as demand to reduce prices for its rayon yarns, there may be a sizable loss of earnings. The textile division is now engaged in a programme of progressive improvement and diversification of its products. Larger exports of rayon yarn and tyre cord yarn are also being effected. Work on the cement project is proceeding apace and the plant is expected to go into production by the end of 1972. Two more schemes—one for a pulp project and the other for a seamless pipe plant—are before Government for clearance.

American Express

The first foreign-owned bank in Denmark and in Scandinavia, that of American Express Bank A/S, was officially inaugurated on June 17 last in Copenhagen. The first

European branch of American Express was started in Paris in 1895 while as early as 1905 the company set up a "Baltic Agent" office in Copenhagen. The parent company and its subsidiaries are today represented in 125 countries and at the end of 1970 total consolidated assets amounted to over \$ 4.6 billion and capital \$ 6.50 million. Speaking at the inauguration, Mr. James D. Robinson III, President and Chief Executive Officer of American Express International Banking Corporation, said because of the nature of travellers cheque and American Express money card businesses as also its international banking activities, the group played a part in contributing to the free flow of money, goods, and people.

Air Circuit Breakers from L & T

Air circuit breakers with a record rating of 6400 amp are being manufactured for the first time in India by Larsen & Toubro Limited. These circuit breakers will be used for protecting turbo generator sets installed

for power generation in large industrial plants.

L & T has already been manufacturing air circuit breakers in the range of 800 to 3200 amps. These circuit breakers are manufactured to the design of Unelec Material Electrique Industrial of France. The indigenous manufacture of these is in line with continual extension of the L & T range of switchgear and they fill an important need in India's electrical industry.

British and U.S. Aid for Giant Indian Fertilizer Project

Britain and the United States have agreed to lend Rs. 28 crores for the biggest fertilizer complex in India to be built in Gujarat by the Indian Farmers Fertilizer Co-operative Ltd. This is the first time Britain and the United States have collaborated on a single development project in India. Their combined loans will meet almost all the foreign exchange costs of building and equipping the complex.

The complex will be completed in 1974 and is expected to produce fertilizers sufficient to increase India's food production by more than 2.2 million metric tons.

The project has been undertaken with the cooperation of Cooperative Fertilizers International, a non-profit-making organisation owned by 13 U.S. cooperative organisations. CFI is donating one million dollars (Rs. 75 lakhs) to IFFCO.

The most sophisticated equipment manufactured in India, America and Britain will be used to produce a wide range of fertilizers suitable for the soils of ten Indian States. The first stage of the fertiliser production process will be at Kalol, where a giant factory will convert gas from the area's natural-gas fields into ammonia. Most of the ammonia produced will be converted in an adjacent plant into Urea, a nitrogen-rich fertilizer. Equipment purchased with British aid funds will constitute the core of this Urea plant. British equipment will also be used to a large extent in the plant for the manufacture of compound fertilisers to be erected at Kandla port, some 250 miles from Kalol.

The Kandla fertiliser plant will depend on two sources for its raw materials. A continuous chain of rail tankers will bring it part of the ammonia manufactured at Kalol. At the same time, imported Phosphoric Acid and Potash will be processed with the ammonia to provide Indian farmers with fertilizers rich in nitrogen, phosphate and potash, the three principal plant foods.

Cooperative Fertilizers International is making available to IFFCO the expertise and experience of U.S. Cooperatives which have long been active in the production and distribution of fertilizers. Apart from providing assistance to the Gujarat project through its formative and initial operating years, CFI will arrange for the training of Indian personnel in U.S. cooperative plants.

SOUTHERN INDIA CHAMBER OF COMMERCE & INDUSTRY

Diamond jubilee celebrations

SIXTY YEARS OF SPECTACULAR GROWTH

By M. A. M. RAMASWAMY

President, Southern India Chamber of Commerce & Industry

The Southern India Chamber of Commerce and Industry which celebrated its Diamond Jubilee has a modest record of achievements to its credit and it looks to the future with hope and confidence. The organisation of Chambers of Commerce in our country dates back to 1833 when the first Chamber established in Calcutta at the instance of the British commercial interests in that city. The primary object was to promote the commercial exploitation of India by the British rulers. In this attempt the chambers representing the British businessmen received the fullest sympathy and support of the Government of the day, while the unorganised and helpless Indian business community was subject to discrimination by the same Government. Around 1880, the Indian businessmen realised that they would never get fair treatment or opportunity in business unless they were also firmly organised like their British counterparts. This realisation resulted in the establishment of the first Indian Chamber in Cocanada in 1885, followed by similar ones in Calcutta in 1887 and in Bombay in 1907; and two years later, in 1909, the Southern India Chamber of Commerce was established in Madras to organise the businessmen in this region and to protect and advance their interests. Then it had a membership of 100, including 18 non-resident members.

The Chamber's first step to promote industrialisation of the Southern Region took the shape of an industrial con-

ference organised in December 1914. The conference devoted attention to the opportunities for development of industries in the wake of the war, particularly of sugar, soap, pencils, oil-crushing, etc. It urged the development of hydro-electric power for quickening the pace of industrialisation, a suggestion which subsequent events have shown to be prophetic.

Years of Legislative Activities

The years which followed the war were full of legislative activity when

the Chamber was called upon to study and comment on a number of pieces of legislation. Among them were the Indian Stamp Act, the State Aid to Industries Act, the Workmen's Compensation Act and the Negotiable Instruments Act. A landmark in the history of the Chamber was its sponsorship of an industrial and commercial Congress in December 1927. Its primary object was to spell out the current opinion on the nature and functions of the proposed Reserve Bank, demanding an institution responsible to Indian public



Sardar Ujjal Singh the then Governor of Madras inaugurated on December 29, 1970 the industrial and agricultural exhibition organised as part of the Diamond Jubilee Celebrations of the Chamber. Picture shows (L to R): Mr. K. S. G. Haja Shareef, Chief Minister Karunanidhi, Sardar Ujjal Singh, Mr. M. A. M. Ramaswamy and Mr. M. V. Arunachalam

Biscuits to Make up for Protein Deficiency

The Britannia Biscuit Company Ltd. recently introduced PROBISK — a high-protein food biscuit. Mr. A. J. Sait, Branch Manager of the company in Madras, said that the introduction of the protein-biscuit was important in the context of the marked protein deficiency noticed in the average Indian diet.

Particularly in Southern India where the vegetarian diet is more prevalent, there is need to enrich it with proteins. Take, for example, a standard vegetarian diet of South India consisting of sambhar, rasam and curd baths along with some vegetables and ghee. The protein content in this is restricted to the pulse content in sambhar, rasam (to a much limited extent) and to the buttermilk or curd. This is supplemented to some extent by the proteins in the milk used in coffee or other beverages. Contrast this with egg, chicken or fish of a non-vegetarian diet which ensures a rich element of proteins in it.

Of course, the consciousness of a balanced diet with sufficient quantity of proteins, carbohydrates, fat, vitamins and minerals has not developed even among the middle class sections of the

people who can afford such a food even within their present budget on food. Food habits have not changed in cities like Madras for a number of years. Bombay, Calcutta and Delhi have taken to bread as part of daily diet to a larger extent than it is in Madras, where bread is still treated by many as "a sick man's diet."

The biscuit consumption in the southern region can be compared to that of the western region but the consumption is much less in Northern India stated Mr. Sait.

PROBISK will be manufactured in the Bombay plant of Britannia Biscuit Company in the initial stages. In course of time, they will be produced in their Calcutta and Madras Branches also. For a biscuit, the consumer price is around seven paise, and it is available in 400 grams and 80 grams packets. They intend introducing a 160 grams packets shortly. Of course, PROBISK is available loose in bulk packages.

The company states that in 100 grams of PROBISK, there are 15 grams of proteins and its calorific value is 435.

—S.V.

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ing wages was also looming large and the Chamber realised that the only effective way of solving the problem was through steady increase in production, for which it urged the Government to provide the necessary opportunities.

Consistent with its ever expanding activities it had been felt for some time that the Chamber should acquire or build its own premises. This desire was fulfilled in 1956, thanks largely to the personal and dynamic efforts of Mr. M. A. Chidambaram, who was the President from 1951 to 1957. This commodious, four-floor building in Esplanade in the heart of the city, costing Rs. 9 lakhs, was completed within a short period of 15 months, and was opened on the 20th January, 1956.

The Chamber's Golden Jubilee was celebrated in 1961 during the Presidentship of Mr. M. A. M. Muthiah Chettiar of Chettinad. An Industrial and Commercial Exhibition organised by the Chamber was inaugurated by the Chief Minister of Madras on the 9th January 1961. The decade which in-

tervened between the Golden Jubilee year and the Diamond Jubilee year was one of hectic activity for the Chamber in many ways.

The Chamber's activities over the last decade increased both in their scope and character. There was regular increase in the number of official and non-official dignitaries, foreign delegations and Consulate officials visiting the Chamber to discuss business opportunities with our members. Numerous conferences and seminars were held to discuss current developments in industry and trade. An extension building costing Rs. 9 lakhs was added to the Chamber's main building in 1968.

From a Grievance Making Body to an Expert Organization

Over the last 60 years the Chamber has transformed itself from a mere grievance-making body to a highly skilled expert organisation providing a variety of services to the members and playing the important role of liaison between the business community and

the Government. It believes in meaningful dialogues with the authorities at all levels to produce the best results in the quickest time. In fact, the current trend is to develop greater opportunities for discussion with Government so that many of the difficulties confronting businessmen may be cleared with minimum trouble and delay. The Chamber also believes in the efficacy of consultations between the other leading Chambers in the adjacent States with a view to formulating opinion on matters of common importance. A significant step in this direction was taken in 1969 when the SICCI in co-operation with the Senior Chambers in the adjacent States of Andhra Pradesh, Mysore, Kerala and Pondicherry organised the Consultative Council of Chambers of Commerce in the Southern Region.

On the occasion of the 60th birthday, the Chamber rededicates itself to the services of the nation in general, and the business community in particular, and to strive to bring about economic prosperity to the country.

INDUSTRIAL DEVELOPMENT TO BE ANCILLARY TO FARM PROGRESS — C. SUBRAMANIAM

The Diamond Jubilee Celebrations of the premier chamber of commerce in the South, the Southern India Chamber of Commerce and Industry, which started with an exhibition last December were rounded off with a jubilee commemoration meeting on July 14.

The Commemoration Address was delivered by the Union Planning Minister C. Subramaniam. In the course of the address the Minister explained the new strategy of planning being adopted. He came out as a strong votary of decentralised planning. "The Planning Commission is currently thinking of a number of steps to carry out decentralisation in the process of planning," he told his audience which consisted of industrialists, legislators labour leaders... He referred to the creation of a planning commission for the State of Tamil Nadu and said this

step fitted very well into the latest thinking of the Central Planning Commission and the Government of India. He suggested that the other State Governments emulate the example of Tamil Nadu and set up planning commissions. He would not stop with the State-level planning authorities but would even go lower down. "I want planning processes to be carried to the district and block levels too," he said.

Primary Emphasis on Agriculture

In his commemoration speech, the Union Minister touched on almost all aspects of development. Hereafter, according to Mr. Subramaniam, there is going to be primary emphasis and pride of place to agricultural development. It did not mean, he said, that industrial development was going to be ignored. He wanted industrialists and entrepre-

neurs to make note that the industrial development that was going to be permitted should only be ancillary to farm development. He was happy the new agricultural strategy had paid rich dividends and rich harvests were going to be the feature of the rural scene. Any industrial development must be calculated to maintain this phenomenal agricultural growth and even increase its tempo by concentrating on the inputs needed for this sector. The industrial sector would also be called upon to take care of the vastly increased yields from agriculture by providing for transport, storage, etc. He had no doubt in his mind that this was the correct thing to do in the context in which India found itself now. What was done elsewhere in the world was not relevant to India and they might have to take new decisions which might have no precedents.

Mr. Subramaniam also touched on industrial relations. He greatly regretted that last year interruption to production due to work stoppage and other acts of labour was the highest. "What is the use of more and more investment when the manhour loss was increasing?" he asked. Before deciding on further investments, something must be done to avoid this interruption to production. The labour, the management and the Government, the three parties concerned in this, must co-operate to bring this about, he said.

Transfer of Licensing Authority

The State Chief Minister M. Karunanidhi who presided over the function was critical of the attitude of the Centre. Though a number of schemes had been implemented in Tamil Nadu with the co-operation and help of the Central Government, very often its attitude was characterised by hesitancy, delay and red tape. Tamil Nadu particularly deserved Central investment in view of the fact that it



Tamil Nadu Chief Minister Karunanidhi is seen addressing the gathering. Others (L to R): Messrs. S. Narayanaswamy, Union Minister C. Subramaniam, Chamber President M. A. M. Ramaswamy

was having the highest population density among the States in India. As against the all-India figure of 182, Tamil Nadu supported 316 persons on a square kilometre of territory. The Centre's difficulty and delay could be understood though not tolerated. It

was only in this context that he had been suggesting the transfer of the licensing authority from the Centre to the States, of course, to a certain limit. He was sorry the Centre had not yet appreciated the stand of the Tamil Nadu Government. This was the only

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way by which industrialisation could be quickened. Many entrepreneurs were themselves of the view that without such decentralisation development process would be held up.

Mr. S. Madhavan, Industries Minister, also found fault with the Centre, with its "omissions and commissions." It was only logical that when once the Government agreed there was scope for the private sector, all facilities should be given to this sector to invest and create employment opportunities and create wealth. The private sector was greatly worried about the uncertainty in which the Central policy regarding this sector was shrouded.



Picture shows a view of the speakers at the function. (L to R): Chief Minister Karunanidhi, Mr. M. V. Arunachalam, Industries Minister Madhavan, Mr. K. S. G. Haja Shareeff

He appealed to the Central Government to end this uncertainty.

Mr. Madhavan unveiled the portraits of a number of past Presidents of the Chamber and also released a Diamond Jubilee Commemoration Volume.

At the outset Mr. M. A. M. Ramaswamy, President of the Chamber welcomed the Ministers and others. He said there was a vital role for progressive enterprises in the present context of development. Mr. M. V. Arunachalam, Mr. K. S. G. Haja Shareef, Mr. S. Narayanaswamy and Mr. C. V. Rm. Alagappa Chettiar also spoke at the function.

The Exhibition . . .

The Diamond Jubilee Celebrations of the Southern India Chamber of Commerce were celebrated in three

parts spread over eight months. An Exhibition portraying the development that had taken place in the country

in the various spheres was the first part of the celebrations. Organised in December 1970, it was on show for full two months and turned out to be fairly popular with the city population.

Some of the State Governments had participated on a significant scale in the show while the Central public sector enterprises like the Neyveli Lignite Corporation had put up impressive pavilions. The Railway pavilion attracted a large number of visitors. Among the private sector pavilions may be mentioned the ones put up by the Kirloskars and by some of the senior members of the Chamber like the TI group.

At the valedictory function held in February this year it was stated that the exhibition was a success in monetary terms also and earned the expenses of the celebrations. Mr. R. Venkataraman, the then Planning Commission Member in charge of Industries, participating in the function commended the useful role played by the Chamber. "Sixty years of useful service in the corporate life of the community is no mean achievement in these days of infant mortality. The Chamber is still young and full of vigour. It is 60 years young and not 60 years old", he remarked.

ECONOMIC GROWTH AND SOCIAL JUSTICE

In connection with its Diamond Jubilee, the Southern India Chamber of Commerce organised a two-day symposium on theme, "Social Justice in Economic Development." Distinguished economists, industrialists and academicians from various parts of India took part in this seminar and discussed the relationship between economic development and social justice. The growth of deliberate social policies like progressive taxation with a view to narrowing down inequalities was discussed at the seminar. Another question was raised whether any particular strategy of growth could be evolved which would ensure a minimum level of living to all people. It was also asked if democracy could achieve both rapid economic development and social justice.

New Entrepreneurs for Small Enterprises

Different speakers expressed opinions on these questions. Mr. S. L. Kirloskar who inaugurated the economic conference said that there was a contradiction in the policy of the Government which entrusted the responsibility of creation of jobs to the employers and at the same time declared that all people were equal. But Professor R. J. Taraporewala held the opposite view and said that it was entirely the responsibility of the business community to generate employment. He held the view that this community could discharge this responsibility without breaking the regulations framed by the Government. He pointed out that big business houses were keen on setting up small industrial ventures in order to make easy money. He said that big industrialists must promote new entrepreneurs for small enterprises.

Among those who took part in the conference were Mr. Malcolm Audiseshiah, formerly of UNESCO, Mr. H. V. R. Iengar and Mr. D. C. Kothari. The President of the Chamber, Mr. M. A. M. Ramaswamy and Mr. M. V. Arunachalam spoke on behalf of the Chamber and outlined the objectives of the conference. There were three sessions in which several papers were presented.

Lack of Effective Leadership

Mr. H. V. R. Iengar who took part in the second day's proceedings blamed the current mood of frustration and anger in the country as due to lack of effective, homogeneous leadership enjoying the confidence of the people. He said that the failure of the intellectual community to discharge its obligations to society was no less responsible for the sorry state of affairs.



Mr. S. Narayanaswamy, Vice-President of the Chamber is seen speaking at the valedictory function of the exhibition. Others in the picture are (R to L): Mr. K. S. G. Haja Shareeff, the then Member of Planning Commission Mr. R. Venkataraman, Mr. M. V. Arunachalam, Mr. C. V. Rm. Alagappa Chettiar and Mr. H. Balarama Rao

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DIAMOND JUBILEE

The
Southern India Chamber
of Commerce & Industry

Re-dedicates itself
To the service of the Nation

It would in particular emphasize the following objectives:

* SICCI has among its objectives, the maximum utilization of the country's natural resources for generally raising the table of economic activity with a view to increase employment opportunities, substitute imports, augment our export earnings, increase revenues for governments at the Centre and State levels and stimulate economic activity and improve earning power in tertiary sectors.

* SICCI believes that it is necessary to increase production both in agriculture, and in industry, by modernising and widening the industrial base of India; and that for this purpose, there is paramount need to create an economic climate in which the entrepreneur will feel encouraged and have all the incentives to promote new industrial ventures.

* SICCI believes that while the existing framework of industrial production is functioning reasonably near rated capacities, notwithstanding raw material difficulties, there is urgent need to secure expansion and diversification of the operating capacities, with a view to meet the rapidly growing needs of a population that has shown a disquieting rate of proliferation in this country.

* SICCI believes that there is need at this stage of our economic affairs to take a constructive view of the relative places of the Public and Private Sector Industries and to recognize that they have an interdependent role to play in the future; and that both sectors should have facilities to give and receive technological assistance to achieve rated capacity production and secure efficiency of utilization and maximum productivity.

* SICCI believes it has a meaningful part to play in the economic development of the Southern Region, which despite its abundance of natural resources and good power-development record, has remained comparatively under-developed and con-

tinues to be a significant exporter of skilled and unskilled manpower. SICCI holds the view that the industrial and commercial potential of the region can be speedily exploited through timely channelling of risk Capital both from within and outside the region and plan allocations for simultaneously augmenting our presently insufficient major port, railway and road transportation facilities which should stimulate constructional employment in the transitional period.

* SICCI believes it necessary to build up a robust and self-sustaining Capital market, which will be able to provide to entrepreneurs their genuine resource needs by facilitating easy mobilization of risk Capital for industry and thereby securing the maximum of people's participation.

* SICCI believes that the highest form of social justice is to ensure adequacy of gainful employment opportunities.

* SICCI believes that this object can be best secured by energetic stepping up of infra-structure facilities and through speedy assistance programmes, uncluttered by red tape, being offered as incentives to the technologically equipped, in order to enlarge the Self Employment Sector of small scale or home type industries, which will widen the economic base and expedite development.

* SICCI believes that the industrial and commercial community, notwithstanding the stresses and strains to which abrupt policy shifts, enhanced tax imposts and higher cost burdens have subjected them over the years, should adhere to codes of personal and corporate conduct, such as would build up for them more confidence among consumers, customers and the Government and make them prestigious members of a Welfare State, in which their key roles as producers and distributors of goods and services and as generators of the large revenues for government, are adequately appreciated.



SPECTACULAR EXPANSION IN BANKING AFTER NATIONALISATION

The first two years of nationalisation of the 14 major banks have certainly been the most eventful in the history of Indian banking. A new trend in the growth rate of deposits has emerged. There has been massive branch-banking with more than 3,000 branches opened in the first eighteen months — most of these in unbanked, semi-urban and rural areas. There has also been a determined attempt to change the pattern of lending and nearly 40 per cent of credit expanded in the past two years has been made available to small entrepreneurs, small farmers, exporters and traders.

These developments have far-reaching significance for the economy. With new problems posed by the green revolution and a consequent revival in economic activity, the elimination of bottlenecks in regard to the availability of credit will hasten the pace of economic growth. There is no minimising the importance of the recent developments in the banking world. The powerful infra-structure now being created should be helpful in bringing about increasing monetisation of the economy and the faster additions to deposits should enable banks to extend loans to industry and trade for all their productive needs and also to finance agriculture and small industries in a big way. There is no need for any undue caution in opening branches except where it is found that the post offices and cooperative credit societies can look after mobilising and lending functions and satellite branches of commercial banks could supplement their activities.

The cost of fresh branch-banking can be easily borne. There is no justification for the wide gap that exists now between lending rates and deposit rates and the existence of such big gap will indeed encourage extravagance and lack of proper care in the use of available resources.

The bank management have a special responsibility to ensure a higher degree of efficiency. It is disconcerting to note that even with the generous deal to bank employees, there should be strikes and go-slow tactics. The cost of borrowing has been further inflated by delays in collections, clearances, disposal of loan applications, etc. Bank employees are now much better off than their counterparts in many other industries and services.

In 1970, the deposit of all scheduled commercial banks might have increased by over Rs. 1,000 crores. If there is a further increase in agricultural production in 1971-72, the growth in deposits in 1972 may be nearer Rs. 1,500 crores than the projected Rs. 1,200 crores. What is needed in the present context is the careful use of available resources. It should be examined whether credit extended to new classes of borrowers has been applied properly and whether repayments are coming in regularly. Nearly Rs. 400 crores will be made available to new borrowers in the current year. It has to be ensured that advances do not get sticky or bad. It is not as if the risks are only in this direction. But with the apathy shown to the big borrower and the steps taken to discourage his application for funds, there are risks of bad debts arising in new

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directions. The credit guarantee compensation which has started functioning from April this year may cover the risks in this regard to a great extent.

The Government has carried out the nationalisation of banks on an extremely profitable basis. But in the ultimate analysis, the success of nationalisation will be judged by the service it renders to the borrowers

and depositors, by its efficient use of funds and by sincere efforts to ensure the stability of the banking system. Simultaneous with the branch expansion and exploring new avenues of banking, a great deal of emphasis is needed on streamlining the existing system, eliminating much of the delays that are experienced in processing loan applications, clearing cheques...

U.S.-CHINA RAPPROACHMENT: AN EXAMPLE AND A WARNING

It is hard to recall any development in the past — unless it be the Soviet-German Pact at the beginning of the Second World War — which has intrigued and perplexed the world so much as the announcement of the forthcoming visit of Mr. Nixon to Peking. That it was clearly foreshadowed by so slender a straw in the wind as a ping-pong tournament with American participation in it does little to alter its essential character as a modification in the decades old stand of either nation. Nor does it by itself give any indication of the lengths to which the two nations would be prepared to go to get closer to each other. At this stage, the significance of such a possibility, however it may be brought, to the rest of the world and to big power politics is far more important than what the parties to such a bilateral understanding may be able to build on it, each for itself. There is no doubt a vague urge felt by many to welcome any move that is ostensibly a mitigation of the uncompromising hostility between any two powers. But they brush aside the fear that the gestures may be only an outward show or may prove sterile of any considerable or lasting good. There are others however to whom this sudden fraternisation of two nations divided by vast distances, geographical and ideological, forebodes no good and even threatens much that is positively evil.

The American announcement has been acclaimed by the Pope in whom a pious welcome for peaceable gestures is indeed quite apposite, by U. Thant whose position in the international relation is not far different, by the British foreign office which rarely dissents from the views of the U.S. Administration and by France, which had long ago been set on the road to Chinese friendship by General de Gaulle. To Pakistan, the part she was asked to play in arranging Mr. Kissinger's journey to Peking and the possible outcome of Mr. Nixon's visit are specially welcome, since it is calculated to remove the incongruity of her friendly relations with two powers which have been in hostile confrontation till now. But Soviet Russia and India are naturally disconcerted by the prospect of Sino-American rapprochement, which is certain to alter to their obvious disadvantage the present set up in international relations. Pakistan will not have to work over her shoulders to take note of American reactions while she proceeds against India on the strength of Chinese sympathy and support. For Soviet Russia, Mr. Nixon's visit forebodes a weakening of her position in the muddled affairs of Korea and Indo-China and of her self-assurance in negotiations with the Western powers on such matters as the reduction of troops in

Western Europe and extrication from the entanglements in the Middle East and South East Asia. Russia can hardly afford to underrate the need for a new look at her relations with China or a fresh approach to her differences with this new entrant into the close circle of the world's super-powers.

There is a third group of nations, comprising the dependents or proteges of China and the U.S. who have thrown themselves in unending conflict among themselves because of their trust in the great power concerned. These unfortunate or misguided nations or peoples may well be suddenly let down because of the two patrons of the rival factions coming together. If an understanding could be reached between the U.S. and China about their attitude to South East Asia or the Middle-East, the repercussions on Soviet Russia and India and the warring groups in Korea and Indo-China would be most deplorable indeed. Even a potentially great power like Japan has much to think over. Taiwan would be desperate. But it is impossible in the nature of things that the U.S. would or could buttress her indefinitely or that Communist China would for all time be deprived of this piece of Chinese territory.

While the reactions of other nations and the impact of Sino-American understanding on them can be foreseen to some extent, the advantage to the U.S., unlike the advantage to China, is by no means discernible: few people are inclined to the view that Mr. Nixon is working for a personal triumph to stand him in good stead in the next Presidential election. The commitments in Viet Nam are not easily shaken off, since, for one thing Premier Chou's terms for good relations with U.S., as related at a Press Conference, show no sign of accommodation to the American viewpoint. For another, it would be naive to assume that Russia would tamely agree to be reduced to a non-entity in South-East Asia. For the U.S. it is one thing to draw out of Viet Nam under pressure of opinion at home. It is quite another to bend the knee to China. The one unexceptionable, though not unmissed, good that may come out of Mr. Nixon's visit is the inclusion of China in the U.N. with or without a Taiwan clinging to an utterly inconsequential place in the General Assembly. For India, her future course should be no matter of doubt or hesitation. Friendless all through, she has not spelt out self-reliance in terms of policy. Communist China is at once a warning and an example, a warning about her defenceless state and an example to emulate, since she cannot hope to survive except as a great Power, and a nuclear one at that.

The Problem of Educated Unemployed

By N. MAHALINGAM

The problem of unemployment has not only assumed a serious proportion but might even prove a threat to India's economic planning and social stability. Employment opportunities have not grown as fast as the demand for jobs. While the average annual employment growth-rate was 5 per cent during the Third Plan period, it was much lower at 0.8 per cent in 1966-67, almost negligible in 1967-68, 1.8 per cent in 1968-69 and one per cent in 1969-70. What is astonishing is perhaps the fact that the backlog of unemployment, which was 5.3 million at the end of the First Plan, has now gone up to 16 million.

Increase in Educated Unemployed

While the number of educated unemployed has increased due to expansion of educational facilities, the employment growth in the organised sector of the economy has gone down. The rise in the educated unemployed is a matter of great concern. The term 'educated unemployed' connotes that part of the labour force which has academic attainments of and above matriculation. Out of an aggregate of 8.2 million persons with educational qualification of matriculation and above, 1.1 million were unemployed in 1967. In short, 13.4 per cent of educated man power did not find jobs.

The following table throws light on the position of educated unemployed in India.

It is seen that the number of unemployed rose from 2.44 lakhs in 1956

to 10.87 lakhs in 1967 thereby indicating a four-fold increase. But the position of unemployment among engineers is worse. According to a study of the Planning Commission Panel, one out of every three engineers in India is either unemployed or under-employed and there is little prospect of improvement in the near future. Out of the total number of about 3,00,000 engineers in the country, nearly 65,000 are estimated to be unemployed.

The problem of educated unemployment requires to be tackled on a war-footing. There is an urgent need for the adoption of a policy of intensive industrial development through sufficient stress on medium-scale industries and small-scale industries. The Tamil Nadu Industrial Development Corporation is playing a big role in this direction. It is gratifying to note that this State-sponsored body has arranged for 14 new industries to be set up in the State in the joint sector.

Initiative for Enterprise

The private sector has to be given the needed initiative for enterprise. The official bank rate has to be reduced. The sectional distribution of credit by commercial banks is weighted in favour of large-scale industries and wholesale trade. This policy has to be changed in favour of liberal credit for small-scale industry and retail trade.

Banks can give working capital finance to small contractors against production and lodgment of firm orders, with a small margin and to

Recruitment Personnel: Some Problems

The recruitment of personnel for huge public sector undertakings has become a highly complex problem. Particularly in the context of the tremendous regional pulls and a lot of interference from the local political bosses, the chief executive of a public sector undertaking often faces an embarrassing position. He has to sacrifice his principles of recruitment to accommodate pressures from local chieftains. It should be considered whether the burden of recruitment to such undertakings can be taken away from the managements of these companies and delegated to an independent agency which should select and recommend personnel strictly on the basis of merit and prescribed criteria.

—S. V.

unemployed Civil Engineers without any margin to undertake building works on behalf of the owners in the centres availing themselves of the L.I.C's Own Your House Scheme. Moreover, bank finance can be given to small contractors or qualified Civil Engineers in integrated road-cutting and minor irrigation schemes for rural areas.

Branch banking has to be expanded in such a way as to absorb all commerce graduates. They may be allowed to start refinance companies for giving financial assistances to small traders. These refinance companies are to be financed by branch banks.

The system of *earn while you learn* must be adopted at all levels of study. A well-organised scheme of part-time work for students of all categories is the need of the hour. All shops, hotels and establishments must be compelled to employ students as part-time workers or apprentices. This type of employment can be restricted to cities and municipal towns. Part-time work must form part of the curriculum and the promotion of a student to a higher class should depend on his performance as a part-time worker. It is even necessary to compel that 50 per cent of workers in an establishment should be made up of these apprentices.

(in thousands)				
Category of Education	1956	1961	1966	1967
Matriculation	187.0	463.6	619.5	714.1
Undergraduates (Intermediates)	30.6	70.8	204.4	251.8
Graduates and Post-graduates	26.8	55.8	93.6	121.5
(a) Arts			48.9	62.9
(b) Science			21.8	25.6
(c) Commerce			15.1	18.3
(d) Engineering			4.3	7.0
(e) Medical			0.6	1.2
(f) Others			2.9	6.5
Grand Total	244.4	590.2	1,014.1	1,208.9

Scant Regard for Theories of Interest and Credit

By P. R. SRINIVAS

The appointment of a Committee under the chairmanship of Dr. R. K. Hazari, Deputy Governor of the Reserve Bank, to enquire into the question of charging lower interest rates in selected low income groups was the result of a suggestion made by Mr. Y. B. Chavan at a meeting with the chairmen or custodians of the banks in the public sector. It is believed, not without reason, that without providing for special aids for those "who deserve financial assistance for productive endeavour but cannot negotiate easily, with banks", nationalisation of banks would fail in one of its major objectives. At the same time, such provision cannot be made without an examination of the practices and conditions now prevailing and the possible consequences of any suggestion that may be made for improvement. The committee's terms of reference called for a review of the scope and extent of differential interest rates already being charged, the formulation of the criteria for determining the beneficiaries of a lower interest rate in each sector, and indication of the range of differentials that can be allowed in each sector and an examination of any other concession in lieu of, or in addition to, lower interest rates.

Though the scope of the enquiry has been clearly outlined, the demarcation cannot by itself obviate the need for the committee to form a frame of reference for determining the soundness of the concrete recommendations they may have to make. For one thing, it would be useless to make suggestions that are administratively impracticable or to recommend measures which will prove disastrous by progressively weakening the banks or financial institutions which should be the handmaid of industry in the crudest sense of the term. A survey of the present position in regard to the differential interest rates now being charged by the banks would have been, even if it had not been mentioned in the terms of reference, an essential standing point of the Committee's enquiry since it is only on the basis of the conditions

now prevailing that changes in the desired direction can be suggested. It is highly improbable, if not altogether impossible, that the Committee would find in the current practices of the banks regarding differential interest rates a satisfactory provision for the poorer and weaker sections of borrowers calling for no marked additions or changes.

New Dimension to Credit Distribution

The report of the majority has stated that the present solution of differentials between sectors, brought about through deliberate policy has already added a new dimension to the distribution of bank credit, that the difference in interest rates between the organised and unorganised sectors has been narrowed by the establishment of banking branches in unbanked and under-banked areas and that, though the difference may be thought to be "national", "the extension of banking has created the essential preconditions for the easier availability of credit to an increasing segment of the population, both rural and urban." Without listing the methods of affording special treatment to the weaker section of borrowers, which is neither necessary nor feasible in this context and we may take note of the conclusion of the majority that a reduction in interest to some borrowers as part of a scheme of an intrasectoral differential rates should not adversely affect the earnings of banks, but that there should be a matching rise in the cost of credit to other borrowers to cover both in the fall in income because of the selective cheaper credit and the rise in costs consequent on the increase in the number of small accounts to be serviced.

The idea of finding compensation for the lower interest rates for favoured sections by charging higher interest rates on those who are supposed to be affluent is common to the majority report and the dissenting report of Dr. Mitra who is the sole signatory to the minority report. But this similarity is almost deceptive. Dr. Mitra questions every assumption behind the

majority's reasoning and recommendations. And his standpoint on almost every issue is directly at variance with that of the majority. While the majority of the Committee strongly feel that too wide a range of differential would be inadvisable, Dr. Mitra avers that "what my colleagues are proposing in effect amounts to the maintenance of the existing structure of lending rates with minor modifications here and there," while the linking of the new pattern of interest rates to the credit guarantee scheme would, according to the majority, provide an automatic solution of many problems such as adequate returns for the banks, and reliable arrangement of administrative details. Dr. Mitra condemns the link as "neither justifiable nor necessary." The majority have made their recommendations on the basis that banks should be able to earn a return of 10 per cent on their advances, that the administrative problems should not be allowed to loom large, that the simplicity afforded by the link to the Credit Guarantee Scheme should be accepted and that the perils of undue decentralisation should be avoided. They have also stated their view that the argument that substantially higher rates of interest for the bigger borrowers could be easily borne by them is of limited validity.

Historic Perversity

Dr. Mitra, on the other hand, holds that "Bank advances have been used in the past to foster and enhance the inequalities of income and asset holdings in society" and that "the task of the Committee is to provide a scheme for the correction of this historic perversity." What Dr. Mitra wants is a major blow for equalitarianism and redress for the wrongs rendered through the decades." The report of the Committee has scant regard either for any theory of interest or for the theories of social credit. Differential interest rates are the latest addition to the armoury of the equalitarians in this country.

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A WALCHAND GROUP INDUSTRY

Marginal Concessions on Budget Levies

The concessions announced by Finance Minister Chavan might appear impressive as the "loss" in revenue is stated to be as much as Rs. 15 crores and the overall deficit will increase by this amount to Rs. 235 crores. The loss in revenue, relates mainly to the withdrawal of the excise duty on maida, which will cost Rs. 7 crores of higher duty on coarse cloth Rs. 3 crores and the modified travel tax Rs. 3 crores. The remaining concessions, therefore, would cost the exchequer only Rs. 2 crores.

The levy of maida and the higher excise duty on coarse cloth provoked so much opposition that it had to be dropped earlier while it was all the time clear that the travel tax would penalise Indians going abroad besides upsetting the economics of operation of Air-India. Even the modified travel tax which will result in an increase in the cost of first class travel by 15 per cent and in economy class by 10 per cent is considered harsh in spite of the group concessions recently introduced.

Impact of Higher Levies

The remaining concessions are mainly procedural in character as the

automobile ancillaries were experiencing difficulty in getting components for use as original equipment because of the levy of new excise duties and the lack of proper guidelines. There had, of course, to be a reduction in the import duty on cellulosic staple fibre to 30 per cent from 100 per cent as this was inflating the cost of imports and creating problems for textile units. Otherwise the ill-effects of higher import duties on the prices of raw materials and components will remain. The removal of the duty on oxygen used in the manufacture of steel and fertilizer and on chlorine and other products for some specified purposes was also welcomed by concerned interests.

Under direct taxes the top executives may probably feel grateful for small mercies as the exemption of home leave, contributions to provident fund and travel concessions will in effect mean an increase in their total emoluments by 12 to 15 per cent. Likewise, the gesture extending the same exemption facility to owners of rented houses would be welcomed. But the new levies raising the burden of direct taxation on personal and corporate incomes remain unaffected. And it has

not been properly recognised that the effect of the higher surcharge on income tax and the reduced concessional basis for priority industries will have the net effect of eroding personal and corporate savings. When there are punitive wealth tax rates and estate duties there is no point in discouraging the urge to earn more by imposing crippling taxation on incomes above Rs. 30,000. Heavy taxation will, in the end, be inflationary.

Quick Processing of Licences

Only the observations relating to development rebate can be considered significant. The development rebate will, of course, be discontinued in its present form after May, 1974. In order to help the industrial units take advantage of the concession while it lasts, applications for industrial licences will be processed quickly and import licences for plant and machinery will be issued wherever necessary expeditiously. What is, however, more important is the observation that a study in depth will be made and new incentives will be intelligently conceived for promoting industries in select sectors in backward areas. If the new proposals prove helpful they can sustain the transfer of fresh investment to a certain extent.

implementation of schemes has however been lacking. The co-operative societies have done something for the middle classes, because these classes are in a position to avail themselves of credit facilities for long-term repayment. Industrial housing has not been responsive to Government aid, since the Government insisted on aid being a matching grant. Slum clearance was achieved more easily by improvement trusts in the past, because they were free to function on a quasi-commercial basis, which is impossible now because of the forthcoming ceiling on urban land holdings. Before we can think of a national policy, we must examine our experiences of recent years and clarify the extent of possible acceleration of housing development with improvement of the schemes already on hand. —P.R.S.

Tackling Housing Shortage...

In a seminar on the problems, policies, programmes and perspectives of housing and slum clearance, Mr. I. K. Gujral, the Union Minister of State for Works and Housing, has suggested the evolution of a national housing policy. But, without delineating the main features of such a policy, he has thought it fit to state that unless radical measures were taken, the housing problem would assume the form of a crisis.

It may be that as at present 80 per cent of the people have no house to live in and that 70 per cent of the existing houses are without basic facilities. There is nothing gained by presenting the problem in a formidable magnitude. In the past, shortage

of housing was thought of only in relation to the needs of the salaried classes and industrial workers in the principal metropolitan cities. While it is necessary to widen our vision to other areas, it should not be forgotten that the problem of rural housing is different in many essential respects. But the pre-occupation with urban housing is natural and must not be condemned as indicative of indifference to rural housing.

Stimulating Housing Construction

A number of steps have been taken in recent times to stimulate housing construction which include slum clearance as well. But energetic

Computer: The Tool of Progress

By A. L. TAYLOR
Regional General Manager, IBM

In less than a generation the computer has grown from an idea into a technological tool that is revolutionizing thought and action in every sphere of human activity.

Everyday we hear of some new ways in which the computer has improved the method of doing things. Whether it is the conquest of moon or development of miracle grain seeds, the computer has helped man do things not possible before. Today it holds the greatest potential for people determined to find solutions to mankind's pressing problems like expanding population, inflation, environmental pollution, urban congestion or mass education.

Maximising Use of Scarce Resources

The computer's unique ability to maximise use of scarce resources makes it an ideal instrument of progress, particularly for developing countries. With people and industry in India determined to make giant strides towards an age of abundance, the computer must play a very significant role.

Success Stories

Fortunately, India has already made a beginning, though a modest one, in getting into the computer age. At present about 130 computers are being used in a variety of fields in the country.

These computers have been behind many success stories in India: in commerce and industry; agriculture and science, research and education.

Indian firms have used computers to maximise production, develop new markets and boost exports. Agricultural scientists have used computers to raise food production, fight crop diseases and improve milk yield. The government is using computers to formulate development plans, increase productivity and streamline administration. Research laboratories are using

computers to help mineral exploration, process import substitutes and design low cost houses and bridges. Indian universities are using computers to wean research scholars from non-academic work, break fresh ground in research and help check the brain drain. Medical institutions are using computers to provide better patient care, make further advances in the art of healing and step up the tempo of the family planning campaign.

Inroads in Inventory Control

A field in which computers have made marked inroads is inventory



Mr. A. L. TAYLOR

control. Firms have been able to save crores of rupees following the use of computers in their inventory operation. The last annual report of the Tata Engineering and Locomotive Company (TELCO) which has an IBM computer, says, "computerized inventory control procedures introduced during the last two years enabled the company to reduce its inventories of raw and semi-finished

and finished components and consequently, its financial needs by about Rs. 5 crores during the year.

A well-known Indian manufacturer of shoes was able to considerably boost its exports following the use of computers. Indian Railways are using several computers to streamline their wagon movement. Physics students of Osmania University have considerably speeded up their research project by using a computer at the Regional Research Laboratory at Hyderabad. According to Dr. G. S. Ramaswamy, Director of the Structural Engineering Research Institute, Roorkee, they were in a position to save Rs. 6.5 lakhs by designing a particular set of transmission towers with the help of computers. In all, about 400 towers were erected. The weight of each tower designed according to the usual empirical methods worked out to be seven tonnes. But attempting an optimum design on the computer, the weight of each tower could be pruned by about 0.8 tonnes, resulting in a saving of 11 per cent in steel.

Modernisation of several textile mills is being carried out with the help of computers. They are being used for cotton blending, loom scheduling and other sophisticated applications. A mill increased its earnings by using a computer for loom scheduling.

Indian Manufacturing

Not only are computers being used in India, but they are also being made here. It was the proud privilege of IBM to have turned out India's first computer from its Bombay plant in 1966. Since then computers made at the IBM plant in Bombay are finding useful applications in a wide variety of fields. The plant also manufactures a wide range of other data processing machines which are exported to over 40 countries, from Australia to Canada to Germany.

Partners in Progress

Computer manufacturing in India is bringing about a surge of opportunities for several hundred firms to manufacture the computer-age components. For example, many people's efforts are pooled to make IBM computers and other DP machines in India. Ever

since IBM commenced manufacturing operations in India it has been endeavouring to locate, train and develop local manufacturers as vendors to make components for use by the Bombay plant. Today IBM has developed about 400 manufacturing vendors spread all over the country, who make a large number of components. IBM is imparting its world-wide fund of technological know-how and expertise to enable them to make components of an international level of acceptability.

Techniques for Import Substitution

Localisation of components without sacrificing IBM quality standards was a challenging task for the Bombay plant. IBM machine components required a high degree of accuracy, precision equipment, specialized technical know-how and, in some cases, special raw materials not available in India. A dedicated group of engineers took up the challenge in 1963. An ambitious program was drawn up and put into operation.

A Machine Shop and Tool Room were set up for experimental and development work. Here precision

parts were developed and manufactured before they were passed out to vendors.

Several vendors were contacted for each part. The selected parties were provided all necessary technical guidance and support. Slowly but surely imported components were substituted by locally manufactured parts. In several cases where the raw material was not available, an alternative material was developed locally. Quite often the details of an intricate manufacturing process are obtained from abroad and passed on to vendors.

Financial assistance is given to selected vendors who have product design and quality engineering know-how, and are presently equipped to manufacture quality products in the same commodity group. This assistance is given for the development of high quality industrial components not available in the country, which, when developed, will be available as off-the-shelf items at competitive prices to IBM and the Indian industrial market.

Laboratory Facilities

A small but modern components

evaluation and application laboratory (CEAL) has been set up by IBM at the Plant to extend facilities to indigenous manufacturers who do not have their own testing laboratories. The CEAL is extensively used by existing and potential vendors for development of indigenous components. The laboratory is equipped to test completely resistors, electrolytic capacitors, switches, wires, transformers, motors and is also partly capable of evaluating coils, diodes and transistors. Besides, laboratory facilities are also extended to meet the requirements of industries and research units where possible.

New Era in Technology

With the application and manufacturing of computers in India, a new cadre of entrepreneurs, technicians, programmers and engineers is emerging to unlock a new era in technology. To meet the demands of the computer-age careers the country-wide education program of IBM alone turns out six technicians and operators, on an average, every day. Besides, about as many management personnel are oriented in data processing.

SYNDICATE BANK'S

RECORD OF PROGRESS

DURING 2 YEARS: SINCE NATIONALISATION

Account of Progress (from July 1969 to June 1971)

		Rise	Percentage Rise
Deposits from Rs. 128.86 crores to Rs. 177.80 crores		Rs. 50.94 crores	40.30%
Advances from Rs. 90.36 crores to Rs. 123.61 crores		Rs. 33.25 crores	36.80%
Deposit Accounts from 13.10 lakhs to 21.02 lakhs		Rs. 7.92 lakhs	60.50%
Borrowing Accounts from 2.58 lakhs to 4.20 lakhs		Rs. 1.62 lakhs	62.80%
Branches from 306 to 495		189	61.80%

ADVANCES TO PRIORITY SECTORS

	No. of A/cs.	July 1969 Amount	May 1971 No. of A/cs.	Amount
Agriculture	40,443	Rs. 9.69 crores	98,251	Rs. 16.33 crores
Small Scale Industries	5,932	Rs. 10.14 crores	9,726	Rs. 18.00 crores
Transport Operators	1,450	Rs. 2.67 crores	3,768	Rs. 4.57 crores
Retail Trade	17,823	Rs. 4.43 crores	26,300	Rs. 7.03 crores
Assistance to Students	793	Rs. 27.64 lakhs	3,060	Rs. 91.39 lakhs
Self Employed and Professionals	5,320	Rs. 72.47 lakhs	14,206	Rs. 1.81 crores
Small Business	3,455	Rs. 34.86 lakhs	9,691	Rs. 99.02 lakhs
Exports	466	Rs. 5.90 crores	823	Rs. 9.10 crores

DISTRIBUTION OF BRANCHES

In rural areas	In semi-urban areas	In urban areas	Total
188	170	137	495



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Savings and Industry

By D. C. KOTHARI

Economic development has always been a great passion which eventually led men to the age of industries and its concomitant, the Stock Exchange. But no one can dissociate this development from the vital habit of saving and investment of the resources thus generated because economic development is vitally interlinked with these two. This calculation is a simple enough one, but in developing countries, particularly ours, to the above there is added a new dimension arising out of the concept of social justice which postulates a rapid economic development simultaneous with a better distribution of wealth and income.

A Hazy and Contradictory Picture

The resultant picture is very hazy and contradictory. This is because on the one hand we have to fulfil the promises made to the people and their own natural aspirations to have a better life and fulfilment of these will require savings and investment on an enormous scale. Since the basic notion is to avoid concentration of wealth, measures have to be taken to prevent, if not altogether abolish, a mal-distribution of wealth. Herein, I think, lies the greatest single obstacle to India's economic progress. The approach becomes merely negative, oriented towards not growth in its absolute sense, but growth in its selective application of a better distribution of wealth and income. In this manner a step backward is already taken even before any forward movement has begun. The pace of our economic progress can be greatly accelerated if a slightly better chance is given for a proper play of the habit of savings which find their way into industry without undue impediments.

Individual savings apart—anyway these days they are somewhat insignificant—there are virtually two institutions which alone account for a nation's savings. These are (a) the

Corporate Sector, quite often having their own resources by way of reserves and (b) the Stock Exchanges which pool the resources from individuals. In our country in addition to these two we have the public sector financed mainly from taxation. To the extent, therefore, that the public sector activity increases the former two may be expected to diminish because what has been taken away by way of taxation will be at the cost of either corporate savings or individual savings through stock market operations.

Be it corporation or individual, their capacity to save is strictly limited by, first, their ability to save and secondly their incentive to save. A good corporation, for instance, not only declares dividends, but creates reserves eventually capitalising the same exactly as an individual saves initially and eventually capitalises the same into scrips through the medium of the Stock Exchanges; or alternatively he deposits them in banks or institutions which finance industry by equity or loan capital.

Low Rate of Retention

I have somewhere seen an analysis of a hundred large companies where the ratio of distributed to retained profits as for the year 1968-69 was 2:1. We have a long way to go from this position because in the more advanced economies the rate of retention is far higher. In Great Britain, for instance, the retention is at 66 per cent, that is to say, $\frac{2}{3}$ of the profit.

The question that emerges in this context is 'why is the rate of retention so low in our country and why is it that new flotations are not frequent?' We have a labour force the skills of which compare favourably with that obtaining in the more advanced countries. We have our own resources though not enough of it. Our technical know-how is sufficiently developed to manufacture over 50 per cent of our

own requirements. In fact we are in a position to supply to the rest of the world this know-how. Actually, resources for good and well-publicised projects are always forthcoming. Even today some of them are over-subscribed and yet industrialisation is not taking place fast enough. Where then does the chain break? My point will perhaps be highlighted by reference to some figures. Whereas, while a couple of years ago savings was 10.5 per cent of National Income, today it has come down to 8 per cent. What has happened to the balance of 2.5 per cent, and why?

Lack of Attraction for Investment

Corporations are forced to resort to getting their capital either by way of borrowings or equity from institutional investors, financial institutions, banks, etc.. This is because public participation as such in terms of the era past, has been limited due to a lack of attraction for investment in the prevailing conditions here. When an investor has certain alternatives before him he tends to choose that which, from his point of view, will not only give him a reasonable return on capital, but will show chances of appreciation. In a developing economy such as ours beset from time to time with national crises, there is no getting over the fact that in spite of all the measures of the Government there will be a certain degree of inflation. In this circumstance the safest bet is investment in landed property which serves as a good hedge. This accounts for the extraordinary rise in urban property values throughout India which phenomenon has spread out to the rural areas too.

It would, therefore, seem that equity, stocks and shares must be made at least as attractive as other forms of investment, say, that in real estate. Not long ago no one would touch either land or equities but would go in only for Government Securities. Now it is only banks and insurance companies and Provident funds which subscribe to Government loans even though the return is low and there is a nil chance of appreciation. Ordinary individuals, except to the extent to which they are committed to

invest in Government Securities for certain purposes, would rather invest the money in areas where in a period of say, five to ten years they can see some capital appreciation.

Attracting the Average Investor

It is upto industry and the State to wean away the average investor to put his moneys in equities. For this incentives are very necessary and to begin with the Government should continue the exemption of new capital from wealth-tax as there was in the previous budget and which has now been withdrawn. Secondly, attempts should be made by the institutions and the Stock Exchanges to gather the rural savings.

I think they may permit advertisements by brokers as is the case in New York and elsewhere. Though not much can be expected from this in the immediate future at least the habit of investment in the equities of industry will spread. Once the initial resistance is broken then the process could be activated further.

Today we have about 6,000 public limited companies with a paid-up capital of Rs. 1,600 crores and turning out a variety of manufactured items. Even though individual support to industrial activity has been somewhat tardy the same has been replaced by institutional finance. For instance during 1970-71 the loans advanced by the State Financial Corporations was Rs. 48.8 crores as against Rs. 32.4 crores in the previous year, while the total outstanding as of March 1971 is Rs. 127 crores.

Improving the Functions of Financial Corporations

The functions of these corporations can be greatly improved. For instance, nearly 50 per cent of the loans sanctioned by the various State Development Corporations are those by the Corporations of Maharashtra, Mysore, Gujarat and Andhra Pradesh. This means the other corporations in the other States could, by vigorous measures, encourage rapid industrialisation in their respective jurisdictions. One easy way of doing this would be to open up more branches at the

regional centres, undertake surveys and generally get closer with industry. In fact these institutions being the primary sources of supply of finance there is every need to strengthen the bond between industry and these institutions by organising the Boards of the State Financial Corporations to give a better representation to industry.

Inhibiting Rise in Corporate Taxation

Having dealt with the need for finance for new industries one must necessarily turn to the question of industry itself acquiring sufficient strength to generate its own resources; in other words, what steps may be taken to encourage the savings of the private corporate sector? There are, of course, no two opinions as to which sector in India is the more dynamic and the more profitable component of the economic activity of the country. Yet, the effective rate of taxation on these public limited companies has increased from 38.6 per cent in 1960-61 to 48.7 per cent in 1967-68 and it is much more now. The increase in surtax on profits from 25 to 30 per cent in the case of chargeable profits in excess of 15 per cent of the capital will virtually restrict the profits of corporations and, therefore, corporate savings. Even in respect of the so-called priority industries the tax exemption has been reduced from eight to five per cent, simultaneous with a restriction in the list of priority industries itself. Development Rebate in respect of a fast depreciating item like shipping is going to be withdrawn from 1974. In the case of individuals, withdrawal of wealth-tax exemption in respect of investment alone will be a severe deterrent, not to speak of the income-tax surcharge on incomes exceeding Rs. 15,000 per annum.

A Holiday for Fresh Taxes...

During the past ten years, on an average, the tax burden on the corporate sector has been increasing at a very steady pace of about one per cent per year but not so the profitability of these corporations. The only exemptions are the more sophisticated industries e.g., pharmaceuticals, chemi-

cals and a few others where the profitability is able to absorb the tax burdens and Government controls. But, in the case of the more traditional industries like textiles, sugar, tea, etc., there has always been ups and downs. If one looks at this increase against the backdrop of annual budgetary deficits amounting to Rs. 200 crores during the last ten years, mainly responsible for a rise in prices by $7\frac{1}{2}$ per cent per year, it is surprising that the corporations which foot a wage bill linked with the cost of living have managed to survive. One must also note in this context that foreign aid is expected to decline from Rs. 533 crores in 1967-68 to Rs. 235 crores in 1970-71. While, for various reasons, it may not be possible for the Exchequer to lower these taxes once having pushed them up, all that we can ask for is that the present tax structure will be maintained, say, for another five to ten years so that the corporate sector can make the future calculations on some surer foundations.

Tapping the Rural Savings

Of late, gathering the rural savings is a subject that is gaining great attraction. Our hinterland has played little role in the industrialisation of the country and, therefore, of the economic progress. Yet, there is more money in the villages than in the towns these days. This being so, if the State will build up the infrastructure and then offer incentives by way of cheap land, power, etc., then many an industry can move over to these areas. Once industries start there, an almost endless cycle of progress can be envisaged. The establishment of industries in those areas will not only increase the incomes in those areas but also give the people of our country who are still backward enough to think only in terms of land and agriculture, a change of heart and head so that there will be more voluntary savings from their part which can be funnelled off into more rapid industrialisation. This aspect of the matter can be best handled by opening up branches of banks in those areas to mop up the savings there. The Banks which so attract the savings could themselves finance industry.

Need to Tone up Diplomacy

I believe that our External Affairs Ministry had better tone up the vigour of its diplomacy. Politics is one of those tricky domains in which one is generally wise only after the event. That does not preclude the feasibility of arriving at more than mere conventional or ideological stances and ensuring besides that they will work. Such an observation seems necessary because, in the mood of defeatism overhanging the country in which every friend has been untrue to his salt, there is an irresistible inclination to blame everything on the failure of Nehru's foreign policy. Critics have not been wanting who, for instance, carp at the fact that, while Nehru described the territory aggressed by the Chinese as being incapable of supporting even a blade of grass, he nevertheless could not bring himself to do the obvious, viz. to conclude a pact with the Chinese recognising in part at least the arbitrariness of the British demarcation of the Indo-Chinese border during British rule. Though inside stories of the last Indo-Chinese conflict seem to vindicate the belief that Nehru threw off a chance for peace and amity just when the Chinese were psychologically prepared for it, it is anybody's case whether the guess was a mere guess or a factual possibility.

The point is, however, not whether in the past, there have been errors but whether they were irretrievable even at a later date. The analysis of our foreign policy in recent times inclines one to the belief that our diplomacy has been so consistently inept that it has brought on the nation avoidable embarrassment. We have sworn friendship with the Arab nations but in the crisis over Kashmir and also during the Indo-Pakistan war, they were sympathetic towards Pakistan. The treatment meted to the Indian delegate at Rabat has no parallel in diplomatic history, despite

the suave explanations offered by the offending party long after the event. And on the pouring in of refugees in the wake of the crisis in East Pakistan, most of our Arab friends have been silent.

Big Powers Sulk...

The more irritating thing is the attitude of the Big Powers. At the beginning of the trouble in East Pakistan, Russia seemed to be one with India in condemning the outrage. But it has not been able to use its influence, for reasons best known to itself, to make Pakistan seek a political settlement. The British attitude has equally been unhelpful, while the Americans have gone to the extent of permitting shipment of U.S. arms to the Yahya regime in the teeth of U.S. protestations of horror at the calamity that has befallen East Bengal. The irony of it all is that news about the shipment broke out just when Mr. Swaran Singh was issuing a statement of how the Western nations he had visited had recognised the need to withhold arms supplies to Pakistan but, on the contrary, do everything possible to assist India in relieving it of the burdens imposed by the flow of refugees from East Pakistan.

Avalanche of Refugees...

It is easy to say that Yahya Khan's diplomacy had succeeded. One critic went so far as to say that it is the habit of Pakistan to convert its problem into a problem for India. The outrageous carnage enacted by the West Pakistan army in East Pakistan has led to the avalanche of refugees into India facing the latter with a financial and social problem just when the economic fences on this side had been mended. But the unanswered question is whether that is Pakistan's real intention. Likewise, the point is made by some critics that the refugees

are mainly the Hindus and that President Yahya's strategy has been to effect a transfer of population, as suggested before Partition by Mr. Jinnah. While *prima facie*, there could be some truth in this, it is an uncomplimentary imputation on the Awami League, for it amounts to saying that the Muslims in the Awami League were anyday prepared to drop their Hindu supporters like hot bricks and that therefore President Yahya Khan's remark that the insurgency in East Pakistan was fomented by East Pakistan Hindus and Indian infiltrators was not far wide of the mark. The fact of the matter is that so far as the Big Powers are concerned, they do not like Pakistan to disintegrate which will make India stronger *ipso facto*. Fondling Pakistan merely to maintain the balance of power between India and that country has been the object of Western diplomacy since the dawn of independence in 1947. So far as Soviet Russia is concerned whatever support has been promised to India has been intended to contain excessive Chinese ardour in favour of Pakistan.

West's Cold Logic...

In these circumstances, there is little surprise that our diplomacy has failed. It should be clear equally well that the support that Pakistan enjoys is not due to any diplomatic triumph but to the working of the West's cold logic of balance of power in the Indo-Pak sub-continent. Obviously the alternatives facing India were either to seal off its eastern borders with Pakistan, or if that had appeared less humane, to force the Pakistan Government to take back its refugees and assure their safety. The more audacious would even suggest that the threat of Indian occupation of East Pakistan wielded effectively could set right things. But these circles ignore the support that Pakistan could get from every conceivable Western nation besides the Arab world. It is all a matter of activating international conscience, desisting from provoking intervention of vested interest through suppression of that conscience.

—Horace.

Boosting Crude Production

The affairs of the Oil and Natural Gas Commission have come in for severe criticism in Parliament recently. Apart from the indignation over the manner in which purchases of tea estates were effected by the Chairman of ONGC, there is justifiably a feeling that the Commission has slackened its efforts to locate new deposits. Oil India, for its part, has adopted a wooden attitude and the efforts to increase the throughput through its pipeline were resisted. It is only now that arrangements are being made to handle supplies from ONGC's fields in Assam and it is hoped that pumping can be started by nearly 4 lakh tonnes annually.

Possibilities of More Crude Output

What is depressing to note is the absence of any realisation of the need for making the best of the existing facilities. It has actually been stated by French experts that even with the existing proved reserves of oil in the area exploited by Oil India, there can be an increase in the output of crude which is now stabilised around three million tonnes. As a consequence, the third million unit of the Barauni Refinery is idle when inputs of crude are being made in large volume and there is still a deficit in kerosene and furnace oil. Indigenous production of crude was only marginally high at 6.81 million tonnes in 1970 as against 6.72 million tonnes in 1969. Only in the latter year a significant rise was recorded as compared to 1968 when the output was at 5.85 million tonnes. The share of Gujarat oil fields in total output in 1970 was 3.16 million tonnes and of Assam oil fields 3.2 million tonnes.

Meantime, internal consumption is rising at a fast rate and the throughput of oil refineries in 1970 was 18.46 million tonnes against 17.50 million tonnes in 1969 and 16.10 million tonnes in 1968. It is expected that in the current year there will have to be an increase in inputs by over 2 million tonnes and by 1974 aggregate input may well be 24 million tonnes with total throughput at 31 million tonnes.

It will, therefore, be clear that inputs can be prevented from rising beyond 20 million tonnes in the next three years, only if internal production can be raised to at least 10 million tonnes. With crude becoming dearer the import bill will be nearly Rs. 140 crores by 1974 if ONGC and Oil India do not exert themselves.

It is not really difficult to step up production to million tonnes, as the output of wells in North East India can be raised by 2 million tonnes. Ways and means have to be found to increase the capacity of the pipelines with boosters and technical adjustments. It may eventually have to be decided whether there will have to be a replacement of the line for achieving bigger capacity, as raw oil deposits may become available in this region. In Gujarat, arrangements are being made to handle oil through pipelines from Kalol and Koyali refinery may get its supplies from the wells through pipelines in the next few months. What is however, needed is vigorous exploration for additional oil deposits as the yield from the existing well is likely to diminish in the next few years. The areas in Kutch are being

explored where the significance of the strike of oil at Aliabet in Cambay is yet to be assessed. Offshore drilling will be given a big push when the Japanese equipment becomes available next year for operations in the Cambay high area. It is still hoped that oil will be located in new areas and the Cauvery basin and other areas have potentialities.

Formulation of New Fuel Policy

There has to be a streamlining of the functioning of the Oil and Natural Gas Commission and the new probe promised by the Union Minister for Petroleum and Chemicals, Mr. P. C. Sethi, should result in better efficiency and more effective use of existing equipment. It must be the objective to boost production of crude oil within a short period to the maximum extent. While larger availability of crude from internal sources can minimise foreign exchange expenditure, the country will have to proceed on the basis that there will have to be greater reliance on coal and electricity. Mr. Sethi has indicated that a new fuel policy will be formulated. There will have to be a greater thermal power generation besides direct use of coal when oil is needed.

THE ELUSIVE POPULATION CONTROL

The world has made some progress in population control over the past ten years, but results in terms of reduced birth rates have been disappointing, the Rockefeller Foundation says. Population pressures will be at the root of many of the severe problems of the seventies.

The Foundation's annual report for 1970 asserts that neither 'the pill' nor the plastic intrauterine device has done the job expected of it. "Population experts now believe," it says, "that real progress in lowering birth rates depends on development of better contraceptive technology."

Also needed, the report says, are breakthroughs in administrative and educational techniques to persuade people — particularly the poorly edu-

cated and economically disadvantaged — of the benefits of family planning.

To develop new weapons against the population explosion, the Foundation reported that, in addition to previous programmes, it made twenty-three grants to researchers during 1970, ranging from 3,500 dollars to 9.7 million and totalling 15 million. The grants, mostly to universities in the United States (also universities in Chile, Columbia, Indonesia, Jamaica and the United Kingdom), cover projects to find new contraceptives and means to spread the word on family planning, as well as specific population studies.

One 31,000 dollar grant to Harvard University will found a centre for population studies project on population and family planning in India.

Stabilising World's Rice Economy....

The Food and Agriculture Organization's Study Group on Rice which looked into the problem of overproduction of rice in several countries has suggested achievement of a balance in the production, consumption and trade in rice as the remedy.

Its recommendations envisage flexibility in rice production policies and curtailment of production in developed countries during periods of oversupply in world rice markets, minimizing recourse to export subsidies and restitutions, promotion of both food and non-food uses of rice, greater use of rice in multilateral food aid schemes and systematic exchange of information on trade policies and export trade among countries.

A Model System for Rice Grading

The Group has also been considering the possibility of introducing a revised model system of grading of rice in international trade. It has suggested convening of the meeting of the Working Party on Rice Grading and Standardisation to consider this issue further in the light of the comments received from member-governments on the revised model system which had been proposed by the Working Party at its last meeting.

In recent years some of the developed countries like Japan and U.S. have taken steps to curtail rice acreage. The Study Group has suggested a shift in production policies from curtailment of area to curtailment of production. It has, however, emphasized that the objective of self-sufficiency in rice developing countries, which is often part of the wider strategy of economic development, requires special consideration. Adjustments in the national rice policies by the governments concerned would be necessarily voluntary in nature.

With the spread of high-yielding varieties, questions relating to their economic and social impact are becoming important and FAO has initiated case studies on the economic and social impact of the new varieties. To supplement this work, the Group has suggested that the economic and social changes may be studied by the countries concerned as well, so that the effects on rural incomes, employment and economic disparities between farmers and regions, as a result of the introduction of the high-yielding varieties, can be assessed.

The Study Group has, for some time, felt concerned about the growing imbalance in the world rice economy, resulting from expansion of production, larger export availability and lower import requirements. According to provisional estimates, this season's world paddy production (excluding Mainland China, North Korea and North Vietnam) rose for the fourth successive year, reaching a new

peak at 200 million tonnes, 8 million tonnes above 1969. The world rice exports increased to 7 million tonnes in 1970. Although still below the 1964-66 average, exports were 8 per cent higher than in 1969. However, due to fall in world prices, value of exports fell by 8 per cent despite higher volume.

Much of the increase reflected larger exports from the developed countries. The share of developing countries in the total world exports fell from 64 per cent during 1964-66 to 45 per cent in 1970. Competition among exporters led to greater dependence on such measures as export subsidies and tax rebates to push up exports. The share of concessional rice exports also went up from less than 10 per cent in the mid-sixties to 25 per cent in 1970. The assessment of medium term outlook by the Study Group showed that despite adjustments gradually taking place on supply and demand sides as a result of low prices in the world market, the current rice trade problems are likely to persist and could worsen. The FAO support price index in April 1971 was nearly the lowest since 1957. Rice stocks have accumulated in a number of countries and the surplus stock in Japan now stands around 6.4 million tonnes.

LOCATIONAL STUDIES FOR NEW STEEL PLANTS

The Steel and Mines Ministry has decided to carry out locational studies for new steel plants likely to come up in the Sixth Plan period and beyond. The National Council of Applied Economic Research (NCAER), has been asked to prepare a report on the future demand for steel. On receipt of the final report from the NCAER, the Ministry would decide the product-mix for the three new steel plants in the South. The capacities envisaged for the three plants are 2 million tonnes of mild steel each for the Hospet and Visakhapatnam Projects and 2,50,000 tonnes of special steels for the Salem Project.

A significant feature of the Fourth Plan Steel development programme is that, unlike in the past, the three new steel projects will be completely engineered and designed by indigenous, expertise and equipment. 1970-71 witnessed a steep increase in the

demand for steel and its products due to post-recession revival in industrial activity. This necessitated a special import policy. The imported materials have substantially assisted the industries to surmount the shortages of steel in the country. A close watch is being maintained on the indigenous availability to ensure that industrial activities do not suffer for want of basic raw materials. Whenever circumstances justify within the limitations of foreign exchange, imports were allowed, even on an ad hoc basis. The import policy for 1971-72 also allowed imports of essential steel which is not produced in the country, the report says. The export earnings from steel recorded a slight fall in 1970-71 compared to that of the previous year. The export realisation in 1970-71 has been Rs. 66.91 crores against Rs. 75.7 crores in 1969-70 and Rs. 69.6 crores in 1968-69.—(UNI).

Progress of the Colombo Plan

The Colombo Plan for Co-operative Economic Development was designed to take account of the aspirations, potentialities and economic problems of the nations of South and South-East Asia. It was born of the intense desire of the people of this region for a better standard of life, and of the firm resolve of their friends and neighbours to assist them in achieving this objective. Through its capital aid and technical assistance programmes, the Colombo Plan has played a major role in helping the countries to overcome many of the economic and social problems that hampered development.

Statistics reveal that the total flow of official aid (both capital and technical) from the major donor country members—Australia, Britain, Canada, Japan, New Zealand and United States, since the inception of the Plan amounts now to over US \$ 27,495 million.

The total expenditure on technical co-operation alone has reached a record of US \$ 1,200 million. The flow of aid from each of the six Colombo Plan donor countries to the region's recipient countries in 1968 amounted to \$ 2,445.90 million.

DEVELOPING WATER AND POWER RESOURCES

Power, basic to industrial development, has rightly been given high priority and an important place in the development plans of the Colombo Plan region, during the last two decades.

The irrigation and power potential in the countries of South and South-East Asia is considerable, but much remains still untapped. For the development of irrigation and power facilities in the region, considerable assistance—capital aid and technical assistance including training, supply of experts and equipment—has been provided by Colombo Plan countries outside the region, the United Nations Specialised Agencies and the World Bank.

In the field of technical training, 1,159 Asians have been trained in Power and Fuel, mostly in Canada (359), United States (329), Britain (244), Australia (87), Japan (60), India (54), New Zealand (23) and Singapore (3)—from 1951 to 1967.

A STORY OF SUCCESSFUL COOPERATION

The 20th anniversary of the Colombo Plan was celebrated on July 1, 1971. The history of the Colombo Plan had been a story of unprecedentedly successful international cooperation.

In the course of nineteen years, with an increased membership of 24, covering eighteen countries within the region, the Plan has laid the foundations for a new era and a new concept of brotherhood.

The idea of cooperative effort for mutual economic and social development, on which the Plan is based, will continue to be the keynote of the Plan which marks the completion of its second decade in July 1971.

Without Expecting Repayment

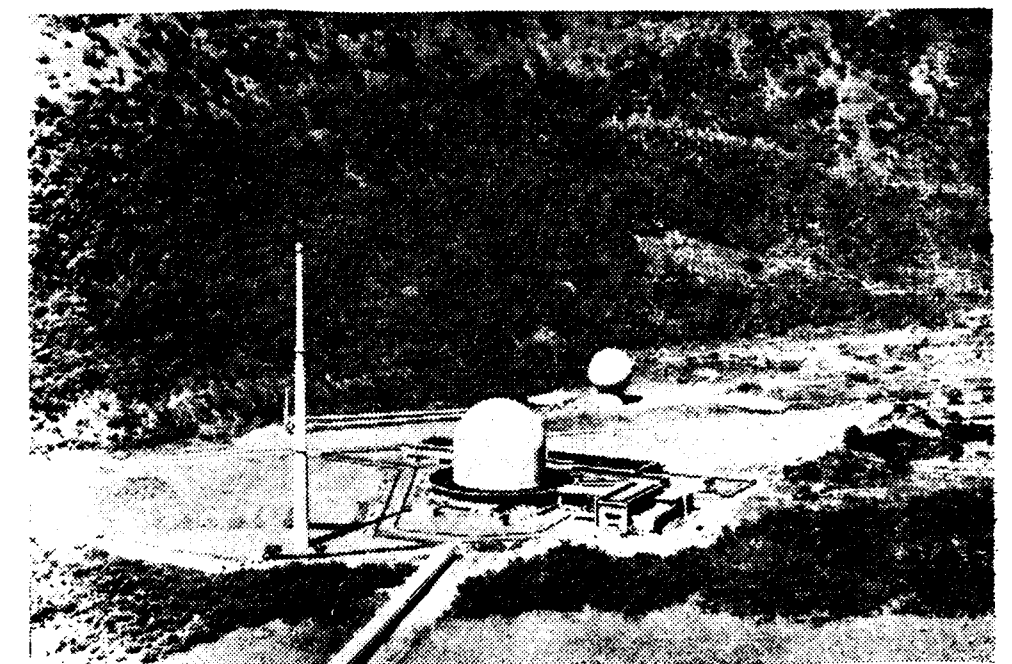
The technical co-operation component of the Colombo Plan is, in a sense, its core. Here aid is given and received without any expectation on the part of donors to receive, and com-

mitment on the part of the recipients to make, any repayment. The voluntary transfer of technical skills and know-how from the technologically advanced countries to others on a grant basis is the most valued form of international co-operation and it is agreed among members that this form of assistance will continue to be in demand indefinitely for it is difficult to foresee a time when all nations will have attained the same degree of excellence in the field of science and technology.

Statistics show that \$ 1,200 million spent on technical co-operation has been spent in the proportion of 18 per cent on 58,863 trainees and students, 48 per cent on 12,025 experts and teachers and 34 per cent on technical and research equipment.

It is a distinctive feature of the Colombo Plan that member countries within South and South-East Asia which have good training facilities to offer are willing to make them available to others that still lack them.

Intra-regional training exemplifies two cardinal principles of the Colombo Plan—self-help and mutual aid. The Colombo Plan region has a rich tradition of craftsmanship and many institutions of science and technology have also been set up during the last two decades. There is considerable scope for sharing the facilities.



A view of the Canada-India Reactor, Trombay — one of the projects built with aid under the Colombo Plan

A practical initiative taken by Colombo Plan Ministers in Canada last year was to agree to a feasibility study on the establishment of a Regional Centre for Technician Teacher Training and a group of experts have just submitted their report after a tour of almost all the countries in the region.

One of the important functions of technical assistance is to strengthen and equip institutions set up in the region to enable them to improve their standards.

Training within the region has provided 8,783 training places. The main regional donor is India, while other regional donors assisting in this mutual aid scheme are Pakistan, Korea, Singapore, Thailand, Malaysia, Ceylon and Philippines.

Slow Growth of Standards

In Canada last year, the Colombo Plan Ministers in the course of their review of progress, declared that trends during the last two decades have made it apparent that raising

Stimulus to Economic Development

Inducing the Indian farmer to adopt better farming methods, producing nutritious bread and making it popular among both the wheat-eating people of the north and the rice-loving people of the south and the generation of atomic power—each of these is vastly different from the other. But all these have one thing in common—assistance under the Colombo Plan.

The importance of the Colombo Plan for India lies not so much in the quantum of assistance she has received but on the central concept of the Plan—self-help and mutual help. The Plan has given a much-needed momentum to economic development for which India herself is trying hard. India has received capital aid in the form of grants and loans as well as technical co-operation from donor countries such as the U.S.A., U.K., Canada, Australia, New Zealand and Japan. In terms of money, the assistance received amounted to 793.25 million dollars (1968). However, a more important aspect

of the Plan which has benefited India is its technical co-operation component. Assistance under this has flown in for a wide range of projects, from agriculture research centres to Arvi Satellite Centre.

Australia and Canada have given India considerable capital assistance on grant basis in the form of equipment, commodities, etc., since the inception of the Plan. The United Kingdom has assisted India by providing the services of experts, training facilities in Britain and supply of scientific and technical equipment. New Zealand has also assisted by way of cash grants and equipment.

Numerous projects in almost all sectors of economic development have benefited from U.S. assistance. Commodity assistance has been valuable in tiding over shortages from time to time.

Services of 1,858 U.S. experts and training to 5,104 Indians were provided by the Government of U.S.A. upto March, 1970.

growth rates and living standards in the developing world as a whole is a much slower and more difficult task

than was ever anticipated by the first generation of growth theorists and planners.

The results among the Colombo Plan countries of the region are, particularly encouraging, not only because of the actual improvements which they represent, but also because of the substantial evidence they provide that positive results can be achieved where appropriate policies are pursued and given sufficiently high priority.

Population Outgrows Productivity

The most challenging problem confronting the Colombo Plan region is the race between productivity on the one hand and the rapidly increasing population. In the short span of just five years, i.e. 1965 to 1970, the total population of member countries in the region has increased from 915 million to 1,062 million. The population growth rate for the region now stands at 2.6 per cent per year and is increasing.

Although much remains to be done, the member countries of the Plan are able to look back with justifiable pride on the results of 19 years of international co-operation.

Seminar on Investment Habit:

Need for Continuous Activity of Capital Market

No one really liked the Indian taxation system and the policies relating to industrial companies; at least not one of the 30 odd speakers at the Seminar organised by the Federation of Indian Chambers of Commerce and Industry on the Spread of Investment Habit, not excluding the Tamil Nadu Governor K. K. Shah who inaugurated it. All his criticism of both the private entrepreneur and the Government and his expert balancing of the one against the other could not conceal Mr. Shah's feeling that the Government could not be "absolved" of so many things. Everybody was under fire in his speech—the industrialist, the stock broker, the administrator, the politician.

About 500 people drawn from trade and industry—many of them quite eminent in their fields—sat through eight hours of speeches and discussions on one of the most technical and complex subjects—how to build up the popularity of investment in companies' stocks. The ills afflicting the area of corporate investment were surveyed by all of them in their own ways and different diagnoses given. On one point there was complete agreement. All of them wanted a policy of growth, a policy for savings.

Whirlpool of Speculation

The Governor blamed the apathy of the ordinary man towards investment in shares owing to frequent and wide fluctuations in share prices. "If he finds he is merely a straw in the whirlpool of speculation, you cannot expect him to show much interest in your scrips," he argued. He thought genuine trading might reduce the range of fluctuation, if not eliminate it altogether. His concrete advice was that the market must be insulated against speculation or manipulation.

Kingpin of Financial Structure

The Federation President S. S. Kanoria explained the steps that should be taken to ensure the continuous activity of the capital market which was so vital to the corporate sector. "Equity capital is the kingpin in the financial structure of a com-

pany," he said. He decried the continued dependence of industry on a very narrow range of customers for its scrips. "A democratic industry should derive its strength from the financial support it gets from as large a number of people as possible through subscription to its share capital." He pleaded for going beyond the narrow bounds of the urban market for equity which alone could not sustain rapid progress of industrialisation. Referring to the tremendous promise the rural areas held as a market for equity, the FICCI Chief said that even if half of one per cent of the rural sector's income could be obtained for investment in industrial securities, industry would get immediately funds to the extent of Rs. 75 crores annually.

Analysing the causes of the unpopularity of share investment vis-à-vis deposits in banks and companies, Mr. Kanoria said that in the past eight years while the general rate of interest had gone up very significantly, the average rate of dividend had remained stagnant or possibly declined. There were no fiscal and other inducements for persons to subscribe to new issues and hold them until they began to pay dividends. He appealed to the Government to examine all these aspects thoroughly and do something to revive the dormant capital market.

Mr. M. A. M. Ramaswamy, President of the Southern India Chamber of Commerce and Industry, dwelt on the appropriateness of holding the seminar at Madras in the south, an area which is not very developed in the matter of cultivation of investment habit. While the gap left by the anaemic capital market was ably filled by the financing institutions, borrowed capital could not but be considered as scaffolding which should be dropped soon, earlier the better, in favour of share capital said Mr. Ramaswamy.

Need for Upsurge in Economy

The most important speech of the first technical session devoted to the role of financial institutions and the Government in the spread of investment habit, came from the former Planning Commission Member R. Venkataraman. In a candid and forthright address he assailed the recent policies of the Government as effective killers of private initiative and mobilisation of private capital. At the outset he wondered whether there was any purpose in discussing savings and inculcation of the habit of saving for investment in company scrips as long as the cost spiral rendered savings impossible. The prime *sine qua non* for saving was an upsurge in the economy. In the last two or three years

WHAT INDIA GIVES

Within the region covered by the Colombo Plan, India has been the leading donor country providing both economic and technical assistance. Economic assistance is mainly directed towards Nepal and Bhutan, while technical assistance has been rendered to almost all the countries in the region in the form of training facilities in India, services of Indian experts and some equipment.

Economic and financial assistance to Nepal up to March 1969 amounted to Rs. 60 crores. Of this nearly Rs. 26 crores was spent on construction and maintenance of roads and airports, and Rs. 22.24 crores on irrigation, power and water supply. Other major schemes for which Indian assistance has been utilised are in the fields of community development, education and agriculture.

To Bhutan India has been providing financial assistance for the implementation of its Second Five Year Plan (1966-71). A sum of Rs. 20 crores has been earmarked for expenditure on mutually agreed projects.

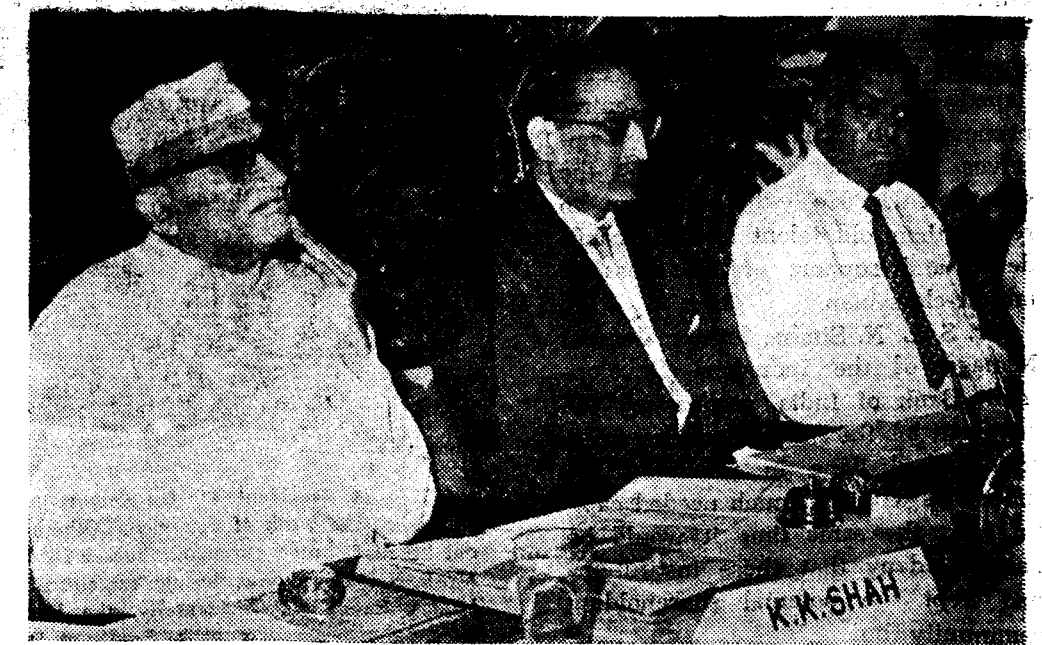
In the field of technical assistance, up to the end of 1970, India had provided 4,674 training places under the Colombo Plan, of which about a half was given to the nationals of Nepal. The second largest beneficiary was Ceylon (541) followed by Malay-

sia (420), Thailand (346), the Philippines (315), Afghanistan (199), Indonesia (113) and Burma (108).

India also provided the services of about 200 experts to the countries of the Colombo Plan in fields such as irrigation, hydraulic survey, co-operative management, fisheries, small-scale industry, education, agricultural statistics, dairy development, marine engineering, railways and flight check and navigational aids.

The total value of technical assistance given by India since the inception of the Colombo Plan up to the end of 1970 came to Rs. 4.12 crores. In addition, India has played a leading role in supporting third country. The United States and the United Nations Development Programme have taken advantage of this scheme to bring trainees to India from various countries. Training in the region is considered more beneficial because it is in familiar environment and is meant to provide solutions to more or less similar problems.

As against 559 training places obtained by India from the Colombo Plan countries, India provided training facilities for 326 persons from the region during 1969. This excludes training places provided by India under the third country programmes.



At the FICCI Seminar: Governor K. K. Shah, FICCI President S. S. Kanoria and SICC President M. A. M. Ramaswamy.



Mr. H. T. Parekh (Speaker) presided over the session on the Role of Financial Institutions and Government. Also seen are (L to R): Mr. M. V. Arunachalam who contributed richly to the holding of the Seminar in Madras, Dr. F. A. Mehta, who exhorted (or exploded?) for a more optimistic approach and FICCI Secretary-General, the placid G. L. Bansal.

the policies pursued by the Government militated against the economy being on the upsurge. New Industries with no foreign exchange costs had been de-licensed years ago and today they were back in the licence list. The issue of licences was subject to inordinate delay and was one of the direct factors responsible for slowing down the growth process.

Mr. Venkataraman said that the business community and the top issue houses had forgotten their old art of cultivating and wooing men with money and canvassing for purchase of shares. Falling a prey to the easy expedient of loan capital, the entrepreneurs unwittingly landed themselves under the iron grip of the government. He exhorted them to regain their old talent and the confidence and support of the mass of middle-class men.

Mr. S. L. N. Simha, former General Manager of the Industrial Development Bank of India, emphasised the excellent job the Indian financing institutions had done in providing the industries with the much needed capital. At the same time it would be naive to deny that these institutions had kept the potential shareholding community out.

Sabotaging Industrial Growth

Mr. F. A. Mehta drove home the point that the surest way of sabotaging the government's socialistic and social welfare projects was by sabotaging industrial growth. He averred that for every one per cent growth in industrial expansion the government had gained two per cent increase in its revenues.



FICCI past President D. C. Kothari made an excellent summing up at the end and eased the work of newsmen. Others (L to R): Mr. S. Narayanaswamy (but why did he read out a prepared speech? Much of his usual punch was lost in this), Mr. L. N. Birla who sat through the entire seminar and Bombay Stock Exchange President Laldas Jamnadas. Incidentally, the Bombay Exchange released at the seminar an excellent book, *Profile of Stock Exchange Activity in India*.

While Dr. Malcolm Adiseshiah called for ensuring increasing profitability of industrial companies as a measure of commending to the wealthy agriculturists the habit of scrip investment, Mr. G. Lakshminarayanan, Custodian of the Indian Bank, said that the banks which have branched off into rural areas in a big way can effectively assist the setting up of new industries in these areas. Mr. Ramesh Pai of the Syndicate Bank said that there must be more unit trusts and mutual funds. Likewise, Mr. J. V. Somayajulu, a former President of the Madras Stock Exchange, wanted stock exchanges to be set up at smaller centres also. Messrs. H. T. Parekh (Vice-Chairman, ICICI) and M. V. Arunachalam deplored that at a time when people had the money and conditions were otherwise propitious, there were no satisfactory avenues of investment largely because of the negative attitude of the Government.

Role of Industry and Stock Exchange

In the afternoon session, several speakers discussed the role of industry and stock exchanges in the spread of investment habit. Mr. L. N. Birla said the erosion of urban and corporate savings in the process of making good the loss in the public sector was not a little responsible for the parlous

state of the stock exchanges. He called for a widening of the tax-base to increase government revenues. He advocated production increases together with check on price rise and better distribution. The pool of investible resources was one and indivisible as between different sectors. What was important was how the allocation from this single pool was made to the different sectors.

Mr. S. Narayanaswamy, a former President of Madras Stock Exchange, desired that these exchanges must be reactivated and helped to bring share capital to the industries.

The Presidents of the Stock Exchanges of Delhi, Bombay and Calcutta participated in this session. The other speakers namely Messrs. S. Y. Krishnaswamy, K. Eswaran, Khader Kutty, C. S. Vidyasankaran and P. A. Seshan covered almost identical ground. They were all critical of the Government for its omissions and commissions. On behalf of the Madras Shareholders' Association, its President S. Annaswami said that the financial institutions could play the same role in the share market as the Reserve Bank does in the regulation of money supply through purchase and sale of Government securities, or as the

Food Corporation of India in the case of foodgrains.

Mr. S. Viswanathan, Editor *Industrial Economist*, made one interesting suggestion of offering fringe benefits for luring savers towards industrial scrips. Most projects involved a gestation period during which the investor in shares got no return. This naturally had a deterrent effect. To overcome this some concessions in the price of the articles manufactured by the company could be offered to the shareholders.

Mr. D. C. Kothari, a past President of the Federation, summarised the whole preceedings. —V.M.

NEW MANAGING DIRECTOR FOR FACT

Mr. B. K. Khanna has taken over as the Managing Director of the Fertilisers and Chemicals (Travancore) Limited. Mr. Khanna was a former General Manager of the Sindri Unit of the Fertilizer Corporation of India. Thus he brings with him the experience of managing the other largest and earliest fertilizer unit to be set up in the country apart from FACT. In fact the Sindri unit and FACT between themselves had supplied not merely essential fertilizers needed by the country for over two decades now, but more, they have helped in the extensive spread of fertilizer technology in the country. A number of fertilizer scientists and technologists in the country owe much of their knowledge and expertise to the training they had while working in FACT or Sindri.

FACT shares with Sindri a number of common problems. Both the units were designed and established years ago. Both have

given the country many times more their establishment costs. The fertilizer technology has improved enormously in the long years since they were established and these advances are incorporated in the more recent units. The major problem of these two units relate to modernisation and rationalisation with a view to keep production costs competitive with the compact, large-sized modern units.

FACT is a larger and more complex organisation with a number of important divisions such as the Udyogmandal, FEDO, FEW and Cochin. Each division is massive in its own sphere. Among the most immediate tasks of Mr. Khanna will be the quick execution of the second stage expansion of Cochin Fertilizer Project, modernisation of the Udyogmandal plant and ensuring a fuller load of work for FEDO in the design and construction of fertilizer plants both within the country and in securing these in global tenders.

M. K. K. Nayar Joins Planning Commission

Mr. Khanna succeeds the illustrious Mr. M. K. K. Nayar, who is a many-sided personality. Mr. Nayar had guided the destinies of FACT for nearly twelve years and was mainly responsible for the rich diversification in the operations of FACT. Mr. Nayar has done much to the economic growth of this region and has been responsible for many improvements in the quality of management personnel in Kerala.

Mr. Nayar who was the Deputy General Manager of the Bhilai Steel Plant in its formative years in late 'fifties, joined FACT as its General Manager in 1960. Then FACT was a much smaller plant and was managed

by Seshasayee Brothers. Mr. Nayar saw the transformation of FACT into a Public Sector Undertaking and became its Managing Director in 1961. These 10 years FACT has grown in many directions. Its divisions of FEDO, FACT Engineering Works and Cochin Fertilizers are in themselves major projects.

Mr. Nayar is a connoisseur of art. In the last 10 years there were few social, religious or literary functions conducted in Kerala to which Mr. Nayar did not contribute significantly. Particular mention may be made of his keen interest in developing Kathakali. Mr. Nayar also organised World Parliament of Religions early this year.

Mr. Nayar has joined the Planning Commission as its Joint Secretary. We can hope that the revitalisation of the planning process that is presently in progress will receive the benefits of the rich and varied experience of the indefatigable Mr. Nayar. —S.V.



Mr. B. K. KHANNA



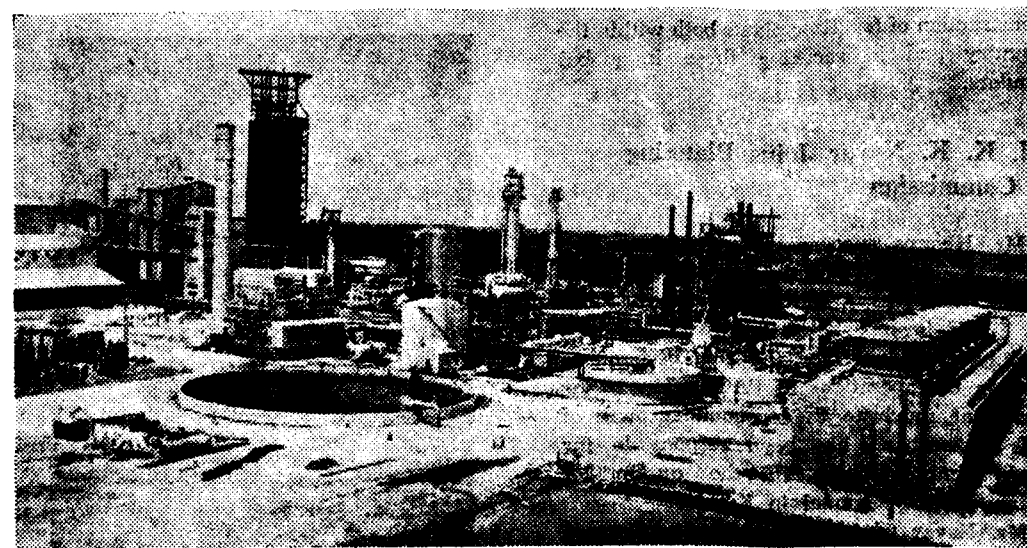
Mr. M. K. K. NAYAR

Commercial Production at MFL from October

Commercial production at the giant fertilizer complex of Madras Fertilizers at Manali is expected to commence in October this year. Of the three major units—Ammonia, Urea and NPK complex—the Ammonia unit is scheduled to start production in August to be followed by Urea in September and NPK in October, said Mr. J. C. Weaker, Jr. in a talk with pressmen on July 27.

Madras Fertilizers is an Indo-American venture in the public sector with 51 per cent Government of India ownership and the balance by AMOCO India, Inc., a subsidiary of Amoco International Oil Company, U.S.A. Messrs. Chemical Construction Corporation (CHEMICO), New York, are the prime contractors of the plant.

Some of the special features of the MFL complex include: The largest single stream Ammonia plant in India with a capacity of 750 tonnes per day with centrifugal compression. In conventional plants reciprocating compressors are used necessitating two-stream operation; MFL also has the largest single stream Urea Plant in India with a capacity of 885 tonnes per day; it has also the largest NPK Granulation Plant with 1,100 tonnes per day capacity in two streams; another speciality of the project is that all products are bagged directly from production eliminating the intermediate stage of bulk storage.



A view of the Madras Fertilizers' complex at Manali near Madras. This Rs. 65 crore project has capacity to produce 2.2 lakh tonnes of urea and 3.8 lakh tonnes of NPK mixtures per annum.

The project is being built with a large component of indigenous equipment and a number of these, it is understood, are manufactured for the first time in India.

Increase in Project Cost

Of course, this involved delays in the schedule of ordering equipment and further delays in deliveries. There were also unfortunately some labour problems for the prime contractors. These resulted in a delay of 16 months in the completion of the project: it was originally planned that the plant will be ready for use by January 1970, whereas it could reach this stage only by June 1971.

This delay naturally contributed to an escalation in the project cost. Against the budgeted project cost, as estimated in 1967, of Rs. 55 crores, the cost is expected now to be in the region of Rs. 62 crores to Rs. 65 crores with a foreign exchange component of approximately Rs. 24 crores.

When in full production, the annual turnover of MFL is expected to be around Rs. 60 crores in the last 3½ years MFL already had a highly successful seeding programme. It had distributed over three lakh tonnes of complex fertilizers. For easy identity of the MF product, the company has introduced a small puppet—Bomma— as its image. The Bommai image has become familiar in the thousands of

farm holdings of Tamil Nadu, Andhra Pradesh, Mysore, Pondicherry and Kerala which form the marketing zone to the company. Two animated puppet film shorts have also been produced highlighting the special yield potential of MF complex fertilizers. The field extension services are under the direction of Mr. E. M. Lyons, Manager, Supplies and Distribution.

Express Soil Testing Service

A field in which the company has done extensive work is in providing facilities for soil testing through an Express Soil Testing Service. Under this scheme, the company offers an accurate and fast soil testing facility—the results are guaranteed to reach the farmer within 20 days of his delivering the samples to the MF dealer. The service is provided free of cost and all the farmer needs to spend is only Rs. 2 towards postal charges for the sample. The response to this highly commendable service to the farmer would be much better if the company can think in terms of providing the service at the site with the help of a Mobile Soil Testing Laboratory.

The Process . . .

The feed stock for the plant is naphtha obtained from the adjacent Madras Refineries. Naptha is desulphurised and then converted to hydrogen and carbon oxides by reaction with steam. Air is introduced to provide nitrogen and then the carbon oxide impurities are removed. The synthesis gas is compressed and converted into ammonia. To make urea, ammonia and carbon dioxide are mixed under pressure.

NPK mixture is made by reacting ammonia and phosphoric acid to form ammonium phosphate solution. The solution is then granulated with urea and potash to make NPK mixtures.

MFL will be producing two grades of NPK mixtures at present—17:17:17 and 14:28:14. It is gathered roughly 30 per cent of the total sales will be accounted for by urea and 70 per cent by NPK mixtures.

Apart from Mr. J. C. Weaver, Jr. and E. M. Lyons, Plant Manager E. P. Wells, Director and Financial Controller B. R. Sreenivasamurthy and Employees Relations Manager G. V. Subba Rao, were present.—S.V.

Grassroots Planning for Exports

Over the years, the country has developed special institutions for the improvement of the export effort. There are eighteen export promotion councils and six commodity boards assisting in the task of export potential assessment and the development of facilities for activating the potential. There is also the Indian Institute of Foreign Trade which seeks to assist the regions in canalising their export activities in the manner necessary for building up their exports and consequently their economic viability. But the point is that the time has arrived when central direction of the export effort cannot by itself be expected to deliver the goods, unless it is adequately supplemented in its endeavours by the regional authorities.

Specific Target for Each State

This question has been referred to in a recent speech of Mr. V. P. Naik, Chief Minister of Maharashtra, while presiding over the sixth meeting of the State Board of Export Promotion. It is his contention that State Governments were somewhat handicapped in making effective contribution to export promotion and that they are not as closely associated with the formulation of export policies as they should be. Mr. Naik's main complaint is that the functions of export promotion organisations at various levels from the Centre down to the regions were ill-defined and that there was consequently considerable overlapping of responsibilities with the resultant dissipation of time, money and labour. He feels that each State should be assigned a specific target for production and export and the Centre should give assistance to the State Government for providing necessary inputs and infrastructure to implement the target.

All this may seem a laudable aspiration. But the rub lies in that the deficiencies in the export effort on this score cannot be attributed to the Centre alone. There are two important facts about our foreign trade which need be stressed in this connection.

The first is that, despite all the spectacular increases in the volume of exports in recent years, India is only one among the numerous minor trading nations of the world. The second is that this position can be significantly improved and the potential in this regard is considerable because the country's exports are but a small fraction of its total production. This is not to say that the export surpluses, potential and actual, are abundant in every segment of production. In the case of tea, for instance, one of our disabilities *vis-a-vis* our principal competitor, namely Ceylon, is that while domestic consumption of the latter is around 10 per cent of the total production, in India's case, the proportion is as high as 50 per cent of the total. This is the case with other consumer goods. And if the green revolution comes to stay and hence rural incomes go on expanding, the exportable surpluses in many directions will disappear so fast that special guarantees may be necessary to assure that domestic consumption will be curbed to keep the spillover for exports at the desired level.

The basic difficulty of a developing economy consists in that this situation produces tantalising results, though they are by their very nature capable of resolution. Indeed the bid to resolve such difficulties is not there now in the requisite vigour not because of overcentralised direction as State Government spokesmen have been repeating often but because the regions have been lax in the discharge of their responsibilities in this regard. The State may not regard this point as "well taken"; they may, on the contrary, point to the way in which they have been preparing State five year plans and annual plans concurrently with those of the Centre. But knowledgeable critics will agree that many of these plans lack the rigour of analysis so essential for such efforts. There have been cases where State plans savour of scrappy documents inasmuch as they avoid both detailed probes and appropriate statistical analysis except where a case

has got to be made for a larger devolution of financial powers or resources from the Centre. Almost all States had in the past ordered out techno-economic surveys of their potential material and human capital. On behalf of a few of them, the Indian Institute of Foreign Trade has made a special study of their export potential and recommended measures for reinforcing their export sector. But can it be asserted that the States concerned have acted upon these recommendations to the extent feasible, that is, within the limits set by their resources?

Towards More Competent Planning . . .

One can never tire of repeating the basic fact that the backwardness of some regions in this country is largely due to their lassitude. This has been responsible for the Central plan being, in essence, a sum total of shrewd guesses. As an expert from Cambridge, on a short visit to this country, observed, "the surprise in Indian planning is not the dominance of 'guesstimates' but the fact that many of the guesses have been so closely accurate, despite the absence of adequate factual and statistical support from the regions."

Is it not time for setting this right by inducing the States to do their share in planning more competently than now? The constitution of State Planning Boards, attuned specifically to tackling this task, as suggested by Mr. C. Subramaniam, Union Minister for Planning, could help very much in this direction. At present, the planning cells or wings at the State level are but channels of communications of routine correspondence and direction from the Centre, through the State, to the blocks. The reverse process of grassroots planning where the regions will collate the 'planning musts' from the blocks and pass them to the Centre for panoramic vivification is yet to start. Only after such an exercise gets going, the Centre will be in a position, not only to size up the overall development needs of the States but identify some of the crucial problems of detail on the basis of which it can eliminate backward pockets all along the line from the Himalayas to Cape Comorin in stages.

Substantial Progress in Irrigation and Power Potential

Irrigation facilities for 1.6 million acres and 1.2 million KW of additional power generating capacity were added during 1970-71. Out of 557 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 10.4 million hectares from major and medium projects has been created since the commencement of the First Plan, thus doubling the irrigation potential under these projects in the last two decades.

Speed for Sustained Expansion

With the completion of projects in hand, another 8.8 million hectares of irrigation potential will be created. The irrigation projects create vast opportunities for gainful employment to the rural population and trained technical personnel. A sustained programme for development of irrigation facilities has, therefore, to be given a high place in our Plans for several years to come. Attention has also been focussed on the continued expansion of irrigation facilities and their adaptation to the needs of improved agricultural practices, such as optimum use of water particularly on integrated use of ground and surface water, improvement in the utilisation of existing irrigation potential through special programmes and measures to increase the intensity of cropping.

Power consumption is a yard-stick for gauging the progress of a nation. The growth of agricultural and industrial production is closely dependent on the availability of power supply. Appreciable progress has been made during the last two decades in power development with a seven-fold increase in the installed generating capacity, i.e. from 2.3 million KW at the commencement of the First Plan to 16.7 million KW by the end of March 1971. To ensure an even and balanced development, regional concept in power planning is being given greater emphasis.

Low Per Capita Power Consumption

Our per capita consumption of 83 KWH in 1969-70 is very low compared to that of developed countries and we have still a very long way to go to reach even a moderate figure of 250 KWH per capita. The Fourth Plan envisages a target of 23 million KW of installed capacity by the end of 1973-74. The load growth is being reviewed continuously, which involves critical examination of the progress of projects and delivery schedules of generating plants and equipment. Advance action for new schemes is also being initiated.

The investment in the power sector up to the end of the Third Plan was Rs. 2,350 crores. The average annual expenditure during the three year period 1966-69 was of the order of Rs. 418 crores. The likely expenditure in the year 1969-70 and the allocation made for 1970-71, the first two years of the Fourth Plan, are Rs. 484 crores and Rs. 500 crores respectively.

The investment on power at the end of the year 1970-71 would thus be of the order of Rs. 4,588 crores making the electricity supply industry one of the foremost public utility undertakings from the point of view of

PHENOMENAL GROWTH OF NON-BANKING COMPANIES

Banks are not the only bodies which attract additional money from the people's pockets in India. As many as 2,564 financial companies draw a substantial amount as deposits from the people.

These non-banking companies attracted as much as Rs. 477.89 crores in 1968. These companies had with them as many as 5.30 lakh deposit accounts during the year. From 178,000 deposit accounts in 1962, they made phenomenal progress having 5,50,000 accounts in 1967. The next year (1968), there were only 5,30,000 accounts reported, mainly due to a reduction in the number of companies submitting returns from 2,591 to 2,227.

The survey covered 140 insurance companies, 378 loan companies, 548 investment companies and 1,498 miscellaneous financial companies including banking companies. (UNI).

investment. Four Central Generating Schemes included in the Central Sector of the Fourth Plan are under execution.

Rural Electrification

Rural electrification and energisation of agricultural pump sets have been given increased importance and an outlay of Rs. 445 crores has been provided in the Fourth Plan. The number of irrigation pumping sets energised had increased from 18,700 in 1951 to 14.78 lakhs by October 1970. In the Fourth Plan period, it is expected that about 12.5 lakhs additional pumping sets would be energised. Out of these 7.5 lakhs pumping sets would be financed through Plan outlays and about 5 lakh pumping sets through loan assistance to be provided by the Rural Electrification Corporation.

It was proposed to electrify one lakh villages in the country by the end of 1970. 98,500 villages were electrified by that date, of which over 27,000 were electrified after March 1969. The number of villages electrified by November 1970 forms 18 per cent to the total number of villages in the country and the population benefited by the rural electrification has been estimated at 135 million representing 38 per cent of the rural population of the country.

The Rural Electrification Corporation has sanctioned 88 schemes for an amount of Rs. 48 crores within a year of commencement of its working; 38 of the sanctioned schemes relate to backward areas. Five cooperatives have also been set up on a pilot basis for the promotion of self-help and initiative among the rural folk in the field of rural electrification.

Increased attention is being given to the transmission and distribution schemes for the completion of regional grids for an integrated operation of power systems in each region. Inter-regional tie lines are also proposed to be constructed for All-India grid. Regional Electricity Boards are functioning in all the five regions.

THE CITY CORNER:

Role of Working Class in Increasing Productivity

Shram Vir National Awards were given away at a function recently organised in Madras for the first time. The recipients were 25 workers in industrial establishments all over India for their suggestions which resulted in recurring and the non-recurring savings, and 38 factories for their accident-free record during 1970.

Mr. R. K. Khadilkar, Union Labour and Rehabilitation Minister who gave away the awards at the Regional Labour Institute at Adyar deplored that the trade unions in India thought improvement in productivity was none of their business. "The time has come when the working class leadership should play a positive role in the productivity movement and make every worker constantly improve his performance," he said.

Tamil Nadu Labour Minister N. V. Natarajan participating in the function said Tamil Nadu's safety standard was something to be proud about. Out of the 38 all India safety awards, 7 had been bagged by the State. It had its own scheme of safety awards and was also the first State to form a chapter of the National Safety Council. Brig. G. R. Chainani, Director General of the Factory Advice Service appealed to industrial establishments to show increasing interest in these schemes.

A DIFFERENT VERSION . . .

The Scientist in charge of the Structural Engineering Research (Regional) Centre, Madras, writes that what Dr. Atma Ram, Director General of the Council of Scientific and Industrial Research meant at his Press Conference on the inauguration of the CSIR Campus was slightly different from what was reported in our columns (our issue dated July 1). His version of the statement, is as follows:

"To a question whether it is possible to quantify the contribution of CSIR towards introducing new products or towards cost reduction, Dr. Atma Ram said that the impact of research cannot be quantified in terms of money. The research carried out in the CSIR Laboratories is application oriented. The research scientist develops an idea. But, he alone cannot be expected to translate it into an industrial application."

—(Ed.—IE).

Point-to-Point Punctuality for Trains

Work on electrification of the Madras-Vijayawada section is to be taken up soon, according to Mr. B. L. C. Sastri the new Chief Operating Superintendent of the Southern Railway. Meeting pressmen immediately after assumption of office, he said that the project would be implemented in two stages, Vijayawada-Gudur and Gudur-Madras Central.

Mr. Sastri said that a policy decision had been taken by the Railway Board to divert all North-to-South coal movement to ocean transportation so as to release rail capacity to more pressing and paying traffic. From Oct. 1, 45 Box-wagon ore trains would be operated from Hospet to Madras instead of the present two. The operating department would have as its first preoccupation passenger train punctuality. The COPS is considering a new scheme of point-to-point punctuality where punctuality is observed at every point rather than at every destination.

Science Teaching in Mother Tongue

In a colourful, gay function marking the eighth Convocation at I.I.T., Guindy, 437 graduates, including four women, took their degrees. 212 candidates received them in *absentia*. Prof. M. G. K. Menon, Director of the Tata Institute of Fundamental Research in Bombay, delivered the convocation address which put one in a sober, contemplative mood. He touched upon such diverse topics as the scientific potential in the country, the need for a sense of social commitment by the scientist, the necessity of imparting scientific knowledge to the masses through their mother tongue as the medium of instruction and the strong criticism of "a large fraction of the intellectual community of this nation existing in centres of higher learning far removed from where the action lies." In this connection, he aptly quoted Prof. Hannes Alfvén, the great magnetohydrodynamist and plasma physicist: "Electronics has

made communication all over the world much easier. But the communication between the rich and the poor in a society is worse than ever... scientists are unable to observe and understand the social conditions just outside the wall of the laboratories... science seems to have forgotten what was its primary and still most important task, to fight ignorance, prejudice and superstition wherever they appear."

About writing scientific articles in local language: "It is difficult for us... but we should try... the beauty and the grandeur of science can sustain it..." A bold and laudable step indeed! (FOC)

ALUMINOUS (A LUMINOUS) SUCCESSOR....

We do not know what has aluminium to do with the Chairmanship of E.I.D.-Parry. But the present and immediate past chairmen of the Group had one thing in common: they head large aluminium companies. Mr. R. Venkataswamy Naidu, the well-known industrialist from Coimbatore, has become the non-executive Chairman of E.I.D.-Parry Ltd. Mr. Naidu is connected with a large number of major industries in South India, particularly Madras Aluminium and South India Viscose.

Mr. Naidu succeeds Mr. H. V. R. Iengar, I.C.S., (Retd.) Among his other assignments Mr. Iengar has been the Chairman of Indian Aluminium Co.



Mr. R. VENKATASWAMY NAIDU

Slowdown of World Economy in 1970

There was a marked slowdown in the world economy in 1970, affecting most regions, and agriculture as well as industry. World production, outside mainland China, increased by just under four per cent between 1969 and 1970—about a third less than the average rate of growth from 1960 to 1969, states a U.N. Report.

Developed Market Economies

In the developed market economies the main braking effect came from efforts that were being made to reduce inflationary pressures, says the report. In current prices the value of total production rose by over eight per cent between 1969 and 1970, maintaining the high average rate that had characterized the 1960s. But, whereas price increases had accounted for about a third of the gain up to 1968, they accounted for a half in 1969 and two-thirds in 1970.

While the real growth in production between 1969 and 1970 was down to about half the 1960-68 average, the inflation was a stimulant to world trade. At current prices, imports into the developed market economies rose about 15 per cent between 1969 and 1970—up 50 per cent on the decade average. In quantum terms they increased more than nine per cent—slightly above the average for the 1960s.

Internationalisation of Inflation

The period saw a notable internationalisation of inflation. Measures aimed at curbing demand proved relatively ineffective against cost inflation and some countries experienced the worst of both worlds—higher unemployment and more rapid price increases.

The rate of expansion in developing countries receded from the high level that had marked 1969. Preliminary data suggest that the gross output of agriculture, after its sharp spurt in 1969, rose at only the 1960-68 average of about 2.5 per cent. The growth of industrial production dropped back below the decade average of 7 per cent a year.

The rate of increase in developing countries' trade, also dropped sharply from the high 1969 figure. Though imports at current prices rose at above the decade average rate, two-thirds of the gain was in price, and the increase in quantum—about 2.7 per cent—was only half the decade average.

Improving Food Situation

Food situation generally improved in the developing countries. Though drought had adverse effects in West Asia and parts of Africa, food crops in Latin America and South East Asia were favourable. A closer look at the situation in the latter region confirms the beneficial effect of the so-called "green revolution" on cereal production,

notes the report. The contrast with areas lacking the essential inputs (notably water) highlights one of the problems. No less disturbing has been the lag in food production in Africa.

In the centrally planned economies the weak element was agriculture in Eastern Europe where poor weather—drought in the autumn of 1969, floods in the spring of 1970 and early frosts in the fall—adversely affected crops in many parts. The report states that the output of grain oil-seeds and fruit was reduced.

World Trade

World trade increased by rather more than 14 per cent at current prices and official exchange rates, notes the report. This was virtually the same as in the previous year and two-thirds above the 1960-69 average. In real terms, however, the expansion was about 9 per cent in 1970, only slightly up on the average for the 1960s.

Production of Goods and Services

The rate of increase in world production of goods and services which had averaged about 5.5 per cent a year in the 1960s, dropped sharply to below 4 per cent in 1970. The slowdown was largely the result of a poorer performance in the developed market economies whose combined rate of growth dropped to 2.6 per cent, about half the average that had been achieved between 1960 and 1969. There was also some deceleration in the developing countries but preliminary figures indicate that their combined expansion remained above the 5 per cent rate achieved in the 1960s.

The centrally planned economies, whose growth had slowed down in 1969, recorded a notable recovery. The combined rate of the Eastern European group reached 7.7 per cent, a full percentage point above the average for the 1960s.

There was a widespread tendency for the rate of growth in industrial production to slacken as the year advanced. As a result, the year-to-year expansion between 1969 and 1970 was less than in the previous interval

Increasing Production Capacity

As a follow-up of the export policy resolution, it has been decided to promote necessary investments to increase production capacity for export so that surpluses required for the long-term growth of exports are continually generated.

Under the industrial licensing policy efforts were being made to build up industrial capacity in fields of exports where India has a comparative advantage. Plans are under way to enter into the export market for computer software.—(UNI)

in all the regions with market economies and it was below the average rate of increase in the 1960s in the developing countries, in the Soviet Union and in the developed market economies of North America and the southern hemisphere.

Developments in Agriculture in 1970

The most striking agricultural development in 1970 was the turn-around in the Soviet Union where, after a setback in 1969, there was a massive increase of nearly 9 per cent. In Western and Southern Europe there was a slight increase, and in Eastern Europe and Japan, a slight reduction. Farm output was also lower in North America and the developed market economies of the southern hemisphere. There was virtually no increase in agriculture output in Africa where production has barely been keeping pace with the growth in population. In West Asia where the 1960s had witnessed a relatively vigorous expansion in agriculture, output declined for the second year in succession. In the western hemisphere, however, the increase between 1969 and 1970 was appreciably above the decade average. This was also the case in southern and south-eastern Asia, though the 1970 increase was well below the exceptional gains that the region had made in the two previous years when it was recovering from the effects of the mid-decade monsoon failure.

High-yield Rice Improves Output per Acre

The rice harvest was about 4 per cent above the 1969 figure. The spread of high-yield varieties was revealed in the general improvement in output per acre: compared with the 1964-68 average, this was up 6 per cent (to 3,800 pounds) in China, (Taiwan), 12 per cent (to 1,500 pounds) in India, 18 per cent (to 4,200 pounds) in the Republic of Korea, 26 per cent (to 2,100 pounds) in Indonesia and 28 per cent (to 1,500 pounds) in the Philippines.

Increase in World Exports

The value of world exports exceeded \$ 300 billion for the first time in 1970. This reflects a vigorous growth between 1969 and 1970 at much the same pace as between 1968 and 1969.

In the centrally planned economies trade expanded much more rapidly in 1970 than it had in the previous period, partly as a result of policy decisions and partly in the wake of unplanned production differentials—particularly the good harvest in the Soviet Union and the relatively poor one in Eastern Europe.

In the market economies inflationary conditions helped to stimulate imports. They also imparted to trade an exceptional price boost; the average unit value of exports which had risen by almost 4 per cent between 1968 and 1969 rose by 5 per cent in 1970.

BUSINESS BRIEFS:

Creditable Record of Nationalised Banks

The fourteen nationalised banks have been able to increase their earnings substantially in 1970, thanks to the mobilisation of a much higher volume of deposits and very effective use of resources. According to a summary of the working results of these major banks which were taken over on July 19, 1969, their aggregate net profits rose sharply to Rs. 13.34 crores from only Rs. 8.48 crores in 1969 and Rs. 5.47 crores in 1968. After providing for bonus to staff, the total profits amounted to Rs. 6.90 crores against Rs. 5.98 crores in 1969 and Rs. 6.28 crores in 1968. (Figures for one bank are still provisional and subject to audit). The RBI survey states that with the exception of one bank, all the banks have reported a rise in earnings and in the case of 12 banks the profits of almost all these banks are commendable in the face of the sizable increases in salaries and bonus to employees and the cost of opening a large number of new branches in rural and unbanked areas which were unremunerative. The banks had also to borrow heavily from the Reserve Bank paying penal interest rates to meet the surge in demand. The vigorous branch expansion was, however, helpful in mobilising larger deposits from rural areas. Deposits of the 14 banks alone rose to Rs. 3,408 crores on May 28, this year from Rs. 2,626 crores at the time of nationalisation. The increase was over Rs. 480 crores between July 1970 and May 1971 as compared to about Rs. 300 crores in the first year of the take-over.

But what is of more interest is how far Government investment in these banks has been profitable. The profit transferred by these institutions to the Central Government amounts to Rs. 4.17 crores for 1970 against Rs. 2.33 crores for the period July 19 to December 31, 1969. The amount payable to Government for last year is however lower than the total dividend amount of Rs. 4.36 crores paid by these institutions to their shareholders for 1968. This is attributed to the change in the method of accounting for payment of bonus to staff which resulted in a larger transfer to the reserve funds of the banks. The return on its investment of Rs. 87.40 crores paid as compensation is less than 4.8 per cent against the interest rate of 5.5 per cent the Government gives on the securities issued to the former managements. However, out of 14 banks, eight have given a return of more than 5.5 per cent to the Government, and one has paid 5.5 per cent while the remaining five have paid less than 5.5 per cent. The last five: Central Bank, Dena Bank, Allahabad Bank, Indian Overseas Bank and Indian Bank could not meet their commitments fully due to inadequacy of profits. The shortfall of Rs. 64 lakhs could have been very much reduced if only Cen-

tral Bank of India had met its full share. It gave only Rs. 32.33 lakhs to Government against Rs. 96.25 lakhs it should have on the basis of a 5.5 per cent return.

Bank of India

Bank of India has earned a much larger profit of Rs. 1.99 crores for 1970, after taxation and before payment of bonus to staff, from Rs. 1.61 crores in 1969, even with higher expenses. This was due to increase in gross income to Rs. 33.70 crores from Rs. 29.12 crores though working expenses were also higher at Rs. 31.71 crores against Rs. 27.51 crores. Interest charges rose by Rs. 2.30 crores and salaries and allowances by Rs. 1.56 crores. Out of the net profit, reserve fund gets Rs. 40 lakhs and bonus to staff Rs. 72.50 lakhs while the allocation for staff welfare fund is Rs. 5 lakhs. The transfer to Central Government is Rs. 81.28 lakhs, representing a return of 5.528 per cent on the compensation sum of Rs. 14.70 crores paid for the take-over. Deposits rose to Rs. 513 crores from Rs. 436 crores (17.7 per cent rise) while advances increased more sharply to Rs. 354 crores from Rs. 296 crores.

Bank of Baroda

The opening of a large number of branches helped Bank of Baroda to record a substantial growth in deposits during 1970 by Rs. 66.15 crores to Rs. 421.06 crores. In all 108 new offices were opened during the year, taking the total to 538, of which 517 were Indian and 21 foreign. Only eight of the new branches were in urban areas while 26 were in semi-urban areas and 66 in rural centres. Besides these, four satellite branches and two mobile units were also opened. There was, at the same time, a bigger increase in advances to Rs. 310.25 crores from Rs. 233.81 crores in 1969 while investments were only slightly better at Rs. 111.14 crores against Rs. 107.44 crores. There was, however, need to borrow heavily from the Reserve Bank to finance the increased needs of food procurement and those of priority sectors (which accounted for one-third of the total advances). Borrowings from the central banking institution were thus much higher at Rs. 46.37 crores against Rs. 24.11 crores in the previous year. Cash balances were also larger at Rs. 57.84 crores (Rs. 47.22 crores). Gross income for the year rose sharply to Rs. 31.72 crores from Rs. 25.44 crores while interest charges increased to Rs. 16.65 crores from Rs. 13.39 crores and salaries, allowances, etc. to Rs. 9.83 crores from Rs. 8.21 crores. The net profit, after taxation and before payment of bonus to staff, amounts to Rs. 143.47 lakhs. After providing for a net bonus amount of Rs. 67.40

lakhs (allowing for the provision of Rs. 24.40 lakhs from contingencies) the disposable profit is higher at Rs. 76.17 lakhs against Rs. 56.16 lakhs for 1969. Reserve Fund gets Rs. 28.70 lakhs while the transfer to Government is Rs. 47.37 lakhs, representing a return of 5.64 per cent on the compensation amount of Rs. 8.40 crores.

Indian Bank

Deposits of Indian Bank crossed the Rs. 100 crore mark in 1970 when they improved to Rs. 101.78 crores from Rs. 90.01 crores in 1969. This is a record addition in absolute terms for the bank though the rate is below the average for the banking system. Advances at close of the year were, however, only marginally better at Rs. 65.96 crores against Rs. 64.94 crores but the average level of advances was quite high during the year, with brisk demand particularly in the first half. Naturally cash balances at close showed a big rise to Rs. 16.49 crores from Rs. 9.62 crores, money at call alone jumping to Rs. 6.78 crores from Rs. 49 lakhs in 1969. Investments also were higher at Rs. 25.72 crores against Rs. 21.37 crores. The gross income increased sharply to Rs. 8.27 crores from Rs. 6.91 crores. But with a more pronounced rise in interest charges to Rs. 3.92 crores from Rs. 3.34 crores and salaries, allowances, etc. to Rs. 3.19 crores from Rs. 2.54 crores as also in other expenses, the net profit, after taxation and before payment of bonus to staff was only slightly better at Rs. 23.48 lakhs against Rs. 20.17 lakhs in 1969. The transfer to reserve fund is Rs. 4.70 lakhs and bonus to staff claims Rs. 13.50 lakhs while Government gets Rs. 5.28 lakhs. Forty-one new branches were opened in the year, 34 being in rural areas, taking the total to 280. Of the total, 178 were in rural and semi-urban centres.

Syndicate Bank

Syndicate Bank also has reported a sizable improvement in gross income during 1970 to Rs. 13.52 crores from Rs. 10.47 crores in 1969 following a big rise in deposits and advances. Deposits increased sharply to Rs. 167.75 crores from Rs. 144.72 crores while advances improved to Rs. 122.82 crores from Rs. 104.92 crores. Investments were only slightly better at Rs. 46.27 crores against Rs. 45.68 crores and cash balances at Rs. 12.42 crores against Rs. 11.33 crores as borrowings were reduced sharply to Rs. 6.64 crores from Rs. 11.90 crores. With a significant rise in interest charges on deposits, borrowing, etc. to Rs. 6.41 crores from Rs. 5.08 crores and in salaries, allowances, etc. to Rs. 4.70 crores from Rs. 3.70 crores, the net profit, after taxation and after payment of bonus to staff, is only modestly higher at Rs. 35.61 lakhs against Rs. 28.89 lakhs. (Bonus claims Rs. 29.60 lakhs). After transferring Rs. 14

lakhs (Rs. 18.80 lakhs) to reserve fund the Central Government has been given Rs. 21.61 lakhs, which works out to a return of 6.17 per cent on the compensation amount of Rs. 3.50 crores.

Unit Trust's New Record

The holders of units of the Unit Trust of India will be extremely gratified over the decision of the Trust to raise the dividend for the year ended June 30, 1971 significantly to 8 per cent from 7.2 per cent in 1969-70. This generous gesture follows a sharp increase in income to Rs. 8.41 crores from Rs. 6.28 crores in the previous year though unit sales were much lower at Rs. 17.99 crores against Rs. 22.45 crores. Repurchases amounted to 3.19 crores, (Rs. 2.04 crores). Units sold to non-residents during last year accounted for Rs. 43.07 lakhs against Rs. 49.54 lakhs previously. After allocation of the income between unit-holders and the contributors of initial capital, and allowing for expenses chargeable to unit capital the share of unit holders is higher at Rs. 7.58 crores against only Rs. 5.61 crores in 1969-70. As the unit capital rose only to Rs. 92.25 crores from Rs. 77.44 crores there should have been a more than proportionate rise in dividend income during the year. Probably there were also profits on sale of securities as the stock markets were buoyant for most part of the year. The latest distribution of 8 per cent will require Rs. 7.38 crores.

The generous decision of the Trust will certainly help increase sales in the current year and as many companies in which the UTI has invested may be declaring satisfactory dividends, income in 1971-72 may rise further. However, the decline in unit sales last year has not been explained. There were 3.80 lakh unit holders at the end of the year against 3.33 lakhs. The Chairman Mr. R. S. Bhatt has stated that even the higher selling price of Rs. 10.60 per unit during the special offer period contains an element of concession.

The Trust's reinvestment plan has continued to be popular with over 20,000 unit holders joining the scheme against 12,000 in the previous year. Under the children's gift plan introduced last year, units worth over Rs. 56 lakhs were sold on 2,300 applications. The UTI is now the most important investor in industrial securities as the Life Insurance Corporation has diverted its attention to other forms of productive investment. The investment portfolio of UTI at the end of June this year exceeded Rs. 105 crores. The Chairman has explained the cautious investment policy of the Trust. About 40 per cent of the investments were in industrial equities and another 40 per cent in debentures and preference shares. The balance was in government securities. The Trust may have some considerable difficulty in buying good equities as floating scrips are not much and there is keen demand from direct investors for new issues with attractive growth prospects.

Insurance Cover for Deposits

In terms of the Government of India notification dated 18th March 1971, insurance cover is available, with effect from 1st July 1971, to deposits with co-operative banks in the States of Maharashtra, Madhya Pradesh, Andhra Pradesh and the Union Territory of Goa, Daman and Diu to the same extent as is available in respect of deposits with commercial banks. The Deposit Insurance Corporation has registered, as on 1st July 1971, 384 eligible co-operative banks in the above-mentioned States and Union Territory as insured banks.

The Corporation hopes to extend the scheme to co-operative banks in other States and Union Territories as soon as the necessary amendments to their State Co-operative Societies Acts are passed by them.

Mukund Iron Does Well

In line with other steel units in the private sector, Mukund Iron and Steel Limited has done much better during the year ended March 31, 1971 and the directors have recommended an increase in the equity dividend to 15 per cent gross from 12 per cent gross in 1969-70. The entire dividend will not be subject to tax deduction at source as it will be paid out of tax exempt profits. The dividend has however to be approved by the Industrial Finance Corporation. Sales during the year set up a new record at Rs. 17.34 crores against Rs. 16.36 crores in 1969-70 while there was a more pronounced improvement in the net profit, before depreciation and taxation, to Rs. 283.96 lakhs from Rs. 186.38 lakhs. After providing Rs. 68.15 lakhs (Rs. 57.44 lakhs) for depreciation and Rs. 80 lakhs (Rs. 103 lakhs) for development rebate, there is no liability towards taxation as in the previous year. But there is an allocation of Rs. 1.10 crores (nil) to special reserve (profit exempt from tax) and Rs. 26.13 lakhs (Rs. 90,325) to general reserve. As income-tax assessments are pending it was found advisable to claim the large sum of Rs. 80 lakhs towards development rebate, including Rs. 63 lakhs for 1969-70 as a safe measure. The excess amount will be transferred to general reserve after completion of the assessments.

Garware Nylons

Garware Nylons Limited, which recently made a public issue of equity capital, has reported a better performance during the year ended March 31, 1971. The turnover has risen substantially to Rs. 5.01 crores, from Rs. 4.34 crores in 1969-70 while the net profit, before depreciation and taxation improved to Rs. 184.78 lakhs from Rs. 154.74 lakhs in 1969-70. The directors have declared a final ordinary dividend of 7 per cent taxable, making with the interim, a total of 11 per cent taxable for the whole year. The charge in respect of depreciation is Rs. 29.48 lakhs (Rs. 31.94 lakhs) and development rebate Rs. 2.01 lakhs (Rs. 1.72 lakhs) while taxation claims Rs. 99 lakhs (Rs. 71 lakhs).

The company's expansion scheme to increase the capacity to 2,000 tonnes per annum is proceeding apace. Deliveries of plant and machinery ordered with foreign and indigenous supplies are expected to begin in September-October this year. The additional capacity will be available from the third quarter of 1972. The sales trend in the first quarter of the current year has been encouraging and it is estimated that the turnover for the whole year will be Rs. 5.70 crores. There is a proposal to set up a rope-making plant but Mr. Garware has stated that there is no intention to make tyre-cord. The Rs. 5 paid-up equity shares are quoting around Rs. 24. The company paid a dividend of 15 per cent for 1969-70. But the latest payment is on a larger capital as raised by a four-for-seven bonus issue. The new shares issued to the public recently will be eligible for dividend only from the year commencing from April 1, 1972.

Great Eastern's Good Showing

Great Eastern Shipping Company Limited has produced excellent results for the year ended March 31, 1971. The directors have raised the dividend on equity capital to 22.5 per cent gross from 12 per cent gross for the previous nine-month period. As in the previous year, the entire dividend is expected to be exempt from tax deduction at source as it will be paid out of tax exempt profits. With a larger fleet and more effective operations along with firm freight rates, the company's turnover jumped to Rs. 13.45 crores from Rs. 8.50 crores in the earlier nine months while the net profit, before depreciation and taxation, was substantially higher at Rs. 5.36 crores against Rs. 2.69 crores. The provision for depreciation is Rs. 1.72 crores (Rs. 1.10 crores) and development rebate Rs. 89.50 lakhs (nil) while taxation claims only Rs. 11 lakhs (Rs. 53 lakhs). The transfer to tax-exempt profits reserve is substantial at Rs. 163.50 lakhs (Rs. 58.63 lakhs), to general reserve No. 1 Rs. 10.50 lakhs (Rs. 21.50 lakhs) and general reserve No. 2 (untaxed) Rs. 89.50 lakhs (Rs. 47.50 lakhs). The proposed equity dividend will absorb Rs. 1.08 crores (Rs. 57.48 lakhs) and will be paid out of tax-exempt profits reserve. The company expects to further improve its turnover and earnings in the current year as it will have two more ships acquired towards the close of last year at a cost of Rs. 6 crores. The present fleet strength is 3.15 lakh dwt. There is now speculation in stock market circles whether other shipping companies which have substantial bulk carrier fleets will also be reporting encouraging results for the latest year. Shipping shares have been an active group for some time now in an otherwise quiet stock market.

Rajapalayam Mills

Rajapalayam Mills Limited could derive any benefit out of a larger turnover in the

year ended March 31, 1971 as production costs increased and working of the mill particularly in the last quarter was unremunerative. However, the directors have maintained the equity dividend at 7½ per cent taxable. Thus, while sales improved to Rs. 2.41 crores from Rs. 2.08 crores in 1969-70, the net profit, before depreciation and taxation, dropped to Rs. 15.88 lakhs from Rs. 19.11 lakhs. Depreciation claims Rs. 8.81 lakhs (Rs. 8.23 lakhs) and development rebate Rs. 1.91 lakhs (Rs. 4.80 lakhs). The provision for taxation, is Rs. 2.24 lakhs (Rs. 26,771) while general reserve gets Rs. 1.70 lakhs (Rs. 3.78 lakhs). The dividend will require Rs. 2.02 lakhs (same). There is a transfer of Rs. 2.27 lakhs (Rs. 5.11 lakhs) from development rebate reserve. The company is carrying out its modernisation programme under which one new speed frame was commissioned during the year and seven new ring spinning frames were erected in place of a similar number of old frames. The directors have stated that there has been an improvement in trading conditions recently though the outlook for the current year is still uncertain.

Merger of Cable Companies

The boards of directors of Indian Cable Company Limited and Western Insulated Cables Limited (formerly Henley Cables India Limited) have agreed on a scheme to merge the latter company with the former as it is considered that this amalgamation would be in the best interests of both companies and their shareholders. After an evaluation of the assets and liabilities of Western Insulated Cables by two well-known audit firms it has been decided to effect the merger by allotting 16 equity shares of Rs. 10 each of Indian Cables for every three equity shares of Rs. 100 each held by shareholders of Western Insulated Cables. The scheme is to be approved by shareholders of both companies while other formalities will also have to be completed. It is proposed that the merger should take effect from November 1 this year. Indian Cables has its factory in Jamshedpur while the other company's unit is in Poona. The pooling of the manufacturing facilities which are of a complementary nature will be very useful in raising production substantially.

Rise in L & T's Profits and Exports

A dividend of 12.5 per cent has been recommended by the directors of Larsen & Toubro Limited for the year ended March 31, 1971. In the previous year, L & T paid a dividend of 10 per cent. If the recommendation is accepted, shareholders will obtain a dividend of Rs. 1.25 per share against Re. 1 in the previous year. The net dividend (after deduction of tax) received by shareholders from the Company will be Rs. 1.04 per share for the year 1970-71 against Rs. 0.80 per share for the year 1969-70. This is an

increase of 30 per cent in the net amount made available to shareholders.

The higher dividend has been made possible by a substantial rise in the profits of the Company. After providing for development rebate reserve and taxes, the profits are Rs. 117.96 lakhs compared to Rs. 69.48 lakhs in the previous year, an increase of 70 per cent.

The financial position of the Company has improved further. Reserves and surplus funds now exceed the paid-up capital and the balance sheet as at March 31, 1971 shows that borrowings have gone down by Rs. 90 lakhs.

The improved performance is in part due to the rise in sales turnover. Sales for 1970-71 are the highest ever at Rs. 27.44 cr. against Rs. 23.37 cr. in 1969-70. The year closed with a substantial order backlog of Rs. 27 cr., the highest on record.

Switchgear products from Larsen & Toubro Limited are making a significant breakthrough in export markets. The United Arab Republic has placed a substantial order for star delta type motor starters suitable for 75 HP motors. This is perhaps the first time that India will be exporting motor control gear for large HP motors. Also notable is the first order placed by Iran with L & T for M.L. 32 starters.

Kenya, Ethiopia, Uganda, Ceylon, Burma, Indonesia, Kuwait, Bahrain, Hungary, German Democratic Republic, Holland and Denmark are among the other countries importing L & T products.

L & T's record in promoting exports of engineering goods is reflected in its being recognised as an export house by the Government of India. In the interest of earning foreign exchange for the country, L & T is offering its export know-how and expertise to other Indian producers who may not be equipped to handle exports on their own.

Siemens Equipment for Cement Plant in Assam

Messrs. Siemens India Limited has been contracted to supply most of the electrical equipment required for the expansion of the plant of Assam Cement located at Chirapunji. The equipment includes all motors, motor control centres and cables—but for the kiln and mill motors. A Press release on Siemens says the company will also be undertaking the supervision, installation and commissioning of the electrical equipment. The K.C.P. Limited, Madras, will be supplying bulk of the plant and machinery.

Assam Cement was set up in 1966 in collaboration with Messrs INGRA of Yugoslavia with a 250 TPD capacity. It is now being expanded with addition of two more kilns each with a capacity of 340 tonnes per day.

Premier Tyres

Premier Tyres Limited could operate its plant effectively and increase output and sales appreciably during the year ended

March 31, 1971 as there was no labour trouble. The directors have stated that the results for 1970-71 are the best in history of the company "in terms of production, sales as well as consumer preference." Sales jumped by over cent per cent to Rs. 15.42 crores from Rs. 7.23 crores in 1969-70 while the net profit, before depreciation and taxation increased almost four times to Rs. 141.73 lakhs from Rs. 37.75 lakhs. The dividend on equity capital has naturally been raised to 12 per cent, taxable, from 8 per cent, taxable, and will require Rs. 18 lakhs (Rs. 12 lakhs). The provision for depreciation is Rs. 33.35 lakhs (Rs. 20.63 lakhs) and for development rebate Rs. 7.54 lakhs (Rs. 4.52 lakhs) while taxation claims as much as Rs. 63.80 lakhs (Rs. 50,000). General reserve gets Rs. 76.87 lakhs (Rs. 5.02 lakhs) and a sum of Rs. 5.53 lakhs (nil) has been written off miscellaneous expenses after taking credit for excess development rebate of Rs. 19.83 lakhs (nil). The Chairman, Mr. Chandrakant Desai, has said that the company has received a licence for doubling the tyre capacity to 6 lakhs at an estimated cost of Rs. 5 crores. The foreign exchange content in this will be Rs. 3 crores. Another licence has been secured for setting up a cycle tyre plant with a capacity of 2 million sets. This project will cost Rs. 65 lakhs, including Rs. 45 lakhs in foreign exchange.

National Rayon

The Chairman of National Rayon Corporation, Mr. Kasturbhai Lalbhai, has told the shareholders that it is difficult to forecast the outlook for the current year at present, particularly about the profitability and dividend prospects. Sales in the first half of this year have been slightly higher at Rs. 12.75 crores against Rs. 12.07 crores in the corresponding period of last year. There has been considerable improvement in the offtake of tyre cord latterly, but it has been pointed out that if tyre yarn prices are to be reduced on the basis of the Tariff Commission's report, there will be a loss of Rs. 73 lakhs in sales in the second half of this year. The company hopes to get Government's approval for its bonus issue shortly. National Rayon proposes to set up a pulp plant and also take up manufacture of nylon filament yarn to reduce dependence on rayon. Necessary land has been acquired in the existing factory site while Government approval for the pulp project is awaited. The Caustic Soda capacity is being raised to 31,350 tonnes immediately using mercury cells made indigenously. The mercury will however be imported and a licence has been obtained for this purpose. Sales of chlorine are also stated to be quite satisfactory.

Straw Products' Bonus

Straw Products Limited will be capitalising Rs. 113 lakhs out of reserves to issue bonus shares in the proportion of one share for every two shares held subject to sanc-

fion of the Controller of Capital Issues. There will be no difficulty in getting the proposal approved even under the revised guidelines, as after the capitalisation, the residual reserves will amount to Rs. 244 lakhs against the increased paid-up capital of Rs. 339 lakhs. The bonus shares will be ranking in all respects equally with the existing shares and will be eligible for dividend out of the earnings for 1972. There should be no difficulty in avoiding a proportionate cut in dividend as the expansion scheme now under way will help to increase earnings in 1972 substantially.

W. I. Plywoods Pays More

Western India Plywoods Limited has decided to increase the quantum of dividend on equity capital substantially for the year ended March 31, 1971 in spite of many difficulties. There was a major break-down in the hard board plant as a result of which operations had to be suspended for eight weeks while there was no production for another two weeks due to labour trouble. Movement of raw materials and finished products also posed difficulty. Even then, it was possible to increase the turnover to Rs. 2.29 crores from Rs. 1.95 crores in 1969-70. But the net profit, before depreciation and taxation, marginally dropped to Rs. 48.67 lakhs from Rs. 49 lakhs. A dividend of 16 per cent, taxable, is to be paid on a higher capi-

Air Pollution in Calcutta

Calcutta is comparatively the most polluted city in India and the carbon monoxide level on its busy streets during heavy traffic hours are as high as those recorded in the large cities of the world. The level of carbon monoxide in Calcutta was comparable with that in New York, Chicago and London. Though the number of vehicles in Indian cities is smaller compared to that in Western cities, the intensity of contamination caused by them is almost the same, if not more. This can be attributed to old vehicles with poor engine performance.

Emission of carbon monoxide by vehicles using petrol is the worst factor leading to air pollution and this affects health by interfering with oxygen transport in the blood. The diesel engines, on the other hand, produce only smoke and odour and do not emit carbon monoxide, it said.

Pollution in the Chambur-Trombay area of Bombay is three to six times higher than in the rest of the city. There are pockets of higher concentration of sulphur dioxide in some areas. This is believed to be due to the anaerobic marine environment and accumulated sewage in some areas.

Dust concentration is found very high in Delhi in winter months, resulting in pollution accumulation. Coal burning, locomotives and industries add to it.

tal as raised by a one-for-two bonus issue. This works out to 24 per cent on the old capital against 18 per cent in the previous year. The amount required will be Rs. 12.58 lakhs (Rs. 9.44 lakhs) and will be paid out of general reserve which gets Rs. 14.15 lakhs (Rs. 14.53 lakhs). The provision for depreciation is Rs. 14.96 lakhs (Rs. 17.04 lakhs) and development rebate Rs. 56,042 (Rs. 1.58 lakhs) while taxation claims Rs. 19 lakhs (Rs. 15.85 lakhs).

Swadeshi Polytex

The public issue of equity shares by Swadeshi Polytex Limited was oversubscribed nine times. The directors have evolved a new procedure which seeks not to disappoint any of the applicants. This is worthy of emulation by other new companies as it has been the experience of small investors that the lots drawn in many cases provide almost a nil chance for them in getting any allotment. In the case of Swadeshi Polytex, there will be no lots and there will be a minimum allotment of 25 shares. Thus each applicant for upto 150 shares will get 25 shares while those applying for 200 to 450 will get 50 shares, for 500 to 650 shares 75, for 700 to 1500 shares 100 and for 1550 to 2500 shares 150 shares. The Life Insurance Corporation which had applied for 2 lakh shares will get only 8,000 shares. After allotment, there will be as many as 33,300 shareholders.

Bihar Alloy Steel

In the case of Bihar Alloy Limited, which also made a public issue recently, lots will be drawn in respect of applications for 50 to 150 shares while others will get firm allotments in varying proportions. However, the directors have taken efforts to satisfy as many small investors as possible. Thus seven out of 10 applicants for 50 shares will get 25 shares, six out of ten for 100 shares will receive 50 shares and nine out of 10 for 150 shares 50 shares. In the case of applications for 200 shares there will be a firm allotment of 50 shares, for 250 to 350 shares 75, for 400 to 750 shares 100, for 800 to 950 shares 150, for 1000 to 1200 shares 175 and so on. Applicants for 3.25 to 3.5 lakhs shares will get 17,525 shares.

Binny and Co.

Binny and Company Limited has passed over the preference dividend for the first half of 1970 as it is learnt to have incurred a trading loss. There may be a review of the position by the year end before paying the dividend on the preference shares. Though there is usually an improved offtake in the second half of a year, the outlook for the whole year is still uncertain in view of the difficult cotton situation as also the company's product pattern which remains unremunerative.

E.I.D.-Parry

E.I.D.-Parry Limited has skipped the preference dividend for the half year ended March 31, 1971 following adverse working results. The working results for this period have however revealed a profit of Rs. 11 lakhs before providing Rs. 64 lakhs for depreciation against a loss of Rs. 17 lakhs before depreciation of Rs. 61 lakhs for the same period of 1969-70. The working in the second half of this year is expected to be much better as fertilizer sales have been brisker and the sugar unit at Nellikuppam may also fare much better after the decontrol of price, movement, and distribution of the commodity and the higher recovery. It was stated at the annual meeting recently that there might be enough profits in the second half to take care of interest and depreciation charges completely so that the year will end with a considerably reduced loss as compared to 1969-70. However, any marked improvement in earnings will depend on better working of the Ennore Fertilizer Unit. Mr. John K. John, Managing Director, told the shareholders that steps were being taken to tune up the ammonium sulphate plant. There may even be a change in the processes and pattern of total production to improve the viability of the unit.

A New Hotel for Madras

Hotel Srilekha, modern hotel situated at Mount Road, Madras, was declared open by Chief Minister, M. Karunanidhi on June 14th. Built at a cost of Rs. 15 lakhs, this purely vegetarian hotel will be yet another landmark in the City. It contains 77 rooms besides air-conditioned dining hall and restaurant.

Pelletisation Plant for Sandur

The Union Government proposes to set up a Rs. 15-crore pelletisation plant at Sandur utilising the blue dust (iron ore powder) of the Donimalai mines.

Mysore Governor Dharma Vira told newsmen in Bangalore on July 2 that the pelletised ore would be utilised both for export and for the proposed Hospet steel plant.—UNI.

Cigarette Factory for Tamil Nadu

A Rs. 2.40 crores joint-sector cigarette factory, with an annual production capacity of 450 million cigarettes, will be set up in Tamil Nadu. Industries Minister S. Madhavan told the State Assembly recently that the Government-owned Industrial Development Corporation had been granted a letter of intent by the Centre to set up the factory.

He said the State Government was negotiating collaboration arrangement with two leading cigarette manufacturers, because the selling of cigarettes largely depended on the popularity of their brand.



PRIORITY FOR NATIONAL SURVIVAL...

The international scene today bears no resemblance to the conditions in which non-alignment was announced as the cardinal principle of India's foreign policy and even evoked widespread aplomb. The Western nations which claimed to hold the balance even between India and Pakistan have abandoned the pretence. China has zoomed into the firmament of super powers. The U.S. has shed her animosity to China and encouraged Pakistan's cynical policy of obtaining aid from rival camps by availing of her good offices in arranging Mr. Kissinger's visit to Peking and Mr. Nixon's at a later stage.

These moves have an ominous significance and an immediate import because Pakistan is visibly itching for a war with India, with China ready to back her and the U.S. not far behind, because the U.S. had made it clear that her aid to Pakistan will continue and there will be none for India in the event of war. India has no military might to induce diplomatic inaction in such a state of isolation. Nor can Russia look on, while China, with U.S. drawing near, and Pakistan, with assurances of American Aid, plan to overwhelm India. In the conditions which obtain after the tragedy in Bangla Desh, India and Soviet Russia must gravitate towards each other and the Indo-Soviet Treaty is an inevitable, natural corollary of the wide variety of emotions evoked by the understanding between India and Soviet Russia established as a result of Mr. Gromyko's visit to Delhi. The most arresting and the most important is the feeling of relief that India will not find herself in a friendless isolation. This feeling is by and large a token of the triumph of common sense over the kind of sentimentality which induces people to harp on affinities to rival social ideologies or the arbitrary ideals of the Gandhian cult. Nevertheless, the tendency to view the Indo-Soviet Pact from the ideological angle or the Gandhian approach

rules strong among many, even among those who share the sense of relief that is widely felt all over the country. There are those who hail the treaty as a gain for international socialism and as a first step towards India's abandonment of her attitude of aloofness from the Soviets. Equally, there are those who fear that the treaty would prove to be an inclined plane for India to slide down to the position of a Russian satellite or colony. The spectre of a Soviet army of occupation is raised by some. The most important group among those who find themselves out of sympathy with the pact are those who bemoan the threat to the sacred cow of non-alignment in the sphere of foreign policy. And it is noteworthy that the Prime Minister has shown herself most concerned to make out that the Pact signifies no departure from a cardinal tenet of India's foreign policy. It is only natural that Mrs. Gandhi should seek to allay the criticisms or misgivings on this account.

Strictly speaking the communique published after Mr. Gromyko's visit can hardly be described as a treaty or a pact or entente. Leaving out the usual protestations about peace and the like, it signifies a recognition by both parties of the present situation and its potentialities and the need for close consultation between the two countries in the event of either being attacked. It involves no military commitment as such but foresees, though implicitly, the possible need for mutual assistance. As such, it disarms criticism or condemnation as a measure of aggression against any power. And no understanding between two nations can be above such criticism as the one arrived at between India and Soviet Russia. The possible fate of non-alignment is no weighty consideration in this context. It can have no rationale when other nations are ganging up against us. National survival must have priority over any arbitrarily conceived ethics.

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U.S. MEASURES TO CHECK INFLATION CAUSE CONCERN

President Nixon's drastic measures to check inflation at home through tax incentives and restrictions on imports and to delink the dollar with gold temporarily has come as a bolt from the blue. The package measures are so far-reaching in character that world trade has been thrown into confusion. One wonders whether the U.S. President was correct in avoiding devaluation of the dollar.

Briefly, the objective of U.S.A. is to stimulate its economy and check inflation by granting development credits for investments and accelerated relief in tax on personal incomes. Sales of automobiles, a major factor in U.S. economy, will be encouraged with a reduction in the excise duty while imports will be restricted with the imposition of a surcharge. Foreign aid will be cut by 10 per cent. Besides, there will be a reduction in Federal spending by 4.7 billion dollars.

These measures have led to serious fears in Britain, West Germany, Canada and Japan that their exports to U.S.A. will be drastically reduced with possible recessionary trends. This may not happen and should not happen as new outlets are being developed as in the easing of relations with China, the improvement in purchasing force of the oil-rich nations and the developing countries in Asia.

The U.S. Administration had been willing to raise dollar parity for gold and devalue its currency as the course would not eliminate imbalances between different currencies unless individual parities were more than proportionately readjusted for the new gold content to bring about relative improved revaluation or devaluation of selected currencies. Besides it is opposed to a higher dollar price for gold because of political implications. Russia will be benefited greatly as a result of higher gold prices besides South Africa in the free world. Again, there is mortification that there has been a sizable exodus

of gold for over \$30 billion in the past from U.S.A. and if there was a higher dollar price, the new owners will benefit from an appreciation in the value of their gold reserves. The objective of the U.S. President is therefore to achieve a realignment of currency parities with an unchanged dollar price for gold which would mean that there would be sectional devaluation of the dollar among the strong currencies and revaluation against weaker currencies. The final outcome of whole development will be that the gold parity of the dollar will be unchanged while other currencies will have to effect changes under compulsion because U.S.A. is a large buyer.

The U.S. Government is right in saying that the burden it is carrying for ensuring peace in the world should be shared by its rich partners. But it has no right to suggest that the world should level up to its costs.

West Germany and Japan are naturally unwilling to act on U.S. actions in this regard and are insistent that there should be a new international monetary system with built-in safeguards. Greater flexibility is, of course, needed but there cannot be a return to the dollar standard if there was demonetisation of gold. U.S.A. also has no right to say that the dollar price for gold should be pegged at the same level for eternity when the value of its currency has deteriorated along with others. Gold producers cannot be penalised unduly and the obvious solution is a higher dollar price for gold and a realignment of parities. There must be recourse to other more progressive and flexible systems: The Special Drawings Rights Scheme might be suitably recast with new additions to reserves for making available to those in need and not only to those who have. The world will be vastly different after a decade or two with more nations joining the developed category. There is need for evolving a system which would aim at preventing a recurrence of the recent happenings with strong nations choosing to adopt a dominant or arbitrary attitude.

INCREASE IN INDIA'S EXPORTS

India's exports including re-exports amounted to Rs. 1,520.8 crores in 1970 registering a 10.5 per cent increase over Rs. 1,376.3 crores recorded during 1969.

Imports during 1970 totalled Rs. 1,658.8 crores, lower by Rs. 34.2 crores or about 2 per cent, compared to the imports during 1969. As a result of large increase in exports and a small decline in imports, India's adverse balance of trade was reduced to Rs. 138 crores in 1970 from Rs. 316.7 crores during 1969. Exports of jute manufactures during 1970 dropped by Rs. 33.3 crores to Rs. 182.7 crores compared to 1969. Leather and leather manufactures, excluding footwear dropped by Rs. 11.2 crores, jewel and jewellery by Rs. 6.4 crores, raw hides and skins by Rs. 3.2 crores, groundnut by Rs. 4.7 crores, cashew kernels by Rs. 3 crores

and raw tobacco by Rs. 2 crores. A moderate decline was recorded in the exports of raw wool, iron and steel scrap and mill-made cotton piece goods.

Substantial increases were made in the exports of some other products: Iron ore exports increased by Rs. 25.9 crores, tea by Rs. 23 crores, engineering goods by Rs. 14.6 crores, iron and steel by Rs. 13.4 crores, spices by Rs. 11.5 crores, oilcakes by Rs. 9.4 crores, chemicals and allied products by Rs. 3.3 crores, clothing and ferro-manganese by Rs. 3.1 crores each, cotton yarn by Rs. 2.7 crores and footwear by Rs. 2.1 crores. Modest increases were also reported in coir yarn and manufactures, vegetable oils, gums, resin and raw cotton, coffee, manganese ore, fish and other products, mica, handloom cotton cloth and art silk fabrics.

A. P. Budget :

No Attempt to Raise Additional Resources...

The Andhra Pradesh Government has not made any attempt to raise additional resources through new taxation for bridging the deficit of Rs. 9.59 crores in the overall budget for the current year. This is understandable in the light of the forthcoming elections. The State's Finance Minister, Mr. K. Vijaya Baskara Reddi probably expects that this gap will be bridged by some measures already taken and a few others proposed to be introduced.

It should be said, however, that the picture of the State's finances as now presented is more reassuring than that of 1970-71, when all calculations went wrong and an opening cash balance of Rs. 83 lakhs was converted into a deficit of Rs. 47.34 crores at the end of the year. The heavy overdrafts from the Reserve Bank were the result of lower revenue receipts and smaller assistance from the Central Government than assumed in the budget estimates. As there was also a revenue deficit of Rs. 12.02 crores in the revised estimate for that year and a deficit in the capital budget as well, it was expected that the final cumulative deficits would be around Rs. 35 crores. This was the position that existed when the interim budget for 1971-72 was presented to the State legislature for securing a vote on account for six months.

The position has however vastly deteriorated since then and a re-examination of the budget estimates for 1970-71 has disclosed that there would be a minus opening cash balance of Rs. 47.34 crores for 1971-72.

A More Comfortable Position

In the current year, however, the State will have the advantage of a more comfortable revenue budget. Receipts will be much higher at Rs. 319.65 crores and even with an increase in revenue expenditure there will be a handsome surplus of Rs. 13.78 crores. There will, however, be a big

stepping up of plan outlay to Rs. 105.08 crores from Rs. 86.68 crores and there will be a deficit of Rs. 23.37 crores. The revenue surplus is, therefore, converted into overall deficit of Rs. 9.59 crores. This kind of deficit is not harmful as it arises out of productive expenditure. Even this gap will be wiped out if there were no upsets in the assumptions relating to Central assistance in the form of loans and grants.

Higher Tax Revenues Anticipated

No new taxes have been immediately proposed. But it is hoped that additional revenue for Rs. 1.50 crores will be available when the Bill empowering the State Government to levy stamp duties on the basis of market values of properties notwithstanding any mention of lower amounts in the documents concerned is passed. There will also be a higher tax on contract carriages besides a surcharge on the motor vehicles tax payable by fleet owners. These two levies will fetch Rs. 55 lakhs and Rs. 75 lakhs respectively. More revenues can be secured through the

rationalisation of the Sales Tax structure that will be attempted on the basis of the recommendations of the National Council of Applied Economic Research which went into the whole question. As many rates are lower than in the neighbouring States the opportunity may be utilised for raising these rates. It is also expected that an extra amount of Rs. 3 crores might accrue from the Central Government with higher additional excise duties levied on sugar, tobacco and textiles.

Large Needs of Irrigation Programmes

It is, therefore, likely that there will be no uncovered deficit in the current year though the budgetary position may get altered if there was expenditure on drought relief and also a speeding up of the implementation of Plan schemes. The State has an obligation to tap effectively its vast irrigation potential. The heavy expenditure already incurred on the Nagarjuna-sagar Project can be reaped fully only if the canal systems were speedily constructed. This involves additional



A view of the massive Nagarjuna-sagar Dam in Andhra Pradesh, one of the largest concrete dams in the world

allocation of resources—much more than even the sizable Rs. 10 crores planned for the current year. There is also the problem of developing the land covered by the canal system. The Pochampad Project in Telengana also calls for similar treatment. The State Government will have to give a higher priority to this project as it will be helpful in developing a backward area.

The Tungabhadra High-level Canal will benefit Rayalaseema and Telengana. There are also some other irrigational projects like Vamsadara in the Sriakulam area. The problems of Andhra Pradesh are somewhat peculiar as there are compulsions to increase investments in relatively more prosperous areas like the coastal districts than the backward areas for

giving the latter succour. These conflicting objectives can be reconciled only if there was adequacy of resources. The irrigation schemes will require more than Rs. 30 crores annually for several years. In 1971-72 the Nagarjunasagar Project has been allocated Rs. 10 crores, the Pochampad Project Rs. 9 crores, the Tungabhadra High Level Canal, Rs. 2 crores and Vamsadara Project Rs. 1 crore.

Power Prospects

While irrigation projects account for sizable expenditure, there is an even greater urgency for developing power resources. The hydel potential is yet to be fully developed. The Srisailem Project on the Krishna river is under construction but it will take some years to complete it. Meanwhile the Lower Sileru Project will afford some relief and the expenditure on this project in the current year will be Rs. 6 crores. But there will have to be greater reliance on thermal power for sometime and the Kothagudem extension scheme will absorb Rs. 12 crores. The Ramagundam power station will be generating more energy with the commissioning of a set with a capacity of 62.5 MW. The aggregate expenditure in the current financial year will be much higher at Rs. 42 crores against Rs. 36 crores last year.

Even with the implementation of all power schemes the installed capacity will not be more than 1000 MW at the end of the current plan period and there is bound to be a big gap between demand and available of power. As many industrial projects will be coming into being in the private and public sectors in the next few years and as there will also be an increase in the agricultural load, more thermal capacity will have to be created. Andhra Pradesh is probably justified in asking for a nuclear power station in its territory.

Andhra Pradesh will have to develop its own resources and the Centre should give special assistance by rescheduling debt repayments and interest charges. The State may have to raise larger resources if it has to develop greater strength and self reliance.—Meenam

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MCM/9/198

Self-Aggrandisement at the Cost of Constitution....

By P. R. SRINIVAS

The massive vote in the Lok Sabha in favour of the Constitution (Twenty-fourth) Amendment Bill and the certainty of the requisite number of States signifying their agreement to it have reduced the merits of the change to a matter of purely academic interest. What is even more disconcerting than the certainty of its unimpeded passage to the Statute Book is the meek acceptance by the intelligentsia of the propriety, not to speak of the constitutionality, of the Amendment and the shift of interest to the manner or the extent in which Parliament or the ruling party may choose to exercise the newly acquired powers in the future. Neither the manner in which the ruling party and its adherents moved to this attack on the constitutional guarantee of the fundamental rights, nor the specific point on which Parliament seeks to be freed of its shackles have affected the attitude of general public to the changes in prospect. There has been even from the days of Jawaharlal Nehru, who must be counted among the Fathers of the Constitution, a marked intolerance of the powers and functions conferred on the judiciary. There have been utterances which, if they had been made by an ordinary citizen, would have been considered actionable by the courts concerned. It did not take long for a movement to be set afoot towards amendment of the Constitution whenever a particular Article is found to hinder the powers that be in effecting a particular piece of legislation. It may be that in the early years of the era of independence, the Supreme Court was none too assertive of its powers or found little or no occasions for it. But it is impossible that, as the zeal for extremist measures increased, the courts would not have to strike down the laws which were justly impugned. The result is that the cry for amendment of the Constitution to suit the requirements of the kind of legislation favoured by the majority party has led to an attack on the judiciary and the Supreme

Court, an attack which Mr. Mohan Kumaramangalam has not thought fit to desist from even after the passage of the Amendment Bill had become a certainty. Such denunciation of the Supreme Court together with the talks of "committed judges" indulged in by the Prime Minister only indicate the spirit in which the problem of sufficiency of legislative powers for securing social progress is approached.

No Right is Sacrosanct?

The Bill now before Parliament is not an "amendment" according to the common connotation of the term, which lays as much emphasis on the base and structure of what is amended as on the change that is sought to be made by the amendment. The Twenty-fourth Amendment seeks to vest in Parliament the right to amend any part of the Constitution including fundamental rights. In moving the Bill, Mr. H. R. Gokhale, the Law Minister, declared that its object was to remove the impediments to progress created by the Supreme Court in the Golaknath case by giving a subsidiary position to



fundamental rights and a predominance to the Directive Principles of State Policy. The Indian Constitution is unique in its inclusion of the Directive Principles of State Policy. But by the debates in the Constituent Assembly, and otherwise also, it was made clear that the fundamental rights were considered as sacrosanct and that the Directive Principles took only a second place. The conflict between these two is in the main the creation of impatient reformers and is not by any means incapable of being resolved by other means. In a democratic Constitution, which is committed to a socialist society and which, by reason of adult suffrage and ignorance of the masses admits only leftist extremists to places of power, hardly needs on abrogation of fundamental rights for passing the laws necessary for healthy and rapid social progress. This has been fully borne out by the experience of the last few years. Compensation for taking over of surplus lands under the Ceiling Acts is not subject to the jurisdiction of the courts. Nationalisation of banking and insurance has been effected without any impediment. Progressive taxation with steep gradients is impoverishing many classes and individuals. Even a highly extortionate municipal tax will not come up against any hurdle. The State can acquire controlling interests by converting loans into equity. If in spite of these the ruling party wants to have absolute power over the fundamental rights, the plea that social progress requires such a change of the Constitution is but a thin pretext. The truth is that it is not prepared for the more laborious or less spectacular tasks involved in forming a socialist society within the political framework of the present Constitution. No written Constitution is worth the paper it is written on, if any limb of the State is free to alter it at its will. No natural rights are worth talking about if they do not include the right to property, right to free speech and free association, however much they may be

hedged in or subject to modifications in times of crisis. Once our fundamental rights are changeable by Parliament—all of them, and not alone the right to property—we have nothing to fall back upon except the promises of the leaders in power not to abuse the powers to be acquired. Such promises have to be held out, though everyone knows that Mrs. Indira Gandhi, or those of her friends who are with her in this, will be there for all time to see that they are fulfilled. What is the fate of Sardar Patel's promises to the Princes, which have been written into the Constitution?

What of the Value of Assurance?

It is clear that the Government is anxious that the minority communities and the owners of small property should not feel threatened by the change, though they have enjoyed all along the special solicitude of the New Congress, and its supporters. Hence the Government's assurance that, even after the present amendments become law, the Land Acquisi-

tion Act will be kept in the Statute Book, so that small property owners would continue to get market value in the event of a take-over. The aim of the amendment to Article 31 is said to be mainly to facilitate progressive measures like nationalisation of any sector of the economy or for curbing monopolistic growth and not to hit the small property owners. But here, too, there can be no appeal to the courts, though a distinction is made between the amount of compensation and the reasonableness of the grounds on which acquisition is made. The legislation cannot be challenged, not only on Art 31 but also on Art 14, which insists on equality of all citizens before the law. The Centre apparently is, however, inclined to consider the criticism that the Art 31(c) would be vesting too much power in the States. And one of the suggestions put forward in the light of this criticism is that for such laws, a three-fourths or two-thirds majority, and not a simple majority, should be required in the State legislatures. Special majorities

are not hard to get in conditions of regimented parties and exercise of power by political bosses. How long these special provisions will last or how far they will afford protection to the interests concerned, it is hard to say. But there can be no doubt that, once the legislature claims and assumes sovereignty and makes the Constitution alterable at its will, national polity and political life will have lost a stable base. The purpose of a written Constitution is to provide such a base and protect the nation from the fads and fancies of a passing majority. The sponsors of the Amendment can hardly claim to have shown that the danger of having to circumvent Art 31 in ways that are now open to it for effecting progressive measures is greater than the danger inherent in the removal of constitutional guarantees by violation of its basic principles. And so long as that point is not proved, the amendment must be regarded as part of the ruling party's plan of self-aggrandisement at the expense of the Constitution and the Supreme Court.

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Very Indignant Persons

They expect us to fulfil our tasks honestly. But are we doing so?

Who are they? Why are they so indignant? And with whom? They are the large mass of India's population, either under-employed or unemployed. Their employment, their hopes, rest upon the honest performance of those employed like us, who work in factories, in offices, in government and industry. The employed create the conditions for reducing unemployment and under-employment.

Every single person
lam-HSP-10A/71

employed—manager, engineer, technician, factory worker, clerk, miner, doctor, lawyer, civil servant—has to answer these indignant persons; whether he has been more concerned with preserving and improving his privileged position, than with fulfilling his assigned tasks with sincerity.

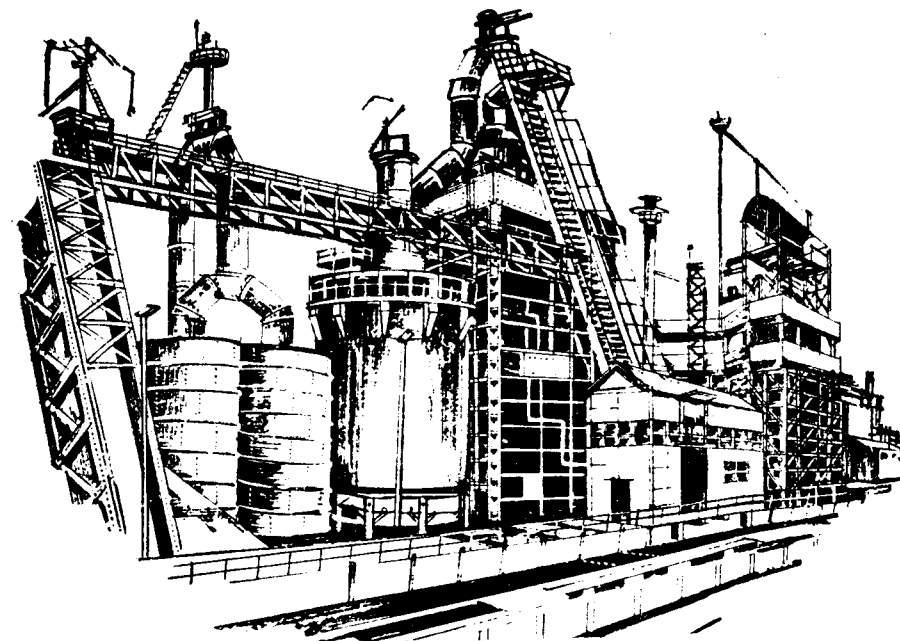
Those of us who are involved in the manufacture of steel have a special responsibility in meeting the challenge posed by these indignant persons, because there is no employment which does not involve the use of implements and

facilities, and there are few implements or facilities which do not involve the use of steel at some stage or the other.

Our task in Hindustan Steel is to meet the rising tide of indignation, by providing the steel needed for development. Dedication, discipline, peace at the working place and the will to work are our most important resources. Do not destroy them. Help us to build.



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for national growth



Magnificent strides had been taken by the steel industry in creating sizable capacity. But only a portion of this is being utilised contributing to shortages

When we had our tryst with destiny 24 years ago and were rejoicing the first flush of freedom, the Father of the Nation was at Calcutta striving to bring peace to that trouble-infected city. Now, after 24 years of freedom, plan and progress, we are helpless spectators of the daily toll of

adroitness. Over these 24 years we have been wanting in this quite consistently. The Big Powers, it is clear, are not going to help us in solving the Bangla Desh issue. War or no war, we have to find a permanent solution on our own to Bangla Desh question and the refugee problem. We

IN THESE TWENTY-FOUR YEARS

murders and violent incidents. The situation has become more complicated with Bangla Desh struggle and the mass exodus of refugees from East Bengal into India. Industries in West Bengal were already limping due to Naxalite activities and the present threat from the eastern side will cripple them further.

An Uphill Task

With over 6 million refugees to look after and with the inflow of some 60,000 persons per day the Government is facing an uphill task. On relief alone the Government may have to spend over Rs. 200 crores in the next six months. How to mobilise such huge resources? How to send the millions of refugees back to East Bengal?

Crisis of Diplomacy

These ticklish problems have to be tackled with great diplomacy and

have fought a few wars in these two decades and we know where we stand.

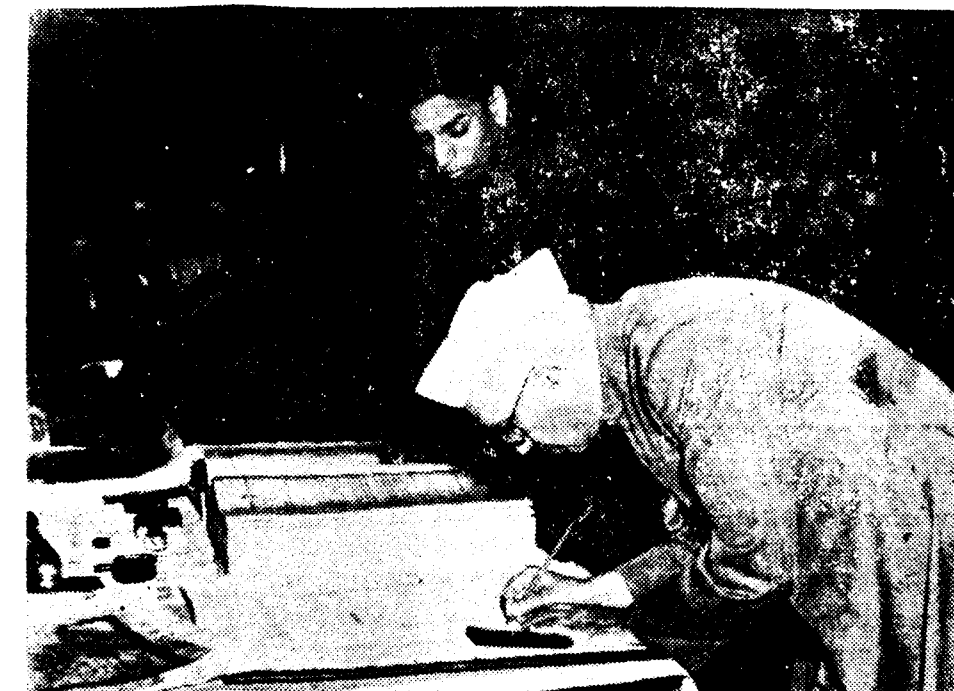


Prime Minister Indira Gandhi, the Custodian of the cares and hopes joys and sorrows of 560 million Indians

Agriculture

Self-sufficiency in Food Grains

Indian agriculture has not yet been freed from the clutches of monsoon, floods and draught and some region or the other continues to be afflicted at any part of the year. There is need for greater emphasis on tapping the ground water resources for irrigation if the rate of progress is to be maintained. The search for high-



It is 24 years since we achieved independence and we are now in for the 24th amendment of the Constitution. Picture above shows the new Constitution of India signed by Jawaharlal Nehru on January 24, 1950



Ensuring public participation in a backward economy is a stupendous task. We have broken some grounds but much remains to be done. Picture shows villagers deepening a tank

yielding varieties in commercial crops cannot be allowed to proceed slowly. Problems of mechanisation will bring in its wake the need for trained manpower, surplus of unskilled manpower, unemployment and the consequent impact on the social fabric. Much work will have to be done to prevent the rich from growing richer and poor, poorer in the rural sector. The backward and forward linkages of agricultural development have not been taken care of in a systematic manner and they must be provided for in the years to come if the growth in the rural economy is to be real and sustained.

Industry

Era of Industrial Revolution . . .

The post-independence era can be called the era of industrial revolution in India. From mainly a consumer goods and intermediate goods pro-

STILL A CHERISHED IDEAL

"To bring freedom and opportunity to the common man, to the peasants and workers of India; to fight and end poverty and ignorance and disease; to build up a prosperous, democratic and progressive nation."—Jawaharlal Nehru in a Press message on the eve of Independence Day, 1947.

ducing country, India has risen to produce top class capital goods in many items. Indian goods vie with other countries in international markets. The last decade was marked by a remarkable rate of growth of industries; but for a recession and unstable conditions due to drought and war it could have been more spectacular. Some of the sophisticated sectors of industry have come up in this period and a wide technological base has been laid. The weakest links are the tendencies to ignore quality and reduction of costs. These two problems are the

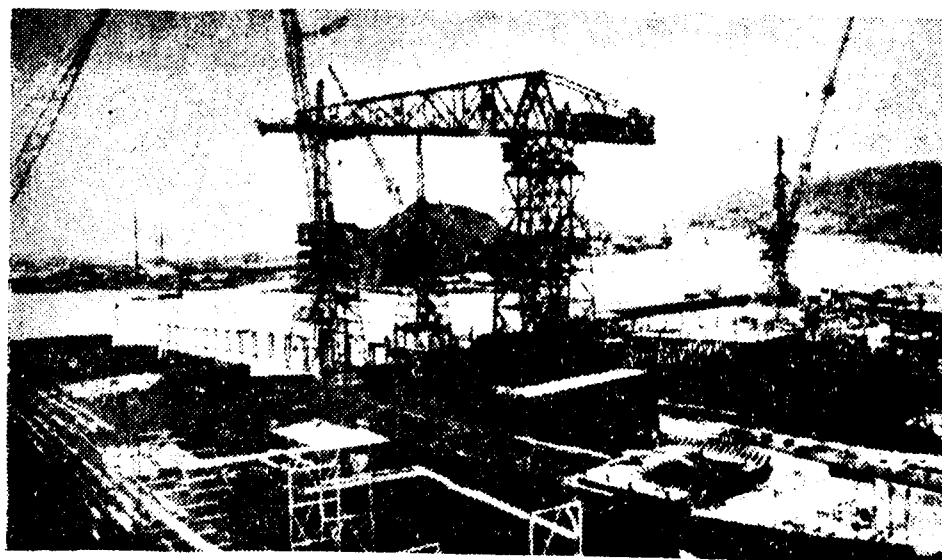
byproduct of a protected home market where the emphasis has all along been on "import substitution." As widespread effort has not been made to cut costs, the effective demand in home and foreign markets has not expanded fast. This is an important challenge to Indian industry and unless this is faced with determination, industrial growth will suffer.

Tardy Bureaucracy

There are raw material shortages, sometimes arising out of balance of payment difficulties but also out of tardy procedures and policies of the bureaucracy. While a beginning has been made with a liberalised industrial licensing policy, much remains to be done on the positive side of attracting entrepreneurs. The problem of adopting the right type of technology will have to be examined more carefully keeping in view the problems of regional dispersal, optimum employment and higher productivity. The energies of all concerned with the economic uplift of India will have to be harnessed to provide for increased production of industrial goods, a balanced growth of all regions and in the process promote adequate employment opportunities for as many people as possible.

Consumer Industries

In spite of the various problems, industrial production has been showing a steady growth. As a by-product of



India is spending large sums in foreign exchange for her shipping needs. With higher production from Hindustan Shipyard and the proposed Cochin Shipyard, a faster expansion of shipping facilities can be taken up. A view of Hindustan Shipyard, Visakhapatnam, is given above

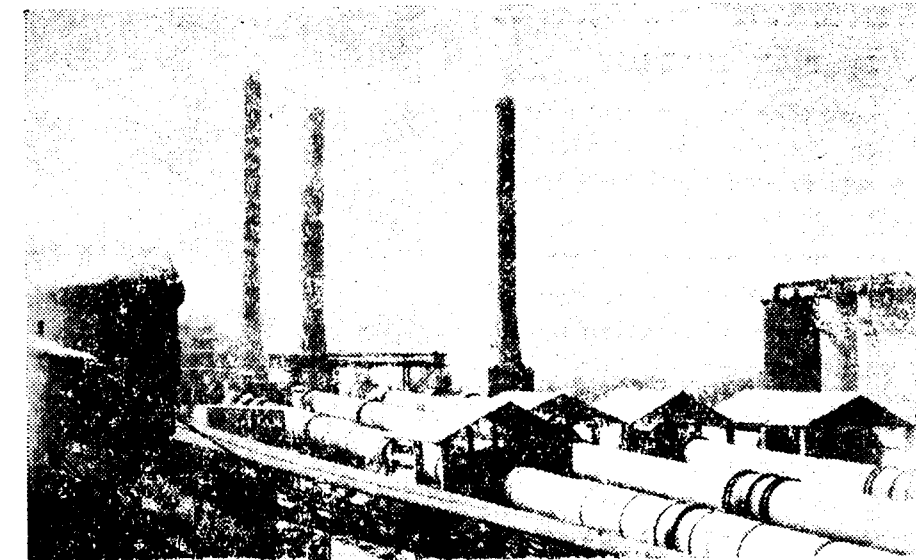
THREE-FOLD INCREASES

Number of mandays lost as a result of strikes has risen three times from about 6.5 millions or so in 1965 to about 19 millions in 1970.

the agricultural revolution, consumer industries have received a fillip giving a boost to intermediate and capital goods industries as well. Notable developments are in the fields of food processing, electrical machinery, non-metallic mineral products, metal products, chemicals and power generation. Substantial growth has also been recorded in the output of fertilizers, cement, electrical goods, motorcycles and scooters and machine tools. But the textile industry continued to oscillate due to non-availability of adequate cotton supplies and lack of finance for modernisation.

Idle Capacity

The industries where the situation is somewhat stagnant are: Transport equipment, steel and heavy engineering. In these industries, there is idle capacity. In public sector steel plants, capacity utilisation is low due to organisational and industrial relations problems. Heavy engineering industries also languish due to organisational problems. The transport



Since independence we have attained self-sufficiency in a number of industrial and consumer goods. Magnificent strides have been taken which have helped us even gain export markets. Cement is one such. Picture shows a view of Jaipur Udyog Cement Plant

equipment industry is afflicted with lack of orders from the Railways.

Investment is a function of agricultural output in India. As agriculture output is the guiding factor for most of our industries, the investment fluctuates from year to year. During 1970-71, the climate for private investment was good but a considerable volume of investment appeared to take place in the small scale sector primarily due to advances from public sector banks. But, as the Economic Survey, 1970-71 points out that for some time to come, much greater support is

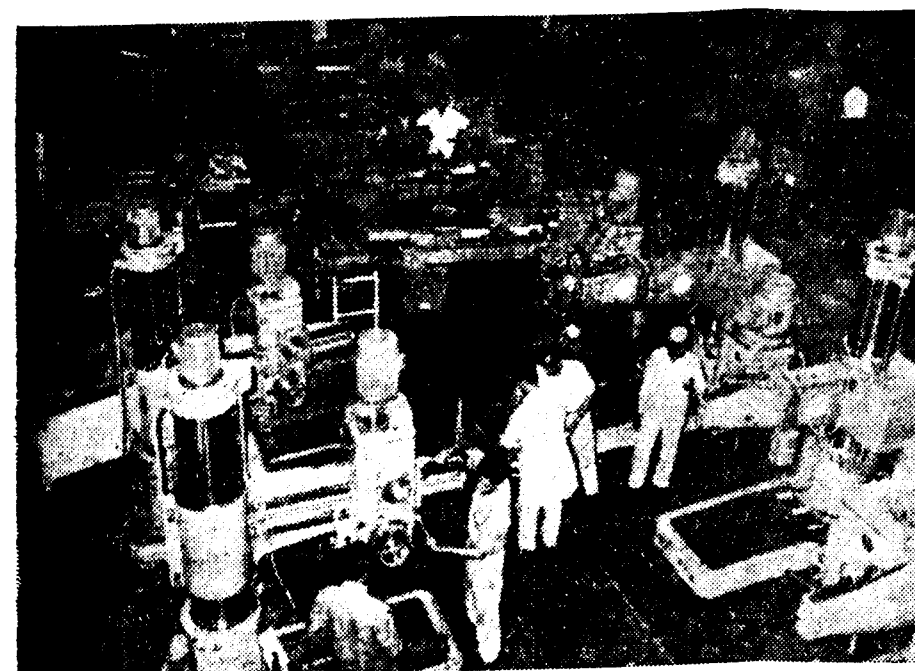
required from public sector investment which not only adds to industrial potential directly but also creates a favourable environment for private enterprise.

Public Sector

Need for Reasonable Returns

The Railways are in the red and so is the case of some giant public sector corporations. According to the Economic Survey, the financial performance of the non-departmental undertakings of the Union Government relating to 1969-70 shows that in the case of 67 running concerns other than Hindustan Steel, the total gross profit amounted to Rs. 117.27 crores during 1969-70 and gave a return of 4.9 per cent on capital employed as against 4.7 per cent in the previous year. The aggregate net profit amounted to only Rs. 7.2 crores during 1969-70. Of the undertakings making profit, 22 declared dividends totalling Rs. 12.31 crores, equivalent to 7.7 per cent of the paid-up capital of these concerns. Hindustan Steel continues to incur heavy losses though the trend has been downward in spite of the recent hike in steel prices announced by the Government. These are attributed mainly to wage increases and lower production.

This report shows a dismal side of public sector investment due to many of these ventures not running according to commercial principles. It is time that the Government takes a serious look at



Manufacture of 'mother' machines within the country is the key to industrialisation. Rapid strides have been made in the manufacture of machine tools. A view of the Hindustan Machine Tools, Bangalore Unit

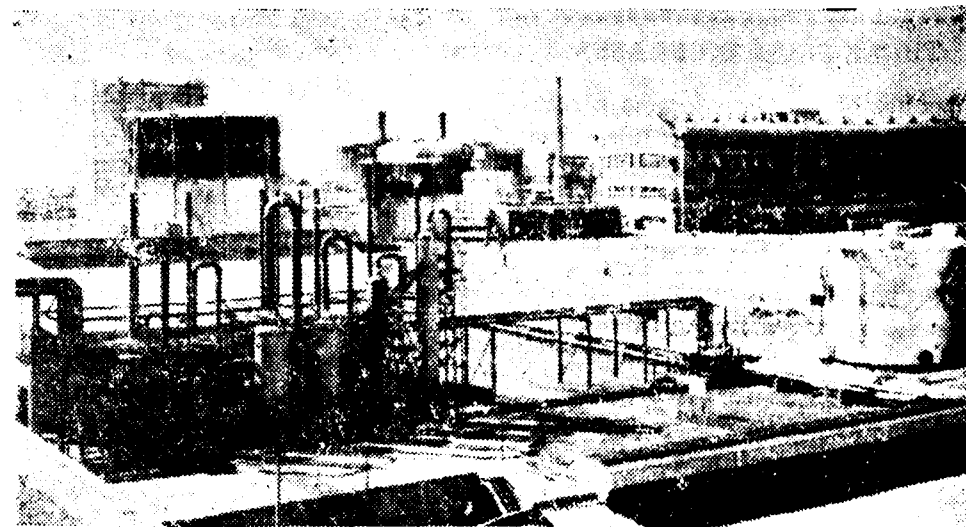
JUST AN AVERAGE

For more than 80 per cent of the population living in the rural areas, the average income works out to Rs. 1.25 a day.

these units so that the investments made yield a reasonable return to the public exchequer.

Nationalised Banks

Yet another major event during this period is the nationalisation of 14 major commercial banks with a view to channelise the flow of credit to hitherto neglected sectors. The progress made by nationalised banks in the matter of providing credit to the weaker and vulnerable sections of our society is evident from the volume of business and the extent of coverage. But, as the Economic Survey for 1970-71 admits "there is considerable leeway to be made up in the direction of extending bank branches to backward areas and removing various inter-regional imbalances in the availability of banking facilities." The work has now gathered momentum. The scheme of deposit mobilisation cannot be worked in isolation in the absence of a credit policy, wage policy, taxation policy and above all providing sufficient in-



Under utilisation of capacity has been the bane of many units of Indian industry. The FCI Unit at Nangal could not operate to full production last year due to power cuts. A view of the Nangal unit

centives to the weaker sections to save and invest. Nothing much has been done in his field in spite of impressive claims being made from time to time.

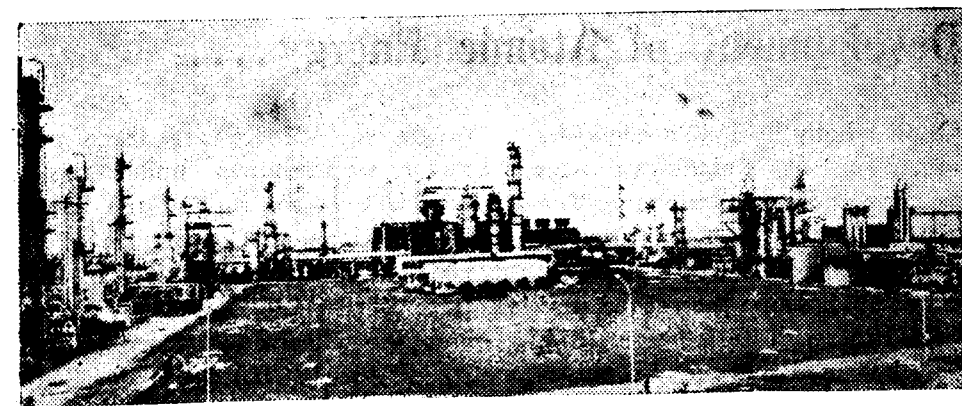
Price Situation

Pressure is on the Up . . .

The price situation continues to cause anxiety in the 25th year of Independent India. The pressure on prices continues to increase and the wholesale price index showed a steady rise until the seasonal peak was reached in September, 1970. In December 1970 the price level was 6.5 per cent higher than

in the corresponding month of 1969. Even though the prices have tended to come down during the last few months, the situation is beset with difficulties. This problem will get accentuated as the government is embarking on a crash programme to meet the problem of unemployment. The problem of inflation has to be tackled with special efforts in a situation where the Government intends to cover the employment gap. The Economic Survey lists three main factors underlying the rise in prices: Inadequate supply of essential goods; a certain excess supply of money and exercise of monopoly power which helps speculation and hoarding. These are broad generalisations and have been doled out year after year but the need of the hour is effective steps to stabilise prices while providing the incentive to produce coupled with a satisfactory rate of economic growth.

In the economic sphere, these 20 years have witnessed significant growth in many directions, and failures in some key sectors. The year that has gone by has given rise to some feelings of despair too. True this period may not be the best of times but it is also not the worst of times. There has emerged in the country various skills, entrepreneurship and a zeal for economic betterment. All this must augur well for a country which was stagnating under alien domination for a long time. There were periods of ups and downs in the agricultural production and even after the so called "Green Revolution", this



Petroleum industry is the home of cartels. But we have a break now what with ventures of the Government of India in the field. Photo shows a view of Madras Refineries

sector continues to be at the mercy of the rain god. No doubt, a remarkable revolution has taken place in agriculture and if the experience of recent years are any guide, a substantial part of our economic growth can be attributed to the growth of this sector. The outlook for 1970-71 appears to be promising.

The areas of shortfalls in performance in the agricultural sector relate to commercial crops, even though jute, oilseeds and sugarcane production appear to be satisfactory if last year's results are any guide. This problem can be overcome only with extensive research for improved varieties, change of technology and package practices. Much needs to be done in this field.

Farm Credit on the Debit Side

While on the input side, irrigation facilities have been augmented, consumption of fertilizers, increased and better mechanisation attempted on a large scale, certain factors like haphazard land reforms, presence of large army of landless labour and failure of cooperatives continue to plague this sector. No doubt, the quantum of institutional credit has gone up to Rs. 682 crores in the cooperative sector. The Agricultural Finance Corporation, the Rural Electrification Corporation and the nationalised banks have stepped up their activities and quantum of assistance during last year. But the requirements of credit have not been fully covered as yet.

A beginning has been made to link research on dry farming with practical utilisation. Special schemes have been launched to help the small farmers and agricultural labour through institutional credit and creation of subsidiary

occupations. The continued success of the new agricultural strategy has been matched with suitable incentives to farmers in the shape of a remunerative price for their produce.

Foreign Trade

Will Exports Grow to Expected Levels?

Since independence there has been a vast change in the content of our imports and exports. The emphasis now is to import such goods and machinery which will help our production. (Import of machinery as per 1969-70 figures constituted 21.9 per cent of total imports). We have come a long way in exports. Our engineering goods are in demand in many parts of the world. Still traditionals are our mainstay and we often get jittery when we lose preferential tariff for our textiles and other manufactures. If production at home

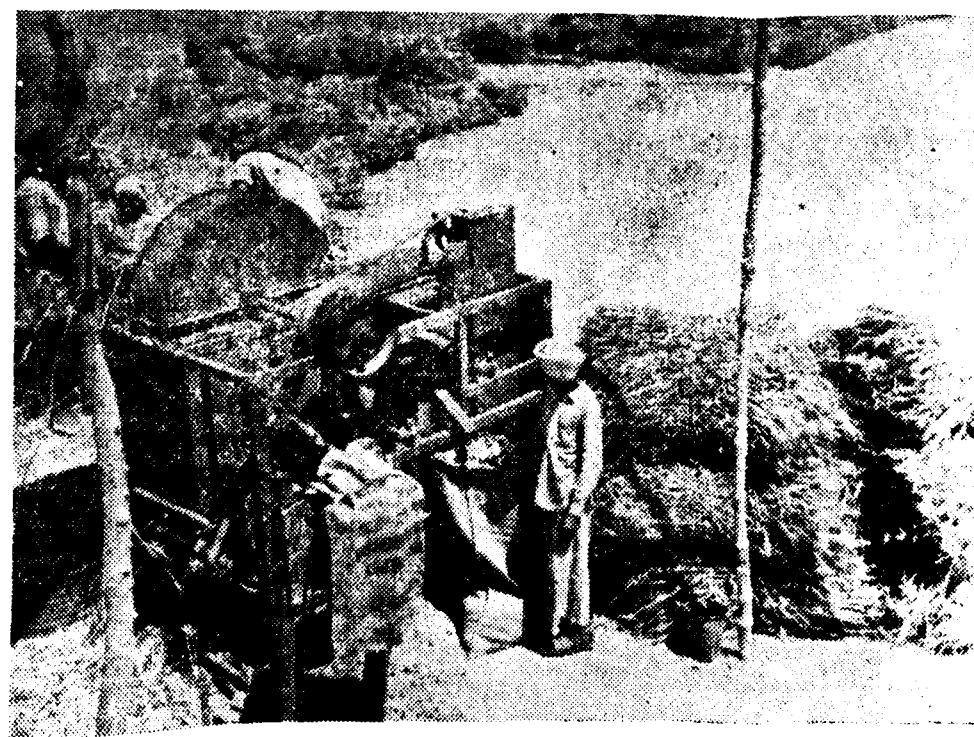
is limping, how can we make any impressive strides on the export front? Mere fixation of targets will not help.

Haves and Have-Nots

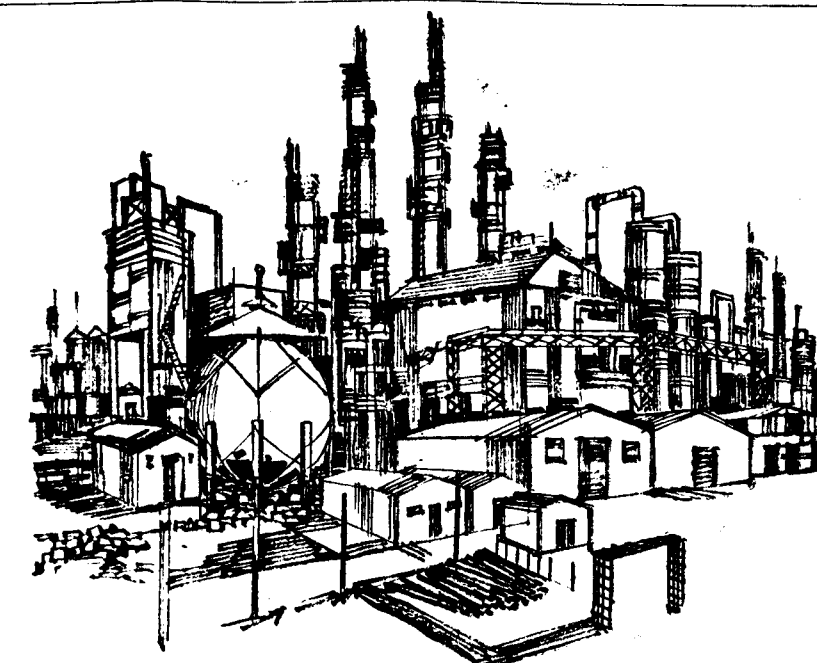
The Yawning Gap ...

In spite of the Five Year Plans, the yawning gap between the haves and have-nots has widened and the new programmes have contributed to an increase in the concentration of wealth and economic power in the hands of the better-off sections of our society. With the problem of growing numbers, the spectre of unemployment looms large in the 25th year of freedom. Added to this there are pockets of industrial unrest, indiscipline in various walks of life, and an uneasy feeling among the student community about their future. Since the last General Elections, the affairs of the country have been placed in the hands of the Congress Party with a massive majority and which is committed to the removal of poverty and ushering in an era of socialistic society. The years to come will witness whether the hopes and aspirations that have been kindled in the electorate will be fulfilled or whether the country will have to turn to something more radical to achieve the goal of an egalitarian society.

Let us live in hope and as Mr. Nehru said "rejoice in that freedom, even though clouds surround us... and difficult problems encompass us."



Mechanisation of agriculture has helped spread of green revolution especially in the wheat belt. Picture shows mechanical harvesting in the Punjab



Spectacular increases have been made in the capacity and production for fertilizers. With massive additional investments proposed in the Fourth Plan, near self-sufficiency is expected in the mid 'seventies

Accelerating the Development of Atomic Energy....

Profile for development of atomic energy and space research prepared by the Department of Atomic Energy has been accepted by the Government. It includes, among others, commissioning by 1980 of 2,700 MW of nuclear power, design and construction of advanced thermal reactors of 500 MW unit size, design and construction of a prototype fast breeder reactor, augmentation of heavy water production, development of gas centrifuge technology for uranium enrichment, and the all round strengthening of support facilities.

During the year ending March 31, 1971, the Tarapur Atomic Power Station generated over 2,400 million units. Of this Maharashtra utilised 1,153 million units, while Gujarat was able to absorb 1,092 million units. The availability of power from the Station ensured that there was no power cut in Maharashtra in 1970 even in the pre-monsoon months. To manage the affairs of the Tarapur Station, and other atomic power stations as they become operational, the Department has constituted an Atomic Power Authority.

Two More Stations Under Construction

Two other nuclear power stations—the Rajasthan Atomic Power Station (being built with Canadian assistance) at Rana Pratap Sagar near Kota, and the Madras Atomic Power Station,

being built wholly by Indian engineers and scientists at Kalpakkam near Madras, are under construction. The first unit of the Rajasthan Station is expected to become critical towards the end of 1971, while the second unit is expected to reach this stage in 1974.

It may be noted that many sophisticated items of nuclear equipment are being manufactured in India for the first time. The task therefore involves not only the building of a nuclear power station, but the creation of a national capability in this field.

Considering the long-range requirements of the country's nuclear power programme, three plants for the production of heavy water have been sanctioned by Government. The plant at Kota based on the H_2S-H_2O process developed at the Bhabha Atomic Research Centre is expected to be ready by 1974. The plants at Baroda and Tuticorin, based on the ammonia-hydrogen exchange process developed in France and linked with the ammonia streams of fertilizer plants are likely to be commissioned in 1973 and 1974 respectively.

Fast Reactors at Kalpakkam

Considerable progress has been made in setting up the Reactor Research Centre near Kalpakkam. The Centre will be responsible for the development, in all aspects, of fast reactors and such other reactor systems as may be assigned to it.

A Variable Energy Cyclotron is being set up as a national facility near Calcutta by the Bhabha Atomic Research Centre. This will be a modern research facility for high quality work in nuclear physics, and controlled direct irradiation of biological and agricultural products. Because of its high beam intensity, the cyclotron can produce a variety of isotopes which it is not possible to produce in nuclear reactors.

Industrial Applications

The industrial operations of the Department support the atomic energy

programme. There are three public sector undertakings under the administrative control of the Department: Uranium Corporation of India Ltd., (UCIL), at Jaduguda, Indian Rare Earths Ltd., (IRE) at Bombay, and the Electronics Corporation of India Ltd., (ECIL), at Hyderabad.

During the year, the facilities at UCIL worked at full-rated capacity and produced uranium concentrates worth Rs. 375 lakhs, as against production valued at Rs. 341 lakhs in the previous year. The net operating profit for the year after providing in full for depreciation and interest is likely to exceed Rs. 30 lakhs.

To meet the upward trend in the international rare earths market, the capacity of the rare earths plant of Indian Rare Earths Ltd., at Alwaye was increased to treat 4,500 tonnes of monazite per year. Almost the entire production of rare earths is exported and the company has entered into contracts with its associates in USA till December 1973, for the sale of rare earths chloride.

A notable feature of the Electronics Corporation of India Ltd. is that indigenously developed expertise is exclusively used for the production of sophisticated professional grade components, equipment and systems. The company has also developed a fully transistorised closed circuit TV system and a prototype commercial TV set. The company has earned a small profit during 1970-71—third full year of its operation. Sales increased from Rs. 9 lakhs during 1967-68 to over Rs. 175 lakhs in 1970-71.



INDUSTRIAL ECONOMIST

Case for a Tribunal for Cauvery Waters

There should be a general feeling of relief that, in place of the agitation which the "ultimatum" to the Central Government threatened, the Government of Tamil Nadu has instituted a suit in the Supreme Court against the Union of India and the State of Mysore in the matter of the Cauvery waters. Though Mysore, as may be expected, holds the view that the matter is outside the jurisdiction of Court, Tamil Nadu's plaint is a complete recital of the history of the negotiations and understandings between the two States over more than three quarters of a century and asks for a declaration by the Court that a dispute has arisen and exists between the plaintiff (Tamil Nadu) and the first defendant (the Union of India) in regard to omission on the part of the first defendant to constitute a tribunal under the Inter-State Water Disputes Act, 1956 and to refer to the tribunal certain issues arising out of the State of Tamil Nadu's letters to the Union of India dated February 17, 1970 and August 26, 1970. The cause of action arises from the non-compliance by the Union of India with Tamil Nadu's request made in accordance with the provisions of the Inter-State Water Disputes Act.

It is noteworthy that official circles in Kerala are reported to have said that they have taken note of the fact the Kerala Government has not been impleaded as a party and that Kerala, too, like Tamil Nadu, has been urging the Centre to refer the dispute to a tribunal. Kerala's stand differs from that of Tamil Nadu in that the former regards the reference to the tribunal as an extreme step which can be resorted to only after complete failure of negotiations. The fact, however, remains that, in regard to Kabini, Kerala and Mysore have an inter-State river on which Mysore can proceed with projects for greater utilisation of the waters only with the consent or concurrence of Kerala except that Mysore has promised compensation for Kerala when the latter's interests are seem to be affected. Kerala's experience of Mysore's atti-

tude and treatment of the dispute is not different from that of Tamil Nadu.

A History 2,000 Years Old...

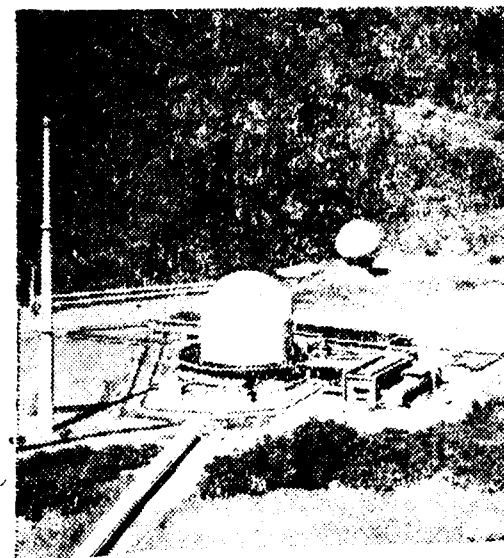
The merits of the case must depend on the long history of the use of the Cauvery waters and of the negotiations and understandings between the two Governments on this matter. That history dates back to over 2000 years ago, since the Cauvery waters have been utilised in large part in the districts of Thanjavur and Tiruchirappalli, through the network of irrigation canals in the lower reaches and the deltaic area made possible by the far-sighted rulers of the Chola dynasty. Till the middle of the last century, irrigation of the Cauvery waters in Mysore was limited to small areas and the attempts to expand the area led to the first agreement on this subject in 1892 between the Government of Madras and the princely State of Mysore. This agreement was a recognition of the rights of the ryots in the lower reaches of the river, inasmuch as it included a schedule of rivers in which no new irrigation works could be started by Mysore without the prior concurrence and consent of the Government of Madras. The obligation to obtain the consent of the Madras Government for interference with the flow of waters in the Cauvery was brought out clearly when Madras refused to give its consent to the Krishnaraja Sagar following Madras' proposals for a reservoir at Mettur. The reference of the dispute to the arbitration of Sir Hendry Griffin resulted in a confirmation of Madras' entitlement and its right to the benefit of doubt, where doubt arose. The Government of India balanced Madras' proposal of extension of irrigation to three lakh acres from Mettur by permitting Mysore to irrigate 1.25 lakh acres from the Krishnaraja Sagar. The 1924 Agreement which signalled this understanding is due for revision in 1974. The sudden emergence of an acrimonious dispute between the two States is due to the fact that, despite

Mysore's claim that it has not utilised even 60 per cent of the waters she is entitled to under the 1924 Agreement, she is proceeding post-haste with projects on the Kabini and the Hemavathi which might well have the effect of turning the rice bowl of Tamil Nadu into a dust bowl. That a similar fear is entertained by Kerala in regard to some of its agricultural lands only emphasises the essentially inter-State character of this river system and the danger of Mysore going ahead with schemes of its own as if the ryots of the lower reaches of the river system in the neighbouring States have no rights in this regard. The cause of action for the suit instituted by the Tamil Nadu Government thus arises from Mysore's refusal to abide by the terms of the Agreement or to negotiate on exchanges which can be effected by the mutual consent of the three parties and the failure of the Union Government to refer the dispute with the provisions of the Inter-State Water Disputes Act.

Allegations of Political Motivation...

It is indeed saddening that a dispute which has been under discussion for a number of years should have proved so far unamenable to amicable settlement. Even more regrettable is that room has been afforded for allegations of political motivation against the Union Government by both the parties, though at different times. While before the last general elections to the Lok Sabha the ruling party at the Centre was said to be partial towards Tamil Nadu because of its dependence on the support of the D.M.K. for remaining in power after the dissolution of the Mysore Assembly the same party is said to favour Mysore for fear that it may alienate the voters in the State by referring the river dispute to a tribunal. The one may perhaps be said to cancel the other which would only mean that recourse should be had to the only way out of the trouble which the law of the land allows, namely, reference to a tribunal.

The rights of the agriculturists in Thanjavur and Tiruchirappalli are more than a millenium old and these rights cannot be denied by the arbitrary and unilateral action of anyone



A view of the Canada-India Reactor, Trombay

party. Tamil Nadu's plaint rightly emphasises the point that, while Mysore's projects aim at benefiting a new area of 5.47 lakhs acres, the area in Tamil Nadu which will be adversely affected is as much as 15 lakhs acres. It is but fitting that it is not alone the State of Tamil Nadu but

also the agriculturists in Thanjavur district, should through the President and 200 members of a committee file a batch of two writ petitions in which they contend that their right to the waters of the Cauvery is a right to property and a fundamental right such as are guaranteed by Article 31 and

Art. 19 (1) (f) and (g) of the Constitution and that therefore they appeal to the Supreme Court for a suitable writ or orders to restrain the State of Mysore from proceeding with the construction of any dams or reservoirs across the Cauvery or any of its tributaries. —PRS

An Evasive Sugar Policy

The evasive policy pursued by the Central Government in tackling the problems of the sugar industry is coming home to roost. In spite of a liberal minimum price for cane, growers are not anxious to cultivate this cash crop because of the delays involved in getting payment from mills and the not quite attractive prices realised on sale of their produce to manufacturers of gur and khandsari. As a result of fairly satisfactory prices for other cash crops and scope for ready conversion, the area under cane has contracted and it is now estimated that the output of sugar in the current season will be only a little over 38 lakhs tonnes.

Central Directives . . .

The heavy accumulation of stocks and the lack of adequate bank credit were primarily responsible for the inability of sugar mills to make payments to cane growers in time. There was also a serious erosion of profit margins due to the absence of a revision of prices for levy sugar when control lasted. When cane was being only converted into sugar and even losses were being suffered by many in the bargain it is no wonder that many sugar units in U.P. went to the wall and had to be taken by the U.P. Government.

The Central Government has now issued directives to the State Govern-

ments that stern action should be taken against mills for non-payment of cane dues and recovery proceedings instituted whenever necessary. There is no justification for the better placed units to have arrears of payments against cane purchases. But has it been examined closely who was responsible for the present muddle?

Demand Might Soon Overtake Production

A serious situation, however, developed from the long-term angle. In 1969-70, the consumption of sugar was estimated at 33 lakh tonnes. It will be 37-38 lakh tonnes in 1970-71 and 40 lakh tonnes in all if exports were taken into account. In 1971-72 internal consumption will increase further to 40 lakh tonnes, if not more, and with exports at only 3 lakh tonnes, total absorption will be 43 lakh tonnes against an anticipated production of 36 lakhs tonnes. Thus, in 1970-72 the total offtake will be 83 lakh tonnes against total output of 74 lakh tonnes. With stocks at 21 lakh tonnes at the beginning of 1970-71 the situation can be managed. But these stocks will even go below 10 lakh tonnes by the end of September 1972 which in the altered conditions of demand for the sweet commodity should be considered just normal. In 1972-73, on the other hand, with the maintenance of agri-

cultural production at high levels there may be a further increase in total demand for sugar to 45 lakh tonnes. The sugar industry has, therefore, to function on a planned basis. Otherwise, the resultant serious shortage will lead to a skyrocketing of prices in the open market.

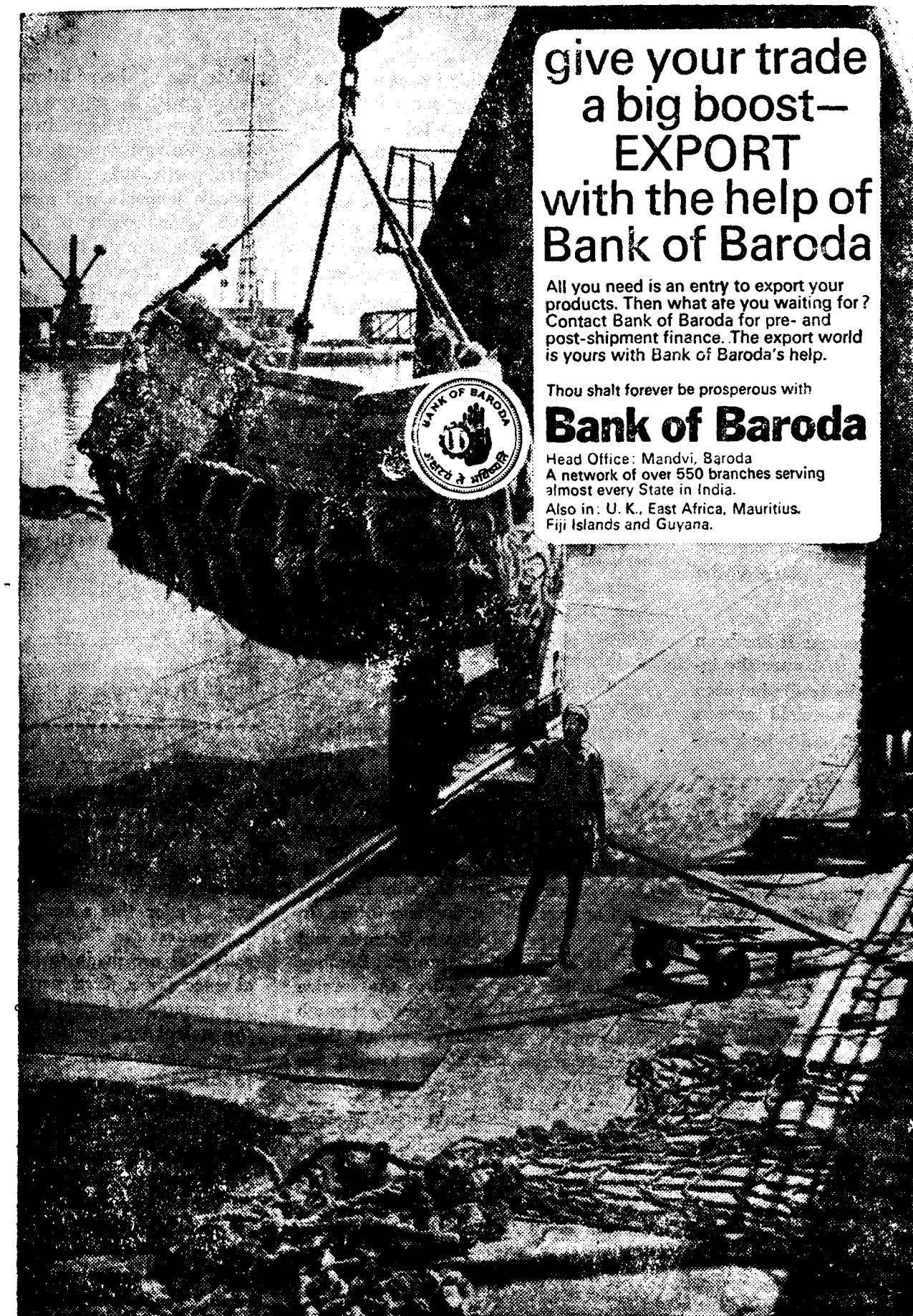
Need to Encourage Investment in Sugar Industry

The present formula for cane prices has to be changed and it should be adjusted to a basic recovery of 8.5 per cent. There should at the same time be adequate bank finance for maintaining stocks. And more important, the unhelpful policy of the term-lending institutions should be revised. Sugar mills, whether in the private or co-operative sectors, should be helped with the necessary financial assistance. Expansion schemes of all units should be implemented speedily with the grant of liberal loans to established units. New units have to be helped similarly. There may not be much difficulty in starting a sugar mill as the machinery and other equipment are available from indigenous sources. What is lacking is financial support. In view of the disappointing performance of the industry in the past two seasons there is no readiness on the part of investors to employ their funds in this industry. The profitability of working has to be reasonably attractive. Unless immediate remedial action is taken an unmanageable crisis may develop in 1972-73. —(FOC)

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Shilpi 80B 8A/71

Strengthen Intra-Regional Telephone Service

By S. VISWANATHAN

The Madras Telephones have recently introduced a *No Delay* service to Madurai whereby a Madras subscriber can have almost immediate connection with any subscriber in Madurai. Speaking to newsmen about this service, General Manager M. S. Muthanna of Madras Telephones said that this service is an intermediate one which will ultimately be replaced by the subscriber trunk dialling (STD) facility.

It was announced several months ago that direct dialling facilities will be available for Madras subscribers to Madurai, Bombay and Delhi by the middle of this year. The introduction of the intermediate *No delay* service effectively means a certain slowing down in the enthusiastic plans of the Telephones.

Explains Mr. Muthanna: It has been found by experience, that after the introduction of STD, the traffic between the cities registers a manyfold increase and the equipment is found to be inadequate to cope with this increase.

WORKING OF THE 'NO DELAY' SERVICE

A Madras subscriber will have to dial the No. 30011 and give the Madurai Number. The operator will dial the Madurai number directly and give the connection to the caller. It is expected to take less than a minute to establish this contact. All calls established through this service will be charged as urgent calls and service will be available round the clock. In this service no call will be kept pending. If no reply was available from the other end or it was not possible to establish the call, the operator will inform the caller and cancel the call. Of course, the operator will be making two attempts at short intervals before cancelling. The usual service through the trunk booking will also be available.

quate to cope with this increase. The capacity for producing the additional equipment at the Indian Telephone Industries is also limited and the production has to be parcelled out to the different telephone divisions all over the country. Hence in recent times the Telephones Department have decided to hasten slowly in this matter.

It is gathered that the co-axial cable system between Madras and Bombay has been completed and the service will be ready for operation by the third week of this month. After evaluating the success of the *No Delay* service to Madurai, the Madras Telephones will be introducing such a service to Bombay also.

It is gathered that the STD service between Delhi and Bombay has been ready for operation since April this year. But anticipating a manyfold increase in traffic after the introduction of this service, the Department has not officially inaugurated this. The Department is naturally anxious to ensure the provision of more channels to take care of the increase in traffic anticipated before extending the facility to the public. So, for such routes the *No Delay* facility has been introduced.

On present sights, the Madras to Bombay and Madras to Delhi facilities will be available in the near future. In the next stage Madras to Calcutta will be made available through Bombay and Delhi. From Madras the service will also be established directly through Vijayawada when any two of these cities can be connected through the two routes.

The Madras-Ernakulam and Madras-Salem lines will also be brought under STD in due course.

Why Not Use Surplus Capacity of Railways?

Equipment supplies have been the major bottleneck in improving the efficiency of the telephone system. As an interim measure why not the P & T Department supplement its facilities by

making use of the additional capacity available with the microwave system of the Railways? The Railways have established a vast network of microwave system particularly in South India. The capacity available will meet the additional requirements of the Railways adequately for at least the next 15 years. At present only a portion of the channels available is put to use. For a prescribed fee the Telephones Department can engage a certain number of channels for a fixed period of say 5 to 10 years. This arrangement has two advantages. Firstly, it will ensure the fuller utilisation of the facilities created by the Railways towards modernisation of the communication system. Secondly, the P & T Department can give the public a much more efficient service in the short run. This can be stabilised with the equipment indigenously produced in the next 5 to 10 years. After all the P & T Department has been giving a number of its channels to the Railways on

THE "IN ABSENTIA" ANSWERING SERVICE

Mr. Muthanna told Pressmen that Telephones contemplate introducing another special service to the subscribers. Under this scheme a subscriber can request the Telephones to receive calls that are made to him during his absence for a fixed period, for a fee. For example, if he has to be away from the telephone for three hours from 6 p.m., he can request the Telephones to attend to calls made to this number for this period. An operator of the Telephones will make a note of the calls and take also any information the caller wants to be conveyed to the subscriber. If he so desires, the subscriber can also leave any message to be conveyed to an expected caller. This facility exists in a number of Continental countries. Madras Telephones is working out the details of this scheme.

contract. It can certainly take the help of the Railways in areas where the latter has well developed communication network. It is rather strange that the two wings of the Government should deny the public the benefit of available facilities for want of an imaginative and coordinated approach.

An Effective Deterrent to Dispersal of Industries

Much talk is heard in recent times about the dispersal of industry away from industrial centres which are already crowded. A number of incentives are also offered for the establishment of industries in relatively underdeveloped areas. But the reluctance of the entrepreneurs in availing of this is due to the absence of infrastructure facilities such as communication and transport in such centres. Even to a place as near to Madras as Arkonam (around 45 miles) it takes quite some time to get through a trunk call. One of the reasons ascribed by the Telephones Department for not thinking in terms of providing an STD facility was that the present traffic does not warrant this (it is gathered that the average number of trunk calls per day made to Arkonam from Madras was only 59). Perhaps this problem might be viewed in a different way. Will not the establishment of such a facility result in a manyfold increase in traffic which will justify the expenditure involved in it?

This takes us to a more fundamental question: Is it not more urgent and necessary to establish effective communication within the different regions of the country before diverting the resources and equipment capacity available to long distance communication facility between major cities such as

MAXIMUM TRAFFIC TO BOMBAY

The maximum number of calls booked through the trunk exchange in Madras is made to Bombay: On an average 633 calls are made to Bombay everyday. Of this approximately a third are urgent calls.

On an average 228 ordinary calls and 90 urgent calls per day are made to Madurai.

PAC's Concern Over Idle Capacity in 'Phones

According to the Public Accounts Committee report, at the end of 1969-70 only 79.5 per cent of the existing capacity in telephone exchanges had been utilised.

The committee felt that the loss occasioned on account of the non-utilisation of the existing capacity during the three years ended 1969-70 was of the order of Rs. 45.18 crores. The committee also felt that at least 1,62,000 more connections could have been given had the existing capacity been properly utilised.

As a remedy, the committee has come out with the suggestion that the stress during the remaining period of the Fourth Plan period should be on a fuller utilisation of the existing capacity.

The P.A.C. is unable to agree with the Posts and Telegraphs Department which had intimated that an overall target of 85 per cent utilisation of capacity should be considered reasonable, on account of the ever-rising waiting list which runs into several thousands. The committee feels that 95 per cent utilisation should be aimed at.

Delhi, Bombay, Calcutta and Madras? For example all the major cities in South India could be provided with the STD facility both with the help of the co-axial system and through microwave network before taking up the link between Madras and Calcutta.

The scheme of priority involved in extending this facility to the different regions is also baffling. While Delhi had been connected with over a dozen cities with STD facilities several months back, other major cities like Bombay, Madras and Calcutta had not been connected with nearby cities with the STD facility. The allotment of the limited quantum of available equip-

STD Metering at Subscriber's Premises

The Telecommunication Research Centre (T.R.C.) of the Posts and Telegraphs Department has developed a sensitive telephone meter for installation at subscribers' premises. It will record STD calls. It incorporates two meters—one for indicating total units and the other (a re-settable meter) for indicating individual call units.

Installation of such meters has been necessitated following complaints of wrong meter-readings and tampering with telephone lines.

ment becomes complicated and priorities by which the department go some times ignore important regional claims. In a country of vast distances such as ours there is every need to improve the communications network on an urgent, emergent and short-term basis.

THE SPECIAL SERVICE CALLS

The maximum number of calls made in Madras City is 175 (Time in Tamil). The average taken in June worked to 7675 calls per day on this number. Next comes 197 (Directory Enquiry) with 4874 calls per day and 199 (Assistance) with 4281 calls.



Kamani's Carbon Black Project at Manali

Tamil Nadu Chief Minister Karunanidhi laid the foundation stone for the work on the Rs. 4 crore carbon black project in the Manali industrial complex on August 3. The Kamani Group are the promoters of this project to be set up in technical and financial collaboration with the Cities Service International, New York. The project is expected to be commissioned by April 1973.

Carbon black is an essential raw material for the production of automobile tyres and industrial rubber goods. Approximately, carbon black constitutes 35 per cent of the polymer content in an automotive tyre. Hence the steep increase in demand for carbon black parallel to the growth in demand for automobile tyres.

Mr. P. R. Kamani and Mr. R. R. Kamani of the Kamani Group of companies and Mr. K. M. Philip of the Indian Rubber Regenerating Co., which is to finance the project, explained to pressmen the salient features of the proposed project.

Self-Sufficiency in Carbon Black

The project has a licensed capacity of 30 million pounds per annum. Two other units in the private sector are already in operation: The plant of Phillips Carbon Black at Durgapur, established in 1964 has a licensed and installed capacity of 50 million pounds per annum; that of United Carbon, Bombay, which commenced production in 1966, has now a licensed and installed capacity of 40 million pounds per annum. The new unit is to be established with a large component of indigenous equipment. The foreign exchange required will be Rs. 40 lakhs for importing some specialised equipment. The collaborators will have a 30 per cent participation in equity.

Spectacular Export Performance

The Kamani group is well-known for its spectacular achievements in the export of non-traditional goods. An idea of their efforts can be got from

the fact that in the group's turnover of about Rs. 30 crores during last year, the value of export was Rs. 10.5 crores. During the current year, according to the Chairman P. R. Kamani, the group expects to have a total export of Rs. 15 to Rs. 16 crores of goods and services. The group employs 15,000 persons. Its activities include ferrous and non-ferrous industries, electrical, mechanical and civil engineering, road building, power transmission, precision instruments and petro-chemicals.

THE SPONSORS

The Carbon Black Project has been sponsored by one of the younger units of the Kamani Organisation—Indian Rubber Regenerating Co. Ltd.—itself a major producer of reclaim rubber. Established in 1961, the company has a production capacity of 4,800 tonnes which will shortly touch 7,000 tonnes and will progressively go up to 10,000 tonnes. The company has extended technical collaboration to one of the small-scale units in Haryana.

The Process

Carbon Black is produced by conversion of hydro carbons into elemental

carbon and hydrogen. The process that will be employed in the Madras plant is known as the oil furnace process. This process can produce rubber grades of carbon black produced by other processes as well as grades which can be produced by this process alone. By employing specially designed furnaces, the petroleum feedstocks are converted into carbon black under carefully controlled conditions of temperature and pressure.

At the function the Chief Minister offered all support for private entrepreneurs to set up industries in the State. He urged the Centre to clear at an early date the petro-chemical complex scheme submitted by Tamil Nadu costing Rs. 100 crores to make use of the refinery's lower fraction products in down stream plants. Already four projects for the production of fertilizers, transformer oil, polyester fibre and carbon black are under implementation at a total cost of Rs. 85 crores.

The Governor Mr. K. K. Shah who presided commended the joint sector concept. Messrs. P. R. Kamani, R. R. Kamani of the Kamani and Mr. C. A. Polachi, Vice-President, Cities Service International, New York, explained the main features of the plant.



Chairman P. R. Kamani of the Kamani Group is seen welcoming the guests at the special function. Others (L to R): Messrs. M. Karunanidhi, K. K. Shah, C. A. Polachi, R. R. Kamani . . .

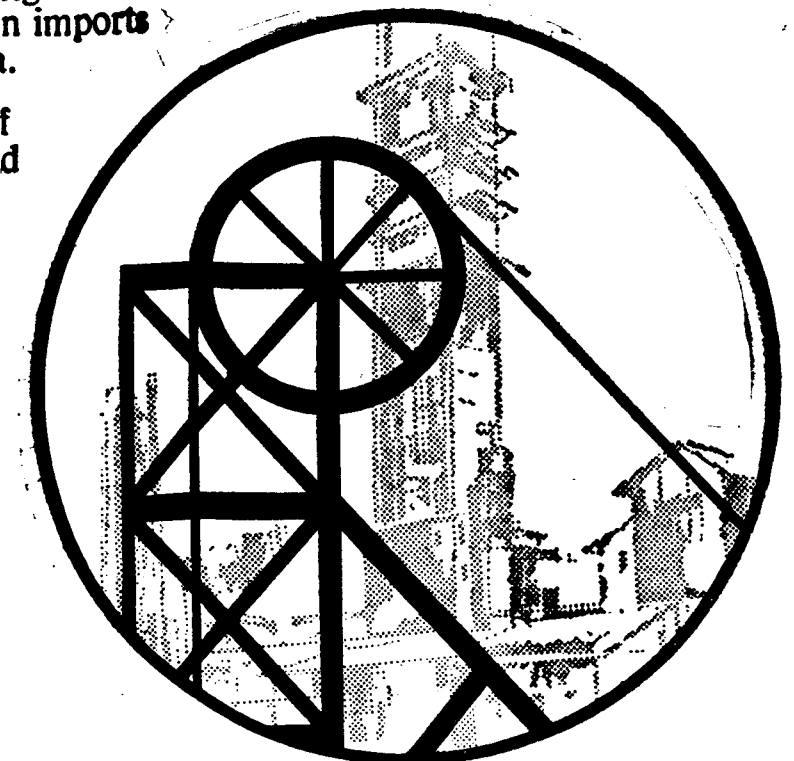
That's how the Talcher Fertilizer Project in Orissa being set up by FCI has been hailed.

"... A watershed in the history of Fertilizer Production ..."

There are plans to set up two more coal-based fertilizer plants at Ramagundam and Korba. Each with a capacity of producing 1500 tonnes of urea and 900 tonnes of ammonia per day, will be the largest coal-based plant in the world.

Why fertilizer plants based on coal as feedstock?

- To profitably utilise the large resources of coal already available in the country.
- To reduce drain on foreign exchange by cutting down imports of ammonia and naphtha.
- To ensure economies of large-scale production and reduce cost of fertilizer for the farmer.



FERTILIZER CORPORATION OF INDIA LTD., NEW DELHI.

NAA-FCI-E70

Problems Facing Rubber Industry

A glut in rubber has emerged with a record output of 92,171 tonnes of natural rubber in 1970-71 and the efficient functioning of the only one large sized synthetic rubber plant at Bareilly in U.P. With plentiful availability of industrial alcohol, the chairman of Synthetics and Chemicals recently announced that the plant was in a position to produce even at the rate of 3,000 tonnes every month but that production had to be regulated on account of the lack of demand from the tyre industry and producers of rubber goods. The State Trading Corporation has been busy for some time past effecting purchases to build up buffer stocks and it has so far acquired about 8,000 tonnes. In spite of these purchases, the Central Government has not been able to enforce the minimum price of Rs. 520 per quintal announced some time back after examining the recommendations of the Tariff Commission. The market quotation is around Rs. 450 per quintal and much lower levels were recorded some time back as dealers were anxious to dispose of their stocks and realise whatever prices that could be secured. The Central Government is naturally puzzled over the developments in the industry. Kerala is sore that rubber planters are not getting a fair deal and it is not possible to give higher wages to workers in the estates.

Subsidising Exports

There has naturally been a ban on all imports of rubber and this will re-

sult in a saving of over Rs. 10 crores in a year. Indeed it has been even suggested by Deputy Minister for Foreign Trade, Mr. A. C. George there should be exports of rubber. How these exports can be effected has not been explained. Since international prices are really half of even open market prices here, not to speak of the minimum price, it has been pointed out that there will have to be a subsidy of over Rs. 2,000 per tonne of exported rubber. If exports of about 15,000 tonnes are to be effected, there will have to be a subsidy of Rs. 3 crores for earning foreign exchange of about Rs. 4 crores. This costly luxury cannot be indulged in by the country though it might be stated that the quantum of subsidy in absolute terms is not heavy and can be incurred in order to relieve the sufferings of estate owners. But will it be possible to sustain exports on a subsidised basis as a regular feature and can there be an attempt to load internal prices which are already high in order to offset the losses sustained on exports? In respect of rubber there is only a cess but the use of rubber in the manufacture of tyre, footwear and rubber products fetches large amounts in excise duties. The collections by way of basic and special excise duties will be over Rs. 72 crores, excluding the share of synthetic rubber of Rs. 1 crore. It can be said that about Rs. 20 crores are being mobilised through the use of rubber in manufactured goods.

Slow Growth of Tyre Industry

One of the factors contributing to the glut in rubber is the serious interruptions to the operations of the tyre producers in the past three years. In spite of the expanding capacity of this industry, the output of tyres has not registered any significant improvement. Even in 1971 there may not be any significant rise over 1970 as there has been a prolonged strike in a major unit and a reduction in output in another important unit due to power shortage and go-slow tactics of labour. While there may yet be an increase in production by ten per cent, resulting in an increase in demand for rubber about 8,000 tonnes, there should have been larger sales of retread compound following the compulsion to use old tyres over and over again by retreading. There has certainly been a boom in the trade of retreaders and sales of rubber compound have been much higher than usual because of the heavy premium for truck tyres.

With a record output of 92,171 tonnes of natural rubber during 1970-71 and with synthetic rubber production of 29,791 tonnes, total availability from indigenous sources including reclaimed rubber was of the order of 1.37 lakh tonnes. Three years back consumption was estimated at around 1.25 lakh tonnes. With an increase in consumption by 8 per cent annually, the demand for synthetic and natural rubber should have been of the order of 1.55 lakh tonnes. Against this there is a glut of nearly 20,000 tonnes even with an availability of 1.37 lakh tonnes. It will obviously be incorrect to say that there has been a retrograde trend in consumption and absorption is now only around 1.20 lakh tonnes. The stocks of rubber imported two years back were probably in excess of the requirements and they are being carried over without being absorbed because of the absence of an increase in tyre output and slowing down in the growth and consumption of rubber for other purposes. The problems of the industry should be solved by the State Trading Corporation creating buffer

stocks of 20,000 tonnes. There is bound to be an increase in tyre production and of other goods calling for use of rubber. It is necessary, however, to take note of the new factors inhibiting consumption of rubber and plan for additional production of syn-

thetic rubber cautiously. If natural rubber can be produced in larger quantities, greater encouragement should be provided to estate owners as larger employment can be generated thereby. It will also have to be examined whether it would be advisa-

ble to increase the output of the synthetic rubber plant to 50,000 tonnes from 30,000 tonnes by installing strategic equipment and encourage also use of industrial alcohol when petrochemicals can be utilised for other purposes.—(FOC)

Of Cabbages and Kings...

The Editor, I.E. passed on to Walrus the anxious enquiries from numerous readers made about the latter's long hibernation. The time has come now to disclose the truth to you. Yes, Walrus went on a historical and top secret mission to an island in Indian Ocean, ordered by a very high personage, the result of which you are already aware of. He chuckles modestly to himself on seeing the ding-dong battle fought on your newspaper about the bills on the amendment of Constitution and property rights. How many of you can realise his hand or rather tail in the whole business?

When his old pal Kissinger met him accidentally inside the plane and learnt about the ailing tail of Walrus necessitating his air-dash to an unknown destination, he broke into a grin and with a twinkle in his eye told Walrus that he himself had used his tummy as a ruse to dash to China on a secret mission.

On arrival at the island of Sharvam Ozhiyagam, Walrus was greeted with full State honours by the Prime Minister of the island who dwelt upon the long, historical and cultural ties between India and his country. He pointed out with pride that even the name of the island was partly derived from Hindi and the other part belonged to the hoary, classical and divine language of Tamil Nadu. As the name indicated, they had a special liking and the ability to destroy, especially anything smacking of old values in life except old and classical names for the citizens. He hoped that during the short stay of Walrus in the country, the latter will appreciate their way of dealing with the judiciary, laws, politics and social life there. It did not matter very much whether he liked it or not, for anyhow Walrus will be obliged to sign a declaration and appear on television to praise the island. With a voice choked with emotion, Walrus thanked the people assembled suitably.

This visit had a limited objective of studying the committed judiciary, the committed administrators, the committed scientists, the committed educationists and a few politicians about to be committed to Sessions. Luckily Walrus was asked by the Indian potentate who commissioned him to have freedom of conscience and so he included some more topics like the sex life, the cul-

tural life and the inner life of the inhabitants on his own initiative.

They have only three categories of the Committed Judiciary — Committed Magistrate, Committed Judge and Committed Supreme Judge, abbreviated to C.M., C.J. and C.S.J. respectively. They are addressed in the Courts simply as "Hello C.M.", "Hi C.J." or "Look here, C.S.J." Counsels address these either as "darling boy" or "traitor of the people" in the Court according to their mood.

All the three categories are supplied with fat leather notebooks in which all the details about the party positions in the regional and national legislatures, including the names of important political string-pullers are given. A C.M. thus decides whether to give a shooting order to disperse a crowd or to distribute iced drinks among the agitators, simply by turning to the listed political leader of that area for advice.

The C.J. has several telephones in his table connecting himself to important theorists of various political parties. Whenever a case is brought to him, he is ob-

liged to refer personally the legal points to all of them immediately for comments. He takes the advice of that party, which is likely to be in power for the next twenty four hours. In this connection, Walrus desires to mention with admiration that the political system in the island is so advanced that each party coming to power hardly stays there for two days because of healthy competition. Hence for the C.J., the decision calls not for any legal acumen, but personal judgment of a high order about the party ruling at the moment.

Because of his high office, dealing with disputes of regional legislatures, a C.S.J. is provided with a computer for high speed calculation of the respective strength of parties. Usually only mathematicians who also have E.S.P. (extra sensory perception) are chosen for the post. Because of the nature of his job, a C.S.J. is also required to know the two hundred and thirteen languages, all of which are official languages in the island. Such a strain is perhaps the reason for any typical C.S.J., as observed by Walrus, to have snow-white hair at the age of thirty-five, to jump at every sound and to bow meekly to everybody he meets on the road or in office before he starts uttering a word. For in the island, everybody is a potential minister or even prime minister one day.—Walrus

THE COMPUTER AS CARPENTER

Computer control methods are now being linked to one of the world's oldest craft industries — wood-working. And the new process is likely to bring major changes in production methods currently used by furniture industries.

Many conventional machining operations can now be performed at least 10 times faster with the computer's aid.

Timbertape Technology, as the new process is called, is the first successful commercial application of numerical control techniques to general wood-working operations. The most important feature of the system is that it virtually eliminates setting-up time, which on some wood-working machines can take as long as two hours. There are no stops to set, no tools to position. Changes from one job to the next require only a new punched tape or card to be fed into the control unit.



PRODUCTION AND CONSUMPTION OF RUBBER 1969-71
(In Metric Tonnes)

	Indigenous Production	Imports	Total	Consumption	+Surplus — Deficit
1. Natural Rubber:					
1969-70	81,953	17,821	99,774	86,213	+13,561
1970-71	92,171	2,423	94,594	87,227	+ 7,367
2. Synthetic:					
1969-70	28,689	4,736	33,425	30,636	+ 2,789
1970-71	29,791	4,950	34,741	33,160	+ 1,581
3. Reclaimed:					
1969-70	14,440	—	14,440	13,885	+ 555
1970-71	15,476	10	15,486	13,915	+ 1,571

Power Supply to all Villages in Tamil Nadu in 1972

"By 1972 all the villages in Tamil Nadu would be electrified," assured Tamil Nadu Chief Minister, M.



TNEB Chairman C. G. Rangabashyam is seen presenting a cheque to Chief Minister Karunanidhi towards the Beggar Rehabilitation Fund

Karunanidhi, while inaugurating the completion of power supply in Chingleput District, at a function got up at Alandur on August 5.



Mr. Karunanidhi pressing a button which marked the total electrification of all villages in Chingleput District

Of the 57,000 villages in Tamil Nadu, 25,000 villages were electrified after the advent of the DMK Government, the Chief Minister noted with pride, and said that by 1972 all the remaining villages and all the 20,000 Harijan colonies would enjoy power supply.

Mr. O. P. Raman, Tamil Nadu Minister for Electricity, who presided, said that among the important achievements of his Government rural electrification programme occupied pride of place. Seven more districts in Tamil Nadu would be taken up for complete power supply before the end of the year, the Minister informed.

Mr. M. G. Ramachandran, Vice-President, Small Savings Advisory Committee, who was also present, dwelt on small savings and exhorted the public to make small savings a habit. A cheque for Rs. 30,70,100 marking Electricity Board employees contribution towards Small Savings, was presented to him.

Earlier Mr. C. G. Rangabashyam, State Electricity Board Chairman, who welcomed the gathering, presented a cheque for Rs. 2,02,200 to the Chief Minister, being the contribution from

Electricity Board employees towards the Beggar Rehabilitation Fund.

Mr. Mohana Rangam, Chairman, Alandur Municipal Council, also spoke welcoming the gathering.

Mr. M. Kothandapani, Chief Engineer, Electricity Board proposed a vote of thanks.

Film Producers' Organisation

Film producers from all over India assembled in the City on Aug. 9 and decided to form a producers' organisation separate from the Film Federation of India. This move was explained as being necessary to meet the problems of the declining box office collections, the increasing number of flops and the mounting costs of production. Several producers speaking at the All-India Conference of Film Producers described such an organisation as a "must" for survival.

The Tamil Nadu Chief Minister M. Karunanidhi who inaugurated the conference commended the move. Himself a noted film play-wright, he advised the picture-producers to produce quality films reflecting the urge for social change. He and a few South Indian producers felt that the cinema industry of this part of the country was neglected in finance and other matters. Appeals were made by almost every speaker to financing institutions to advance liberal sums at reasonable rates of interest for commercial production of films. The Film Finance Corporation which now lent only for experimental film production should begin advancing for commercial production also, they all said.

Mr. A. L. Srinivasan President of the South Indian Film Chamber of Commerce, pleaded for the opening of a branch of the Film Finance Corporation at Madras.

Heralding the 'Wet' Era

There are hardly 15 day to go for the dry law to be suspended in Tamil Nadu. Preparations are agog for introduction of liquor sale. The auctioning of contracts to run toddy and

arrack shops is complete. Contracts for a total of 11,000 toddy and arrack shops have been sold benefiting the State Exchequer to the tune of Rs. 16 crores for a whole year. New wine shops have been opened in different parts of the city for catering to the expected demand for costlier varieties of liquor. Banners announcing the opening of these shops are seen in many localities of the City. Show rooms and window displays, advertising availability of various brands of liquor have sprung up in many places.

Several hotels in the City have applied for permission to open bars for the benefit of their customers.

The State Government is expected to have an income of Rs. 28 crores from the suspension of Prohibition. In the next three years, the Abkari income is likely to reach Rs. 30 crores a year.

Award for M. S. Swaminathan for Community Leadership

Dr. Moncompu Sambasiva Swaminathan, Director of Indian Agricultural Research Institute, has been elected to receive the 1971 Ramon Magsaysay Award for Community Leadership.

Dr. Swaminathan has made rich contribution to the green revolution experienced in India in the last three years. For the past 16 years he had made major advances in breeding sturdier, more productive and better quality plant types at the IARI. By purposeful manipulation of genes, he and his co-workers recently developed a dwarf, non-lodging wheat variety, 'Sharbati Sonora,' with amber grains containing 16.5 per cent protein and three per cent lysine. The importance of this need hardly be stressed in the Indian diet with very poor protein content.

The Wheat Wizard

The eminent Nobel Prize winner Dr. Norman Borlaug had worked closely with Dr. Swaminathan which ultimately helped in the spread of the exotic and dwarf varieties of wheat which shot up production in the States of Punjab, Haryana and U.P. among others. Dr. Swaminathan has a rare virtue of a brilliant scientist with immense capacity to transfer his knowledge to others in the library, class room and fields and through prolific writings. After he took charge as a Director of IARI, he has also revitalised it and earned it the reknown of the Institution whose findings have attracted world wide attention.

Long Distance Bus Fares May Go Up

Long distance bus fares are likely to go up in Tamil Nadu. The present rate is 2.5 P per km. The increase under consideration is half a paisa per kilometre. The Minister announced the government's decision to form a corporation for the city services and similar corporate bodies for the long distance and the district services.

Dock Labour Board in the Dock

The Madras Dock Labour Board has been asked by the Government of India to show cause why it should not be superseded for various types of lapses, omissions and commissions. The ways of the Board directly contributed to Madras becoming the costliest port in the country.

The Central Government served the notice after its Joint Secretary

Success in Applied Research

Quite often there is criticism that many of our research institutions spend much of their time and resources on research work lacking application to industry or agriculture. IARI is among the few institutions which provides a refreshing contrast. It has made tremendous contribution to the spread of



Dr. M. S. SWAMINATHAN
An architect of the Green Revolution

T. S. Sankaran made a detailed study of the "lapses" and submitted a report listing several charges.

Among the charges was one that the Board had taken no action to review and reduce the number of registered and unregistered employees even though both these categories had no work from January 1, 1969. The Board has been asked to explain the addition of far more men than necessary thus increasing the cost of operation. There was a charge of lack of financial control. Particular mention was made of the decision to pay ex-gratia death allowance of Rs. 5,000 in each case of death of worker while Provident Fund and gratuity were available to him. The notice also listed several instances where the Board exceeded its powers.

The Board met on August 4 and considered the charges made against it. A request was made to the Centre to drop the charges or give three months' time to answer the charges. —V.M.

modern agricultural practices which in turn contributed to self-sufficiency in foodgrains.

The willingness of the average Indian farmer to adopt himself to new techniques shedding centuries of conservatism is largely due to the willingness of many of our scientists to move with the farmer and study his problems at close quarters. The number of package programmes and the work of numerous agricultural research institutions have spread modern agricultural practices far and wide, largely because of these scientists. Dr. Swaminathan is known for his making any number of trips to villages around Delhi offering invaluable advice to the individual farmers.

As part of a High-Yielding Varieties Programme designed by Dr. Swaminathan, one community near Delhi was transformed into a "seed village" specializing in controlled multiplication of improved varieties to supply the needs of the entire union territory of Delhi.

The Ramon Magsaysay Award Foundation states: "This combination of talents has made Dr. Swaminathan an acknowledged leader of India's community of agriculturalists. Now 45 years of age, he is carrying forward his Madras family tradition of energetic personal emphasis upon professional excellence. That he is doing so with such broadly beneficial results for rural India is the mark of a first-rate scientist who also has become an effective humanist."

—S.V.

Out-Parkinsoning Parkinson

THE PETER PRINCIPLE by Dr. Lawrence J. Peter and Raymond Hull. Published by Pan Books Ltd, London.

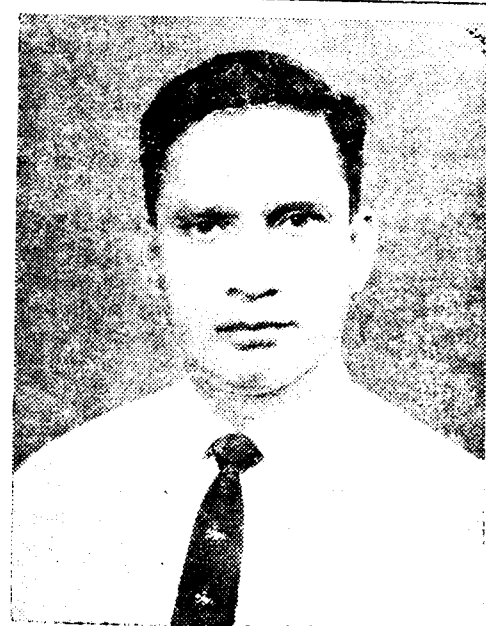
The proclamation on the blurb is ecstatic: "By 1969 over 33 weeks on U.S. Bestseller Lists with English language sales of over 250,000". On leafing through the modest paperback of hardly 160 pages, your emotions are mixed. Conscious of a definite pull on the limbs designed for walk, you are yet staring at the innocent words in print like an LSD addict in trance deriving his vision of ineffable, ultimate truth. The *Peter Principle* seems to strike at the root of that universal malady— incompetence. It also claims to originate the new science of *hierarchiology*—a study of hierarchies.

A hierarchy is defined as "any organisation whose member or employees are arranged in order of rank, grade or class" and thus pervading practically every set-up—"business, industry trade-unionism, politics, government, the armed forces, religion and education." The *Peter Principle* holds its sway over every conceivable type

of hierarchy and what does the blessed principle say? The innocuous statement reads: "In a hierarchy every employee tends to rise to his level of incompetence" with a corollary that "in time, every post tends to be occupied by an employee who is incompetent to carry out its duties." This inexorable law places you and me and him and her and them, not on a ladder of promotion as we suppose, but simply on an escalator carrying us up and up until the ultimate promotion places us in our level of incompetence. Any work which is turned out at all owes the fact to those members of the hierarchy who have not yet reached their "Final Placement Syndrome." A person having arrived at this stage can no longer do any useful work but still he makes a show of activity and sometimes deludes himself that he is working. His lack of productivity is blamed on high-sounding ailments like spastic colitis, dysmenorrhoea and tinnitus, to cite a few. His *mantra* is "If only I could get just one night's sleep..." and so on. Patronizing medicos advising him to rest and (blast them!) not to worry about work make him only wince.

Demise of a Many-sided Personality

In the sudden and unexpected demise of Brig. A. F. Eugene who was the Director of the Central Institute of Plastics Engineering and Tools (CIPET), the country has become poorer by one of its colourful personalities. A brilliant engineer who had im-



Brig. A. F. EUGENE
A Master in Many Arts

bited the discipline of the army, the Brigadier gave dynamic leadership to CIPET. His extensive knowledge of archaeology and architecture could have obtained him the post of a director of any large institution specialising in these. In the construction of CIPET he has made good use of his knowledge, and one comes across many examples of his aesthetic sense. Every section of CIPET was designed and beautified by his imaginative touch.

The Brigadier had enormous capacity for taking decisions which has become a rarity today. His success in conducting the training programme even before the buildings were completed at Guindy, his impatience over red-tapism, his boldness in cutting these through practical solutions, all were in refreshing contrast to what one comes across in many organisations today.

Brig. Eugene was programmed to leave on a one-year study-cum-training programme in plastics engineering in the UK, USA, Japan and other countries under a UNDP scheme by the end of August. His sudden demise has certainly denied the plastics engineering sector the benefit of guidance of this dynamic and versatile personality. CIPET is a monument to the memory of this magnificent man. --S.V.

The Non-medical Symptoms ...

The non-medical symptoms are more alarming if entertaining. The phonophiliac installs several phones at the desk and tries to perform the miracle of attending several calls at once. The papyrophobe cannot tolerate papers or books anywhere on his desk or office as they remind him of his lethargy in disposal. On the other hand the papyromania litters his desk with too many papers to give the impression of too much work. The fileophilia-affected person dwells on the past, going over the dead documents. Have you not seen some people with "Rigor Cartis"? These are fond of exhibiting "big charts on the wall, gazing on them long like a maiden torn with love. The teeter-totter cannot take a decision himself but, will gravely apply" "democratic process" to rope in other people for decision-making. Such fellows either send the papers to the subordinate with a grim note "don't bother me with trifles" or send them up with a clever request for clarification or even just employ somebody to survey the public reaction. Some begin to be prejudiced against their colleagues and subordinates on irrelevant physical consideration, like Caesar, who hated Cassius for his "lean and hungry look." Some develop the horrible "Cachinatory Inertia", the habit of telling jokes instead of carrying on business. Another peach of beauty is an extreme pathological case of "Gargantuan monumentalism" where the victim has a compulsion to build great tombs or memorial statues (The Tamil Nadu Government has the right to turn up its nose here). And then there are the fellows ridden with "initial and digital codophilia"—talking in terms of initials and numbers such as: "FOB is in NY as OC for IMC of BU on 802!" The last but not the least symptom is to speak a thousand words, all cliché, whose thought content can be condensed into barley half-a-dozen words. This clinches the matter by putting almost all politicians of India, including some State Governors, in the category of FPS (Final Placement Syndrome—I have also turned into a codophile!)

After this ruthlessly mirthful exposure of "incompetents", the authors hasten to assure us that "creative incompetence"—an act calculated to avoid that promotion which kicks you up to the level of incompetence and "Peter's Placebo" which substitutes for you ("An ounce of image is worth a pound of performance") will be effective in keeping you at your level of competence giving the best satisfaction to yourself, if not to the employer!

All things considered, the authors themselves are luckily in their level of competence since this funny book produces a good image about their brilliance, but estimating its performance and influence over our irrational, little planet with its tiny inhabitants will take a long time indeed. —Platypus

A Large Body of Facts and Figures on Public Sector ...

A HANDBOOK OF INFORMATION ON PUBLIC ENTERPRISES:

Published by Bureau of Public Enterprises, Ministry of Finance, Government of India

The publication of the Bureau of Public Enterprises of "A Handbook of Information on Public Enterprises" should kindle in the minds of most students of our public finance and national economy new hopes of making it a subject of intense and comprehensive study. Though the Handbook was first brought out in 1969, the present edition is an attempt to bring together the more important and essential data relating to the working of Central Government undertakings of industrial and commercial nature with "certain improvements like bringing together at one place organically related data and recasting of statements to present wider coverage of information." The advantage of having between the covers of one volume a large body of facts and figures which would otherwise have to be gleaned from a wide range of official publications can hardly be exaggerated.

That it should be prefaced by extracts from various speeches of the Prime Minister on the aims of the public sector and its role in our socialistic economy and from three editorials from the *Lok Udyog* cannot be regarded as enhancing the value of a publication which should be either strictly objective or balanced and well-reasoned in its objective approach. All the high-souled talk about the social aims and purposes which should animate the working of the public sector units—aims and purposes which are assumed to be ignored altogether by the private sector—may not be quite out of place in discussions on this subject. But they are an intrusion in the context of an appraisal of the record of the public sector from the standpoint of the needs of the national economy under our more or less ambitious programmes of planned development. The 'Handbook' should be merely a source of comprehensive data or should aim at guidance in appraising the performance of the public sector units or the sector as a whole on the basis of the data provided.

Such is not the case, however. The social objectives are put forward almost as an overriding consideration. And the criteria of judging the private sector units are not adopted even as a tentative approach, the conclusion of which may be modified by due regard for social objectives.

The public are bound to ask whether the public sector units have done as well as private sector units have performed to do. The public sector units may aim at more than what the probable achievements of the private sector would be in the different lines. Though more may be enjoined on them because of the high aims professed by their political sponsors, their record cannot be

less. It is interesting to note that the table showing installed capacity, actual production and utilisation of capacity in the case of the big industrial units shows that production upto capacity or at a high level has been maintained only in the case of HMT watches, some chemicals and insecticides, teleprinters and dry core cables. In the case of the steel units, though a margin of surplus capacity may be considered desirable, the percentage utilisation of capacity in 1969-70 was as low as 51 in Durgapur and 61 in Rourkela, the former having risen from 46 in 1967-68 and the latter having fallen from 64 in the previous year. While Bhilai has shown a rise to 74 in 1969-70 from 69 in the previous year, the higher level is the same as in 1966-67. According to the Report of the Ministry of Steel and Mines, 1970-71, Hindustan Steel, which accounts for an investment in gross block of Rs. 1,122 crores, suffered a loss of Rs. 39.9 crores in 1968-69 and Rs. 10.47 crores in 1969-70. The cumulative loss of the company from its inception upto March 31, 1971 is Rs. 127.83 crores.

Abounds in Minus Sign ...

A similar computation for all other big units and for the public sector as a whole, but excluding the trading, financial and other non-industrial fields, together with the total investment in capital and loans, would be helpful in giving proper guidance to the electorate on this vital problem. Such a statement is necessary because the table in the 'Handbook' showing "Net Profit or Loss

INCREASE IN U.S. NON-PROJECT AID

India will get an additional 20 million dollars (Rs. 15 crores) as non-project aid from the United States under an agreement recently arrived at the additional assistance—to be utilised for financing imports of fertilizers, industrial raw materials, components and spare parts—is being made available from the new US AID of 70 million dollars (Rs. 52.50 crores) announced by the US Government. The balance of 50 million dollars (Rs. 37.50 crores) has been earmarked for relief operations for Bangla Desh refugees.

This agreement amends, for the second time, the original agreement signed in March for providing additional non-project assistance. An extra 15 million dollars (Rs. 11.25 crores) was made available through the first amendment of the agreement on April 22.

The loan is repayable over a period of 40 years including a 10-year grace period and at a rate of interest of two per cent per annum during the grace period and three per cent thereafter.

With this assistance, the total non-project aid made available by US in 1971 amounts to 190 million dollars (Rs. 142.50 crores).

Enterprise-wise" abounds in minus sign. Heavy Electricals, Heavy Engineering Corporation, Instrumentation, Neyveli Lignite Corporation and National Mineral Development Corporation show heavy losses in the three years ending 1968-69. Only the Oil and Natural Gas Commission and the Indian Oil Corporation show profits amounting to Rs. 13.68 crores and Rs. 19.42 crores respectively in 1969-70. The favourable results of the working of commercial undertakings like the State Trading Corporation and the L.I.C. or the nationalised banks cannot be taken into account in the electorate's adjudgment of the public sector as such, since they are not engaged in strictly productive activity such as calls for managerial skills that determine their strength or weakness to the national economy. In the case of the units that are listed under the head "Promotional and Developmental" the plus sign is conspicuous by its absence.

Indirect Contributions ...

The compilers of the 'Handbook' have sought to improve the image of the public sector by pointing to what the units have done for their industrial colonies and the payments they have made to the Government on account of excises and interest payments. In neither of these respects can the public sector claim any special merit. It is one thing to build and steadily improve the conditions in the colonies through profits earned or other additions to financial capacity of the companies concerned. It is quite another to spend large amounts on these aims out of public funds and without fear of being called to account by people who are affected by such expenditure. And as for excises and interest payments, the private sector is by no means exempt from them. The record of the public sector is not altered by these payments.

But it is true, however, that the need of the public sector in a developing economy cannot be overlooked. The State must perforce rush in where the private sector fears to tread. But the failings and failures of public sector units should not for that reason be lightly condoned. As the Prime Minister herself pointed out in an extract published in the 'Handbook', though "the philosophy of the public sector might be different... the operation is similar." To what extent the similarity may be achieved, it is not easy to say. The 'Handbook' provides only extracts from the Reports of the Administrative Reforms Commission and the Government's regulations on procedural matters. But the Government must recognise that no political motivation is needed as an impulse to criticise the public sector's record, even as the private sector must recognise the place that there is for the public sector in the national economy. —P.R.S.

HOW DID THEY DO?

BEL to Produce T V Equipment

Bharat Electronics Limited will start manufacture of TV studio equipment and TV transmitting equipment from next year. The undertaking has entered into a collaboration agreement for the manufacture of TV studio equipment with a West German firm and for the TV transmission equipment with a Japanese firm.

The construction of a new factory at Ghaziabad for the manufacture of special types of radar and associated equipment will start this year. The production is expected to begin in 1973-74.

BEL has achieved more than ten-fold increase in its export earnings during the last two years. The exports of electronic equipment and components during 1970-71 was rupees fifty-three lakhs against rupees five lakhs in the first year of its export in 1968-69.

The production at the Bharat Electronics during 1969-70 was Rs. 2,411 lakhs, showing an increase of 16.3 per cent over that of the previous year. The undertaking produced 40 types of equipment valued at Rs. 1,953.68 lakhs and components worth Rs. 457.58 lakhs. It earned a net profit of Rs. 1,83,53,379 during the year.

The production of new items undertaken in 1969-70 included X-Ray tubes, TV tubes and Cathode Ray tubes.

BHEL Shows a Profit

Both from the point of view of total production and profit, Bharat Heavy Electricals Limited, a public sector undertaking, has been able to improve its position in 1970-71 compared with the previous year's performance.

According to an official statement, production at two of three units of the undertaking, namely those at Hardwar and Tiruchirappalli, went up last year, but at Hyderabad it declined.

The Tiruchirappalli plant, again, was the only one of the three units of the concern that increased its profits last year. Profits here shot up from Rs. 5.02 crores in 1969-70 to Rs. 5.56 crores during 1970-71.

This increase made up for the loss incurred by the two other units last year—Rs. 1.06 crores by the Hyderabad unit and Rs. 4.26 crores by the Hardwar unit—to enable the concern to show a consolidated profit of Rs. 24 lakhs during the year.

HAL Exports Helicopter Body Structures

Hindustan Aeronautics Limited, Bangalore, has now begun exporting Alouette body structures to Sud Aviation of France with whose collaboration Alouette helicopters are being manufactured in the country. The factory has also been supplying turbine blades to Rolls Royce Limited in U.K.

The Bangalore factory, which is the oldest aircraft manufacturing undertaking in the country, achieved a new high in 1969-70 with its sales rising to Rs. 32.52 crores against Rs. 22.27 crores in the previous year. The division earned a record profit of Rs. 2.14 crores.

The five factories under the Hindustan Aeronautics Limited achieved a record turnover of Rs. 67.23 crores in 1969-70. The turnover was higher by Rs. 14.68 crores than in the previous year. The undertaking's profit during 1969-70 totalled Rs. 3.84 crores.

Foreign exchange saving on account of import substitution during 1969-70 was of the value of Rs. 32 lakhs.

IPCL's Naphtha Cracker Plant

Indian Petrochemicals Corporation Ltd. IPCL has now received the Basic Design Package for the Naphtha Cracker Plant from its technical collaborators M/s. Lummus Co. of U.K. The receipt of this package design marked one more milestone in the implementation of the petrochemicals complex. The work on basic engineering was started in November last year.

The Rs. 30-crore Naphtha Cracker Project—the mother unit for a number of intermediates like polyethylene, polypropylene, acrylonitrile and synthetic rubber—was scheduled to go on stream by the end of 1973 or early in 1974.

Shortfall in Telephone Production

There was a general shortfall in the production last year of the Indian Telephone Industries Ltd., Bangalore, a public undertaking. The main reasons given for this shortfall were lack of foreign exchange to import raw materials and components, international shortage of items like nickel and copper and scarcity of steel items.

The company continued to lay stress on research and development for meeting the demands for modern equipment with improved performance and reliability. It was able to develop and put to field test a solid state 120-channel microwave radio relay system for the Railways. It also took up manufacture of certain equipment for the second earth station for the global satellite communication system.

The sales during 1969-70 amounted to Rs. 2,095 lakhs. The sales target for 1970-71 has been fixed at Rs. 2,375 lakhs.

During the period under review, the Indian Telephone Industries had received orders from East Africa, Australia, Iran, Malaysia, Singapore, Kuwait, Iraq, Greece, Nepal, the Philippines and Jordan. The exports up to the end of December 1970 amounted to Rs. 36 lakhs. The anticipated total exports during 1970-71 would be Rs. 50 lakhs.

A factory will be set up at Ivaini, near Allahabad, for the manufacture of long distance transmission equipment. The Uttar Pradesh Government has provided 70 hectares of land for the factory.

BUSINESS BRIEFS:

Unenviable Plight of Cotton Mills

A piquant situation has arisen in the cotton textile industry which is already plagued with the shortage of cotton and its high cost. While the Government is devising measures to enable the mills to increase the production of coarse cloth, the stringent credit restrictions against cotton, yarn and cloth imposed by the Reserve Bank of India have stood in the way of the industry buying even the residuary quantities of cotton lying with farmers. The Foreign Trade Minister has urged the Finance Minister to relax the credit curbs by revising the margins suitably. The Textile Commissioner has also pointed out that the present margin of 40 per cent on textiles is very stringent and has affected the working of many mills. Some of them have been even forced to switch off their looms as prices for yarn and cloth have dropped due to sluggish demand and any accumulation of finished goods by the industry or trade will cast a heavy burden on them.

The Foreign Trade Ministry has been tackling the problems of the industry with imagination and is trying to make the best out of a nasty situation. The basic weakness in the cotton supply position is sought to be met by liberal imports. At the same time efforts are being made to help mills to meet their quota obligations in respect of coarse cloth which continue to be an unprofitable line in the absence of higher selling prices. A subsidy scheme has been evolved with the help of the Indian Cotton Mills Federation to make up the loss in production of coarse varieties. While the industry has agreed to step up the output of this cloth to 125 million sq. metres fixed for the Sept.-Dec. quarter, it will thereafter try to fulfil the statutory obligation of reserving 25 per cent of the output for coarse cloth. Mr. L. N. Mishra told members in Parliament recently that the mills producing coarse cloth were being subsidised from the premium amount of Rs. 3.75 crores collected by the Government from the disposal of 1.25 lakh bales of American cotton along with contributions from the industry of Rs. 60 lakhs and from the Textile Commissioner's compensatory fund of Rs. 25 lakhs. Mills not producing coarse cloth had agreed to contribute on a graded basis on 20 per cent of their output of medium, fine and super fine varieties.

But the subsidy schemes can at best be a temporary measure and the Government will have to allow a price rise for coarse cloth based on the report of the Bureau of Industrial Costs which has gone into the problem. Even efficient mills and those

which have modernised their machines like Binny's are now unable to work on a profitable basis due to the larger proportion of coarse cloth and items of common man's use in their production. Yarn mills in the South have also reported a squeeze on profits due to the high cost of cotton and lower turnover including exports. Only some composite mills in Bombay and Ahmedabad have managed to avoid a sharp setback in earnings due to their diversified output and reliance on finer varieties of cloth.

Calico Mills

Ahmedabad Manufacturing and Calico Printing Company Limited (Calico Mills) could not prevent a decline in its earnings for the year ended March 31, 1971, even with a larger turnover. Sales improved to Rs. 35.64 crores from Rs. 32.12 crores in 1969-70 but with higher expenses, the net profit, before depreciation and taxation, dropped to Rs. 342.41 lakhs from Rs. 359.71 lakhs. Interest charges alone increased to Rs. 1.70 crores from Rs. 1.37 crores. The equity dividend has, however, been maintained at 14.4 per cent taxable (or Rs. 18 per share of Rs. 125), with the declaration of a final distribution of Rs. 11 per share. The total dividend amount is Rs. 72 lakhs (same). The provision for depreciation is Rs. 114.91 lakhs (Rs. 136.81 lakhs) and taxation Rs. 60 lakhs (Rs. 118.70 lakhs). The transfer to development rebate reserve is Rs. 49 lakhs (Rs. 11.34 lakhs) and general reserve Rs. 90.04 lakhs (Rs. 76.98 lakhs). The final payment will be made out of the latter reserve. The company is proceeding with its expansion schemes. The caustic soda plant with a daily capacity of 50 tonnes has been commissioned while work is apace on the expansion of PVC polymerisation and PVC processing plants. As regards the polyester fibre project, industrial and capital goods licences have been received and orders have been placed for plant and machinery with foreign suppliers. The civil works at site in the Gujarat petrochemical complex have commenced. The plant will have a capacity of 6,100 tonnes per annum. Calico's exports last year showed an increase of 40 per cent at Rs. 3.75 crores.

Mafatlal Fine

Mafatlal Fine Spinning and Manufacturing Company Limited has reported a rise in turnover for the year ended March, 31, 1971 to Rs. 30.32 crores from Rs. 26.60 crores in 1969-70. Net turnover was also satisfactory at Rs. 27.89 crores against Rs. 24.63 crores, while the net profits before taxation, improved significantly to Rs. 267.34 lakhs from

Rs. 241.75 lakhs in the previous year. The dividend has been maintained at 17 per cent, taxable on a larger capital as raised by a one-for-four bonus issue. The sum set aside for depreciation is Rs. 143.25 lakhs (same) and for development rebate Rs. 13.74 lakhs (Rs. 19.68 lakhs). There is no tax liability as before. Debenture redemption reserve gets Rs. 15 lakhs (same) while the transfer to general reserve No. 1 is Rs. 52.26 lakhs (Rs. 41.35 lakhs) and general reserve No. 2 Rs. 45 lakhs (Rs. 24.21 lakhs).

Premier Mills (CBE) Repeats

Premier Mills (Coimbatore) Limited could almost maintain its earnings before taxation and depreciation and also before providing for bonus at Rs. 79.09 lakhs for the year ended March 31, 1971 against Rs. 81.91 lakhs in 1969-70 in spite of higher production costs. This was possible because of a rise in sales to Rs. 6.21 crores from Rs. 5.89 crores in the previous year. The equity dividend has been maintained at 15 per cent taxable. After providing Rs. 15.69 lakhs (Rs. 14.91 lakhs) for depreciation, bonus to employees relating to earlier years claims Rs. 2.11 lakhs (Rs. 21.613) besides the regular provision under this head of Rs. 12.70 lakhs (Rs. 10 lakhs). Gratuity fund gets Rs. 1.43 lakhs (nil). Tax provision amounts to Rs. 18.75 lakhs (Rs. 16.50 lakhs) after transferring Rs. 4.30 lakhs (Rs. 10.65 lakhs) to development rebate reserve. General reserve gets Rs. 22.30 lakhs (Rs. 24.65 lakhs). The company has completed its modernisation of preparatory and spinning machines in the 'A' division of its Pulankinar unit at a cost of Rs. 75 lakhs and a similar programme is to be taken up at the 'B' division at a cost of Rs. 57 lakhs which will be met out of internal resources.

Indian Copper

Indian Copper Corporation Limited could improve its working results in 1970 thanks to a larger production of nickel sulphate and higher selling prices for copper fixed by Government. As the provision for depreciation and development rebate was also smaller, the net profit, before taxation increased substantially to Rs. 309.30 lakhs from Rs. 220.52 lakhs in 1969. After allocating Rs. 1.55 crores (Rs. 95.50 lakhs) for taxation, the transfer to general reserve is Rs. 164.96 lakhs taking the total reserves to Rs. 760.28 lakhs against a paid up capital of Rs. 462.81 lakhs. The equity dividend has been raised to 20 paise per share (or 11.11 per cent taxable) from 16 paise (8.889 per cent) which will absorb Rs. 51.42 lakhs out of general reserve. The chairman, Mr. G. D. Kothari, has stated that it was not possible to make up the loss in production of fire refined copper due to a three-week strike at the Moribhandar Works but output of semi-finished goods increased in the last three months of last year. Work at the electrolytic refinery continued as anticipat-

MISCELLANY...

INCREASE IN EXPORTS TO JAPAN

India's exports to Japan are expected to increase by about Rs. 30 crores as a result of the preferential tariffs to be granted by that country from August 1. According to official sources a detailed examination of the Japanese offer of generalised scheme of preferences is yet to be made. But an increase in exports of the order of Rs. 30 crores is easily possible. This is because the Japanese scheme is based on the principle of permitting existing imports from developing countries plus ten per cent of the imports from developed countries. Japanese imports from developed countries are very substantial.

FAVOURABLE PROSPECTS

Monetary benefit apart, the Japanese scheme offers favourable export prospects for India's manufactured goods, intermediates and textiles which it was hitherto difficult to export.

Although Japan has excluded agricultural products from the purview of its scheme, its inclusion at a later stage is not ruled

out. Indian canned juices would then have a big market.

AGRICULTURAL CENSUS

In one of the biggest ventures in agricultural statistics ever launched in India, nearly 100,000 village level functionaries are now involved in collecting data in respect of an estimated 60 million holdings, distributed over 5 lakh villages of the country. The results of this Agricultural Census operation are expected to step up vastly the efficacy of planning agricultural development at the district and micro-level.

THE NSSO SURVEY

The National Sample Survey Organization, would also conduct a survey of agricultural holdings which, *inter alia*, would provide holdingwise detailed data on use of fertilizers, pesticides, area under high-yielding varieties and other varieties of crops, livestock, agricultural machinery and implements, etc.

ed and the plant is now working at the highest level of production possible with the present output of fire refined copper from the smelter. The nickel sulphate plant operated throughout the year using the residue from electrolytic refinery though there was some mechanical breakdown and difficulty in getting essential chemicals. However, Government restrictions limited production of rolled products as earlier in spite of good demand. A strong representation has been made to Government to allow copper and zinc quotas on the same scale as is permitted to other rolling mills.

The company's output of copper will increase to 13,000 tonnes after completion of the present expansion programme by November this year though the annual capacity of the new flash smelter is 16,560 tonnes. The utilisation of the remaining capacity depends on supply of copper concentrates equal to 3,800 tonnes of metal by a Government company or its nominee as per a condition for expansion. As this is considered unlikely the company is considering proposals to develop copper mines and also put up additional concentration facilities to achieve rated capacity of the new flash smelter as soon as possible. An application has also been made for an industrial licence to put up a sponge iron plant. The demand for kyanite has declined since last year and it is feared that production may have to be curtailed if there is no pick-up in offtake.

International Tractors

International Tractor Company of India Limited has increased its turnover in the year ended March 31, 1971 substantially to Rs. 13.71 crores from Rs. 9.78 crores in 1969-70 thanks to a higher level of output but profit margins were considerably eroded by higher costs while selling prices remained unchanged. The net profit, before depreciation hence improved only slightly to Rs. 121.59 lakhs from Rs. 112.14 lakhs in the previous year. Depreciation claims a much larger sum of Rs. 78.05 lakhs (Rs. 46.15 lakhs) but there is no liability for taxation. After writing back Rs. 15.23 lakhs (nil) from development rebate reserve, a sum of Rs. 34 lakhs (Rs. 40 lakhs) has been transferred to the same reserve and Rs. 24.77 lakhs (Rs. 20.15 lakhs) to general reserve. The equity dividend has been maintained at 10 per cent, taxable. The new shares are also eligible for a proportionate dividend and the amount required is Rs. 22.26 lakhs (Rs. 15 lakhs). This will be paid out of general reserve. The turnover in the current year is expected to show a further sharp rise as production will be much higher and there will be the share of the sale of imported tractors through the State Trading Corporation. The new unit at Nagpur has also commenced manufacture of agricultural implements and their range will be increased progressively. But it is pointed out that the

absence of an early rise in selling prices and the new budget levies will affect profitability.

Indian Dyestuff

Indian Dyestuff Industries Limited, a leading producer of textile dyes could not prevent a drop in its earnings in spite of a larger turnover in the year ended March 31, 1971. However, the directors have maintained the dividend at 14 per cent taxable on an equity capital increased by a one-for-five bonus issue. Sales during the year rose to Rs. 10.53 crores from Rs. 9.71 crores in 1969-70 but the net profit, before depreciation and taxation declined slightly to Rs. 219.05 lakhs from Rs. 236.43 lakhs. After providing for depreciation Rs. 76.32 lakhs (Rs. 72.08 lakhs) and for development rebate Rs. 5.25 lakhs (Rs. 47.46 lakhs), the allocation for taxation is much larger at Rs. 83.30 lakhs (Rs. 50.65 lakhs). General reserve No. 2 gets only Rs. 54.17 lakhs (Rs. 66.24 lakhs). The latest dividend will be paid out of this reserve, absorbing Rs. 42 lakhs (Rs. 35 lakhs).

Simco Meters' Good Showing

A large output of house service meters and electronic components following better demand was helpful to Simco Meters Limited in increasing its sales during the year ended March 31, 1971 appreciably to Rs. 127.21 lakhs from Rs. 94.43 lakhs in 1969-70. The increase would have been more pronounced but for delays in getting import licences for critical components. The company has, however, not benefited much from the higher turnover due to a sharp rise in working expenses and the net profit, before depreciation and taxation, has improved only slightly to Rs. 16.40 lakhs from Rs. 14.51 lakhs in the previous year. The directors have maintained the equity dividend at 10 per cent, taxable. Depreciation claims Rs. 2.72 lakhs (Rs. 2.41 lakhs) and development rebate Rs. 8.13 lakhs (Rs. 6.44 lakhs) while loan redemption fund gets Rs. 2 lakhs (Rs. 40,000). The dividend will require Rs. 3.10 lakhs (same).

Mettur Chemical Pays More

Mettur Chemical and Industrial Corporation Limited has announced a higher equity dividend of 12 per cent taxable for the year ended March 31, 1971 against 10 per cent taxable for 1969-70. The company's working last year was quite satisfactory though production of caustic soda and chlorine was affected by shortage of graphite anodes in the last quarter of the accounting period. But there was better use of chlorine and larger output of chloromethanes. Production of caustic soda declined marginally to 38,426 tonnes but that of chloromethanes increased to 3,294 tonnes from 2,869 tonnes while chlorine utilisation improved to 86 per cent from 81 per cent. But shortage of edi-

ble oils and quality lime affected output of vanaspati and bleaching powder. It was also necessary to buy larger quantities of salt from outside sources as output at the Company's works was hit by heavy rains.

Sales in 1970-71 showed a significant rise to Rs. 7.59 crores from Rs. 7.01 crores in the previous year but the net profit, before depreciation and taxation, was slightly lower at Rs. 111.70 lakhs against Rs. 118.132 lakhs due to a sharp increase in working costs. The provision for depreciation is Rs. 61 lakhs (Rs. 64.15 lakhs) but development rebate claims a much larger sum of Rs. 25 lakhs (Rs. 11.58 lakhs). There is no tax liability as in the previous year though a sum of Rs. 35,695 was provided last year in respect of earlier years. Gratuity fund gets Rs. 5 lakhs (nil) but there is no transfer to general reserve against Rs. 14.97 lakhs. There is a transfer of Rs. 14 lakhs (nil) from development rebate reserve besides the benefit of tax credit certificates for Rs. 3,739 (Rs. 2.27 lakhs). The directors' decision to raise the dividend despite a drop in profits is obviously due to their confidence about the company's future working. It is quite likely that turnover for the current year may be even higher than last year with a better demand for caustic soda and chlorine. The expansion of caustic soda capacity by 20 tonnes per day at a cost of Rs. 30 lakhs is making good progress and may be completed before this year end. The I.F.C. has provided a foreign exchange loan of Rs. 7.5 lakhs for importing equipment. Along with the expansion, it is proposed to renovate the old machines in the caustic soda plant No. 1. There are also plans to produce new chemicals based on silicon while a semi-commercial bromine plant at the salt works area will be in operation shortly.

Dhrangadhra Chemicals

Dhrangadhra Chemical Works Limited has had to contend with a sharp rise in working expenses during the year ended March 31, 1971. Even with a larger turnover of Rs. 8.80 crores against Rs. 7.92 crores in 1969-70, there has been only a slight improvement in the net profit, before depreciation and taxation, to Rs. 1.46 crores from Rs. 1.43 crores. A contingent provision of Rs. 12.25 lakhs (nil) had to be made on account of additional cost of power. Depreciation, however, claims a smaller sum of Rs. 69.49 lakhs (Rs. 84.92 lakhs) and development rebate Rs. 12.26 lakhs (Rs. 22.27 lakhs). The allocation for taxation is also only Rs. 9 lakhs (Rs. 10 lakhs) while gratuity fund gets Rs. 2.66 lakhs (nil). The transfer to general reserve is Rs. 14.72 lakhs (Rs. 15.30 lakhs). Capital redemption reserve gets Rs. 10.11 lakhs (nil). An interim dividend of 5 per cent taxable has already been paid while a similar final payment will be made out of dividend equalisation reserve making a total of 10 per cent for the year, same as in 1969-70. It is proposed to raise

the soda ash capacity from 42,900 to 85,300 tonnes per annum while a letter of intent has been received for making bromine and hexachloromethane. It is expected that exports of beneficiated ilmenite will be sizable.

Plastic Resins & Chemicals

Plastic Resins and Chemicals Limited in which Dhrangadhra Chemicals has a substantial interest has completed its PVC factory, adjacent to the Sahupuram unit of Dhrangadhra Chemicals in Tirunelveli district. The unit, which will use naphtha (from Cochin Refinery) and chlorine from the nearby caustic soda unit for producing polyvinyl chloride will be commencing trial operations shortly while commercial production may begin in September. Besides some delay in completion of the project, due to delayed supplies of indigenous equipment the cost also has increased by Rs. 1.75 crores. The overrun is being met by loans for Rs. 1.50 crores from financial corporations and the balance from Dhrangadhra Chemicals.

Hindustan Ferodo

Hindustan Ferodo Limited has raised its final dividend on equity capital to half per cent for the year ended March 31, 1971 to 13 per cent taxable making with the interim, already paid, a total of 23 per cent against 22½ per cent for 1969-70. There was a modest improvement in turnover to Rs. 6.44 crores from Rs. 5.81 crores with a corresponding increase in the profit, before depreciation and taxation, to Rs. 1.69 crores from Rs. 1.55 crores in the previous year. After setting aside Rs. 22.68 lakhs (Rs. 22.06 lakhs) for depreciation and Rs. 1.08 lakhs (Rs. 1.05 lakhs) for development rebate taxation claims Rs. 77.12 lakhs (Rs. 65.42 lakhs). The final dividend will require Rs. 32.26 (Rs. 31.02 lakhs) while the total dividend amount will be Rs. 57.08 lakhs (Rs. 55.84 lakhs).

TELCO Production Up

Tata Engineering and Locomotive Company Limited had no difficulty in marketing its increased output of commercial vehicles in 1970-71 which even exceeded the rated capacity of 24,000 per annum by 1,000. The recent increase in selling prices has become necessary due to erosion of profit margins by increased working expenses. The Chairman of the company, Mr. J. R. D. Tata has, in fact, pointed out that the percentage of profit on turnover before taxes declined from 5½ per cent in 1968-69 (1969-70 was an abnormal year due to a prolonged strike) to under 5 per cent in 1970-71 while the profit after taxes was actually Rs. 6 lakhs lower. While a capacity doubling programme at a cost of Rs. 40 crores has been submitted to Government, the company expects a continuous growth of turnover in spare parts, specialised vehicles and machines such as

industrial tractors, fork-lift tractors and excavators, and in special purpose machine tools manufacture of which has got into full stride at Poona. Mr. Tata has also stated that the expansion and replacement and renewal programme may have to be spread over a longer period against the 5 or 6 years earlier envisaged or its scope reduced as the withdrawal of development rebate from 1974 and the higher taxes payable under the new budget will reduce internal resources considerably. Telco's exports constituted a new record at Rs. 11.31 crores last year against Rs. 7.22 crores in 1969-70 and these may be stepped up further this year.

Premier Automobiles

Sales of cars and commercial vehicles by Premier Automobiles Limited were higher at 17,560 in the year ended June 30, 1971 against 15,970 units in 1969-70. Those of cars improved slightly to 12,530 from 12,034 while sales of trucks were much higher at 5,030 units against 3,936 in 1969-70. The turnover also rose significantly to Rs. 37 crores from Rs. 32 crores. But it is not expected that this will be reflected in any sizable improvement in operating results as prices for cars were increased only recently on an interim basis. The current year may witness a further rise in turnover as steps are being taken to increase output.

Hindustan Polymers

Hindustan Polymers Limited had difficulty in operating its polystyrene capacity of 7500 tonnes effectively as it could not secure its requirements of styrene monomer indigenously and sales in the year ended March 31, 1971 were lower at Rs. 84.70 lakhs against Rs. 89.34 lakhs in 1969-70. There may be an improvement in turnover this year as arrangements have been made to get an import licence for the raw material. The project for manufacturing styrene monomer and other basic raw materials is yet to be completed. The cost of the project is estimated to go up to Rs. 11.26 crores from Rs. 8.60 crores due to higher cost of indigenous and imported equipment, heavier interest charges owing to delayed implementation of the project and other factors. The additional financial requirements are being obtained from financial institutions. The company has suffered a loss of Rs. 88.31 lakhs against Rs. 37.42 lakhs, after providing Rs. 30.42 lakhs (Rs. 28.33 lakhs) for depreciation. The debit balance of Rs. 44.66 lakhs brought in has thus increased to Rs. 1.33 crores.

Polychem Does Well

Polychem Limited has produced gratifying results for the year ended March 31, 1971 and the directors have decided to step up the dividend to 22 per cent taxable from 16 per cent taxable for 1969-70. The turn-

over improved to Rs. 6.30 crores from Rs. 5.25 crores while the net profit before depreciatoin and taxation, increased more sharply to Rs. 142.50 lakhs from Rs. 112.67 lakhs in the previous year. The sum set aside for depreciation is Rs. 26.35 lakhs (Rs. 41.33 lakhs) and for development rebate Rs. 1.71 lakhs (Rs. 4.36 lakhs). Taxation claims as much as Rs. 65 lakhs (Rs. 42 lakhs) while the appropriation to general reserve is almost double at Rs. 48.75 lakhs (Rs. 25 lakhs). The equity and preference dividends will be paid out of this reserve, the former absorbing Rs. 26.40 lakhs (Rs. 19.20 lakhs).

Indian Organic

Indian Organic Chemicals Limited has maintained its equity dividend for the year ended March 31, 1971 at 12 per cent taxable though it earned a larger profit. The new equity shares issued recently do not rank for the dividend as the polyester fibre plant near Madras is still under construction. The new preference shares issued in July 1970 will however get a proportionate dividend. Sales in 1970-71 rose to Rs. 3 crores from Rs. 2.30 crores in the previous year while the net profit, before depreciation and taxation, improved to Rs. 86.44 lakhs from Rs. 72.53 lakhs. The provisions include Rs. 16.02 lakhs (Rs. 13.73 lakhs) for depreciation, Rs. 3.75 lakhs (Rs. 9.35 lakhs) for development rebate and Rs. 33 lakhs (Rs. 22 lakhs) for taxation. Even then, general reserve gets a larger sum of Rs.33.35 lakhs (Rs. 27.45 lakhs). The preference and equity dividends will be paid out of this reserve, absorbing Rs. 11.81 lakhs.

Jay Engineering Pays More

Jay Engineering Works Limited (of the D.C.M. Group) could increase its earnings during the year ended March 31, 1971 appreciably to Rs. 96.34 lakhs from Rs. 70.89 lakhs in 1969-70 despite a fall in turnover to Rs. 13.50 crores from Rs. 15.96 crores. Production at the Calcutta sewing machines factory was suspended for four months due to labour trouble. But the Hyderabad and Agra Units increased their turnover while profitability could be improved through higher efficiency. Exports of engineering goods were however affected due to reduced output at Calcutta factory. Encouraged by the improved profits, the directors have raised the dividend on equity capital to 10 per cent taxable from 8 per cent taxable for 1969-70. It is expected that in spite of increased working expenses there will be a further rise in profits in the current year. Out of the earnings for 1970-71 depreciation claims Rs. 34.05 lakhs (Rs. 29.62 lakhs) and development rebate Rs. 3.20 lakhs (Rs. 2.10 lakhs) while the provision for taxation is as much as Rs. 38.5 lakhs (Rs. 15.50 lakhs). General reserve gets Rs. 20.59 lakhs (Rs. 23.67 lakhs) and the dividend is to be paid out of this reserve.



DEEP INROADS INTO DOMESTIC BUDGET

The judgment of the Madras High Court that, with the promulgation of an ordinance to that effect, the suspension of the Prohibition law is not invalid, should not lull the State Government into a complacent assumption of the wisdom of their action in reviving the sale of liquor in public places. The case for Prohibition in this country has derived its strength from many sources. Apart from the dictates of Gandhian ethics, there has always been an aversion to alcoholism in the majority of people, confirmed perhaps by the fact that climatic conditions do not provide even a semblance of defence for indulgence in it. By far the most weighty consideration is the effect of habitual drinking on the domestic budget of the poorer classes. Even in the affluent countries of the West where the income of the average family can meet the needs of a modest household as well as the earnings of the adult males within limits, a large number of families are known to be suffering from the addiction of the so-called bread-winner. In India, where the per capita income is so low and even the middle classes cannot have both food and expensive drink, the effects of free availability of toddy or arrack or even beer and the costlier drinks are hardly a matter for speculation.

It has been pointed out without fear of contradiction that the womenfolk among the lower classes are so strongly opposed to the lifting of Prohibition, that the ruling party would be ruining its changes at the next elections by such action. Doubtless, Tamil Nadu Chief Minister Karunanidhi and other leaders of the D.M.K. will be carefully watching the impact of the ordinance on the large masses of voters. But it is not a matter for cold calculation of the number of votes that may be cast for or against them. What the Government must take note of now is that no case has been

made against Prohibition which can be compared with the case against it.

Though the large number of arrests on the opening day, and the day following, may be said to be a passing phase, it is certainly most unwise to provide the prevalent forces of disorder the stimulus of alcohol. The serious fall in the attendance at the theatres, which has so promptly followed the suspension of Prohibition should show that it is not only innocent entertainment but also the consumption of the necessities of life that will suffer from the opening of toddy shops. Mr. Karunanidhi owes it to himself to show that when he preferred suspension to abrogation, he meant to give himself the time and the facility to consider the question more deeply than some pressure groups in the party would allow him to.

It is obvious that revenue considerations weighed very much in the decision to suspend Prohibition. The State's finances could not be described in a very comfortable shape. With the total deficit projected for the end of the year in the region of nearly some Rs. 59 crores and with plans on a number of social welfare schemes of the Government, there was dire need to raise additional resources. The State had been straining every nerve towards resource mobilisation: In fact Tamil Nadu has been one of the few States which have been garnering resources from all possible sources for a number of years now. Its taxation on motor vehicles, entertainment, and sales-tax... have been ruling at high levels and near saturation point has been reached in fresh tax prospects. Largely because of this compulsion, Prohibition was scrapped keeping the eye on the large excise revenue that would accrue to the exchequer. The auction of liquor shops has brought in a revenue of

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CAFI's Second Interim

Chemicals and Fibres of India Limited has declared a second interim dividend of 10 per cent on its equity capital for the year ended September 30, 1971. This follows the issue of new equity shares recently at a premium which will be ranking for any subsequent dividend after allotment. The directors have stated that as a consequence of the declaration of a second interim dividend, the final dividend would be lower than the rate of final dividends paid in recent years.

Mysore Paper Recovers

Mysore Paper Mills Limited has followed up its smart recovery in 1969-70 after the bad patch it struck since 1966 and with a much larger disposable profit has resumed its dividend after four years, with the announcement of an attractive 15 per cent taxable for the year ended March 31, 1971. The previous payment was 6 per cent for 1965-66. The net profit, before depreciation,

and taxation, was only slightly better at Rs. 99.56 lakhs as against Rs. 98.91 lakhs in 1969-70. The provision for depreciation including arrears of 1969-70, is only Rs. 48.67 lakhs (Rs. 97.26 lakhs), while there is also no tax liability. At the same time, there is a transfer of Rs. 50,200 from development rebate reserve, Rs. 10.99 lakhs from tax credit compensation reserve and Rs. 3.99 lakhs from gratuity fund. A sum of Rs. 1.89 lakhs has been written off miscellaneous expenses while appropriations include Rs. 12.12 lakhs (nil) to development rebate reserve, Rs. 10 lakhs (nil) to loan redemption reserve and Rs. 42.30 lakhs (nil) to general reserve. In 1969-70, Rs. 2.50 lakhs was transferred from development rebate reserve while Rs. 4.15 lakhs was allocated to tax credit certificate reserve. The latest dividend is to be paid out of general reserve and will absorb Rs. 18.45 lakhs.

TELK Transformers for Tanzania

Transformers and Electricals Kerala Ltd. (TELK) have secured in cooperation with

the Indian Consortium for Power Projects, New Delhi, an Order for two 50,000 kVA Transformers, valued at about Rs. 10 lakhs each, from the Electricity Supply Authority of Tanzania in East Africa. These Transformers are to be manufactured by TELK and installed in Ubungu Power Station, near Dar Es Salaam. These will be the largest transformers so far exported from this country.

The order was secured against keen world-wide competition in which several firms of international repute participated. This is the second order that TELK has secured for export, the first one being from MALAWI in East Africa.

TELK's ability to enter the export market for large transformers in this short period of 5 years is very significant. It commenced production only in May 1966 and the output has been steadily increasing. TELK has so far manufactured transformers valued at Rs. 6.5 crores. Now TELK has commenced the manufacture of the large transformers also and has on its books orders valued at Rs. 9.1 crores.

While exercising discretion, in case the assistance is above Rs. 25 lakhs and Rs. 50 lakhs, all material factors like whether the concern belongs to the core sector, defence-oriented industry or produced essential items of mass consumption, should be taken into account, where the convertibility clause is waived the institution concerned should record the reasons for doing so.

If the clause is proposed to be waived where the aggregate assistance exceeds Rs. 50 lakhs, the institution should make a prior reference to the Government through the Industrial Development Bank of India and obtain the Government's advice.

Convertibility clauses should not be written in loan agreements relating exclusively to sub-loans granted by Indian financial institutions to industrial concerns out of foreign currency lines of credit made available by foreign institutions.

The concerned financial institutions should also, in consultation with the Industrial Development Bank of India, determine the maximum amount of loan which can be converted into equity capital in a specified case, the issue price of the share, the stage or stages at which the option can be exercised, the period during which the option shall remain open and the period of notice, if any, to be given for the exercise of option, and any other relevant matters.

In regard to past cases of financial assistance, the question of writing in a suitable convertibility clause may be considered and decided upon by the lending financial institutions, in consultation with the Industrial Development Bank of India, when agreements come up for review due to defaults which are not of a temporary nature.

GUIDELINES FOR FINANCIAL INSTITUTIONS . . .

The Government has issued detailed guidelines to Public Financial Institutions to ensure, while advancing loans, that the assisted concern did not keep its share capital base narrow to gain a disproportionately high return to the shareholder.

The guidelines stipulate that in all cases where the aggregate assistance exceeds Rs. 50 lakhs, there should normally be a convertibility (loans into enquiry shares) clause in the loan covenant. This clause need not be there in the case of loans below Rs. 25 lakhs. For loans between Rs. 25 lakhs and Rs. 50 lakhs the institutions have been given the power of discretion to have the clause or not.

In respect of loans given in the past, the financial institutions concerned would have discretion to negotiate conversion if there is a default, each case being settled on its own merits by negotiations with the industrial concerns.

The guidelines have been issued following the Government's decision on the report of the Industrial Licensing Policy Inquiry Committee on the role of the financial institutions in regard to their assistance to industrial concerns in the private sector.

The Industrial Licensing Policy Inquiry Committee had argued that many of the big business concerns in the private sector were not keeping a proper ratio between the debt and equity in their capital structure. In

many cases the shareholder got an excessively high return on his limited investment compared with the interest the concern paid on its long-term debts. A possible way to check the concerns was to give the lending institutions the right to convert their loans into equity.

The guidelines say that all the financial institutions concerned will have to exercise their judgment in consultation with the Industrial Development Bank of India to see that the ratio between 'debt' and 'equity' of the assisted industrial concern is reasonably maintained at all times in the interest of the shareholders and the financial institutions which may already hold or come to hold investments in the concern. For this purpose, the institutions should work out the projected profit potential of the assisted concern.

A clause providing for the conversion of loan into equity should be written in all appropriate cases where substantial financial assistance is extended, irrespective of whether the financial institutions choose to make direct subscriptions to the issue of equity share capital by the industrial concern at the initial stage.

Where aggregate financial assistance—loan assistance from all financial institutions—is below Rs. 25 lakhs a convertibility clause need not be written in as a measure of policy unless the financial institutions themselves so decide on commercial grounds.

over Rs. 16 crores. With the State successfully helping the spread of the drinking habit to its teeming millions who "enjoyed" the dry law for nearly 23 years, the total revenue may well exceed Rs. 30 crores.

It is this revenue consideration that has prompted Mr. Karunanidhi to admit magnanimously of the failure of Prohibition in the State and justify scrapping it on grounds of the incalculable harm illicit liquor had been causing to its addicts. With this noble aim of helping a few thousand addicts, the flood gates have been opened for the millions of a new generation who have born and brought up in an atmosphere of total Prohibition. The State could at least have proceeded with the scrapping of the dry law in stages.

THE PREDICAMENT OF PLENTY

Mr. A. P. Shinde, the Union Minister for Food and Agriculture was mildly inclined towards exaggeration when he told newsmen recently that India will certainly face a new national problem of absolute surpluses in foodgrains by the end of the Fourth Plan. While the current trends, taken apart from such problems as food damage, lack of storage facilities, prices and procurement, may justify such optimism, these problems now loom larger than they should. The repercussions of adverse changes in one or more of these respects have to be taken into consideration before such roseate views are broadcast for general consumption.

Mr. Shinde was careful to lend both emphasis and modification at the same time to this view by saying that the problem of absolute surpluses in foodgrains would have appeared even this year, but for natural calamities like the famine conditions, drought and floods now affecting different parts of the country. The estimate of 107 to 108 million tonnes of foodgrains output in 1970-71 and the pace of agricultural development in general on top of five bumper harvests in succession are ample justification for the line Mr. Shinde has taken. The Government's confidence in the correctness of its estimate of the food outlook is seen in his statement to newsmen that the Union Government proposes to stop all foodgrain imports by December this year and any imports thereafter will be only the left overs of earlier commitments. The Government have already decided not to enter into any fresh commitments for import of foodgrains from the U.S. under PL 480 after the expiry of the present agreement in June 1972.

While all this is a heartening assurance of a comfortable situation in the long term view, there are problems which are of the immediately pressing kind and problems which have to be successfully tackled in the next year or two, if the promise of the present position is to be fulfilled. There is first the emergency that has been created by a succession of good harvests, for providing adequate storage facilities. It is estimated that about 70 per cent of the harvest stays in the villages and that the unsatisfactory nature of these facilities in the rural areas causes wastage, which the floods and the drought at the present time may make it not only desirable, but necessary, to avoid. In the long view also, barns and warehouses are equally necessary.

Mr. Shinde in his address to the Foodgrains Dealers'

As was done in Maharashtra it could have introduced a permissible level of alcohol content in liquor. It could have banned certain days of the week for drinking as is prevailing in Delhi.

The pronouncements of the Chief Minister and his colleagues of their continuing faith in keeping the masses away from liquor lacks conviction. While one can understand the sophistry of the Government spokesmen in explaining away this 'volte face,' though not condone it, one is shocked at the bankruptcy of leadership on the part of the opposition parties. It is particularly saddening in the context of Tamil Nadu having dedicated prohibitionists of All-India stature heading opposition parties.

Association emphasised the fact that procurement and the activities of the Food Corporation should not lead to private trade belittling its place in the handling of the grain from the producer to the ultimate consumer. The representatives of the trade, on the other hand, were concerned to point out that the trade cannot function, unless some degree of freedom of movement of grain, however cautiously determined, is afforded. It might perhaps have been possible to widen the Zones, if the floods in the different parts of the country had not induced the State Governments concerned to be more cautious in their approach to this question.

The optimistic forecast of the crops for the current year for nearly all the States, coming on top of the realisation of the targets for last year, have now to be regarded as calling for revision. The floods in the Ganga and in Orissa, the drought in Andhra Pradesh and the low levels of reservoirs in Tamil Nadu and the non-setting of North East monsoon so far make crop forecasts more than usually tentative ones. Rains in the later stages of the year have been known to make up for the shortages of rainfall upto August. But whatever that may be, the pace of progress in regard to the output of foodgrains must not be allowed to be affected adversely, except by floods and drought and such acts of God. At the same time, their impact should be reduced by measures for energising pumps and increasing the yield and the area under improved varieties.

The question of price has now to be approached from the angle of adequate incentives to the growers. It has been reported from some areas that agriculturists are chary of going in for full use of fertilizers and improved seeds as the possible addition to the yield does not make it worth their while. This question has obviously to be gone into with great care, since the interests of the agriculturists, the requirements of the trade and the interests of the consumer have all to be properly balanced in a comprehensive and circumspect price policy. But there can be no going back on the path which now promises to take us swiftly to the goal of self sufficiency, a path in which the next milestone is 113 million tonnes of foodgrains for the next year. The lag between rice and wheat has also to be overcome. While there can be no doubt that comfortable surpluses are within our grasp, we must be sure of reaching for it in the proper manner.

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The Lowering of the Barrier

In strange and striking contrast to the chaotic conflict created by Mr. Nixon in the sphere of international trade and finance stands the agreement now arrived at between the Ambassadors of the U.S., Britain, France and the Soviet Union regarding access to West Berlin and the freedom of West Berliners to visit their relatives beyond the wall. The wall itself stands as an indefinite continuance of the separation of Berlin and of Germany as a result of the war having been won by Russia as well as the Western powers. It is a symbol as much as a product of the cold war, with its airlift and its intolerable tension in international relations. And any lowering of this barrier, which runs not only through many houses but right through the middle of rooms therein, would be greatly valued by Berliners on both sides. The main parts of the draft agreement which will be submitted by the Ambassadors to their respective Governments are permission for West Berliners to visit East Berlin, Russian representatives in West Berlin, at the consular level and the regulation of West German political activity in West Berlin.

The Most Touchy Issue

The last mentioned is, for the Governments concerned, perhaps, the most touchy issue. The negotiation dragged on for over 17 months; and the way for eventual agreement was paved by the West German Chancellor signing a pact with Soviet Russia recognising the existing frontiers and establishing some kind of rapport with the leaders of East Germany. This realism enables the assumption of a more flexible attitude on minor matters. The opening up of both sectors of the city to all Germans has, however, to be accompanied by the agreement that West German presence in West Berlin should be conditional: This is meant to bring about a stop to the West German Government holding parliamentary sessions in West Berlin and to propagandist activity within. The wider significance of the agreement

between the Ambassadors lies in the fact that it satisfied one of the conditions to the Moscow-Bonn pact coming into force, removes a poten-

EXPANSION OF INDUSTRIAL ACTIVITY

The Ministry of Industrial Development is understood to have sought the opinion of the Monopolies Commission whether permission to expand production of Vespa and Lambretta scooters should be granted.

The manufacturers of these scooters have submitted proposals to increase production from the existing capacity of 30,000 scooters to 48,000 annually.

Since both units fall under the category of dominant undertakings, the Ministry has asked the Commission to examine the expansion proposals from the monopoly angle.

The Ministry has also referred to the Commission the proposal of Tata Electric Locomotives to double its existing production capacity of 24,000 commercial vehicles annually.

These apart, the Commission's views have been sought by the Government in regard to six other proposals. Three of these relate to the setting up of new units and three for effecting substantial expansion.

Proposals for new units are: a cement unit by Birlas at Kota, a unit for manufacture of brake-linings and clutches by TVS-Lucas, and a paper unit by Gwalior Rayons, a Birla concern.

The expansion schemes are by Cellulose Products of India, for expanding production of certain chemicals, Hindustan Aluminium, a Birla unit, for expanding production at the Ranukoot factory in Uttar Pradesh and by Indian Linoleum, another Birla unit.

The Commission has so far submitted its recommendations on five cases referred to it by the Government. Of these, two recommendations were unanimous and three were majority decisions.

tial source of sudden outbreak of hostility and leaves West Germany and the countries of the Soviet bloc free to proceed with their schemes for security through alliances. That this may lead to reduction of American and Russian troops and European soil becomes for the first time in twenty years, a not unreasonable hope.

Proposals for a Paper Unit

The majority decisions related to proposals for a paper unit of 30,000 tonnes annual capacity by Century Spinning Mills, production expansion of bonded and coated abrasives by Carborundum Universal and Messrs Grindwell, and manufacture of products of not a sophisticated nature by Nesha Company.

The Commission was of the view that since there was an acute shortage of paper in the country with the attendant evil of price rise, grant of licence should be recommended. It was also of the view that a paper unit, being highly capital intensive, there was little chance of small entrepreneurs coming forward to set up a unit. The Hindustan Paper Corporation, a public sector undertaking had also limited schemes for putting up paper units. Public interest should, therefore, override consideration of questions such as larger industrial houses or inter-connections, it concluded.

Conditions for Grant of Licence

Two conditions were imposed for the grant of licence. First, the unit should undertake to produce paper upto 60 grammage quality, a variety of paper used for text-books and notebooks for students. Secondly, the unit must provide free of cost training to personnel of the public sector paper units that were to come up shortly.

The same criteria was applied by the majority in recommending approval to expansion of production of abrasives.

The unanimous decisions of the Commission related to setting up of units for chemicals not manufactured in the country by Mettur Chemicals and the merger of Larsen and Toubro and Wilcox Buckwell.

Disastrous Effects of Black Money Economy

By Dr. G. S. RAJHANS

Black money is very much in the news today. The other day Union Finance Minister, Mr. Y. B. Chavan, admitted with disarming frankness that a parallel black money economy is functioning in the country. Every minute black money is being created. Besides, measures to curb its growth or pernicious role had not proved effective.

The term 'Black Money' is generally used to indicate certain resources obtained by unlawful and undesirable means. It is known by other names also, e.g. "unaccounted money", "undisclosed income", "unrecorded gains" etc. It cannot be said with certainty as to the exact amount of black money in our country. According to a conservative estimate it is more than Rs. 3,000 crores at the present moment. It is generally believed that the resources referred to above are in the form of cash or currency. The phrase "black money" or "unaccounted money" helps to create this impression in the minds of those who talk and think about it. But this is a fallacy. The truth remains that those who hold such resources in cash are more an exception than the rule. It is a fact that, in the first instance, such resources are obtained in the form of cash or money. But because of the risk of holding such resources in cash, people try to get rid of them at the earliest possible opportunity. As such, this money is either spent lavishly to buy luxury goods, mostly imported ones, or invested in property, both movable and immovable.

Logic Behind Tax Evasion

Black money arises out of tax dodging activities of some people. Those who evade taxes frame logic according to their convenience. When such a person is told about the desirability of the payment of taxes to the Government, he immediately points out to the vulgar display of wealth by those in authority and wants to know the source of this money, a major portion

of which is definitely not white. He also speaks of the corruption and inefficiency in the schemes which the Government undertakes. He, therefore, argues that he is fully justified in avoiding paying taxes to the Government which does not use his money properly. This attitude of mind reflected in the above sentiments easily spreads and gets recognition among certain classes of people who would like to have larger resources left at their disposal instead of having to pay them as taxes. They have found out various methods by which they can evade taxation and treat them almost as a way of life.

Black money has been largely responsible for the malady of rising prices of essential commodities. For the last several years this money has been utilised in financing, hoarding and speculation in essential commodities. Because of such incomes being utilised for financing unsocial speculative activities, prices have risen to fantastic levels and most of the efforts of the Government to curb the rising prices have proved in vain.

Pushing Up Prices...

Those in possession of such gains are most anxious to part with them as soon as possible. They do not mind paying more for a given object that they desire and in the bargain push up prices. This reckless and extravagant spending in some quarter creates demand but the supply may not have increased. This also results in scarcity and higher prices.

When money and wealth are obtained out of tax dodging activities of the antisocial elements in society, the law-abiding and an honest taxpayer is always at a discount. This creates an apathy on the part of the people towards any new tax measures. Because of the tax resistance of the people and expenditure being already committed and planned, the Government is compelled to resort to deficit financing.

Towards Moral Deterioration

Reduction in the living standard of the rich and the poor as a part of the socialistic programme is vitiated as the black money, accumulated through undesirable means, is utilised for the production of luxury goods for the rich at a time when resource utilisation should be directed towards basic needs of the society. Moreover, the consumption of luxury goods by the rich when the bulk of population lives on the margin of subsistence, creates a general feeling of discontentment in society. Besides, this situation further brings about moral deterioration in society inasmuch as there is an adverse effect on human values, particularly on things which one should consider as good and noble. Those who are able to make show of the riches so obtained are able to get power and influence in society and the honest man remains at a discount. The younger generation who observe this way of life in their surroundings in their families and elsewhere -- get accustomed to this situation as a normal way of life and do not hesitate the least to do the same thing when they grow older. Such a moral deterioration in society is bound to degenerate it by spreading wrong values in every walk of life.

Lastly, the greatest impact of the unaccounted money is that as there is no record of these transactions, the price indices do not take note of them, the calculations, based on official figures for various economic phenomena get distorted by this situation and it becomes difficult both for the Government and the public to get a clear view of the economic situation. Such a large amount of floating money and their unpredictable use makes it impossible for the planning authority to make reasonable forecast regarding savings and investment, prices, demand etc. which would ultimately affect the success of the Plans.

Need to Step up Steel Production

The steel situation has deteriorated so seriously suddenly that the activities of engineering industries have been crippled and it may be necessary for the Government to arrange for massive imports if a sharp rise in open market prices is to be avoided and constructional activity also is to be carried on without major upsets. The latest developments have come about as an anti-climax as it had been generally hoped that the public sector plants would be acquitting themselves creditably and the two private sector units also would be stepping up their output. Indeed it was confidently stated in Parliament some months back that Hindustan Steel would be able to function on a break even basis in 1971-72 and increase its output significantly. These hopes have been dashed to the ground as a major roof collapse in the Rourkela melting shop has put the L D Convertors in this area out of commission for several months. At Bhilai also there are operational problems due to insufficiency of coke oven gas, while at Durgapur no significant progress has been made.

Prospects of Increased Production

It was announced by Mr. Mohan Kumaramangalam, Union Minister for Steel and Mines, that only Bhilai would be able to increase its output to 90 per cent of rated capacity from 79 per cent, and Rourkela to 56 per cent from 40 per cent. It will be a surprise if Durgapur succeeded in maintaining its output around 40 per cent of capacity. Indian Iron and Steel Company too has suffered seriously on account of labour trouble and in 1970-71 its production of finished steel was only 62 per cent of capacity. It is unfortunate that TISCO is not in a position to use advantageously the heavy expenditure incurred on the modernisation of its collieries and arrangements for transporting washed coal by ropeways. Sabotage and labour strikes have delayed the implementation of this project and prevented also economic transportation of coal. It has been hoped that as a result of an improvement in the quality of coal, there would be a better use of blast furnace capa-

city apart from a reduction in coke consumption. It may yet be possible for Indian Iron to give a better account of itself in the current year and increase production to at least 75 per cent of rated capacity.

Only Tata Iron and Steel Company has managed to maintain its output at 85 per cent of capacity. It is likely that the performance in the current year will be more encouraging as the first unit for pelletising iron ore at the Noamundi mines has started functioning while another unit will be ready in October. It is expected that there will be an improvement in the quality of iron ore through pelletisation and there may also be an improvement in the availability of coke with a phased programme of reconstruction of the coke oven batteries. The full advantage of the modernisation of collieries and reconstruction of the coke oven batteries will however be fully felt only after four years. But there will be a gradual improvement though it has been emphasised by Mr. J. R. D. Tata, Chairman of TISCO, that the programme of modernisation of equipment outside the two million tonne project cannot be delayed for long.

Delay in Approving Expansion Schemes

It is difficult to understand why the Government has been delaying the approval of this scheme especially as it has been clearly demonstrated that the effort to instal additional capacity when implementing modernisation will reduce capital costs and increase also availability of larger quantities of steel in a shorter period. The growing steel requirements of industries and for house construction can be met only with the implementation of the expansion schemes of the two private sector units and an intensive use of the existing capacity of the public sector units. It is, therefore, necessary that TISCO's scheme for modernisation should be cleared expeditiously while the arrangements for raising loan capital for Rs. 20 crores are also finalised early. Indian Iron too should be helped to execute its project for increasing capacity by 3 lakh tonnes though the World Bank might come around and

say that fresh expenditure would be profitable only if existing capacity was used fully and there were better management-labour relations.

While the immediate gap between demand and availability can be bridged to a certain extent with massive imports of steel, the position is not in any sense so hopeless as it looks. The situation in Rourkela can of course improve only when the steel melting shop starts functioning normally, but there can be a substantial increase in output of Bhilai with repairs to the coke oven batteries and an improvement in the efficiency of iron ore mines. There is no dearth of hot metal in this plant especially as the huge sixth blast furnace complex has been recently inaugurated, and it is pointed out that even with partial functioning of this blast furnace there will be heavy surplus of pig iron. If the rolling capacity can be used fully, there is no reason why output of finished steel should not be more than 1.75 million tonnes. If there are surplus products like rails and structurals and sleepers, they can be exported. TISCO can for its part hope to raise its output to 90 per cent of its capacity or an output in terms of finished steel of 1.4 million tonnes. Indian Iron can make a contribution of 6 lakh tonnes. Durgapur cannot probably produce more than 5 lakh tonnes and Rourkela 4½ lakh tonnes. This will give a total for all the 5 units of 4.70 million tonnes, just about the quantity produced in 1970-71.

Need for Large Scale Imports

The arrangements for imports will have to be on a large scale because of a sharp increase in consumption. The value of imports in 1970-71 may easily exceed Rs. 125 crores because of a larger quantum and higher prices. There may be some advantage arising as a result of lower prices in the current year but there will have to be an increase in imports by over 40 per cent, which would mean that allowing for a drop in import prices, the value of imported steel may easily exceed Rs. 150 crores. The net cost of imports may be much heavier than 1970-71 as it is assumed that only marginal exports will be possible.

Rapid Growth of Small Scale Industries

There has been a steady development of small scale industries since 1960-61; but, the development of the sector in recent years and, particularly after 1965-66, has been remarkable. In 1965-66, the total employment provided by small scale industries of all types was about 58 lakhs. In the next 5 years, the total employment in the small scale sector rose to over 65 lakhs.

Similarly, the number of small scale units registered with the Directors of Industries which was 1,21,619 at the end of 1966, increased to 1,90,727 at the end of December, 1970, registering an increase at the rate of 17,000 per annum during the period 1967-70.

The estimated gross value of output in the small scale sector including all types of units under the small industries programme in 1969-70 was Rs. 3,670 crores. In spite of the setback on account of recession during 1966-67, small industries sector has grown steadily over the last two or three years and the average rate of growth has been around 11 per cent as against 8 per cent or so before 1965-66. The satisfactory growth of the small scale sector has been largely due to the special attention given to small scale industries under Government policies and programmes.

Reservation for Small Sector

In all, 55 items have been reserved for exclusive development in the small scale sector and another 44 items are being reserved for small scale industries. These items include a variety of sophisticated consumer goods and even intermediate and producer's goods in keeping with the increased capability of the small scale sector to produce quality goods in sophisticated fields.

The financial help arranged for small scale industries through commercial banks and other institutions has given a fillip to the development of the small scale sector during the last two or three years. Till the end of March, 1966, the State Bank of India and other commercial banks had advanced loans amounting to Rs. 90.76 crores to small scale industries; but, thanks to

the policy of Social Control and Nationalization of commercial banks adopted subsequently, there has been a tremendous increase in the flow of credit to the small scale sector in the following years. The total loans given to small scale sector stood at Rs. 393.89 crores at the end of March, 1970. This shows that the increase in the advances over the last 4 years was of the order of Rs. 303.13 crores. In other words, the total advances to the sector had more than quadrupled in the course of the last 4 years.

Liberal Import of Raw Material

The continued progress of the small scale sector has been due also to the supply of imported raw materials on a more liberal basis. It may be noted that the total foreign exchange allocated for the import of raw materials, components and spares, for small scale industries in 1964-65 was only Rs. 13 crores. This allocation had increased considerably in subsequent years and during 1969-70, the total allocation on this account came to Rs. 65.6 crores. According to present indications, the allocation of foreign exchange during 1970-71 may exceed Rs. 80 crores.

Development of ancillary industries is a significant feature of the overall development of small scale industries. Large scale undertakings, particularly those in the public sector have been asked to encourage the growth of ancillaries and, for this purpose, large undertakings have been advised to set up their own ancillary industrial estates and subcontract, in an increasing measure, their requirement of components and spares to the ancillary units functioning in these estates. The new undertakings in the large scale sector applying for an industrial licence are now required to identify all such parts and components whose manufacture is feasible in the small scale ancillary sector. Industrial licences will be granted after excluding facilities for the manufacture of these products from the scope of the licences. These measures have helped to consolidate the position of ancillary

small scale industries. During the year 1969-70, 10,000 units had supplied goods worth Rs. 27.80 crores to their parent undertakings besides producing for the replacement market and had provided employment to over a lakh of persons.

The small industries have come up in all States on a fairly dispersed basis. A large number of units based on the utilization of locally available raw materials and skill are producing goods to meet local consumption needs. Of the 285 functioning industrial estates, there are 131 in urban areas, 92 in semi-urban areas (with population upto 50,000) and 62 in rural areas. Small scale units working in these industrial estates had provided employment to nearly a lakh of people and had turned out products valued at Rs. 129 crores during the year ended March, 1970.

Rural Industries' Programme

With a view to developing small scale industries in rural areas, the Government of India have initiated Rural Industries Projects Programme. Under this Programme, 49 projects are working covering over 34,000 villages. Small scale units situated in the project areas had provided employment to nearly 1,16,000 persons.

The total value of production of these small scale units was valued at Rs. 10.12 crores during 1969-70.

One of the serious problems facing the country is growing unemployment of qualified engineers. These engineers who possess the technical know-how can contribute, in a very effective manner, towards improvement of the present level of technology employed in the small scale sector and help it diversify into more sophisticated lines of manufacture. With a view to harnessing this potential and providing them with opportunities of self-employment, schemes have been drawn up to provide them orientation training for setting up small scale industries. An outlay of Rs. 1 crore has been provided for training 6,000 engineers during the 4th Plan period.

Apart from engineers, the training

given through Small Scale Industries Development Organisation to small industrialists and their employees in supervisory posts have been very fruitful in encouraging the growth of new small scale units. Prior to 1965-66, on

an average, training was given in a year to about 1,500 persons in the managerial courses; but this facility was substantially increased in the subsequent years and during the last three years, the average number of

persons trained in a year in managerial courses came to about 3,700. This training has been of tremendous help in developing management and entrepreneurial ability in prospective as well as existing small entrepreneurs.

The Eluding Solution to the Dollar Crisis

The dollar crisis is still unresolved. Though nearly a fortnight has elapsed since the dramatic announcement of President Nixon delinking dollar temporarily from gold along with other drastic measures, there is no indication of an attempt at a lasting solution to the recurring crisis. While the United States is understandably trying to use its position as the world's important trading partner, other rich nations are trying to avoid any action that will appear to be succumbing to U.S. dictation. Immediately the U.S. Administration has greater bargaining power as massive exports are being sent from Britain, West Germany, Canada and Japan and there will necessarily be a recession in these countries if there was a slump in export to U.S.A.

But the question has been overlooked that the supplier nations can afford a temporary pause in economies and are in a position to make adjustments much more effectively and quickly than the United States for changing the direction of exports by increasing aid to the developing countries. The oil-rich nations also are large potential buyers though there may be lack of buyers for certain types of goods which are sophisticated and which U.S.A. only can absorb in large quantities.

Need to Increase Imports and Exports

The USA, however, can continue to be a force if it can increase its imports and exports. This can be done only if there were no restrictive policies and there was jointly an arrangement for intelligent development of countries with lower standard of buying. Fortunately, the larger purchasing of the oil rich countries and the increase

in agricultural production in the developing countries can have a neutralising effect while an improvement in the standards of buying in Russia and China can have far-reaching consequences.

This is, however, only the long term view and prospect. Immediately, there is a jockeying for position and each one is wanting to outwit the other. The group of Ten is not prepared to give in easily while U.S. is using the import surcharge. Many currencies have been floated freely while France is launching a two-tier system, one fixed parity for commercial and Government transactions and also the fluctuating parity for capital transactions. It is hoped thereby to discourage unnecessary movement of capital. Japan for its part is unwilling to revalue its currency unduly and has been strangely purchasing dollars at the official rate from Japanese holders. The holdings of dollar of the Central Bank of Japan have swelled to over \$10 Billion indicating the strength of Yen and the massive character of the surpluses now being created.

Remedying Trade Deficits

Clearly, there has to be a realignment of currencies and it will not be correct to mix up issues. There is no doubt that the U.S. Administration has been giving assistance to West Germany, Japan and others and that the balance of payments has upto last year been due to massive aid, economic and military, and not to trade deficits. But it will not be fair to adopt measures which will have a confusing effect though for the first time since 1893 a trade deficit has emerged. For overcoming these deficits corrective measures should be

taken. Even here there are special reasons for the deficit assuming big proportions. With reduced involvement in the Vietnam War and a proper sharing of the overseas military expenditure being incurred by USA, West Germany and Japan, the situation can be corrected. It is necessary for the latter two countries to agree to some commitment because they are in a position to bear it. Besides, it will be wrong to create chaos in international trade or introduce recessionary tendencies, when much good work can be done for improving the lot of the underdeveloped countries.

Overvaluing the Dollar

The recent developments, however, have clearly shown that the dollar is overvalued and there will have to be a revaluation of strong currencies along with devaluation of the dollar. Whatever may be the strong feeling of the US Treasury against an increase in the dollar price for gold, it has no right to peg the price at an artificially lower level. The International Monetary Fund has not acted vigorously so far because USA is a strong nation and can flout the IMF. But if there is no discipline and logic has no application for the well-placed, no well meaning international monetary system can work properly. The confusion in the foreign exchange markets should not be allowed to persist for long. There should be a moderate increase in the price of gold, with corresponding and redetermination of gold parities of currencies. The realignment also should be effected at the same time. The forthcoming annual meeting of the International Monetary Fund has therefore special significance.

Magnificent Achievement on the Food Front

The achievement on the food front in 1970-71 should be considered magnificent. The output of all foodgrains may exceed 108 million tonnes, compared to 99.5 million tonnes in 1969-70 and 94 million tonnes in 1968-69. The increase in output in the last agricultural season by 8.5 million tonnes is expected to be brought about by a rise in the yield of wheat by 3 million tonnes, rice by 2 million tonnes and coarse cereals and pulses by 3.5 million tonnes.

It should have been normally expected that, after an increase in output by nearly 20 million tonnes from the record of 88 million tonnes established in 1964-65 prior to the advent of the green revolution, difficulties would arise in regard to the absorption of additional production in the absence of a corresponding growth in activity in other sectors. There are no signs so far of difficulties in absorption of additional production. On the contrary, there has been an awkward rise in rice prices in recent weeks even with an increase in production by two million tonnes. Of course, there has been massive procurement in the past three months of coarse cereals and rice; buffer stocks in the middle of July stood at 8.7 million tonnes against 5.4 million tonnes at the end of March and five million tonnes in December, 1970.

There has been a spurt in prices of rice in Andhra Pradesh, Tamil Nadu and Kerala. Andhra Pradesh, particularly has been affected and exports of rice to areas outside the State from the coastal districts have been banned. These developments have come about even with an increase in production of rice by two million tonnes. There has also been some complication on account of the heavy influx of refugees from East Bengal.

Need to Take Rice Production to 5 m.t.

The rice crop was 43 million tonnes in 1964-65 and no difficulty was then experienced in marketing this crop. Then the conclusion emerged

that what we need was a breakthrough on the rice front. Easier availability of wheat had not either led to easing the pressure on rice or lowering the consumption of coarse cereals. On this basis, it may be argued that the saturation point in rice will be reached only when rice output exceeds 50 million tonnes, assuming that this quantity will be needed now on account of the growth in population since 1964-65.

Even with an output of 48 to 50 mil-

New Policy in Granting Industrial Licence

The Government will not reject any application for industrial licence on the ground of capacity, said Union Industrial Development Minister Moinul Haque Choudhury recently.

Mr. Choudhury said his Ministry had given up the concept of banned list. It had identified a number of industries where production and technological gaps existed and where foreign collaboration and investments would be permitted. The strategy of industrialisation had been reviewed to maximise utilisation of manufacturing capacity and create additional capacity through new investments, he added.

Mr. Choudhury said the Government was trying to clear industrial licence applications as fast as it could and he had accepted this task as a challenge.

Adequate Supply of Raw Materials

He said the Government had embarked on an intensive scrutiny of production plans of scarce raw materials like steel, aluminium and other ferrous and non-ferrous metals besides agricultural raw materials, with a view to ensuring adequate supply. He hoped industrialists would take advantage of the new policies and step up production substantially.

Mr. Choudhury said he was not against foreign collaboration in regard to sophisticated industries where there were distinct technological gaps, but

lion tonnes of rice there may be full absorption but the additional production of other cereals by two million tonnes may be found in excess of immediate requirements. An output of 113 million tonnes might be obtained in the current agricultural season with the yield of wheat at 25 million tonnes, rice 46 million tonnes and coarse cereals and pulses 42 million tonnes. This would mean that there would again be a surplus in wheat and procurement will have to be intensified even in the current kharif season. Unless wheat is in greater demand, there will have to be a change in the cropping pattern planning for higher production of rice.

this should not become a habit. "We must step up indigenous research through joint efforts and make the most of the results of such research." He urged industrialists to set up research laboratories by setting apart some portion of the profits.

Mr. Choudhury admitted that the planning of raw materials was not adequate. The Government expected production in many sectors but it did not take place. This had affected many other sectors. Steel production had gone down and in order to meet the requirements, steel import had been liberalised. The problem of raw materials was being taken care of better than hitherto. The question of pooling up was also being examined.

Glass House of Sheltered Market

As regards complaints about restrictions on production, Mr. Choudhury pointed out that if he removed all the restrictions "most of you will collapse. You are in a glass house of a sheltered market." He called upon industrialists to step up research and improve the quality of production by adopting the latest techniques.

He expressed concern about the shortage of cement, paper, motor cars and scooters and said he was studying the problem. He was also considering the setting up of public sector units to produce motor cars and scooters.

Negativism in Industrial Relations

By TILAK SHANKAR

If there is one field in which Managements, Unions and Government pursue a common style, it is in their negative approach to industrial relations. This approach has culminated in hardened attitudes on both sides, with the Government playing the role of "holier than thou" mediator. The cost to the national has been heavy—staggering figures of mandays lost, tarnished corporate images, bitter memories and slow economic growth. The total loss during 1960-70 was 120 million mandays. And we have the dubious distinction of having one of the poorest industrial relations record in the world. The number of working days lost per hundred union members is 315 for India—as compared to 13 in Sweden, 15 in Germany and 23 in UK. Nearly 40 per cent of the workforce in India were involved in strikes and lockouts, while only 0.3 per cent in Sweden, 3 per cent in Germany and 6 per cent in UK were on the warpath with Management.

Bargaining with Pre-conceived Notions

Managements and Unions come to the bargaining table with pre-conceived notions of each other. Union leaders look upon Management as "profiteers", while Managers are convinced that Union Leaders are "militant".

Manager sees the worker as a lazy and "economic" man and deals with him as if he were an appendix to the machine. Thus he deals only with the negative side of the worker.

Union Leaders at the slightest provocation resort to the war cry of "strike"—a negative expression of discontent.

Workers sympathise with their brethren, who are on strike, by staying away from work themselves. They do not positively contribute to their struggle by say, contributing a day's wages.

Frequent Government interference weakens Unions. Thus any short-term remedy only negates the growth of trade unions in the long run.

Government legislations by their nature are more often negative than

positive. The communications are in terms of "don'ts" rather than "do's".

Managerial Negativism

The choice of technology, personnel policies and even the day-to-day management are all influenced by the critical assumptions of the Managers. Given a choice between a capital intensive and labour intensive technology (other things being equal) the Manager chooses the former, because he feels that a big labour force is not to his advantage. The work study expert recommends division of labour with the limiting factor being whether the job can further be broken down and not whether the operation would be meaningful to the worker.

The Manager considers the worker as basically lazy and untrustworthy and hence the need for close supervision. He feels that the worker could be motivated by a few extra "bucks". But it is interesting to note that of the strikes in the last two decades, only 40 per cent were due to disputes regarding wages and bonus.

Positive motivators are conspicuous by their absence. Job enlargement for the highly monotonous functions, recognition of individual skills, active

help in worker education, suggestion schemes etc., are strange commodities in the depersonalized industrial world. The manager often assumes a superior, "paternalistic" approach — "I know what is good for you" approach. He deals with them, as if they were a bunch of irresponsible juvenile delinquents and not as equal partners in production.

Labour's Negativism

The present state of trade unionism is replete with confusion and frustration. Multiplicity of unions in one company, frequent and violent changes in leadership and interference and domination of political parties indicate how "sick" our trade unionism is.

Trade Union Leaders, with the darkened ideological smoke screen blinding their vision, put the interests of their party, or their "tough negotiator" image first and neglect the interests of the workmen they are supposed to represent. A few thousand workers out of jobs, or a few million mandays loss is not viewed as harmful to the worker interests, but as a positive contribution to the struggle against "bourgeois". Strangely enough even the Government and Public Sector units are victims of such struggle.

The war cry of "strike" is no longer the last weapon in the armoury of union leaders. Invariably it is the

first. The threat of strike—a negative expression of worker discontent—is no longer feared by managements.

Take the example of a 3 month strike in a big factory in South India. A long procession to express "sympathy and support" was taken out by workmen employed in some other factories, situated nearby. Nearly 50,000 workers stayed away from work, shouted slogans and waved placards. The result of this display of camaraderie was a major traffic jam, sore throats and loss of 50,000 productive days.

Self-appointed Guardian

Under the facade of maintaining industrial peace, the Government has become the self-appointed guardian of the working class. The tripartite negotiations have become merely a honourable term for Governmental interference. Such frequent interferences have considerably weakened the trade union movement. One wonders, whether such an approach on the part of the Government is with the ultimate objective of keeping unions weak lest they may depend on the Govern-

ment to bail them out on every occasion.

Managements and Unions by their negative approach have perpetuated the malaise that afflicts our industries. And the Government with its negativism and fancy for short-term solutions have multiplied industrial conflict. And the effect has been a painful lesson for all the parties. Thus, if we are serious about "industrial peace", and we ought to be, then we have to shed this negativism. This calls for a basic transformation in our approach.

BRITISH ENTRY INTO E.E.C.

British entry into the E.E.C. is going to hit India hard. Not only no arrangements have been made for easing the entry of Indian goods as had happened in the case of exports of New Zealand and the Associated Territories of Africa (which have a special trade link with the E.E.C.) there will be violation of the undertaking given in 1962 that the E.E.C. external tariff would not be applied until the Asian Commonwealth countries entered into a comprehensive trading arrangement with the E.E.C.

The decision not to provide a transitional period also violates the assurance that, with the British entry into the E.E.C., not only the existing pre-

ferences enjoyed by Asian Commonwealth countries would be preserved but that they would also be entitled to the benefits of an enlarged community. It is also being stressed that it is a myth that the Generalised System of preference to be granted by the E.E.C. will offset the disadvantages of less of Commonwealth preference. What is particularly significant is the fact that, while the European Free Trade Association countries will enjoy nil tariff in the British market, Indian exporters will be discriminated against, confirming the suspicion of developing countries that promises made to them by richer nations are meant not to be kept but only to be broken.

IT SEEMS TO TAKE A LONG TIME TO GROW



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Increase in Mandays Lost in 1970

During 1970 a total of 17.17 million (provisional figure) mandays were lost on account of industrial dispute. This shows an increase over the provisional figure of 16.68 million and the final figure of 19.05 million mandays lost during 1969. The figures for the earlier two years were 17.28 million for 1968 and 17.14 million for 1967, states the Report of the Ministry of Labour, Employment & Rehabilitation for 1970-71.

Of the 17.17 million mandays lost in 1970, 2.72 million were on the Central sphere and 14.45 million in States sphere. Of the different States, West Bengal accounted for the maximum number of mandays lost on account of strikes and lock-outs amounting to 9.8 million. Maharashtra lost 1.38 million mandays and Tamil Nadu 0.96 million. The number of mandays lost in the Central sphere increased from 1.69 million mandays in 1969 to 2.72 million in 1970. It was stated that this increase was accounted for in bulk with the loss of mandays with the stoppages of work in Ports and Docks.

The total number of mandays lost formed 1 per cent of the total number of mandays worked.

Wages

The money earnings of workers in the manufacturing sector have been registering a continuous rising trend and had gone up by 66 per cent between 1961 and 1969; but the real earnings had eroded to the extent to 2 per cent during the same period as a consequence of increased cost of living.

Social Security Measures

The total number of employees covered by the Employees' State Insurance Scheme as on February 15, 1971 was 36.86 lakhs and a total number of beneficiaries entitled to medical benefit was 158.62 lakhs.

57.4 lakhs number of persons were covered by the Employees' Provident Fund Act at the end of September 1970. The total P.F. contributions collected in both the exempted and unexempted establishments including interest stood at Rs. 1,754 crores and amount refunded (progressive) at the end of September 1970.

Frequent Interruptions in Bank Service

In the Central sphere strikes in Banks accounted for significantly larger number of mandays lost compared to the previous year. Apart from

countrywise agitational strikes in September 1970, there were frequent interruptions at the various branches of the Reserve Bank. During the year 792 strikes were reported in the banking industry as a whole resulting in a loss of 84114 mandays.

Industrial peace in Ports and Docks was disturbed by frequent strikes and go-slow particularly in the major ports of Calcutta, Madras and Visakhapatnam. A total of 24.07 lakhs mandays were lost from 84 strikes at the different ports. Of this Calcutta Port accounted for 20.64 lakhs and Madras for 1.81 lakhs.

During 1970 there were 13 strikes in the Railways resulting in the loss of 1.79 lakh mandays. The air transport industry suffered a loss of 1.79 lakh mandays. The air transport industry suffered a loss of 4212 mandays.

New Principal Information Officer

Mr. H. J. D'Penha, the new Principal Information Officer to the Union Government, brings with him rich and varied experience both as a "newsman" and a P.R. expert.

Mr. D'Penha has filled a variety of important assignments; he was Deputy Princi-

pal Information Officer for a while; he was Director of Public Relations in the Ministry of Community Development and Co-operation; he was the Public Relations Manager of the Indian Airlines. Of course, the most important of these was his assignment as the Press Secretary to Jawaharlal Nehru.

Though he took over the directorship of DAVP recently, there were some distinct improvements in the quality of some of the recent campaigns, particularly those serials with a common theme. Mr. D'Penha still holds additional charge as a Director of DAVP.

Mr. D'Penha can and should expand the role of the Principal Information Officer and take it beyond the limited confines of Delhi. Particularly with the present consciousness of the need for effective communications beyond the periphery of urban concentrations, the new Chief of the Information Division should widen the area of activity of his Division. His experience as a Director of Public Relations in the Ministry of Community Development and Co-operation would be of great help to him in extending the activities of PIB, in the rural areas also. As a first step, the PIO can take up his assignments to regional centres through more effective communication with the local press.

—S.V.



Mr. H. J. D'Penha

Making Life Insurance More Worthwhile

The Life Insurance Corporation is in the process of establishing a breakthrough in respect of new business. For the second year in succession there is the prospect of a big bulge in the volume of new business and there are bright chances of the accelerated rate of growth being maintained in the coming years. In 1970-71 new business written was Rs. 1,303 crores and in 1969-70 it was Rs. 1,099 crores. A new record of Rs. 1,750 crores is expected to be established in the current year and Mr. T. A. Pai, Chairman, disclosed at a press conference in Madras on August 26 that the rate of growth in the first four and a half months of the current year was heartening, being over 40 per cent as compared to the corresponding period in 1970-71. Some centres like Bangalore and Masulipatnam have fared more creditably.

Mr. Pai has emphasised the importance of Life insurance business as an important source of mobilisation of resources for plan purposes by pointing out that even with only 66 branches the net additions to the life fund were of the order of Rs. 300 crores annually while banks with over 10,000 branches were collecting only Rs. 1,000 crores yearly by way of fresh deposits.

Corporation's Civic Contribution...

The immense potential for growth will be realised if it is pointed out that the life fund is expected to rise from around Rs. 1,850 crores in 1970-71 to Rs. 3,400 crores by 1978-79 on the basis of the existing growth and to as high as Rs. 6,100 crores on the basis of accelerated growth. As the addition to the life fund in the current year can well be Rs. 275 crores if not Rs. 300 crores there is every chance of the life fund increasing to over Rs. 6,000 crores by the end of the fifth plan. Mr. Pai was naturally proud that the Corporation's resources accounted for a sizable proportion of plan outlay and it was contributing in an impressive manner to the execution of house-building and water supply schemes and rural electrification programmes.

There can easily be an increase in new business at an annual rate of 30 per cent with a higher level of economic activity especially as it has been reckoned that only 2 per cent of the insurable population has so far been covered by risk. There will have to be a more vigorous drive for securing new business even from the urban areas as besides minimum cover being taken by individuals to afford family protection there is scope for introducing superannuation schemes, house building projects with matching insurance cover, sickness insurance and so on. Group insurance and salary deduction schemes are also popular.

New Offices in Interior Areas

However, new areas have to be explored and the Corporation can open new offices in the interior areas if it can be helped to meet the losses sustained thereby through a subsidy from the Government on the lines of the assistance given to the State Bank of India for opening branches in underbanked and unbanked areas. There is great justification for the suggestion to create a development fund for this purpose as the Government is receiving rich dividends from its paltry investment of Rs. 5 crores which was paid to the life insurance when their businesses were taken over in 1957. Mr. Pai himself has stated that as much as Rs. 17 crores have been paid so far to the Government as its share of the valuation surpluses which was worked out to nearly an average return of 30 per cent yearly on its investment. This is only the past experience. The current experience is something highly rewarding as the amount paid to the Government in the last valuation surplus for 1967-69 was as much as Rs. 4.75 crores and for the valuation period 1969-71, yet to be finalised, the surplus may be higher at Rs. 6 crores. This means that the current yearly dividend is 60 per cent on the original investment. There will necessarily be an increase in the quantum of surpluses as the

years pass by as the experience is proving to be satisfactory and there has also been an increase in the average yield on investments.

The Government should not hesitate to credit to develop any surplus in the amount that it receives from the Corporation in excess of Rs. 1 crore and allow the Corporation to utilise these credits for making the losses incurred on running new branches in rural areas. The Government will not actually be a loser as even if there was a loss of Rs. 2 crores in running new offices and there was new business for Rs. 100 crores freshly there would be addition to resources of the order of Rs. 3 crores which will be invested mainly in plan schemes. Over a period the growth in business will be such that the mobilisation of resources will assume phenomenal proportions and the stage may not be far away when annual additions to the life fund will be of the order of Rs. 1,000 crores!

Better Use of Available Resources

There can be a better use of available resources and an increase in the average yield on investments. A quarter per cent increase in the yield that was registered in 1970-71 has resulted in an additional income of Rs. 4 crores. The L.I.C. would even hand over all funds to the Government at 6.5 per cent if it can guarantee a return of 6.5 per cent. While the possibilities in this regard should be explored there should also be a reduction in working expenses when business is expanding. This should not be difficult when there is greater room for manoeuvre and there can be more intensive computerisation without prejudicing chances of increasing employment. As there is no likelihood of a reduction in premium Mr. Pai owes it to the policy-holders to make life insurance more attractive. The risk aspect has importance only upto a particular point. Thereafter, it has to be attractive also as an investment proposition and this can come about only if liberal bonuses could be paid. The gestures made so far are feeble and the policy-holder has not had a fair deal. With his practical approach to the outstanding problems Mr. Pai can certainly make life insurance more worthwhile.

Crucial Role of Plantations in Indian Economy

The role of plantations in the Indian economy is so crucial that Governments can afford to tamper with them only at a great cost to the entire economy.

Speaking at the 18th Annual Conference of the Planters' Association of Tamil Nadu on August 28, its Chairman K. J. Tanna said the temptation to nationalise would be greater now after the recent constitutional amendments which gave a handle to the State to acquire private property for a public purpose by paying a notional value.

Call to Tamil Nadu Government

Mr. Tanna said that land ceiling and income limitations were not the correct solution to the problem of creating more employment, as the prosperity of any nation was based on the progressive reduction of the proportion of agricultural labour to the industrial labour. He pointed out that any attempt to restrict the growth of plantation holdings would make the units economically less viable to withstand international competition. He urged the Tamil Nadu Government to formulate a policy which would be consistent with the economic and employment potential of the State and which would encourage well-managed units within the industry to expand. The plantation industry, he said, played an important role in providing employment to nearly one and a half lakhs of workers.

Mr. Tanna deplored that while there was a growing need for expansion in the industry to meet rising internal consumption and maintain the level of exports, every conceivable obstacle was placed in the way of such expansion. He also referred to the problems of small growers and appealed to the organised sector in the industry to help small growers to stand on their own feet, by setting up the required machinery, organising the finance and development system and acting as a catalyst for the change. Mr. Tanna said that the tea yield in Tamil Nadu was not

only the highest in the country but was far higher than that prevailing in the other producing nations in the world. The average yield in Tamil Nadu was 1,627 kg. per hectare, while the all-India average was 1,194 kg. per hectare. For Ceylon and East Africa, the corresponding figures were 878 kg. and 1,032 kg. respectively. The production figures for the year 1970 were outstanding with tea production reaching its peak of nearly 56 million kilograms. The tea prices for 1970 were good. With regard to coffee, because of surfeit of production and the unscientific valuation adopted by the Coffee Board, the coffee producers could not benefit by the production increase. As regards rubber, the entrance of the State Trading Corporation in the market to bolster the prices seems to have failed in its purpose.

Agricultural Income Tax

The Chairman referred to the recent increase in agricultural income-tax and said that great injustice would be done to the plantation sector if income therefrom were to be taxed at a rate higher than even non-agricultural income. He pointed out that with the exception of stray cases of violence, cordial relations with labour were maintained, and appealed to the trade unions to be disciplined and to stand by their covenants.

Mr. D. Sivappa, President of the UPASI said that when the United Planters' Association of South India (UPASI) took shape 78 years ago, its principal concern was the protection of the industry. Even though the objective continued, the methods it had then chosen or the style and content of its activities had no relevance now.

Mr. Sivappa said the obligations and responsibilities of a business association were far exceeding those which might appear to be the immediate interests of its members. Mr. Sivappa referred to the need for a business association to act as a centre of specialisation in its own area with detachment, objectivity and profes-

sionalism. This was important because "the decision-making processes are getting further and further removed from any single industry under a system of centralised economic controls."

Foreign Exchange Drain...

Discussing the issue of nationalisation of sterling companies in Kerala, Mr. Sivappa made a pointed reference to the alleged foreign exchange drain from profit repatriation. He pointed out that the profits repatriated by all sterling companies during the five years upto 1967-68 was Rs. 23.44 crores whereas the exchange earned by India from plantation crop exports to UK was Rs. 387.00 crores.

On the issue of take-over of mismanaged gardens, he said, it would be the most extravagant way of keeping workers in employment. Mr. Sivappa said that the plantation crops were the leading agricultural crops, both in yield and in production year after year. Increase in the production of tea over 1949-50 was 49.1 per cent; for rubber 345.5 per cent, and for coffee 177.8 per cent, according to the index of yield and production maintained by the Ministry of Agriculture. He further said that in comparable world yields, India occupied the first place in the yield of tea and in the volume of production.

He pointed out that there were strict limits to expansion and development within a given combination of land and fiscal policy, agro-climatic conditions, available resources and technological possibilities. According to him land policy was reaching a point where its economic rationale was being irreversible. There was a possibility of India's production during the 'seventies not reaching parity with increases in internal demand and exports, particularly in the case of tea. Against this background, he made a plea for Central and State coordination on fiscal and land policies affecting plantations.

INCREASING INDIAN INVESTMENT ABROAD

When all the sanctioned joint industrial ventures abroad with Indian participation go on stream, the total investment overseas is to amount to Rs. 178 million. Out of 121 approved projects 27 have gone into production and 61 are in various stages of implementation.

It is estimated that India has already earned foreign exchange equivalent to over Rs. 10 million in the form of repatriation by joint ventures abroad that have started manufacture. Additional machine tools and equipment exported for the ventures amount to about Rs. 45 million. Sizeable amount of foreign exchange remittances are still in the pipeline.

Encouraging Joint Ventures

The Government of India have recently adopted several measures to encourage Indian joint ventures abroad. The Economic Division of the Ministry of External Affairs has been strengthened to collect information on investment opportunities abroad for dissemination among Indian entrepreneurs. The Overseas Investment Cell in the Ministry of Foreign Trade is providing all assistance to the investors. A Foreign Investment Guarantee Scheme for underwriting political risks is under examination. An Inter-Ministerial Committee has been functioning to examine proposals expeditiously. To avoid unhealthy competition by the Indian industrialists abroad, usually only one unit is allowed for the manufacture of the same goods in one country. With a view to strengthening further the economic relations with other countries Indian industrialists are also offering training facilities to foreign nationals in their factories in India.

The policy frame-work of the Government for joint Indian ventures abroad restricts remittances from India for capital participation in the industrial projects. Indian participation therefore consists mainly in the form of supply of machinery and other equipment, technical know-how and managerial skill.

Limiting the Equity

Indian participation as far as possible will be limited to 49 per cent of the equity. It would be contributed by way of export of indigenous machinery, equipment, tools and know-how. The policy has recently been liberalised and equity may now also be

New Chairman for IOC

Mr. M. Rama Brahman, Chairman and Managing Director of Madras Refineries Ltd. has been appointed Chairman and Managing Director of Indian Oil Corporation Ltd. He succeeds Mr. N. N. Kashyap who retired recently.

Mr. Rama Brahman has made significant contribution to the establishment of the Indian oil industry on firm foundations.

The 'sixties might rightly be described as an era of rich expansion in oil refining capacity. Throughout this period, Mr. Rama Brahman has been



Mr. M. RAMA BRAHMAM

closely connected with this industry. He was the Chief Engineer and General Manager of Gauhati Refinery from 1958. He was the principal architect of the Madras Refineries and was responsible for building it up from scratch. The Madras Refineries, with 2.5 million tonne capacity, is among the most modern refineries in India

contributed by exporting structurals, steel items and construction materials.

Among the projects that have come up or are coming up in both developed and developing countries overseas the items of manufacture range from cotton and woollen textiles and food canning to a variety of engineering goods, including sewing machines, electric fans, diesel engines, trucks, scooters, automotive parts, radios, air-conditioners and coolers, re-rolling mills, electric motors and transformers.

with a capacity to produce two lakh tonnes of Lube-base stocks. Production commenced at the Refineries in June 1969 and even in the second year of full operation (1970-71), it has wiped off financial loss and shown significant profits.

Stress on Adequate Publicity

Quite often poor or inadequate publicity has kept the excellent performance of some of the public sector undertakings in the dark. One rather obtained a onesided picture of public sector efficiency reviewing only the loss incurred by the units. Mr. Rama Brahman has been appreciative of the importance of effective publicity for a good job done. No wonder the image of Madras Refineries as an efficient and profitable undertaking has contributed in a rich measure to improve the image of public sector units. The switching over from MRL to that of IOC will certainly mean a manifold increase in the activities of this dynamic personality. IOC was estimated to have sold last year some 11.5 K/L estimated at Rs. 670 crores; besides operating its own refineries in Gauhati, Barauni and Gujarat, it markets the entire production of Cochin and Madras Refineries. Another big refinery is being constructed and owned by IOC. Located at Haldia, it is expected to be completed in 1973.

The rich and varied experience of Mr. Rama Brahman in this highly specialised field will be of considerable help in managing the IOC, a massive public sector organisation.

The units are also being set up for items like pharmaceuticals, paper and pulp, cork products, builders' hardware, steel furniture, safety glass, hose pipes and cement.

In the developed countries of West Europe and North America projects with Indian collaboration have been set up in U.S.A., Canada, U.K., West Germany and Ireland.

India Fully Equipped...

Export of consultancy services have bright prospects from India to the developing countries of Asia. This is the conclusion of a three-man Asian Development Bank team which toured India recently. The team was impressed with the consultancy services available in India in certain specialised fields.

The team which came to India to have an assessment of the availability of consultancy services for utilisation by the Bank, expressed the view that India has accumulated vast experience in certain fields and has emerged as a leading supplier of equipment in a number of industrial lines. The team referred, for instance, to the export orders secured by India for supply of transformers, high-pressure boilers, teleprinters and railway coaches by competing in international tenders.

PLANS TO BOOST EXPORTS

India's exports during 1970 amounted to Rs. 1520.8 crores, an increase of 10.5 per cent over those of 1969 which recorded only 4.2 per growth over the comparable period in the previous year. During the first ten months of the year for which data is available, India's exports to the American region and West Europe declined, but exports to all other regions of the world increased. Exports to the U.S. fell by Rs. 32.3 crores. On the other hand exports to Japan increased by Rs. 30.7 crores.

The Government of India is drawing up concrete export production plans for items having maximum export potential. Units considered competent for the export effort would be accorded the highest priority in the clearance of applications for expanding their production.

About 20 product lines have already been identified and ten working groups have been set up to work out details. The working groups have been asked to find out the export potential of specific products and to review the existing capacity.

Aiding Developing Nations

The public sector consultancy services in India viz. National Industrial Development Corporation Ltd., Engineers India Ltd., Project and Equipment Corporation, the Indian Consortium of Power Projects and the Organisation of the Development Commissioner for Small Scale Industries and many organisations in the private sector are now fully equipped to offer the full range of consultancy services

to developing countries for implementation of industrial schemes including general diagnostic and demand surveys, feasibility studies, techno-economic evaluation schemes, locational studies, preparation of detailed projects and full assistance even in setting up complete industrial plants. In fact, a few turnkey projects have already been executed in various countries and some others are under execution.

MISCELLANY...

The "Gleitende Arbeitszeit"

A growing number of West German companies are introducing a system that allows employees to arrive at work when they wish and leave as early or late accordingly.

The system, known as "Gleitende Arbeitszeit" or gliding working time, might well be dubbed "legalised tardiness". It means in essence that where the gliding working time is in effect, employees have roughly two hours leeway in the time they are required to arrive for work in the morning.

Now adopted by some 2,000 companies, the system was introduced in 1967 by the aircraft and electronics manufacturers Messrs Chimitt-Boelkow-Blohm in an effort to break up the daily traffic jams that invariably resulted when all the employees arrived at 0700 hours. Interestingly, many firms have found absenteeism has dropped by as much as 20 per cent while productivity increased noticeably.

Increased Productivity

Claiming that increased productivity has brought the employer more benefits than the employee, unions are asking for a two per cent rise for workers on staggered hours.

Messrs Schmitt's 7,000 employees can now punch in between 0700 and 0800 hours and leave the job between 1545 and 1800 hours. While they are still required to work an average 42½ hours during their five-day week, they also have the option of working an extra 10 hours in a given month to draw on in another month for additional free time, or vice-versa.

Even the German Government has applied it on an experimental basis for the 1,000 employees of the Transport Ministry who are allowed to arrive and leave work within 2-hour margins.

In a poll of its employees on gliding time, Lufthansa found the system convenient and helpful. Not a single employee protested against it.

Broadbasing Newspaper Ownership

The Union Minister of State for Information and Broadcasting, Mrs. Nandini Satpathi, informed the Lok Sabha recently that the Government was considering bringing forward suitable legislation to secure a broadbase of ownership of newspapers having a circulation above a specific minimum. This was intended to secure freedom of the Press and end monopolistic ownership of newspapers. The idea was to have larger newspapers owned by a larger number of people. The proposed legislation might also provide for full disclosure of the financial interest and transactions of larger newspapers. Mrs. Satpathi also stressed that reliance of newspapers on advertisement revenue needed to be discouraged as it impinged not only on the news value of a paper but also tended to develop monopoly. In her opinion, with the canalisation of public sector advertisements to small and medium newspapers, the Government on the one hand hoped to ensure freer and fairer competition among newspapers themselves and on the other to remove unhealthy reliance of some of the larger newspapers on business houses.

THE CITY CORNER:

Bifurcation of E E P C

According to export circles here, a suggestion for the bifurcation of the Engineering Export Promotion Council is under the active consideration of the Government of India. This bifurcation was recommended by the Committee constituted by the Central Government under the Chairmanship of Mr. Bhagwan Singh to examine the justification or otherwise of the Export Promotion Councils after the formation of the Trade.

While the Committee's report commends the work done by the Export Promotion Council in creating export-mindedness in the company, it regrets the "factions, the politics, and all that makes for ineffectiveness" which have been increasingly in evidence in these bodies. It blames the Government for at least a part of the ills of the Councils.

Award for Warehouses

A scheme for awarding prizes to the warehouses in Tamil Nadu showing the minimum storage losses will be implemented from next year. Mr. P. U. Shanmugam, Minister for Food announced this in the course of his address at the second refresher training semester organised by the Central Warehousing Corporation at Chromepet.

Revision in Power Tariff

Power tariff for agriculture is likely to be revised from the present nine paise to 12 paise. This is being considered as a package programme for rationalising tariff for the various classes of energy consumers. A small reduction in the domestic rates is also likely. A marginal increase in industrial rates in the hydel areas is under consideration.

Last year, following an agitation by the Coimbatore District Agriculturists' Association, a proposal to raise the power tariff just to ten paise was given up.

The cost of power generation works out 17 paise per unit. The Tamil Nadu Electricity Board has been incurring huge losses on account of subsidised sale of electricity to agriculturists.

Study of Alternate Product-Mixes for Salem Project

The Tamil Nadu Government has been told by the Centre that the technical consultants were being asked to examine the feasibility of the steel plant proposed for Salem with reference to three distinct alternate product-mixes. These involve entirely different equipment and processes. The alternatives suggested are (1) 205,000 tonnes of strips and bar products, (2) 190,000 tonnes of strips, seamless steel tubes and bar products and (3) 180,000 tonnes all strips.

Even upto iron making stage which is common to all the three alternative end-products, a few processes are under consideration. The high sulphur content of the Neyveli lignite and the fact that a second minecut has been ruled out at Neyveli have rendered necessary the examination of the economics of basing iron production on coking coal from Bihar. The feasibility reports for all the three steel plants proposed for South India may not be ready before the end of the year.

Structural Transformation in Tamil Nadu Economy

During the decade 1960-70, the economy in Tamil Nadu had undergone a structural transformation in favour of manufacturing and allied activities while the contribution of the primary sector to Net Domestic Product (NDP) had declined.

Though the primary sector (agriculture) still remains, in absolute terms, the largest single source of the state income, the contributions of the secondary and tertiary sectors had been increasing relatively, according to an economic appraisal made by the State Government.

For instance, in 1960-61 the share of agriculture and allied activities to NDP was 49.1 per cent while the secondary sector accounted for 16.0 per cent and the tertiary sector 34.9 per cent.

In 1969-70, despite an increase of 39.2 per cent in NDP's, the share of the primary sector declined to 43.4 per cent while that of the secondary and tertiary sectors rose to 21.1 per cent and 35.5 per cent respectively.

In the same year, the state income touched a new peak at Rs. 2,444 crores, an increase of 12.3 per cent over that of 1968-69.

The State's per capita income which was Rs. 335 in 1960-61, rose to Rs. 606 in 1969-70, representing an increase of 10 per cent over that of the previous year.

Record Export Performance

The State's share in the total exports of the country during that year was 18.7 per cent, according to an economic appraisal made by the Tamil Nadu Government.

On the other hand, the value of imports into Tamil Nadu ports dropped to Rs. 258.67 crores as against Rs. 319.89 in the previous year.

The State's exports are still dominated by traditional items such as vegetables, chillies, tanned leather, hides and skins, cotton yarn and thread, palm fibre and animal products. These account for 60 per cent of the total exports.

Leather and tobacco formed a major part of the export trade, accounting for Rs. 66.59 crores (34.6 per cent) and Rs. 21.69 crores (11.3 per cent).

INDUSTRIAL ECONOMIST

ANNUAL SUBSCRIPTION

Rs. 15/-

FOR THREE YEARS

Rs. 40/-

Price Situation Causing Anxiety

There have been hints from New Delhi that the Government may not hesitate to introduce stringent controls over prices and distribution of essential articles of consumption, if the price situation continued to deteriorate. There has been a record output of foodgrains and a fairly satisfactory availability of commercial crops with the exception of raw cotton. If there was a further rise in output of wheat, rice and other cereals in the current year, the recent trends can be successfully reversed especially as the Central Government has stocks of over 8.5 million tonnes of foodgrains at its disposal.

The increase in the purchasing power of the agricultural income groups has been mainly responsible for a higher level of consumption of sugar, edible oils, pulses, cotton textiles and fabrics made out of synthetic fibres. Unless the output of these items is substantially increased there will be a sustained rise in prices and any amount of control cannot prevent profiteering by hoarders and traders.

Official policy also is to blame in regard to the fixation of prices for commercial crops and their marketing. The sharp rise in prices for raw cotton is the result of deliberate encouragement to the growers and cooperative societies for holding back supplies of cotton when there was increase in consumption. There were also delays in arranging for imports of natural fibre. As regards oilseeds there has no doubt been an increase in output. But demand has been far outstripping supply.

On the industrial front, the growth in production has not been adequate to meet the growing demand. But for the sharp contraction in imports of foodgrains and some other items, it could not have been possible to liberalise imports of steel, non-fer-

EXPORT PROMOTION WING FOR TAMIL NADU

The Tamil Nadu Government is considering a proposal to start an Export Promotion Wing in the Small Industries Development Corporation. Industries Minister S. Madhavan said the Government would revise its policy of starting an industrial estate in every revenue division, as there was no response in some areas.

He said the Government had set up 33 industrial estates in the State and 15 more were yet to come up.

rous metal . . . Fortunately, there is a boom in exports of plantation products. With the trouble in East Bengal, there may also be a higher level of exports of gunnies. These may be helpful in overcoming the immediate deficiencies in steel, raw cotton, oil seeds, non-ferrous metals and other articles in short supply.

Possible Shortages in Steel, Aluminium, Paper ...

The price situation can be satisfactorily tackled only if there was industrial peace and efforts were made to boost production even with the existing capacity. The long-term outlook is indeed depressing as there

is bound to be a growing shortage of steel, aluminium, paper and many engineering goods unless there are attempts to increase the output of all these items by intensive use of existing capacity, expanding the capacity of units in operation and also encouraging the promotion of new units.

The inefficient operation of many public sector units, the persistent labour trouble in some areas and delays in clearing applications for implementing expansion schemes and promoting new ventures have all contributed to the widening gap between production and demand with attendant pressure on prices. The immediate difficulties can be overcome with a larger output of raw cotton, oil seeds and pulses, and a better use of the capacity of the industrial units in the public and private sectors. But the situation may get out of hand if there was larger military and plan expenditure and there were no long term arrangements for developing the industrial potential in the public, private and cooperative sectors.

More Strikes & Lockouts in Tamil Nadu in 1970

There has been a steep increase in the number of strikes including lock-outs during 1970 compared to the previous year—there were 277 strikes including lock-outs in 1970 compared to 174 in 1969. Consequently there has been an increase in the number of man-days lost from 683,059 in 1969 to 1,033,377 last year.

Textile industry reported the maximum number of strikes and lock-outs—numbering 86 and involving 41,824 workers and a loss of 335,454 man-days. Engineering industry comes next with 60 strikes and lock-outs involving 9,384 workers and a loss of 169,656 man-days. The Report cites that the increase in the number of man-days lost during the year was due to the prolonged strike and/or lock-outs which took place during the year in certain major industrial establishments including Neyveli Lignite Corporation Ltd., Standard Motor Products, Sri Rajendra Mills, E.I.D.-Parry Ltd., (Nellikuppam), Hindustan Teleprinters Ltd., and Beedi

Industrial Establishments in North Arcot District and Madras City.

Labour Welfare Fund

In presenting the demand for grants for 1971-72, the Labour Minister N. V. Natarajan stated that the Tamil Nadu Government had constituted a labour welfare fund with the initial grant of Rs. 5 lakhs from the State Fund and set up a labour welfare board to administer the fund. The Board has approved the proposal for the setting up of three labour welfare centres in the major industrial areas of Madras, Madurai and Coimbatore. The Minister stated that the Government is also considering the question of undertaking special legislation requiring the employees and employers to contribute to this fund.

The Minister also stated that the Government proposed to set up a labour institute at Madras with the objective of giving training in trade union organisation among other things.

Company Meeting

POYSHA INDUSTRIAL COMPANY LIMITED

The following are extracts from the Statement of Mr. M. R. Ruia, Chairman of Poysha Industrial Company Limited for the year 1970-71.

The tempo of progress continued to be maintained during the year. As against total sales of Rs. 711.65 lakhs for the whole group (Poysha, Kaira Can Company and Colridge) last year, the figure for this year was Rs. 933.98 lakhs: excluding the element of excise, the sales rose from Rs. 708.31 lakhs to Rs. 855.54 lakhs. In the case of Poysha alone the rise (without excise) was from Rs. 540.25 lakhs to Rs. 679.92 lakhs. Sales by Kaira Can remained more or less stationary, while the figures for Colridge rose from Rs. 14.94 lakhs to Rs. 22.32 lakhs.

The gross profits for the year amounted to Rs. 54.26 lakhs, and the net profits after providing for depreciation, development rebate and taxation, amounted to Rs. 33.67 lakhs, as against Rs. 27.66 lakhs last year.

The Ghaziabad factory has been enlarged to accommodate another printing line and other equipment. The new printing line is now in operation. Ghaziabad is now in a much better position to meet and service the increasing demand.

At Cochin the main factory buildings are complete and electrification is going on. The factory should be ready for commissioning soon after the monsoon.

In our subsidiary, Kaira Can Company, too, printing lines are being set up, which should make it self-sufficient in the matter of printed tinplate sheets. Other balancing equipment is also being procured and we expect Anand to be fully self-sufficient soon.

Tinplate Supplies

The position regarding supply of tinplate continued to be unsatisfactory. Hindustan Steel and the Tinplate Company of India are expected to meet the full demand of the industry for general line containers; but the same irregularities in supplies and a continuously increasing backlog still persist, in spite of promises to increase production and improve supplies. As for O.T.S. tinplate, it is still under experimentation at Hindustan Steel; and while we are hopefully expecting an early improvement in the situation, we still have to import large quantities of suitable tinplate from abroad. This has now become a matter where Government should strongly and effectively intervene. In the context of the generally unsatisfactory situation of the steel industry, however, one does not know when the required improvements will materialise.

Taxation

To add to these troubles, the taxation policy of the Government, in the matter of

duties and of excise, has continued unaltered. I pointed out last year how the tin can was suffering from triple imposts, being taxed both on its prime raw material and on itself as a finished product, besides the tax on the canned product, too. This position continues unchanged, and has recently worsened as a result of the last budget which raised the duty on imported tinplate from 27½ per cent to 40 per cent. It would almost appear as if a dead set is being made against tin containers, on the misconceived ideological ground that preserved foods are mere luxuries beyond the reach of the common man. It is a well-known fact that about 30 per cent of the fruits and vegetables grown in this country is wasted on account of improper packaging, inadequate transport and lack of marketing facilities. Today, a mere 0.5 per cent of India's 20 million tonnes of fruit and vegetable production is being preserved. One would have thought that, the Government's basic policy being the promotion of agro-based and defence-and-export-oriented industries, close attention would be paid to the means of food preservation in this country, and to the increase as rapidly as feasible of the volume of foods so preserved. Unfortunately, this has not been the case. The fruit and vegetable preservation industry is largely a small-scale industry which is labour intensive and has a high employment potential. In the fight against malnutrition and under-nourishment, it will hold a key position in the creation of a more balanced diet than can otherwise be obtained. It is also important for defence requirements of "special convenience" and "survival" foods, which are even today of the value of Rs. 5 crores per annum. The Indian Institute of Foreign Trade, after a recent survey of over 20 countries in Europe, West Asia and South East Asia, has also called for a bold programme of exports rising from its present value of Rs. 6.7 crores to Rs. 50 crores by 1975-76. This, however, can be achieved only with the active assistance of the Government by way of relief of taxation and other levies on the existing modern units. It has been calculated that, on the basis of current figures of exports, estimated at 20 per cent of the total production, there will be a need to raise the annual production of canned and preserved fruits and vegetables to at least 300,000 tonnes within the next five years.

A Vital Industry

It is most unfortunate that the food canning industry in India is being treated as a

luxury industry, whereas in the United States it is one of the most far-reaching and important of all industries. It is nothing short of a criminal waste of our food resources to allow a substantial part of the fruits, vegetables, etc., annually produced in this country to go to waste. I do hope that the Government will at least now take a realistic view of the importance of food preservation vis-a-vis national nutrition and the national economy, and change their taxation policy.

The crux of the matter as regards the tin can is the quality and price of tinplate. Tinplate prices have gone up by 50 per cent during the last five years; and considering that in the case of general line cans 50 to 60 per cent of the cost of the container, and in the case of the O.T.S. cans, as much as 70 to 80 per cent consists of the cost of the tinplate alone, one can understand the severe handicaps under which the industry is now operating. Successive levies on tinplate, on empty containers and on the final products packed in the container, are a burden which has, in increasing measure, to be passed on to the consumer who will soon find the tin can beyond his purchasing power. As it is, can prices in India for preserved foods are perhaps the highest prevailing anywhere and account for as much as 30 per cent of the total cost of the end products.

In a country like India where the products have to travel long distances and have to face severe climatic conditions, they have to be packed with extreme care. This is more important in the case of processed foods where the tin container is vital, but where owing to the handicaps placed on it, it has had a continuous struggle to maintain its supremacy. If this struggle ends in failure, it will be nothing short of a major calamity.

Foreign Collaboration

I am happy to announce that our long-drawn-out negotiations with American Can Company, the largest can-makers in the world, have now been successfully concluded. All the points that have been outstanding between us and the Government of India have now been cleared.

As a result of this collaboration, many new items will be taken up for manufacture. They include beer cans (both conventional

and specialised), aerosols, and cans with easy opening ends of both aluminium and tinplate. Many of the existing difficulties of the Indian processing industries can readily be solved with American Can's expert advice. Similar advantages will accrue in the case of our exports also, besides large savings by import substitution, and by the use, on American Can's advice, of thinner tinplate, plain or beaded, in lieu of conventional tinplate.

Expansion Programme

I am glad to announce that the Government have recently sanctioned our expansion by two more units of sizable capacity, one in Madras and the other in West Bengal. Steps will be taken to implement the projects as soon as possible. In O.T.S. cans a trend is visible for the shift of their most important markets from Bombay to the North and the South. Our Ghaziabad unit

and the forthcoming unit in Madras will increasingly share in this business.

Our thanks are due to our staff and workers who have, as usual, fully co-operated with us.

Bombay:
27th August, 1971.

M. R. RUIA,
Chairman.

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

Company Meeting:

THE SOUTH MADRAS ELECTRIC SUPPLY CORPORATION LIMITED

Registered Office: Power House, Tennur, TIRUCHIRAPALLI-17

Excerpts from the Speech delivered by Thiru K. A. P. Viswanatham, Chairman of the Company,
at the 31st Annual General Meeting of the Company held on 28th August, 1971

Ladies and Gentlemen:

It is my privilege once again to extend to you a warm welcome to this 31st General Meeting of the Company and to report to you that the affairs of the Company have been satisfactory.

The Company's licence, known as the Trichinopoly-Srirangam Electric Licence 1925, stands extended up to 12th January, 1982, as the Electricity Board has not exercised its option to take over the Company on 12-1-1972.

In the year under review, investment on capital works was lower at Rs. 25.62 lakhs as compared to an investment of Rs. 33.80 lakhs in the previous year. The fall in the pace of progress in this behalf during the year under review may be attributed to the uncertainty as to whether our licence was intended to be terminated on the expiry of the licence in January, 1972. The growth rate of sale of energy, however, compared favourably with the previous year, being 7.12 per cent and the 4,802 numbers of service connected up were almost the same as in the last year.

With the introduction of a large number of capacitors in the system, the power factor of supply as well as tail-end voltages were substantially improved, resulting in reduction of line losses. The effective working of the Cyclic System of billing increased the efficiency in consumer bills service as well as collections. The effect of these improvements as well as the operational economies exercised enabled the Company to give re-

bates to consumers on their January, February and March bills to the extent of Rs. 4.5 lakhs. In the current year the Company has proposed substantial system and administrative improvements.



Thiru K. A. P. VISWANATHAM

The extension in the period of the tenure of the Company has cast added responsibilities on the Company with respect to satisfying the demands for power in the area of supply. There are yet 16 villages in our area to be electrified and it is hoped to electrify these during this year. Special attention is being paid to street light extensions and as also to supply to Harijan Colonies.

To meet the additional capital requirements of all these increased activities, the Com-

pany proposed to utilise the balance of Rs. 9 lakhs, in Fixed Deposits in the Banks out of the Mayavaram-Mannargudi-Tiruvavur Electrical Undertaking compensation amount, this year and, for further capital requirements in the future years, we shall seek recourse to borrowing from Government or the Financing Institutions or seek your permission to utilise further compensation monies as may be received, in a manner that may be most advantageous to your interests.

I would only like to emphasise that so long as the tenure of our licence continues to remain with us, it behoves on us to fulfil our obligations as licensee.

The Arbitrator appointed by the Government to hear the disputes between ourselves and the Government on the quantum of compensation as well as the deductions made therefrom has taken charge of his office. The Company's statement of case would be filed on 1st September, 1971, before the Arbitrator.

Our Counsel has filed the required petition and affidavit before the High Court for the reduction of capital of the Company by the repayment of First Preference Shares.

There has been unstinted co-operation from the Management, all the officers, staff and workers and I would like to express here my thanks and appreciation to all of them.

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

BUSINESS BRIEFS:

Paper Units Earn Good Profits

The working results of paper companies for 1970-71 published so far make encouraging reading and have led to steady buying of paper shares in spite of the generally subdued sentiment in stock markets. A basic factor of the recent prosperity of paper companies has been the remunerative selling prices for various grades of paper after decontrol of the commodity three years ago. Certain categories of printing paper are commanding high premiums above the producers' announced prices and many manufacturers have taken steps to formalise these higher prices by revising their prices upward. But there would seem to be some confusion at the consumer's end as the same quality produced by different units is quoted at different prices by the same distributor. The whole situation has been brought about by a critical shortage of many qualities of paper in spite of the industry's bid to change its pattern of production in favour of the high premium qualities. Till the basic imbalance between supply and demand is set right by creation of fresh capacity on a sizable scale in a short period consumers will have to put up with high prices and short supplies. The crash programme undertaken by the existing mills, when completed in the next 12 to 18 months, may ease the situation temporarily but the industry will have to be encouraged to take up new expansion schemes or set up new units if a long term solution is to be found to meet the paper explosion in the coming years. The present restrictive policies under the Monopolies Act and the withdrawal of development rebate from 1974 are certainly not conducive to new investments particularly in the paper industry which is getting a reasonable return only now. The cost of the new projects has gone up substantially due to higher import duties and it may not be easy to raise resources of the magnitude required.

Seshasayee Paper's Maiden

After Mysore Paper which staged a smart recovery last year and has resumed payment of dividend for 1970-71, Seshasayee Paper and Boards Limited has announced a maiden dividend of 12 per cent taxable for the year ended March 31, 1971 following excellent results. An interim dividend of 6 per cent has already been paid and a similar final payment is to be made. There was keen demand for the company's paper and boards and it was possible to increase production with the help of the expanded facilities. Though there was loss of output for

1,100 tonnes due to a 10-day strike in October-November last year, production was higher at 32,649 tonnes against 28,453 tonnes in 1969-70. With a change in pattern of production also, sales increased substantially to Rs. 7.90 crores from Rs. 5.93 crores while the net profit, before depreciation and taxation, jumped to Rs. 199.18 lakhs from 117.66 lakhs even with higher working expenses. The claim in respect of depreciation is Rs. 63.58 lakhs (Rs. 50.04 lakhs) and development rebate as much as Rs. 56 lakhs (nil). The latter claim would have lapsed if there had not been adequacy of profits for this purpose. There is no tax liability and there may be none for some time as there is still unabsorbed development rebate. A sum of Rs. 10.58 lakhs (nil) has been written off preliminary expenses including underwriting commission and brokerage. General reserve gets Rs. 21 lakhs (nil) and taxation reserve Rs. 43 lakhs (nil). The final dividend is to be paid from general reserve.

The company is making efforts to conserve available bamboo resources by using hardwoods wherever possible. Negotiations with the Tamil Nadu Government on bamboo supplies from the forest areas have made good progress. A scheme is under consideration to increase capacity further from 105 tonnes to 150 tonnes per day and it is hoped that Government approval for this expansion would be obtained at an early date.

TISCO's New Schemes

Tata Iron and Steel Company Limited which has reported encouraging results for 1970-71 could increase its output of pig iron in spite of difficulty over coke supplies, to 1.66 million tonnes from 1.62 million tonnes in 1969-70. Production of ingots also rose marginally to 1.72 million tonnes from 1.71 million tonnes but that of saleable steel declined to 1.37 million tonnes from 1.44 million tonnes due to a reduction in the quantity of purchased ingots available for rolling. However, sales turnover rose to Rs. 150.75 crores from Rs. 144.37 crores owing to the full effect of the increased prices allowed from January 1970 averaging Rs. 71 per tonne. It has been pointed out that a major part of this price increase has already been neutralised by higher wages as a result of the September 1970 settlement and increased cost of raw materials and railway freight. Production of dynamo-grade sheets increased by 7,000 tonnes to 40,000 tonnes and of Tistrong and grip (high-yield strength) bars by 18,000 tonnes to 41,000 tonnes. There

was, however, a drop in exports due to Government restrictions to 70,000 tonnes from 1.23 lakh tonnes in 1969-70 and in earnings to Rs. 6 crores from Rs. 8.3 crores.

The company will benefit to a considerable extent from the first unit of the pelletisation plant at the Noamundi iron ore mine which was commissioned in March this year and the second unit which is to go into production by October. The collieries expansion scheme has been delayed due to delayed issue of import licence for equipment and protracted deliveries of indigenous equipment. The old coke oven batteries are also to be replaced under a phased programme spread over five years. After completion of this project there will be no need to purchase coke from outside sources. The ring rolling plant at Adityapur was got ready during the year and went into production this March. This mill with a capacity of 2 million rings a year will be helpful in saving foreign exchange expenditure by the ball bearings industry.

The large ploughback from earnings for 1970-71 in the form of depreciation claim and allocation to development rebate reserve has enabled the company to increase fixed assets to Rs. 287.8 crores from Rs. 267.3 crores and reduce outstanding borrowings to Rs. 36.10 crores from Rs. 37.73 crores. The balance of Rs. 3.17 crores of the World Bank loan outstanding at the end of the year has since been repaid while the special advance from the Indian Government (balance Rs. 1.40 crores) will be repaid by next March. The paid-up equity capital now stands at Rs. 38.58 crores against which reserves and surplus amount to Rs. 55.58 crores. The company is yet to make its proposed debenture issue for Rs. 20 crores to finance its modernisation and replacement scheme as Government clearance has not been got so far. Advances have been received for Rs. 5.08 crores till March 31, 1971 against this issue. It is expected that the terms of the issue will be finalised shortly.

The Chairman, Mr. J. R. D. Tata has told the shareholders that the modernisation and mechanisation of the ore mines two years ago along with the commissioning of the pelletisation plant should lead to improved efficiency of iron production. At the same time, he has pointed out that the existing steel-making and rolling facilities are getting old and will have to be replaced. A major modernisation programme along with some capacity expansion may thus have to be taken up soon. But considering the fact that the present schemes along with normal replacements will need over Rs. 100 crores over 1970-75, it has become necessary to ensure the finance for this current phase before considering any large fresh commitments. On prices, Mr. Tata has made out a strong case for a fresh look at the basis of price fixation particularly the overheads allowed in total costs for the industry. The latter were based on the low TISCO capital cost per tonne of Rs. 1176 but this has risen

by 50 per cent now to Rs. 1830 as a result of replacements by costlier new equipment. Indian prices are the lowest even now on the average except Japanese steel.

Indian Iron Earns More

The shareholders of Indian Iron and Steel Company Limited will feel greatly relieved to know of the decision of the directors to maintain the equity dividend for the year ended March 31, 1971 at 6 per cent taxable. Actually the company's working results for the year have shown significant improvement over the first year though labour trouble and other factors stood in the way of better use of capacity and output was only marginally higher than in 1969-70. But with increased prices and a more remunerative product-mix, there was a sizable increase in the net profit, before depreciation and taxation, to Rs. 929.29 lakhs from Rs. 773.97 lakhs. Depreciation, however, claims as much as Rs. 560.54 lakhs (Rs. 514.01 lakhs) and taxation Rs. 46 lakhs (Rs. 4 lakhs). Net transfers to reserves amount to Rs. 305.21 lakhs (Rs. 238.42 lakhs) including the allocation of Rs. 175.44 lakhs (Rs. 161.84 lakhs) to development rebate reserve.

Hindustan Lever

Hindustan Lever Limited has reported a big increase in sales and profits during the first six months of 1971 perhaps due to larger output of various products and higher selling prices. The turnover jumped to Rs. 71.16 crores from Rs. 59.39 crores in the first half of 1970 while the net profit before taxation and after depreciation, rose sharply to Rs. 3.76 crores from Rs. 2.23 crores. The profit in the first half of 1970 was however affected by many inhibiting factors and was lower than the corresponding figure of Rs. 3.21 crores for 1969 when sales amounted to Rs. 54.07 crores. Capital expenditure in the latest half year on scientific research is much higher at Rs. 19 lakhs against Rs. 5 lakhs while the tax liability is estimated at Rs. 2.10 crores (Rs. 1.20 crores). Even then, the disposable surplus is larger at Rs. 1.47 crores (Rs. 98 lakhs). The company's exports have been very encouraging and it is expected that earnings for the whole year will exceed last year's Rs. 4.78 crores.

Engine Valves Repeats

There is some disappointment in stock market circles over the decision of the directors of Engine Valves Limited (of Rane group) to maintain only the dividend on equity capital at 15 per cent taxable for the year ended March 31, 1971 even with a substantial improvement in earnings. A final dividend of 7½ per cent is to be paid while a similar interim has already been distributed. The net profit, before depreciation and taxation, has risen sharply to Rs. 67.80 lakhs from Rs. 52.74 lakhs in 1969-70. The charge in respect of depreciation is higher

at Rs. 12.81 lakhs (Rs. 7.46 lakhs) while development rebate claims Rs. 2.37 lakhs (Rs. 2.88 lakhs). The provision for taxation is naturally larger at Rs. 29.50 lakhs (Rs. 23.50 lakhs). After taking into account refund of income tax and tax credit certificates for Rs. 4.69 lakhs the transfer to general reserve is Rs. 25.29 lakhs (Rs. 16.60 lakhs). The final dividend is to be paid out of this reserve. The total dividend amount comes to only Rs. 8.40 lakhs. It is expected that the directors will take an early decision on an attractive bonus issue as against a paid-up equity capital of Rs. 56 lakhs, reserves amount to over Rs. 60 lakhs. The last bonus issue was in December 1968 in the ratio of one for one. Engine Valves shares (Rs. 10 paid up) are now quoting at Rs. 22.50 cd.

Rane (Madras) Does Well

Rane (Madras) Limited has also done extremely well during the same period though here again the dividend has been only maintained at 15 per cent taxable. It is expected that the conservative dividend policy may be due to the directors' intention to shortly announce a bonus issue. The net profit before depreciation and taxation, has risen to Rs. 41.88 lakhs from Rs. 31.89 lakhs in 1969-70. After setting aside Rs. 8.51 lakhs (Rs. 6.65 lakhs) for depreciation and Rs. 2.50 lakhs (Rs. 1.25 lakhs) for development rebate, tax provision amounts to Rs. 17 lakhs (Rs. 14.50 lakhs). General reserve however gets only Rs. 10.84 lakhs (Rs. 13.25 lakhs). In 1969-70 there was profit on sale of investment for Rs. 9.75 lakhs. An interim dividend of 7½ per cent has already been paid while a similar final is to be distributed out of general reserve. The total dividend amount will be only Rs. 5.52 lakhs which is covered twice. Reserves at the end of the year amount to over Rs. 43 lakhs against a paid-up equity capital of Rs. 36.77 lakhs. The previous bonus issue was in November 1968 in the ratio of one for two.

E.I.D. Parry

The interim report of the directors of E.I.D. Parry Limited to the shareholders reveals an encouraging trend in turnover during the half year ended March 31, 1971. Sales were higher at Rs. 18.28 crores against Rs. 17.84 crores in the corresponding period in 1969-70, while turnover on consignment account improved to Rs. 20.23 crores from Rs. 16.23 crores. Thus total sales were higher at Rs. 38.52 crores against Rs. 34.16 crores. There was a small profit, of Rs. 10.88 lakhs, before providing for depreciation, against a loss of Rs. 39.30 lakhs in the first half of 1969-70. After depreciation, there is a smaller net loss of Rs. 53.23 lakhs against Rs. 101.11 lakhs. The loss for the whole of 1969-70 was Rs. 170.80 lakhs. The Nellikuppam factory crushed a reduced quantity of 2.35 lakh tonnes of cane due to late start of operations against 2.65 lakh tonnes in the

corresponding period of 1969-70 but, with an improved recovery of 3.38 per cent (7.97 per cent) the drop in sugar output was less at 19,713 tonnes (21,193 tonnes). The working of the Ennore Fertilizer Unit was affected by a 99-day lock-out and production was only 45 per cent of the previous year's first six months. Sales of ceramics, chemicals, carbonic acid and pesticides however showed improvement. Turnover in engineering products was 19 per cent higher but profit margins were lower. Sales of consumer products were slightly lower.

Alind Turns Corner

Aluminium Industries Limited could increase its turnover substantially to Rs. 9.87 crores during the year ended March 31, 1971 from only Rs. 5.94 crores in 1969-70 due to a jump in production of bare conductors to 10,072 tonnes from 6,682 tonnes and larger output of covered cables and cable-making machinery. The switchgear factory at Manar has also gone into production. The company has been able to earn a modest profit of Rs. 39.84 lakhs against a loss of Rs. 55.26 lakhs before providing for depreciation. Interest charges alone were as much as Rs. 64.46 lakhs (Rs. 58.14 lakhs). Depreciation claims Rs. 26.60 lakhs (Rs. 22.38 lakhs). The balance of Rs. 13.25 lakhs along with Rs. 4.91 lakhs withdrawn from development rebate reserve have been used to bring down the debit balance from the previous accounts of Rs. 119.24 lakhs to Rs. 101.08 lakhs. As there may be a larger turnover, particularly due to the switchgear unit, profits may be much larger for the current year which will help to reduce the accumulated losses considerably.

India Cements Repeats

India Cements Limited has maintained the dividend on equity capital for the year ended March 31, 1971 at 9 per cent, taxable. Though output and sales of cement were much higher this was not reflected in any significant increase in profits owing to higher working costs and interest charges. The turnover rose sharply to Rs. 16.05 crores from Rs. 12.76 crores in 1969-70 while there was only a marginal increase in the net profit, before depreciation and taxation, to Rs. 209.68 lakhs from Rs. 206.46 lakhs. Interest charges alone increased to Rs. 94.72 lakhs from Rs. 64.22 lakhs. The provision for depreciation is higher at Rs. 158.01 lakhs (Rs. 121.31 lakhs) but that for development rebate is lower at Rs. 30 lakhs (Rs. 34 lakhs). The transfer to general reserve is only Rs. 20.62 lakhs (Rs. 50 lakhs). In 1969-70, dividend reserve got Rs. 4 lakhs, capital reserve Rs. 6,200 and expansion reserve Rs. 1.38 lakhs. There is however an allocation of Rs. 2.30 lakhs (nil) this time for taxation relating to previous years. The equity dividend will require Rs. 46.87 lakhs (same) and will be paid along with the preference dividends from general reserve. There is however a large sum still to be claimed towards development rebate.

Output of clinker at Sankarnagar increased to 7.50 lakh tonnes from 5.42 lakh tonnes in 1969-70 as the two new kilns were in operation but their full capacity could not be utilised due to delays over completing the cement grinding mill and other facilities. Cement production also rose to 7.47 lakh tonnes from 5.14 lakh tonnes. But at Sankaridurg, there was a drop in clinker output to 4.06 lakh tonnes from 4.38 lakh tonnes and of cement to 4.31 lakh tonnes from 4.77 lakh tonnes. With the commissioning of the third kiln at Sankaridurg (which completes the first stage of expansion of the company) in June this year, and encouraging demand, the turnover for 1971-72 is expected to be much higher. The company is considering taking up the second phase of the one million tonne expansion in view of the Government's keenness to have fresh capacity set up in deficit regions. A decision may be taken shortly after consultations with financial institutions.

South Madras Electric

South Madras Electric Supply Corporation Limited was able to increase its sales of energy in the Trichinopoly-Srirangam area to 88.37 million units during the year ended March 31, 1971 from 82.50 million units in 1969-70, with enlarged operations. The company has supplied electricity to nine more villages, taking the total to 464 while additions to distribution facilities included 8 km. of H.T. lines, 96 k.m. of L.T. lines and 15 sub-stations at a cost of Rs. 25.62 lakhs. The number of service connections also rose by 4,802 to 75,913. Facilities for power supply to urban area were also strengthened. Income from sale of energy amounted to Rs. 166.32 lakhs from Rs. 151.88 lakhs in 1969-70 while the net profit, before depreciation and taxation, improved marginally to Rs. 36.85 lakhs from Rs. 35.60 lakhs. After providing Rs. 13.38 lakhs (Rs. 11.82 lakhs) for depreciation and Rs. 1.51 lakhs (Rs. 3.05 lakhs) for development rebate, taxation claims Rs. 6.77 lakhs (Rs. 5.25 lakhs). Contingencies reserve gets Rs. 1.78 lakhs (Rs. 1.64 lakhs) charities reserve Rs. 40,000 (same) and gratuity reserve Rs. 82,565 (Rs. 1.25 lakhs). The transfer to general reserve is Rs. 2 lakhs (same). A final dividend of 6½ per cent taxable is to paid on equity capital making with the interim a total of 11½ per cent taxable for the whole year same as for 1969-70. The preference and equity dividends will claim Rs. 10.19 lakhs (same).

The tenure of the Trichinopoly-Srirangam licence due to expire on Jan. 12, 1972 stands automatically extended by ten years as no notice was served by the Electricity Board one year in advance, exercising its option to purchase the undertaking under the Indian Electricity Act. It is proposed to utilise a further sum of Rs. 9 lakhs from the compensation for Mannargudi-Tiruvarur electrical undertaking for expansion works in the Trichinopoly-Srirangam area in addition to

the company's financial resources. The Electricity Board has agreed to provide additional bulk power allotments while it may also provide on a rental basis certain transmission facilities to feed some of the villages in the area. Besides these, long-term proposals for expansion are also being considered. It has been decided to repay only the first preference shares of Rs. 22 lakhs out of the compensation amount after sanction from the High Court. The majority of the second preference shareholders were however not in favour of repayment of this money in view of the special rights attached to the preference shares. The dispute over the quantum of compensation fixed by Government for acquisition of the Mayavaram-Mannargudi-Tiruvarur undertaking and deductions made therefrom have been referred to arbitration.

American Express

American Express and its subsidiaries have reported an appreciable 22.3 per cent rise in consolidated net income during the first six months of 1971 to \$42.9 million from \$35 million in the same period of 1970. This works out to an income of \$1.80 per share against \$1.47. Of the total income, that from operations (travel, financial services and insurance) recorded a 25.5 per cent gain at \$38.3 million (\$30.5 million). Earnings of travel and financial service activities (other than insurance) maintained a steady growth, with a 13.8 per cent rise to \$20.7 million from \$18.1 million. The Chairman and Chief Executive Officer, Mr. Howard L. Clark, has stated "this reflects continued improvement in the results of important activities such as the American Express card and travellers' cheques but net operating losses of American Express reservations, Inc. have not yet been reduced as earlier anticipated despite continued growth in volume." The

RISE IN TEA EXPORTS

The popularity of Indian tea in Britain soared to new heights in 1970 fetching Rs. 26 crores more in foreign exchange. India's earnings from tea exports at Rs. 688.6 crores, registered an increase of Rs. 26 crores over that of 1969.

Exports of tea during the year totalled 208.4 million kg. as against 168.7 million kg. during 1969. The abolition of export duty in 1970 budget and some rationalisation of excise duty contributed to the sharp rise in exports.

The production of tea at 421 million kg. during 1970 was itself an all time record. The yield per acre was 1,200 kg. per hectare as against 971 kg. in 1960.

To maintain the tempo of exports, foreign trade ministry is understood to have drawn up comprehensive promotional plans.

insurance activities were more profitable, with earnings of Fireman's Fund American Insurance subsidiaries increasing by 31.4 per cent to \$22.2 million, thanks to a larger premium income, favourable claims experience and continued operating efficiencies. The combined loss and expense ratio of the property and casualty insurance subsidiaries for the six month period declined to 95 per cent from 99.2 per cent last year.

Zenith Steel Pipes

Zenith Steel Pipes Limited has announced a higher equity dividend of 12 per cent taxable for the year ended April 30, 1971 against 10 per cent taxable for 1969-70 following a larger profit. Sales improved slightly to Rs. 8.06 crores from Rs. 7.89 crores, but the net profit rose substantially to Rs. 58.99 lakhs from Rs. 43.63 lakhs in 1969-70. Even the marginal rise in sales was due to higher selling prices as output was less during the year due to acute shortage of steel for most part of the period. Exports also had to be curtailed to Rs. 84.51 lakhs but the prices realised are claimed to be the highest in the industry. Irregular supplies and the stiff increase in import duty on zinc imposed in this year's budget are likely to affect production and inflate costs. In the absence of allotment of steel even against exports on the previous scale, the pipe units have been forced to use high priced imported steel which will squeeze profit margins. The normalising and cold draw bench also continue to face steel shortage. The tools division has secured an industrial licence for manufacture of 300 tonnes of industrial knives per year. This will enable import of the required varieties of steel.

The company's application for manufacture of larger diameter tubes mainly for export has been rejected. The switchover to high frequency welding from electric resistance process has resulted in lower costs and improved quality of tubes. There is a proposal to put up a pipe plant near Jakarta and the Indonesian Government has approved the project. The approval of the Indian Government is awaited.

English Electric

English Electric Company of India Limited has benefited from the keen demand for its various products and the large capital expenditure incurred in recent years on diversification. Sales increased further during the year ended March 31, 1971 to Rs. 5.72 crores from Rs. 5.02 crores in 1969-70 while the net profit, before depreciation and taxation jumped to Rs. 120.54 lakhs from Rs. 76.32 lakhs. Depreciation claims Rs. 13.74 lakhs (Rs. 16.41 lakhs). The directors are confident of increasing sales further in view of the rising demand for the company's control and other equipment if there can be fresh capacity. There is a proposal to take up manufacture of 400,2000 and 3,000 ampere medium voltage air circuit breakers for use

in systems upto 600 volts. Government approval is awaited for these schemes. These can be financed by internal resources which are sizable and borrowings though an issue of capital cannot be ruled out. The company's financial position has been strengthened considerably by ploughback of large profits and with the virtual elimination of borrowings from banks, there has been a saving on interest charges.

Siemens Equipment for Neyveli

A new concept in the open cast mining with the use of large bucket wheel excavators, was introduced in India by Neyveli Lignite Corporation in 1960. The lignite mine at Neyveli is not only used for power generation in the power station but also feeds the Neyveli complex which includes the Briquetting and Carbonisation as well as the Fertilizer Plant. Siemens have been associated with this giant project right from its inception and have supplied most of the electrical equipment for the mines and the other plants in the complex.

In the late 'sixties when expansion plans are drawn-up, it was proposed to raise the mining capacity to 5 million tons per annum. This will be done by installing additional mining machinery, e.g. spreaders, mobile transfer conveyors, trippers, drive head control stations, etc. Siemens are once again supplying most of the electrical equipment. In the first stage the entire electrical equipment was imported, but for this expansion, about 90 per cent of the equipment will be manufactured in India.

Export of Inorganic Chemicals

Inorganic chemical items such as caustic soda worth Rs. 2 million were exported during 1970-71 to Middle East and South East Asian countries by M/s Dhrangadhra Chemical Works Ltd., Gujarat. Their exports of beneficiated ilmenite during the current year are estimated to exceed Rs. 12.5 million.

The company's production of caustic soda during 1970-71 registered an increase at 45,138 tonnes as against 44,938 tonnes in the previous year. The firm has plans to expand their production which includes the manufacture of 120 tonnes of bromine and 500 tonnes of hexachloro-ethane per year.

In the first nine months of 1970-71, the overall exports of caustic soda (flake and solid) amounted to Rs. 3.9 million while the export of the entire range of inorganic chemicals stood at about Rs. 32.8 million. During the whole year 1969-70, exports of inorganic chemicals was of the order of Rs. 31.8 million.

The main purchasing countries of caustic soda are Indonesia, Iraq, Kenya, South Yemen People's Republic, Tanzania, Uganda, Philippines and Singapore.

Importing Marino Sheep from USSR

The Gujarat Sheep and Woollen Development Corporation would import 5,000 Marino sheep from the Soviet Union for

breeding, Gujarat Sheep and Woollen Export Corporation Chairman Upendrabhai Patel told newsmen.

He said the first batch of 1,000 sheep would be brought here by a chartered flight next month.

These sheep would be bred in a 2,800 hectare area in Nalia in the Kutch region. In about twenty years the population of these would be increased to 100,000, he added.

Unlike the sheep farms in Kashmir, Himachal Pradesh, Mysore and Rajasthan, where cross breeding of foreign sheep with indigenous variety was done, in Nalia there would be a pure breeding programme, Mr. Patel said.

India exported woollen garments worth Rs. 30 crores last year, Mr. Patel said. The export would increase since the Government had realised the importance of the woollen industry, he added.

IDA's Assistance to FACT

The International Development Association (IDA), an affiliate of the World Bank, has approved a credit of 20 million dollars (Rs. 15 crores) to help India to increase fertiliser production.

The credit, the first from IDA for fertiliser manufacturing in India, will finance the second stage of an expansion programme of the Fertilisers and Chemicals, (Travancore) Limited (FACT), a public sector company, located at Alwaye near Cochin. The 47.9 million dollar (Rs. 35.9 crores) programme when completed in mid-1974, will enable FACT to manufacture annually 485,000 tonnes of granulated NPK fertilisers and 7,500 tonnes of cryolite, an industrial chemical. It will help India save about 16 million dollars (Rs. 12 crores) a year in foreign exchange and improve the supply of fertilisers in the four South Indian States of Andhra Pradesh, Kerala, Mysore and Tamil Nadu.

The IDA credit will be extended to the Government for a period of 50 years, including a 10-year grace period. It will be interest-free, but a service charge of ¾ of one per cent will be made to cover IDA's administrative costs. The Government will re-lend the proceeds of the credit to FACT at 8½ per cent.

Gujarat Aromatic Plant

The giant Aromatics Plant, which is being built by the Indian Petrochemicals Corporation Ltd. in the Gujarat petrochemical complex, is expected to be commissioned in 1972.

The plant, on which Rs. 5 crores were spent during the year, will manufacture ortho-xylenes, mixed xylenes and DMT. These products will be processed to manufacture, among other things, polyester fibres, films and solvents for paints and pesticides industries.

The capital outlay on the project was earlier estimated at Rs. 22.4 crores but has

undergone an upward revision mainly due to the revaluation of the West German Mark.

The foreign exchange component is being financed from out of the Rs. 8.19 crore loan provided by the Reconstruction Loan Corporation of West Germany. Detailed engineering surveys for this project were made by Engineers India Ltd.

A P to Set Up Electronics Plant

Andhra Pradesh Chief Minister K. Brahmananda Reddy revealed recently that the State Small Scale Industrial Development Corporation would launch a joint venture with a Japanese firm to set up an electronics industry in the city.

Mr. Reddy said that a State team had visited Japan to seek technical know-how in respect of as many as fourteen items of electronics equipment and gadgets. He said that the Corporation had formulated a scheme for the setting up of an electronics industrial complex and had submitted the proposal to the Government of India.

Mr. Reddy said that the Corporation had already earmarked a 28-hectare plot in Hyderabad for the complex. A sum of Rs. 9.3 lakhs had been sanctioned to meet the developmental and other incidental charges, he added.

Mr. Reddy said the Centre would set up a cable factory in the city at an estimated cost of Rs. 10 crores. The employment potential at the factory would be 14,000 personnel.

Rs. 61-Lakh Cigarette Factory for AP

On the recommendation of the Andhra Pradesh Government, the Union Government, has issued a letter of intent to Nava Bharat Enterprises, Hyderabad, to set up a new undertaking here for the manufacture of cigarettes with an annual capacity of 3,600 million pieces, and a fixed capital investment of about Rs. 61 lakhs.

The unit is estimated to provide employment for 227 persons in all categories, a press release of the State Government said.

Steep Rise in STC's Turnover

The turnover of the State Trading Corporation has trebled from Rs. 73 crores in 1967-68 to Rs. 217 crores in 1970-71 and is expected to cross the Rs. 300 crore mark by the end of the current year, said Mr. P. L. Tandon, Chairman of the Corporation.

He said the Corporation was now beset with problems of this rapid growth and to meet the demand, it had launched a major reorganisation and restructuring of its working to keep itself upto date.

The Corporation would have new division to handle different products and their marketing.

Mr. Tandon said the Corporation handled directly or indirectly over 8,500 contracts of imports and exports whose value would go up to Rs. 300 crores this year.

1971. Meanwhile, it has deferred two instalments which fell due in 1969-70 and one in the current year. But the interest on the loan has been paid promptly. Against the credit for Rs. 18 lakhs arranged with Fiat of Italy, consignments for Rs. 15.16 lakhs were shipped last year while all the instalments of principal and interest under this arrangement have been paid. The company is yet to provide Rs. 120 lakhs towards development rebate while arrears of depreciation amount to Rs. 583.64 lakhs.

The company's turnover in the first five months of the current year have been higher at Rs. 14.86 crores against Rs. 12.08 crores in the same period last year. Truck sales improved sharply to 2,012 from 1,292 and car sales slightly to 5,179 from 5,129. But production of cars was lower at 5,143 against 5,171 while truck output jumped to 2,094 units from 1,305 in the first five months of 1969-70. The newly introduced model of trucks is stated to be in great demand though its production has to be restricted due to inadequate supply of diesel engines. The higher level of truck output is likely to be reflected in an improvement in overall profitability. The Chairman, Mr. Lalchand Hirachand has expressed the hope that the Government would take a helpful and prompt decision on the recommendation of the commission on car prices which are expected to be announced shortly.

Indian Bank

The directors of Indian Bank Limited have expressed the view that the assets and liabilities of the Malaysian branches do not vest in the corresponding nationalised bank and the question of securing additional compensation from the Government in respect of these offices still remains. However, these have not been included in arriving at the income and assets of these branches in the accounts published for the year ended December 31, 1969. Out of the compensation amount of Rs. 2.30 crores, the excess over paid-up capital and share premium account is Rs. 1.27 crores. The company has made no provision in respect of taxation as it feels that the legal position is not clear. The income after all expenses but before taxation is Rs. 5.69 lakhs. With the interest income received also during the current year, and interim dividend of 6 per cent taxable, requiring Rs. 5.32 lakhs has been paid.

NEPA Mills Incurs Loss

National Newsprint and Paper Mills Limited could raise its output to 39,275 tonnes and sales to 39,397 tonnes during the year ended March 31, 1970 from 30,562 tonnes and 30,330 tonnes respectively in

1968-69, with the operation of the second paper machine based on imported pulp. But due to the uneconomic cost of imported chemical and mechanical pulp, their imports were stopped and production was restricted to mechanical pulp available from Nepa's own plant and small quantities of chemical pulp purchased within the country. The turnover improved to Rs. 4.34 crores from Rs. 3.32 crores in the previous year but due to the high cost of imported pulp and increase in other costs including higher maintenance costs on the new machine and larger interest charges there was a big loss of Rs. 36.43 lakhs, before depreciation, against a profit of Rs. 49.57 lakhs in 1968-69.

The company has approached the Government for raising its newsprint price from Rs. 1,100 to Rs. 1,350 per tonne and the latter's decision is awaited. Most of the equipment for the pulp plant have been received at site but some delay is expected over the construction of the buildings to house the plants. The caustic soda plant's capacity is to be raised while a calcium hypochloiste plant is to be erected. In view of the large interest charges likely on the substantial loans needed for the expansion scheme, the company has proposed a reorganisation of the capital structure by converting a part of the loan as equity capital.

The provision for depreciation is double at Rs. 56.02 lakhs (Rs. 28.60 lakhs) while there is no claim in respect of development rebate against Rs. 23 lakhs. After transferring Rs. 47.92 lakhs (Rs. 1.73 lakhs) from general reserve and using tax refunds, there is a debit balance of Rs. 38.11 lakhs which has been taken to the next account.

West Coast Paper's Plans

West Coast Paper Mills Limited is proceeding with its scheme to raise capacity by installation of balancing equipment in the existing machines "while the equipment from U.S. and France has been installed, the major equipment ordered from West Germany has started coming in. But there may be some delay in supply of indigenous items like dry cylinders and the expansion programme may not be completed before end of next year. The company has been included in the Government's crash programme which will enable it to raise its capacity by another 15,000 tonnes in a short period. Necessary steps will be taken on receipt of the industrial and import licences. The company at present supplements its bamboo requirements by extraction of raw material from other areas at higher royalty and transport charges. The Mysore Government has assured the company of additional areas of bamboo on a permanent basis. Meanwhile, the plantation programme of fast-growing species of wood

and bamboo continues and 7,800 more acres were brought under plantation last year. Production of paper in 1969-70 constituted a record at 41,000 tonnes against 37,565 tonnes in 1968-69 due to increased efficiency of operations. The company raised its dividend to 13 per cent on a higher capital as raised by a one-for-five bonus issue.

A.P. Paper

Andhra Pradesh Paper could not show a larger increase in output in 1969-70 due a strike in May-June 1970 and the shut-down of plant for installing balancing equipment. In the current year, however, with settled labour conditions and more efficient operations, there will be a much higher level of production and earnings. The Government has approved this company's application for additional production of 15,000 tonnes under the crash programme. Already an order has been placed for a 10 tonne paper machine for producing special varieties and this is expected by the end of 1971. The company has repaid Rs. 37.25 lakhs to financial institutions, Rs. 15 lakhs to State Government and Rs. 22.69 lakhs to machinery suppliers under deferred payment agreements. A loan of Rs. 3.20 crores was taken from the Industrial Finance Corporation for the expansion scheme and the whole sum has been utilised.

Straw Products

The directors of Straw Products Limited have proposed to issue right shares in the ratio of 15 shares for every 98 shares held. The 3 lakh shares will be offered at a premium of Rs. 2.50 per share. The proceeds of the issue will go to meet part of the cost of its scheme to expand its paper and board capacity.

Paper Products

Paper Products Limited has maintained the ordinary dividend for the year ended July 31, 1970 at 12 per cent taxable. At the same time, the directors have proposed a bonus issue in the proportion of one for five. The company proposed a similar bonus issue last year in lieu of the equity dividend for 1968-69 but this was turned down by the Controller of Capital Issues under the new guidelines. The revised proposal will have to be approved by Government. The company's working results in 1969-70 have been encouraging. Sales improved to Rs. 4.37 crores from Rs. 3.48 crores in 1968-69 while the net profit, before depreciation and taxation was much higher at Rs. 23.77 lakhs against Rs. 15.20 lakhs. After providing Rs.13.26 lakhs (Rs. 12.72 lakhs) for depreciation Rs. 89,505 (Rs. 1.26 lakhs) for de-

velopment rebate and Rs. 3.30 lakhs (nil) for taxation a sum of Rs. 7.16 lakhs (Rs. 1.22 lakhs) has been transferred to general reserve after some adjustments. The flexible packaging division increased its sales to Rs. 3.37 crores from Rs. 2.58 crores in 1963-69 and sales in the first four months of this year have amounted to Rs. one crore. The Roha Paper Unit also improved its turnover in 1969-70 to Rs. one crore from Rs. 90 lakhs. It is proposed to expand this unit's capacity by 4,000 tonnes at a cost of Rs. 50 lakhs and Government approval has been obtained for this. The newly acquired conversion unit at Nagpur went into production last October and it is proposed to add an extension coating plant to the packaging unit in the same centre. This plant is expected to be ready by the middle of 1972.

Kothari Group

The five companies in the Kothari group—Blue Mountain Estates and Industries, Waterfall Estates, Balmadies, Kothari Textiles and Adoni Spinning and Weaving—which are being merged to form Kothari Limited have published their results for the 12 months ended August 31, 1970. These are however, not comparable with the results of the various companies in the previous accounting period which differs from company to company. The accounts for 1968-69 for Blue Mountain and Waterfall related to 14 months, Balmadies for 15 months and Kothari Textiles and Adoni Spinning for 8 months. As the earnings of these units for 1969-70 will accrue to the new company, Kothari Limited no dividend has been announced by the various companies. However, Blue Mountain and Waterfall have reported distinctly improved results while the textile units also have done much better during the latest year. Adoni for instance has earned a large profit against a loss in the previous 8 month period. The pooled net profit before providing depreciation and taxation, amounted to Rs. 83.80 lakhs. Depreciation charges for the five units aggregated to Rs. 33.35 lakhs, taxation to Rs. 21.60 lakhs and development rebate to Rs. 5.20 lakhs. The net profit, after these provisions, is Rs. 23.64 lakhs. The aggregate profit of these companies for different accounting periods in 1968-69, was Rs. 52.42 lakhs which included a non-recurring income of Rs. 9.94 lakhs. Depreciation then claimed Rs. 24.66 lakhs, development rebate, Rs. 1.84 lakhs and taxation Rs. 15.40 lakhs. This shows the vast improvement in results of the group in the latest year. The paid-up capital of the amalgamating group on the basis of the merger proposal will be Rs. 2.41 crores, Rs. 2.23 crores in equity and Rs. 18 lakhs in preference. The hearing of an objection from some shareholders is pending in the

High Court. It is learnt that the court has been awaiting the group's working results.

Alkali & Chemical

All the divisions of Alkali and Chemical Corporation Limited contributed to the improved working results for 1969-70. While it was possible for the polythene unit to achieve capacity output due to easier availability of alcohol, a larger offtake of rubber chemicals by the synthetic rubber unit offset the shortfall in demand from tyre units and output exceeded capacity. The paints division also did not suffer from a shortage of steel as there was better demand from other users. There was, however, an accumulation of BHC stocks. The new paints unit in Hyderabad has been completed and is likely to commence production shortly. The company is negotiating with the Government on its pharmaceutical project in Madras. It has also sought Government permission to raise its capacity for rubber chemicals from 2,770 tonnes to 6,000 tonnes besides seeking a letter of intent to produce a new herbicide. The net profit, before depreciation and taxation, jumped to Rs. 3.35 crores in 1969-70 from Rs. 1.90 crores in 1968-69. After providing Rs. 97.47 lakhs (Rs. 1.01 crores) for depreciation, taxation claimed Rs. 1.44 crores (Rs. 44.06 lakhs). There is a transfer of Rs. 2.50 lakhs (Rs. 30 lakhs) from development rebate reserve and Rs. 1.50 lakhs (same) being excess provision no longer required while general reserve gets Rs. 72.70 lakhs (Rs. 27.76 lakhs) and development rebate reserve Rs. 1.25 lakhs (Rs. 3 lakhs). The dividend on equity capital has been raised, as stated earlier, to 15 per cent, taxable, from 10 per cent taxable.

Indian Explosives

According to the director's report of Indian Explosives Limited for 1969-70, the fertilizer unit at Kanpur which was inaugurated in December 1969, is working satisfactorily and output till September 1970 totalled about 148,000 tonnes. There was also no major problem of marketing, as sound marketing and distribution facilities had been created. Of the 150,000 tonnes sold during the year, own output accounted for 130,000 tonnes. There may be further rise in production and sales this year. The explosives division also operated satisfactorily. Production of commercial explosives was maintained at a high level. Sales of special grades of high quality gunpowder increased by 40 per cent while those of detonators were satisfactory. A letter of intent has been received for manufacture of 1,000 tonnes of nitrocellulose at Gomia and a licence is expected shortly.

Sales for the year showed as 68 per cent

rise to Rs. 25.46 crores from Rs. 15.14 crores in 1968-69 mainly due to fertilizer sales while there was a jump in the net profit, before depreciation, to Rs. 6.16 crores from Rs. 3.69 crores. But the pre-tax profit is slightly lower at Rs. 283.09 lakhs against Rs. 298.94 lakhs as there was a provision of as much as Rs. 3.33 crores (Rs. 69.82 lakhs) for depreciation (mainly on account of the fertilizer unit). The tax provision also is nominal at Rs. 83,464 (Rs. 1.56 crores).

Garware Nylon

Garware Nylon, which was converted into a public company in September 1970 proposes to make a public issue of equity capital for Rs. 1.06 crores for finding part of the finances required for its expansion scheme. The company at present manufactures nylon filament yarn at its Pimpri (Poona) unit whose capacity was raised from 500 kg. per day to 756 tonnes per year in 1968. The plant for producing nylon chips went into production in August 1965. The company has secured a licence to expand its filament yarn capacity to 2,000 tonnes per year while it has also been allowed to produce 330 tonnes of nylon chips per year for the plastics industry. There is also a plan to produce textured yarn. The expansion is estimated to cost Rs. 5.84 crores. This will be met, apart from the proposed public issue for Rs. 1.06 crores, from foreign exchange loans of Rs. 2.86 crores and internal resources of Rs. 1.92 crores. A licence for Rs. 2.7 crores for importing plant and machinery has been obtained and the expansion is expected to be completed by the middle of 1972. There is at present an issued and paid-up capital of Rs. 1.10 crores. The company has been operating on a highly profitable basis. While sales rose from Rs. 1.34 crores in 1967-68 to Rs. 2.47 crores in 1968-69 and Rs. 3.21 crores in 1969-70, the net profit before taxation and after depreciation was as much as Rs. 1.27 crores in 1969-70 against Rs. 62 lakhs in 1968-69. There is already an unofficial premium of Rs. 15 per share on the new equity shares to be offered sometime later.

India Forge

Production of steel forgings and non-ferrous stampings of India Forge and Drop Stampings Limited including those processed from customers' material increased only to 2,852 tonnes during 1969-70 from 2,799 tonnes in 1968-69. The expanded facilities were available only for three months during the year and accounted for 118 tonnes of the increase in output. It has been indicated that while the additional capacity may not be fully utilised due to shortage of steel and other factors, there may be a fair increase in production in the current year.

Though the gross profit improved to Rs. 23.15 lakhs from Rs. 18.84 lakhs in 1968-69, the distributable profit, including some transfers and credits for excess provisions, was lower at Rs. 3.02 lakhs against Rs. 7.43 lakhs. It was necessary to provide for the full year's depreciation on new plant and machinery and other assets for Rs. 4.10 lakhs besides an upward revision of depreciation allowance for certain items. It was also thought prudent to provide for development rebate in respect of the new plant from the first year of its operations. The directors have also reckoned with the heavy repayment obligations in the current and next years while deciding to cut the dividend rate. There was an overrun in the capital cost of the expansion scheme by Rs. 12.50 lakhs due to modification in plant and and machinery, export tax by W.Germany and revaluation of DM and this resulted in a squeeze on working funds.

Challapalli Sugars

Challapalli Sugars Limited has incurred a heavy loss for the year ended June 30, 1970, of Rs. 11.86 lakhs against a profit of Rs. 26.67 lakhs in 1968-69. A fall in quantity of cane handled to 1.33 lakh tonnes from 1.68 lakh tonnes and a drop in recovery to 7.96 per cent from 8.20 per cent resulted in a lower output of sugar at 10,658 tonnes against 13,702 tonnes in the previous year. As there was also a slump in open market prices, sales declined to Rs. 160.36 lakhs from Rs. 181.74 lakhs. After providing Rs. 9.26 lakhs (Rs. 8.15 lakhs) for depreciation the loss is Rs. 20.12 lakhs. The equity dividend has naturally been omitted while the payment in the previous year was 10 per cent taxable. In 1968-69, development rebate got Rs. 14,000, taxation Rs. 3.25 lakhs, general reserve Rs. 1.30 lakhs and dividend reserve Rs. 6.55 lakhs.

Ashok Leyland

Ashok Leyland Limited was able to raise the output and sale of Comet passenger and goods vehicles to 5,103 a record during 1969-70 in spite of difficulty in steel supply situation. With the diversification of the Comet models, there is an unsatisfied demand for these vehicles and the company has sought Government permission to raise the production to 7,000 units. As regards the heavier range of vehicles, Government sanction has been obtained to import necessary machinery to further increase the indigenous content, of Hippo, Beaver and double decker range of vehicles. There were larger sales of these vehicles last year. As there is a keen demand for these vehicles also, it would be possible to raise output and sales in the coming years, especially as an expanding export market is being built up.

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Exports of vehicles and parts last year were larger than in the previous year. Ennore Foundries, a sister concern, has also been making good progress and working results for 1969-70 were satisfactory. At the end of the year, the net block dropped slightly to Rs. 6.87 crores (Rs. 7.18 crores). Against a paid-up equity capital of Rs. 7.79 crores, reserves and surplus amounted to Rs. 4.02 crores.

Toshiba Anand Batteries

Toshiba Anand Batteries Limited has been promoted to take up the manufacture of dry cell batteries in collaboration with Japanese interests. The factory to be located in Kalamassery industrial complex in Kerala will have an annual capacity of 60 million dry cells. The project will cost R. 1.3 crores. This will be met by issue of equity and preference capital for Rs. 70 lakhs loans in foreign exchange and rupees for Rs. 50 lakhs from the Industrial Credit and Investment Corporation and the balance of Rs. 10 lakhs through deposits and short-term loans. Of the issued equity capital of Rs. 52.50 lakhs, Toshiba Ray-O-Vac will take up 2.1 lakh shares of Rs. 10, each, Toshiba Tokya, 1,36,500 shares and Kani-matsu Goshu 21,000 shares. The Kerala Industrial Development Corporation will be subscribing for Rs. 12 lakhs while the promoters will be taking up 4,900 preference shares of Rs. 100 each and 96,300 equity shares. The balance of 92,700 equity shares and 12,600 preference shares will be offered for public subscription in the next few weeks. The cost of machinery of Rs. 73.84 lakhs has a foreign exchange component of Rs. 50.17 lakhs which will be found from the equity participation of the foreign interests and the ICIC loan.

Chemicals and Fibres

The directors of Chemicals and Fibres of India Limited have stated that the improved turnover was to some extent due to an increase in output and a diversification of the range to include finer deniers of polyester yarn. But the sharp rise in sales during 1969-70 to Rs. 32.08 crores from Rs. 25.08 crores was mainly because of the increased burden of excise duties which rose to Rs. 17.39 crores from Rs. 12.73 crores in 1968-69. With higher costs at the sametime, the net profit, before depreciation and taxation, was even marginally lower at Rs. 4.07 crores against Rs. 4.08 crores in the previous year. Depreciation claims Rs. 53.77 lakhs (Rs. 52.28 lakhs). As production from the present licensed capacity has been already maximised any further improvement in output and earnings can happen only after the expansion of capacity to 6,100 tonnes. There

has been some delay in getting the licence for this scheme though the company has agreed to increase the participation of Indian investors to 45 per cent from 40 per cent at present as stipulated by Government. Even if a licence is obtained immediately the additional capacity is not expected to be available before the third quarter of next year. The company is also pursuing with its polyester film project and has asked the Government to reconsider its decision.

Inchek Tyres

It has been explained by the directors of Inchek Tyres Limited that the adverse working results for the year ended June 30, 1970, were due to a fall in production instead of a planned increase following the unsettled labour conditions. Sales thus declined sharply to Rs. 9.97 crores from Rs. 12.82 crores in 1968-69. This naturally resulted in a negligible profit of Rs. 1.64 lakhs, before depreciation, against Rs. 86.58 lakhs in 1968-69. After charging Rs. 39.69 lakhs (Rs. 30.03 lakhs) towards depreciation a debit balance of Rs. 37.18 lakhs is carried forward. The trend of production in the current year has shown improvement since October. The company is proceeding with its expansion plans. Import licences for capital goods have been received but the provision relating to export obligations is awaiting final settlement. Financial arrangements by way of loans and deferred payments are also being negotiated with financial institutions. In 1968-69 there was a transfer of Rs. 26 lakhs to development rebate reserve and Rs. 30 lakhs to general reserve out of which the equity and preference dividend claimed Rs. 26.53 lakhs. The company recently issued right shares for Rs. 46.80 lakhs, taking the paid-up equity capital to Rs. 280.80 lakhs. The preference dividend for the latest year amounting to Rs. 3.70 lakhs is to be provided for. There has been a sharp fall in Rs. 10 paid-up shares of the company after announcement of the results to around Rs. 9.50 from Rs. 12 earlier.

Shree Synthetics

There will be considerable disappointment among investors particularly the small investors over the details of allotment of equity shares by the directors of Shree Synthetics Limited which made a public issue of 11,12,500 shares of Rs. 10 each two months back. However, it must be realised that the directors had a difficult problem in arriving at a decision in consultation with the Calcutta Stock Exchange as the issue was oversubscribed over 68 times, a record for any new issue. It has been therefore

necessary to satisfy as many applicants as possible by drawing lots in the case of applications for upto 2,000 shares. Thus, One out every 15 applicants for 50 shares, one out of 8 for 100 shares, one out of 5 for 150 to 200, one out of 3 for 250 to 500, 2 out of 5 for 550 to 950, one out of 2 for 1,000 to 1,100, 7 out of 10 for 1,150 to 2,000 shares will each get 25 shares. There will be firm allotment for applicants for over 2,000 shares, each applicant for 2,050 to 2,650 shares getting 25 shares, 2,700 to 4,200—56; 4,250 to 6,000—75; 6,050 to 10,000—100 each and so on. The maximum allotment is 2,000 shares. It has been stated that the delay in finalising the allotment basis was due to the inability of the bankers to submit their final statements which has affected the programme of sending share certificates along with refund pay orders.

API Earns More

Automobile Products of India Limited has done extremely well during the year ended July 31, 1970. The company's sales improved further to Rs. 11.10 crores from Rs. 10.25 crores while the net profit before depreciation and taxation more than doubled to Rs. 53.80 lakhs from Rs. 22.81 lakhs in 1968-69. The directors have, however, only maintained the dividend on equity capital at 10 per cent taxable. The new rights shares issued in the ratio of one for four will rank for dividend only from the current year. The provision for depreciation has been raised to Rs. 31.55 lakhs

(Rs. 27.01 lakhs) and development rebate Rs. 7 lakhs (Rs. 8.03 lakhs). Taxation claims Rs. 1.50 lakhs (nil) while the transfer to general reserve is Rs. 14.14 lakhs (nil). Last year the net loss after depreciation was adjusted with a transfer from reserves. The proposed equity and preference dividends will claim Rs. 12.66 lakhs out of general reserve. During the year, production of scooters and three-wheelers increased to 24,604 from 22,202 in 1968-69. Output of scooters was 23,303. Production of clutches and other items also increased considerably.

Refinery at Kandla for Rostam Crude

Kandala is the only major Indian port left out without an oil refinery. Technically and economically, Kandla is a far better location for catering to the extensive areas of northern and north-eastern areas of India which continue to remain starved for want of a refinery. Kandla is closest to Iran and will not present several problems which a refinery near New Delhi will have to face. Economy in transport and production cost are in favour of this location.

An application for setting up a crude oil refinery at Kandla port with an initial installed capacity of 7,50,000 tonnes per year was first made by Mr. Dharmsinh D. Desai, Chairman of Power Cables in February, 1968. The revised project of 1 million tonnes per year made in November, 1969, utilises Indian Government share of Rostam crude for

which the Government of India had not been able to locate a customer. The proposal is that the crude could be brought into by the Shipping Corporation of India or Government tankers up to Kandla port installation, where the crude will continue to be Government property. Mr. Desai has proposed to refine the crude oil into various finished oils against a processing charge to be agreed upon with the Government of India. All the finished products such as petrol, kerosene, naptha, light diesel oil heavy diesel oil, furnace oil, etc. would be transferred to Government of India, who can pass over to I.O.C. for marketing/distribution. This would also avoid public sector-private sector controversy. Since Mr. Desai already operates speciality oils refinery at Trombay and has the necessary basic facilities, his proposed refinery with practically no foreign exchange requirements either for know-how or for the capital equipments is in the interest of the country.

India has been postponing lifting of its share of Rostam crude oil year after year. Government sold in past only a small quantity of Rostam crude at throw-away price to Japan; at the same time importing at very high prices crude oils for all the five southern coastal refineries. Therefore, the saving in transport, higher profits for Rostam crude, lower production cost and better price for finished oils are all in favour of expeditiously approving this project, which has been hanging for decision for a long time.

over the year due to an average crop in 1969-70 and widespread damage to the current crop which has already led to a crisis in the industry and has forced the Government to arrange for large imports. High cotton prices have naturally pushed up yarn prices also to uneconomic levels for handloom and powerloom weavers while mill cloth is already costing much more than year ago, particularly for the superior varieties. The jute industry has its own problems besides availability of cheap jute. But in the case of oilseeds, there was a wide fluctuation in prices for various seeds and oil. Though output of groundnut in 1969-70 was higher than in the previous year, the demand for oil was much more than available supplies including sizable imports of soyabean oil, owing to a thinning hotel trade and larger offtake of vanaspathi and soaps. The price index for groundnut jumped from 169 in December 1969 to 240 in June 1970 but declined in subsequent months to close around 190 for the year, showing a net increase of about 12 per cent. Other edible oils also showed a similar trend. Coconut oil touched all time peaks during the year.

The outlook for the new year does not seem to be encouraging. While food prices may be expected to show a fall till June or July in the wake of larger output of rice and wheat, prices for industrial raw materials like cotton, jute, oilseeds and oils, steel and non-ferrous metals and chemicals may remain at high levels, with a further sharp demand from consuming industries and a stagnant output of these raw materials. Manufactured goods also may cost more as it is quite likely that apart from higher raw material costs, the new budget may impose heavier indirect taxes.

Engineering Exports

Exports of engineering goods in the first eight months of 1970-71 totalled Rs. 66.36 crores against Rs. 62.12 crores in the corresponding period of 1969-70 showing a rise of 7 per cent, according to the Engineering Exports Promotion Council. However, the performance falls short of expectations, as the target for the whole year has been fixed at Rs. 140 crores 30 per cent above the 1969-70 figure of Rs. 106 crores. Stupendous efforts would be needed to make up the lost ground in the remaining period, but in the absence of liberal steel supplies this may not be possible. The performance in November was quite encouraging with an all-time record earnings of Rs. 12 crores but even if this level is maintained in the remaining 5 months, the total may not exceed Rs. 130 crores.

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Sugar Policy Soon

Exports of sugar in 1970 are expected to be about 3,30 lakh tonnes against 94,000 tonnes only in 1969. Of this, about 95,000 tonnes will be to the U.S. and U.K. under preferential quotas and the loss on these will be borne by the sugar industry. The State Trading Corporation has shipped 50,000 tonnes to Canada and will be meeting the loss by importing certain scarce items. The remaining quantity has been exported to Ceylon, Malaysia, Singapore, South Vietnam, Indonesia and some Persian Gulf countries on Government account and the losses on these sales will be met from central revenues. Only the handling charges will be met by the industry.

The observation of the Union Food Minister, in Parliament on Government's policy for the current season would indicate that it may adopt a more realistic approach to the problems of the industry. The delay over announcement of the new policy has been explained as due to the Governments study of three possibilities, namely, continuance of partial control, complete control or complete decontrol. There was an announcement in the last week of December only on a change in the quota of free sale sugar from 30 per cent to 40 per cent. It is not clear if the Government is serious about creating a buffer stock out of the carry over stock of 20 lakh tonnes from last season. The Minister estimated the current year's output at 40 lakh tonnes and said this would not pose any problem as there will be an estimated internal consumption of 36 lakh tonnes and exports of 3 to 4 lakhs tonnes. While the industry may share the optimism

of the Minister provided the proposed buffer stock is substantial, it would still like a realistic pricing policy for levy sugar. Already, the industry has been unable to pay the cane-growers promptly for their supplies and arrears on this account exceed Rs. 15 crores. The Food Ministry has also taken up with the Finance Ministry the question of differential duty on levy and open market sugar and a decision may be taken on this shortly. The Food Minister, however, ruled out any reduction in acreage under cane to ensure remunerative prices for the growers. He pointed out that demand for sugar was bound to go up in the coming years and any restriction on acreage might create problems of supplies when the need arose. In the current year there has been a marginal fall in the acreage under cane against a 7 per cent increase in 1969-70.

In Tamil Nadu, the fall in planted area may be about 20 per cent this year as compared to last year due to diversion to paddy. The area which rose sharply in 1968-69 to 3.6 lakh acres due to the high sugar and jaggery prices gradually declined to 2.7 lakh acres in 1970-71 due to the slump in prices for the sweetening agents and the difficulties of the factories to make prompt payments. Factories have also not been registering the same acreage as last year because of the heavy accumulation of sugar stocks. It is also feared that there may be diversion of cane to jaggery units due to the rising trend in prices for the latter. However, the factories may feel gratified over the higher recovery obtained so far in the early months of this season. There has been a sharp rise in recovery from the normal 7.5 to 7.8 per cent for this part of the season to 9 per cent this season mainly due to the abnormally cold weather.

Out of the Inkwell

By RANDOR GUY

DIVORCE, ITALIAN STYLE'

It is no longer the name of a well-made Italian movie that rocked the world with shocking humour some years ago. Yet, today, divorce is legally possible in the land of the Pope, Pata and pizzas! Recently the law-givers of Italy have passed the law of divorce by which couples who no longer could happily live thereafter, can call it quite and go it alone, each unto oneself. For a long time the battle for a divorce law had been on in Italy and it remained one

of the very few countries out West where one could not check the better-half on all sorts of frivolous causes. Even now, according to the new law adultery is no ground for divorce. Surprising? Yet true! Even in India, I am told, one can divorce on the ground of adultery. Why not, then in Italy? May be the hot-blooded Latins think what's a little adultery, among friends! As the poet put it, what the Gods call adultery, the mortals gallantry, it's much more common where the climate's sultry! He said it, didn't he?

COMMODITIES:

Will the Price Situation Improve?

Most commodities closed the year 1970 with a further rise in prices as compared to the end of 1969. The wholesale price index at 181.0 showed an increase of 6.5 per cent over the year in spite of a satisfactory food-grain production for 1969-70 and the prospect of even a better crop for 1970-71. This was because of the sharp rise in prices for some of the agricultural raw materials like cotton and oilseeds and jute where even a better crop failed to relieve the increased pressure of demand. While the price index for food articles rose from 192.6 in December 1969 to 204.7 in November 1970, the index for raw materials rose by over 20 points from 174.4 to 195.0 during

the same period. Chemicals and manufactures, however, showed a less pronounced increase; the former from 186.2 to 188.2 and the latter from 145.5 to 154.2.

However, a comparison of the movements of the various indices in 1969 and 1970 reveals certain contra seasonal trends in the latter year. While in 1969 prices gradually rose and reached the peak in August, the peak was touched in 1970 during September. Also in the subsequent months, the fall was pronounced in 1969 than in 1970. This was mainly due to the earlier hopes of larger crops for 1970-71 being shattered by severe damage from heavy rains and floods in many parts of the country and a

downward revision of earlier crop estimates.

Groupwise, the index for food articles was 6.7 per cent higher over the year against a rise of 4 per cent in 1969 in spite of a rise in food production to 100 million tonnes in 1969-70 from 94.5 million tonnes in 1968-69 and an expected crop of 103 million tonnes in the current year. A major part of the increased output came from wheat and it was reflected in a net fall in its price by about 5 per cent in spite of a sizable cut in imports. On the other hand, even with an increased output, rice prices continued to remain firm and showed a rise of 7 per cent over the year. This was perhaps due to the absence of a larger marketable surplus and the vigorous procurement operations of various Government agencies.

In cash crops, however, cotton, jute and groundnut and its oil, recorded continuous increases for most part of the year on unsatisfied demand from the consuming industries. Cotton prices rose by 25 per cent

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STOCK MARKET:

Many Uncertainties for the Investor

The stock markets have closed for the year 1970 on a tame note. Before the Christmas recess, trading was dull in the last fortnight with operators in no mood to extend their commitments. Two major uncertainties—one political and the other economic—have cast a spell of caution on the markets on the eve of the new year. The political uncertainty has wider implications of a long-term character and relates to the mid-term general elections in March. The market fraternity has also reason to be perturbed over the next Central budget in May, which may have a tough task of finding the resources for implementing a larger annual Plan in 1971-72.

Otherwise, the year that has gone by must be considered a satisfactory one for the stock markets and investors. The last Central budget had been helpful in many respects for the corporate sector. Even the stiffer excise duties on a number of articles had no impact on market sentiment while the absence of any additional direct taxes along with the substantial incentives for investors in equities and other forms of investment led to a buoyant phase in the markets and boomlike conditions were in evidence for a major part of the year. Excellent corporate results which indicated revival of demand for a number of industrial products including consumer and semi-durable goods after the 1966-67 recession helped the firm trend in equity prices which were sustained by a spate of bonus issue proposals. But the rejection of some of the proposals from leading companies like Century and National Rayon under the new guidelines

postulated since April 1970, though these were made well before the revised guidelines came into force, led to a feeling that this factor which had provided a major stimulus to the markets in the past two years may not have the same influence in future. However, expectations of bonus issues from new companies which had been operating on a quite profitable basis and which have made no such issues earlier or have capitalised their reserves only once in the past five years have guided both operators and investors in lending support to some of these cash scrips. Chemicals and Fibres, United Carbon, Motor Industries, Pfizer and others come under this category.

The agricultural situation also had a strengthening effect on the markets for most part of the year. Three successive years of record food crops and the prospect of a fourth satisfactory year naturally put more money in the hands of the rural folk who were more inclined to spend it on consumer goods and semi durable goods like transistors, cycles, etc. This provided an assured market for the increased output of many industries. But most industries had to contend with higher raw material costs and increased wages and could avoid sharp fall in profit margins only by larger turnover. Critical shortages in key raw materials at the same time prevented fuller use of existing capacity and take advantage of the expanding home and export demand.

Earlier hopes of resumption of forward trading in shares receded with the Cabinet reshuffle when Mr. Chavan took over the finance portfolio with the party mandate to

implement its socialist programmes. The take-over of the import trade in cotton from the current season snuffed out any hope of forward trading in shares being allowed again.

At the end of the year, investors in equities were still undecided about the immediate outlook. This, however, has been made difficult by the many imponderables on the political and economic fronts. While it is not questioned that the Government is anxious to allow the private sector to play its due role in furthering the country's economic interests, there is genuine concern over the inordinate delays in sanctioning new projects or expansion of capacity where this will help reduce the shortages. Apart from this, the inability to use fully existing capacity is also a factor to be reckoned in assessing growth prospects of particular groups. There is also a chronic shortage of good scrips with even stray purchase by institutional investors like the L.I.C. and Unit Trust sending up prices disproportionately. This situation will continue till new floatations are made on a much larger scale than happening now and under influential auspices. A harsh budget can upset the calculations of many industries while a further constraint on bank credit for medium and big units may create new problems. The attitude of statutory financial institutions in the matter of provision of long-term loans for new projects has also been not very helpful and may only delay the promotion of new industries. Investors in equity can only hope that there will be no nasty surprises in the Government's economic, fiscal and monetary policies.

PRICE MOVEMENTS

Following were the changes in prices for selected scrips on the principal markets during 1970: (A strict comparison should be avoided as allowance has to be made for bonus and right issues by many companies.)

Madras			Bombay			Calcutta		
	Dec. 23, 1969	Dec. 21, 1970		Dec. 23, 1969	Dec. 21, 1970		Dec. 23, 1969	Dec. 21, 1970
India Cements	4.80	5.60	Tata Steel	102.50	106.00	Indian Iron	15.70	13.60
Mettur Chemicals	9.50	12.50	Hind. Motors	15.20	14.12	Hind. Motors	15.30	14.20
Ashok Leyland	6.40	6.65	TELCO	218.00	231.00	Birla Jute	35.55	20.65xb
Alum. Industries	6.00	6.80	Century	701.00	844.00	Dunlop India	28.70	36.75
S. I. Viscose	125.00	150.50	National Rayon	426.00	536.00	Guest Keen	13.15	26.85
Travancore Rayons	19.75	21.62	Tata Chemical	30.00	32.00	Orient Paper	29.00	36.50
Deccan Sugar	7.65	4.90	Scindia	17.32	23.52	Alkali & Chem.	23.75	30.25
Madura Mills	27.75	18.25xb	United Carbon	271.25	477.50	CAFI	41.50	45.87
E. I. D. Parry	23.25	15.15	Cochin Refinery	250.00	271.25	Hind. Alum.	30.06	35.06
Madras Alum	127.00	172.00	Synhetics	121.00	189.00	Union Carbide	25.00	30.50



A CRUCIAL PHASE IN ECONOMIC DEVELOPMENT

The twenty-second year of Independence and the eighteenth year since the country became a Republic promises to be momentous in its history. What happens at the poll in March will determine the future complexion of the political structure and the shape of the economy. 1970-71 has been a curious mixture of opposites and it is somewhat unfortunate that confusing and conflicting trends have emerged in the political situation just when the economy is getting poised for self-reliant growth.

Fortunately, agricultural production has been maintained at satisfactory levels for four seasons in succession and in spite of the delayed winter rains it is expected that the rabi crops will be good and total production will constitute a record for all-time at 106 million tonnes. A definite opinion in this regard can be hazarded only in the light of developments in May-June this year. But what is really amazing is the absence of any difficulty in absorbing a higher level of output of wheat, rice and coarse cereals. The yield of cash crops, however, may not be upto expectations and the agronomists will have to take steps without delay to remove this weakness of the agricultural economy.

The industrial economy, however, has not been acquitting itself equally creditably and the growth in production has been less than four per cent against the target of 8 per cent. With a rising internal consumption and the absence of surpluses, the performance on the export front

has been disappointing. The slow growth of industrial output is due more to inefficient working of industrial units, labour trouble and shortages of raw materials. The politicians have not bothered to find out the colossal loss that is being sustained by the country due to the disturbed situation in West Bengal which accounts for a sizable portion of the country's industrial capacity. The loss in steel production as a result of inefficiency and labour trouble can be easily one million tonnes, while the fertilizer plants in the public sector are operating at less than sixty per cent of rated capacity. If only our exports were allowed to get the best out of existing facilities and there is industrial peace inflationary forces can be checked and the war on poverty will become more meaningful.

Any Government that will be formed at the Centre will have to realise that it cannot achieve the new objectives by lopsided development. As there is so much to be done, all the sectors of the economy—public, private, joint and co-operative—will have to be active and the climate should be such as to encourage all constructive forces. The loose talk of abridgement of fundamental rights, virtual expropriation of urban property and unrealistic ceilings on land and urban incomes have had a demoralising effect on those who have the will and capacity to work.

There is no escape from hard and honest work. If

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political confusion and violence can be avoided and the potentialities for growth were recognised the 'seventies can witness spectacular developments in the economic

CAN HIGHER INTEREST RATE CHECK CREDIT EXPANSION?

The monetary authorities have at last been compelled to raise the bank rate from 5 to 6 per cent, a level which prevailed between February 1965 and March 1968. The action of the Reserve Bank has not come as a surprise. For a long time the bank rate has been out of alignment with the structure of lending rate of scheduled commercial banks. What has been done, therefore, is to effect a re-adjustment to the conditions already prevailing in money market. However, it is likely that the lending institutions will be only too willing to take advantage of the new situation and raise the lending rates which may go up to 11 or even 12 per cent in respect of secured advances. There has already been a steady rise in advance rates and excepting the State Bank of India, which has been lending around 8½ per cent, almost all institutions have been charging upto 10½ per cent. Only a few days back the rate for clean advances was stepped up to 12 per cent while slab rates were charged on a higher basis for additional limits during the busy season.

The banking system has been obliged to make credit costlier in order to meet its rising working expenses as well as to meet the expenditure incurred on the opening of new branches. The Reserve Bank has been obliged to fall in line especially as the situation looked like getting out of hand with borrowings by member banks rising to over Rs. 350 crores on January 1. However, the question is whether the course now adopted is correct and whether monetary discipline alone can result in slower expansion of credit. Higher interest rates may not bring about the desired results as there is a deliberate policy of expansion of credit for meeting the needs of small borrowers in the priority sectors apart from providing substantial assistance to the Food Corporation of India and other agencies. If there is no reduction in advances to these classes of borrowers, only industry and trade will be unnecessarily penalised through higher interest rates and there will be an increase in production costs.

It is perhaps expected by the Reserve Bank that borrowing will be discouraged by costlier credit and there will be more scope for expansion of money supply because of restricted refinance facilities. It is, however, difficult to be categorical in this regard as the Food Corporation of India will continue to get assistance from the banking system on the present basis and there will also be no change in the concessional rates for discounting export bills and for securing refinance against preshipment credit and other priority purposes. Imports are arriving in larger volume

situation. It is only to be hoped that sane counsels will prevail and the country's leaders will not flounder in a crucial phase of economic development.

while the marketing of the cotton crop is still to be completed. It will be idle to anticipate a drop or even a slower rise in advances. A big increase in sugar stocks and heavy tax payments in the first half of March will necessitate expansion of credit. After gearing up the banking system to grant loans to the agricultural sector and to small scale industries, it is meaningless to say now that credit should be stopped all of a sudden. An analysis of the increase in bank credit by Rs. 812 crores in 1970 against the addition of Rs. 799 crores in deposits may well show that the accumulation of sugar stocks, the grant of small loans to small borrowers for priority purposes and the financing of procurement operations have been mainly responsible for the over-extended position of banks. Under these circumstances it will have to be examined whether the funds lent are being productively employed. It should also be considered whether quantitative restriction of credit for specific purposes would be preferable to dearer credit. It may well happen that what is essentially an anti-inflationary measure will prove to be inflationary as the small borrowers will not mind an increase in the lending rates as they are accustomed to usurious rates charged by indigenous lenders. The industrial sector too will be compelled to maintain borrowings at a high level and it will not be possible to effect a reduction in inventories in a short period.

The abnormalities witnessed in the money market can be eliminated only after a readjustment to the new conditions arising out of the nationalisation of major banks and the new philosophy of liberal lending to the weaker sections of society is completed. This adjustment may take atleast two or three years to be carried out and till then dearer money is likely to be a regular feature. As for the objective of controlling prices, it is possible only through a maximisation of production with an intensive use of the existing industrial capacity and with the elimination of weaknesses in the agricultural economy. The central Government will find it very hard to reconcile the likely contradictions in its fiscal and monetary policies and the desired momentum to economic development can be achieved only through greater attention to economic issues and by desiring special measures for encouraging production. Orthodox monetary policies cannot bring about the desired result when the Government itself is aiding the forces of inflation through frequent adjustments in emoluments to white-collar workers and industrial labour without relating it to productivity or production.

Glimpses.....

By P. R. SRINIVAS

Wooing the Voter

The dissolution of the Lok Sabha and the State Assemblies in West Bengal and Tamil Nadu has led to controversies about the powers of the President or the Governor and the proprieties of a democratic government which ought to be observed by the Prime Minister or the Chief Minister of a State. The difference between the position of the Ruling Congress at the Centre and the D.M.K. in Tamil Nadu has not strangely enough led to any marked difference in the criticism of the action of the head of the Government. In the case of the Central Government the right to ask for dissolution of the Lok Sabha and the ordering of mid-term elections is denied on the ground that Mrs. Gandhi is the head of a minority Government. In the case of Tamil Nadu the dissolution is criticised because Mr. Karunanidhi has a solid majority in the Assembly and has no reason for a fresh appeal to the voters. In such a position, one has only to regard the mid-term elections as mere party tactics intended to make the most of a popularity which may prove transient or a precipitate to catch their political rivals off guard or at some similar disadvantage. It must be said, that whatever may be the real motives behind the move, Mr. Karunanidhi has not indulged in the kind of talk, at once pompous and sanctimonious, of racing to a socialist society, which the Prime Minister has indulged in, with the sanction of a majority of elected representatives which she considers necessary in the present conditions. The need for such a majority may be deemed to be an

answer to the charge that she is the head of a minority in Parliament and not to the contention that the President has a duty to consider the chances of an alternative Government by a reasonably stable coalition before the country can be pushed into the maelstrom of a general election when parties, policies, alliances and formulation of party programmes are in such patently inchoate state. That it is precisely this last mentioned fact that has prompted the Prime Minister to make this decision is indeed regrettable. But the leader of a party in office cannot be expected to desist from it in the interests of a more healthy evolution of the spirit and forms of democratic government. It is

is, however, not unfair to ask that, having decided to fight the electoral battle on ground of its choice the ruling party can seek to evade the rules of the game or, to vary the metaphor, to load the scales any further against its rivals by announcing measures which are an undisguised bid for popularity and must have been reserved for the verdict of the new legislatures. Mr. Nijalingappa has gone so far as to characterise the employment projects and others as an "election offence." Mr. Karunanidhi has even more such measures to increase his prospects at the polls, though he is content to defend the dissolution of the State Assembly only as a dictate of ordinary considerations of common sense and prudent economy.

Land Loans Check Flow of Credit

The recommendations of the Study Commission appointed by the Reserve Bank of India to go into the question of facilitating the flow of commercial bank advances into the sphere of agri-



The British Prime Minister, Mr. Edward Heath seen with the Prime Minister, Mrs. Indira Gandhi. Mr. Heath halted at Delhi on his way to Singapore for the Commonwealth Prime Ministers' Conference

cultural credit point to the nature of the problems which precipitate action prompted by political motivations are apt to create in the economic field. Land laws setting ceilings on agricultural holdings and the right of alienation and the market for agricultural land must inevitably create obstacles for commercial banks who are ready to make advances to farmers without sticking too closely to the rules of orthodox banking. Restrictions on the right of alienation were found to limit credit facilities even in the far off days of the Punjab Land Alienation Act. The co-operative agencies, while they have made no worthwhile progress in the effective provision of agricultural credit, have enjoyed special rights and privileges which now stand in the way of the commercial banks

making up the leeway. While bank nationalisation is a mandate to the banks to forget the old canons of sound banking and go to the aid of the small farmer, nothing has been done to free them from the disabilities resulting from the land laws, the legislation against money lending and usury and the privileged position accorded to the co-operative agencies. There is thus unquestionable need for examining the conditions for expansion of agricultural credit. The Study Group which was headed by the Chairman of the State Bank of India and experts from the commercial banks and the co-operative institutions have, as may be expected, been impressed with the need for uniformity of conditions over the whole country, the consolidation of land laws, the exemption

of the commercial banks from the anti-money lending Acts and the grant of the same privileges to commercial banks as to the co-operatives. Though these are obvious requirements, one cannot help feeling that in suggesting the conferment of powers on a State official which will have the force of a court decree, the Study Group has gone a little too far. Likewise, in being content with the drafting of a model Bill to help the State Government to have an adequate, unambiguous and clear cut framework, the Study Group appears to have underrated the scope for deviations not only in the consolidated legislation to come but also in the Acts of a later stage which may have an impact on the sphere of agricultural advances and their repayment by the farmers.

Social Justice without Tampering the Constitution

The inaugural address of President Giri at the recent New Delhi conference of Commonwealth Chief Justices had for its theme the adoption of the Constitution to subserve the aspirations of social equality. Making the point that law is the expression of the will of society, Mr. Giri stressed that its virtue or vice depended on whether it was the result of right thinking or of mere social aberration. A bad law was obviously the manifestation of "an aberration in the body politics of the conscience of society". Hence it was incumbent on the judges, while interpreting the law, particularly constitutional law, to ensure that they held the scales even between extremes on either side.

Though Mr. Giri did not so much as mention it, the implications behind his remarks should be clear to those who have followed recent developments in the country. Especially when he said "the law is the handmaid of social justice," one can discover the anguish of socialists in the country who have been chagrined over the failure of the Supreme Court to uphold bank nationalisation and abolition of privy purses in the manner attempted by the Government. In calling into question the constitutional validity of some of the essential details of government action, the Court, according to these quarters, has sinned against the ends of social justice.

"The answer to this criticism does not lie in statifying the obvious, namely, that neither nationalisation of banks nor the abolition of privy purses is going to make the poor rich. This is because socialists are convinced that these reforms are part of the changes necessary in the socio-economic milieu for sustaining the seedling of socialism which the small-scale-sector-oriented planning has been nurturing. The pro-

per answer has to be that one does not have to change the present Constitution to assure the social justice.

Judiciary Anachronistic to Socialists...

The support to this position is not difficult to offer. First, the argument for change assumes that the Constitution or some essential part of it, has outlived its usefulness. It is fashionable in socialist circles to point out in this connection to the manner in which the Constitution of the United States had been liberally interpreted to serve the larger interest. If Maryland taxed a branch of the Federal Reserve Bank, the judges interpreted the apparent right of the State for imposing the tax as obstructing the development of unified monetary control. If indirect taxes alone were possible under the Constitution and therefore the State would be denied the advantages of levying a direct tax vis-a-vis the growing industrial incomes, the Constitution was interpreted to offer the necessary facility. Against all this, the interpretation of Indian Constitution by the Judiciary which stuck to the letter of law, appeared anachronistic to socialists.

What these persons missed was the fact that the U.S. Constitution which was ratified 180 years ago—Rhodes Island was the last to ratify it on May 29, 1790—could not have anticipated the later socio-economic changes which were as spectacular as the enterprise of the Americans themselves. On that basis the Constitution tended to get obsolete in certain areas with the progress of U.S. society and in the context of the new forces of liberalism and dynamism building up all around. That cannot be assumed away in the case of India because our Constitution is less than a quarter century old. No

doubt 1971 is quite distinct from 1950 in the matter of socio-economic changes. But can it be seriously contended that these changes have been as fundamental and breath-taking as in the case of U.S. between 1790 and 1971?

To Meet the Needs of a Mixed Economy

Yet another point about the Constitution is that it has been conceived for meeting the requirements of a mixed economy. With all his sympathy for socialism, Jawaharlal Nehru was aware that socialism in actual practice vested all the power with the State endangering individual rights. The Communist societies were classic examples of how an overmastering State had extinguished private rights. The humanism of Nehru perceived that private rights were essential to help develop individual personality and preserve individual dignity. Hence the mixed economy on the political plane sought to recognise such rights in the Fundamental Rights Chapter of the Constitution without omitting to add the provisos for abridging them in social interest.

Since most of the quarrel with the Court arose out of these rights, it is good to remember this origin. The authors of the Constitution were particular that the quest for egalitarianism should not, in its frenzied moments, be allowed to run off with every one's rights except the right of the legislature (which is the voice of the masses) to make and unmake laws at will. In fact it is not the cussedness of the Judiciary that declared in the Golaknath case that fundamental rights as amended and as existing at that time of reference were inalterable. Indeed many of these rights had been tampered with in earlier decisions and

Nuclear Energy for Developing Nations

By ERHAND HAUBOLD

Nearly three years ago the world nuclear industry was surprised to learn that a German group had successfully tendered for the construction of an Argentinian nuclear energy plant. It was the more surprising since the Germans had been bidding in direct competition with powerful U.S. and West European firms who had an expertise in the construction of natural uranium fuelled reactors of the type required by the Argentinians. The Germans, on the other hand, had never built this type of installation, and the granting to them of the contract to do so was an expression of confidence in their know-how and ability by the Argentinian authorities.

The plant is now in advanced stage of its construction, and is something of a pilot project which is being watched by many other countries who are interested in developing a national nuclear industry which is within the reach of their pocket

books. Located some 100 kilometers to the north of Buenos Aires, it is being constructed for the Comision Nacional de Energia Atomica in the vicinity of the Atucha Atomic Energy Centre.

Experts in the Federal Republic foresee an immense market for German atomic know-how and hardware in the developing world. There is at present a world trend away from conventional fossil-based fuels for power generation. Even in West Germany the anticipation of imminent breakthrough in reactor economics is causing operators to look more and more in the direction of nuclear solutions to their power problems. It is symptomatic that the latest of Germany's atomic energy programmes foresees the building of a 300 megawatt reactor in the Ruhr area. Since this is in the heart of the German coal fields, where the brown coal of the Ruhr is available

in quantity, the message is a clear one, atomic energy is more economic. In parts of the world where neither coal nor oil is available, then the economic factor of nuclear power is increased immeasurably. At the moment, however, the nuclear industry here though active and ambitious, seems to be anticipating the results of advanced research which is going on in the area of the integrated gas turbine-reactor concept. When the first integrated system starts to operate power production at a cost well below that which it carries today will become a startling feasibility. Startling because the era of nuclear automobiles, trains and aircraft will be brought a good deal nearer. More important however, the scope offered by these developments to provide industrial power at low cost to even the remotest and most isolated parts of the world should have a major impact on human economic development all over the world.

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some of them had lost their original shape in the process. Sensing the mood of the times the Court did not interfere with those decisions. Instead it confined itself to preserving what was left against emotive encroachment by the legislature in the belief that, being the guardian of the Constitution and the voice of the reason, it had to cool

off the heat that was bent on melting down the Constitution yet more. Any one who recognises the validity of human rights as the *sine qua non* for personal freedom will have no cause to complain but on the contrary will thank the judiciary for not committing itself to popular frenzy. It is open to the socialists to argue their way

against this position showing how their overmastering State, with its system of espionage against citizens for containing them in socialism, will be better than what they deem to be "the uncommitted judiciary" of our democracy, either from the standpoint of the individuals themselves or the long term welfare of the society.

FILING FALSE TAX RETURNS!

DO YOU KNOW THE CONSEQUENCES?

BEWARE! Filing of false tax returns is severely punishable under the Income-Tax, Wealth Tax and Gift Tax Acts. It may cost you more than what you have concealed.

Under the Income-Tax Act, a minimum penalty equal to the amount of the concealed income and a maximum penalty equal to twice that amount, is prescribed. Besides, there can also be prosecution and conviction—rigorous imprisonment for not less than six months which can be extended to two years.

Similarly, evasion of wealth tax is also severely punishable under the Wealth Tax Act. A minimum penalty of an amount equal to the value of the asset so concealed or to the extent of understatement in the value of an asset or overstatement in the value of any debt, is prescribed. This penalty can be as high as twice this amount. In addition, there can be prosecution and conviction with rigorous imprisonment for not less than six months extendable to two years.

Furnishing inaccurate particulars of any gift is punishable with a sum not less than 20% but not more than one and a half times of the tax which would have been avoided if the return had been accepted as correct. Apart from this, you can be prosecuted. Conviction can mean simple imprisonment extendable to one year or with fine upto Rs. 1,000 or both.

REMEMBER EVASION OF TAX IS A CRIME

If the original return filed by you is false why not file a revised return to avoid the consequences of discovery.

CENTRAL BOARD OF DIRECT TAXES
(Department of Revenue & Insurance)
MINISTRY OF FINANCE, GOVERNMENT OF INDIA

davp 70/530

Do Scientists Keep Far Away from Politics?

The deliberations of the Indian Science Congress and of the Indian National Science Academy at Bangalore recently have highlighted the familiar problem of attuning science to the requirements of a developing society. What is significant about this attunement is that, unless developing economies evolve an appropriate expertise on the basis of the absorption and reorientation of its exotic counterpart, the technological flow will be only a single track affair repeating part of the failures of mere imitation. In her inaugural address, Prime Minister Mrs. Gandhi referred in this connection to the genius of India in the past when the science-technology link had been vital and productive. Indeed until the very recent past, in metallurgy, weapons manufacture, horticulture, ship-building, engineering and architecture, our society was not only absorbing the inventions made in other cultures but also innovating internally and according to Mrs. Gandhi, it was this productive and creative capacity which was the magnet which attracted European mercantile explorers to our shores. It will be of little use, however, to take pride in what we had been without taking steps to be what we should be. The main concern in the years ahead will be over self-sufficiency in technology in view of the definitive stances taken in this regard in official policy.

The Scientific Climate

The need of the times is what technically goes by the name the "science climate". While referring to it, the Prime Minister has, as in the past, reiterated the Government's preparedness to assist to the extent possible the exertions of individual scientists and institutions. Her complaint is that "Indian scientists and technologists were so heavily preoccupied with the limited framework of their own specialisations and institutions that they seemed to regard the larger social and cultural setting, in

which the country was cultivating and applying science and technology, as someone else's concern." This is a view that has been slanted in diverse ways of late. While some of our scientists who are reluctant to return from abroad are putting the blame on the absence of a scientific atmosphere in the home country, the Government has been saying that these scientists are adopting ostrich-like attitudes, quite unmindful of the

straits in which their country is placed, and are insisting on facilities which Indian institutions cannot afford. Sometimes Sir C. V. Raman is quoted that granted the will, the requisite research can fructify by contriving available equipment. Indeed the Raman-effect was the outcome of none-too-sophisticated equipment. But the difficulty is that such simplicity cannot always deliver the goods. The need for sophistication and

Sixty Years of Dedicated Service—Lakshmi Mills Celebrate Jubilee

Inaugurating the Diamond Jubilee Celebrations of the Lakshmi Mills Co., Ltd., Coimabtoe, on January 17, Mr. D. P. Mandelia, Adviser, Birla Concerns, paid a tribute to the company stating that, if socialism meant increase in production, reduction in prices, creation of avenues for employment, augmentation of national income and diversion of revenues for purposes of social welfare, the Lakshmi Mills Company, Ltd., could well claim to have achieved it.

Mr. Mandelia emphasised that the problems of spiralling prices and growing unemployment could be solved only by higher production and more rapid industrialisation.

Diversification Necessary

Mr. G. K. Sundaram, Director, welcoming the delegates detailed the vast strides that the company had made since it was founded by Mr. G. Kuppuswami Naidu in 1910. He mentioned that, up to a point, the expansion of the spinning industry in Coimbatore region was all right, but they had now too much of spinning capacity without adequate weaving and finishing industries.

Stressing the need for starting more industries in Tamil Nadu, Mr. Sundaram said that, during the last two Plan periods, Tamil Nadu had been the third industrialised State in India.

But, of late, it was going down to the fourth place yielding place to Mysore. The present policy of all Governments—both Central and State—was to develop backward regions and even districts in each State. Therefore, Coimbatore district as such would not get any priority. That was all the more reason, Mr. Sundaram said, that entrepreneurs, industrialists and labour should work much faster and harder.

In the course of his Presidential address, Mr. G. K. Devarajulu, Chairman, claimed with pride that they of the Lakshmi Mills too had played their part in the industrial progress of this part of the country, especially in the field of textiles. In 1969-70, the company's total turnover of sales had reached nearly Rs. 12 crores. From 1950, they had been exporting yarn and cloth to several countries. During the last six years, exports amounted to Rs. 410.79 lakhs. He emphasised that, in order to produce cloth at prices which the people of the country could afford, as also to increase exports, there was imperative need for the industry to be modernised.

Speaking as a shareholder, Mr. S. Viswanathan felt happy that the management was paying handsome dividends over years.

Mr. K. Rajagopal, Director, read the messages that had been received.

in the proper measure too requires therefore to be identified on an expeditious basis to arrest in part the present brain drain.

The more intriguing handicap refers to bureaucratic attitudes. The impact is reflected in various ways. In some cases, the young scientists feel frustrated because the top executives are unable to respect their talent for its worth. This is a headache which is not peculiar to the Indian situation, but is endemic all over the world. The West has partly solved it by obtaining for the scientists emoluments related to their individual talents. Many of them are enabled to get a remuneration which is very much higher than what their bureaucratic heads get. Such differential payment has at once softened irritations and ensured against flight of technical personnel from the public sector to more remunerative jobs either in the private sector at home or in some Western country. Such a reform is long overdue in this country. It has to be

effected expeditiously enough if talent is not to decay through frustration.

Hampering the Green Revolution

Dr. B. P. Pal, who presided over this year's Bangalore session of the Indian Science Congress has complained that scientists, especially agricultural scientists, are neglected in this country. The neglect here has left "a backlog of institutions which are lacking in high-quality staff, but have an abundance of staff, at the lower pay-scales because these were easier to get sanctioned." This has meant provision not for radical research but for the proliferation of those who attend to mere routine work. Everyone will agree with Dr. Pal that unless there is a change for the better, this will hamper the progress of the green revolution. Devising cropping patterns and rotations which will enable the farmer to produce the maximum output per unit of time and acreage will be difficult unless plant science which is now at the tail end of the scientific hierarchy is transferred to its head.

Out of the Inkwell

By RANDOR GUY

OH, CALCUTTA!

A friend of mine, a priest who rarely discusses religion, went to Calcutta recently to attend one of those youth conferences. A stranger to that town of "Kahin Banerjee, Kahin Mukerjee", as the song has it, he knew little of the local lingo and underwent considerable difficulty in getting round. One morning he waited at a bus-stop, wondering which bus he should board to get to some blasted gunj. He looked hither and thither and his pouted mouth relaxed when he saw a young man, standing a few yards away, reading a copy of "The Statesman". With a sigh of relief that he had found somebody with whom he could converse in Queen's English, my friend accosted him and asked about his bus. The man stared and said something in Bengali. Somewhat taken aback my friend remarked that as he was reading an English publication he should be knowing the lingo and if so why the dickens... Before he could complete his sentence, the Bengali glowered at him and rattled off in

his native language, with the word 'BOMB' repeated many a time! Call it patriotic fervour, linguistic fanaticism or just plain hatred for an alien (is it?) lingo, that's the way it is out there, in the land of Kalimata, Rasagullas, and Bombs!

The Case of the Shrinking Mags'

Running a publication is obviously a tough business not merely in a poor country like India but also in affluent countries like the land of Uncle Sam. Publications like 'Colliers', 'Post', had gone the way of all flesh. The latest trend is to reduce the size of the publication so that the cost of production could be curtailed. Large-sized ones like 'Holiday' and 'Esquire' will now shrink to a size that could be easily read in bed, without developing a crick in the neck. Rising costs, increasing wages and decreasing advertising revenue are said to be the main reasons for this disquieting development. If this could happen in the U.S. how pitiable is the lot in our country! Will the new government do something for the small-scale publishers?

.... Of the Bourgeois Class

This is not to absolve our young scientists of all blame. Dr. Atma Ram, Director General of the Council of Scientific and Industrial Research, while addressing the Indian National Science Academy at Bangalore recently, has stated that "many bright young men and women were beginning to feel that, to obtain recognition in science, it was not necessary to put in hard work at the laboratory but drift into new and attractive realms which made them important and influential in the right places." He refers to this new class of scientists as the bourgeois class, the new elite which pays little attention to research. This is of course not a new finding because since the days of the late S. Bhatnagar, cynics have been quipping, not without justification, that our scientists are living up to the exhortation of Nehru (that they should not make science the handmaid of politics) by keeping themselves as far away from science as possible. Indeed the estimate of the Cabinet Committee on Science and Technology (COST) that scientific man-power in India was now comparable with that of the United Kingdom, France and Germany and was substantially higher than that of Canada, Sweden and Italy does not make sense if all such man-power is guilty of abandonment of hard work and even if, at the levels which matter, the crucial experts have sunk into feathering more their political than their scientific nests. The basic problem appears to be to develop a strong scientific community which "takes pride in itself, has appropriate ethics, respect for quality and camaraderie within itself and the rest of society." Indeed as Dr. Atma Ram puts it, it was the work of dedicated scientists which would create an impact on the solution of problems of economic growth and raise the edifice of science. Scientists and the Government had better do their best to make this result possible.

—R.S.

INDUSTRIAL ECONOMIST

The Case of the Harassed Agent

This is how a fan of Erle Stanley Gardner may christen my interview with the agents of the city branches of two nationalised banks. My assignment was to discuss the deposit and the borrowing trends in 1970, the special schemes to assist artisans and small vendors and also the general impact of nationalisation on banking.

The Taciturn Agent

The first agent belongs to a species now rapidly vanishing. On the wrong-side of fifty, with the bald head glistening with beads of perspiration, he must have been an old, scarred warrior securing several honours for his concern before the nationalisation and now he seems a little bitter and beaten. To begin with, his attitude is tightlipped and the answers monosyllabic. Deposit trend? Sluggish. Borrowings? Of course, more. Remark on business? Not very much to satisfaction. Slowly he warms up to the subject.

The situation of a bank agent is now somewhere between the devil and the deep sea. On the one hand the powers that be declare from the housetops that the nationalised banks serve even the lowliest of the society, giving an impression that anybody can just walk into a bank and demand a loan as birthright. On the other hand the same powers will frown upon an agent who disburses more loans than what he can recover. The consequent strain on the agent's mind to use his discretionary power is tremendous.

Chasing the Defaulter

The scheme of loans to artisans and small vendors sounds very good in principle, but the implementation of the scheme bristles with difficulties. Under this scheme, an agent can sanction upto a sum of Rs. 3,000 to an artisan or a small vendor, a tailor or a flower girl. With the clearance from the head office, this may be raised to Rs. 5,000. The normal pro-

duction of sureties or securities in the form of jewels, house or government bonds in such cases is impossible and even unthinkable. Hence the agent is compelled to grant a loan just on the word of a nominal guarantor, whose antecedents themselves cannot be fully investigated for lack of time.

Of Cabbages and Kings!

Greeting the Romantic Way!

The new year, even though ushering in a socialistic and rationalistic era, has to be celebrated with only conventional rituals like sending greeting cards to the friends. *Walrus* was obliged to make a last minute dash to the shops for the purchase of greeting cards to be sent to his numerous friends (three, to be exact). How provocative have they become of late! It is true that most of them are still colourful and yet colourless in the literal and figurative sense respectively. What is wanted is some more punch and the stamp of individuality. This, *Walrus* noted with satisfaction, was evident from some of the cards on display in a Mount Road shop. Their keynote was that subject touched with a pair of tongs in public and assiduously exploited at home in India, namely sex.

The Sexy Slant

Such cards have a few lines printed on the first page and on opening the card, a little figure jumps into your view from within. One of them says "I know you have been fond of dolls as a child and now I wish...." and inside is a cutie on bed as a Christmas present. Another shows a sultan on the first page flaunting a dark, veiled Turkish beauty from his harem to your gaze. Another shows a fan dancer doing strip-tease for you, with moving arms and legs. Not all of them are sexy and some attempt innocent humour. One greeting declares the sender to be so fond of you that he went and actually purchased the greeting card with cash. Another wants you to look inside to find out the person whom the sender could not like more. Inside is a neatly cut out dressing table with an oval piece of silver paper reflecting yourself.

For the people who turn up their nose in disgust about the sexy slant, let me produce some findings of people doing MR (Motivation Research) which is a multi-million dollar industry in U.S.A. about Christmas

The first instalment of the loan is paid promptly in most of the cases. Then starts the game of 'hide and seek'. The agent has to waste precious hours hunting for the delinquent. Registered notices bounce back in some cases and even the police express helplessness in tracing these

cards. They chose some cards with a single candle, some cards with a single wreath, some cards with both symbols but not in contact and finally some cards where the candle peeped through the wreath. They found that, in a random sampling of buyers, that the candle design alone was most popular with the women and the wreath design alone was appealing to the men while the younger fry in both sexes fell for the candle-in-wreath design. The obvious symbolism was jubilantly pointed out by these MR experts.

The idea of Motivation Research salvaged the business of Chrysler Corporation in 1950s. Taking the comment of people at the face value, that they found it troublesome to park big, fat cars, the company spent millions designing a new, trimmed car and offered it for sale. It was disastrous and within a short time, in two years, its share in the auto market dropped from 26 per cent to 12 per cent. They woke to the reality and returned to the manufacture of some of the longest and most colourful cars in the market and regained business. The reason is that the automobile is a sex symbol for the owner and it indirectly reflects the masculinity.

Thus the old wizard, Sigmund Freud has spread his net far and wide covering all aspects of our life. I close with an interesting piece of information. It is true that Freud was never formally nominated for the Nobel Prize in Medicine. But in 1936, Romain Rolland and Thomas Mann proposed his name for the literary award. He almost won the prize, when the Swedish Academy voted him down and it went to Eugene O'Neill. Freud, as a man of letters, may amuse some, but not *Walrus*, who claims that much of classical literature can do with Freudian analysis and for that matter even the stances and utterances of some of our political leaders call for psycho-analysis.

—Walrus

INDUSTRIAL ECONOMIST

absconders. Such futile transactions add more burden to the shoulders of the tottering agent.

His more scathing remarks, however, were directed against the administration. The nationalisation has adversely affected the morale and

initiative of the staff. While the private banks, some of them from abroad, carry on door to door canvassing for depositors, wooing them with attractive slogans and artifices like printing one's name in the cheque book, he has seen his own colleague in a

Quality Wires from Gangappa Cables

By "RAJA"

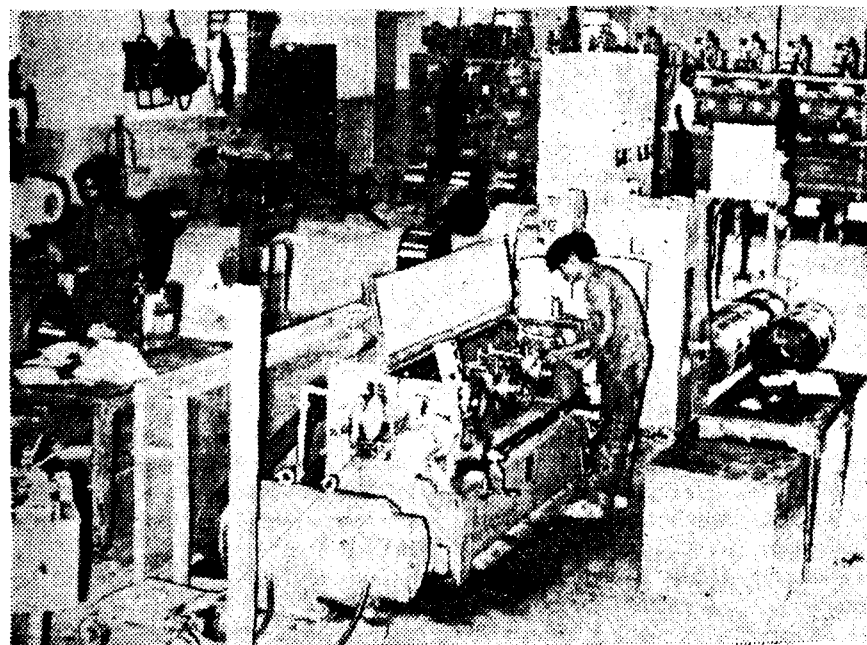
M/s. Gangappa Cables Limited was established in 1968 at Uppal in Hyderabad in technical collaboration with M/s. Sumitomo Electric Industries, Osaka, Japan who have also supplied the entire equipment required for this project. The total cost of the project is 50 lakhs and 50 per cent of the share capital of Rs. 24 lakhs is invested by the Government of Andhra Pradesh through the Industrial Development Corporation.

Enamelled wire, paper covered wires and aluminium wires are some of the items

elaborate tension control systems throughout the annealing and enamelling processes. Before the wire enters the enamelling ovens, pre-annealers anneal the wire thoroughly ensuring good windability of the wire. An enamel winding system is incorporated in the machines to impart a uniform coating of enamel to the wire with close tolerances.

Exacting Standards

Uptodate testing equipment and the quality control system help maintain high



A view of the wire-drawing and paper covering section at Gangappa Cables

manufactured here. Seven standard types of enamelled wires are produced following the specifications of the British and the revised Indian Standard specifications. By winding thin strips of paper helically around the wire, paper covered wires are made.

The pickling equipment cleans the surface of the copper wire rod to ensure products of high quality. Any contamination of the wire surface is removed by skimming the surface through a special shaving device. Correct tension of the wire is ensured by

standards from the raw materials stage to the end product. The company can also supply any special type of enamelled wire to suit the individual specifications.

Gangappa Cables has achieved the distinction, within just 18 months of production, of exporting super enamelled winding wires to Aden, Jordan, Kuwait, Lebanon, Singapore, Teheran, Burma, Sudan and Thailand. The company has a target to produce 600 tonnes of goods in 1970-71 valued at around Rs. 1.25 crores.

suburban branch just sitting tight and doing nothing. When questioned about this lack of drive, the cynical answer is that there is no incentive or recognition. The custodian in his ivory tower cannot even be approached easily.

The second agent is younger, in his 'forties, and he was able to resuscitate my sagging spirit with his optimistic approach. As long as sound judgments on finance are made, he has no misgiving about nationalisation as a winning proposition. While he concurred with the views on loans to artisans and small vendors held by the other agent, he regaled me with the following experiences. Rs. 12,000 have gone to 140 parties of whom only ten make regular payments. A tailor claims, say Rs. 150 for a loan, waving his hand towards an old machine for a security. When pressed for the production of its purchase bill he snorts that it was bought several years back and he could not be expected to keep track of such garbage. After the money is handed, he is prompt in paying the first few instalments. One fine morning, he, a tailor residing in those parts for twenty long years, just vanishes into thin air. No trace. The machine? It was hired from a Marwari at the rate of one rupee a day.

The Unsocialistic Buffalo'

A milk vendor may show a buffalo purchased for Rs. 700 which after some time may stop giving milk and go out of use. Then it is worth only Rs. 260. Imagine the plight of the agent left with this for arrears. Another milk vendor tried to apply pressure on this agent with a politician ringing him up every day pleading his case. When the agent came to know that the milk-vendor had not even obtained the Corporation licence for keeping the buffalo, he rang up the politician and explained the worthiness of the customer. No more call came from that direction

—Forscher

Financial Stimulus for Economic Growth

The Reserve Bank is naturally anxious that there should be a more vigorous mobilisation of deposits as the developments since the nationalisation of 14 major banks clearly show that there will be a constraint on resources if all the economic objectives are to be fulfilled. After a slight slowing down in the growth of deposits, new trends have emerged and it is now estimated that the additions to deposits of scheduled commercial banks in 1970 will be around Rs. 800 crores—an all time record—against Rs. 642 crores in 1969. This impressive performance has taken place in spite of the fact that industrial units have been accepting deposits on a large-scale and taking loans also for sizable amounts. The report on Currency and Finance for 1969-70 published by the Reserve Bank of India also refers to the sudden increase in the activities of financial corporations which are run as partnership in Mysore and elsewhere and the expansion in business of the chit funds which necessarily has resulted in a diversion of funds from the banking system to other institutions. This trend will probably continue to be in evidence in the coming years and it may so happen that the banking system will be handling mainly short-term deposits and those inclined to undertake slight risks will place their funds with institutions which offer a higher rate of interest.

This trend is not, however, anything unusual. Indeed it is only natural as in the developed countries there are specialised institutions for different purposes and mutual funds, house-building societies, saving institutions and the like pay higher rates of interest on funds mobilised from the public. At the same time the banking

system has been growing phenomenally in stature. This is because of an increasing monetisation of the economy and the use of surplus balances in different accounts which cannot be remuneratively employed in a predictable manner by the owners' concerned. The scope for growth in deposits will be evident from the fact that the aggregate deposit amount expressed as a percentage of national income is much higher in other countries than in India. Whereas notes in circulation is three or four times more than deposits in other countries, in India it is only one and a half times more. It must however be stated that deposits of all banks expressed as a percentage of notes in circulation was only 80 per cent in the mid 'fifties it is now much higher at 150 per cent and the increase has been most pronounced in the past five years. It should be mentioned that even in 1966 and 1967 the additions to deposits were only a little over Rs. 400 crores annually. A virtual doubling of this in a period of four years is indeed a spectacular achievement.

Growth of Branch Banking

This phenomenal growth has been made possible by the revival in economic activity and the spread of the banking habit through the opening of a large number of branches. Whatever may be the argument against or for nationalisation of banks it must be admitted that since the concept of social control of banks was evolved and 14 major banks were nationalised, the emphasis on branch banking has been commendable. There is now a determination to provide banking facilities in all towns and villages with a population of over 10,000 with-

in a specified period and that ultimately all villages should be served by banks through a system of cluster branches. There has been a virtual competition for opening new branches between banks in the current year and a large number of offices have been opened in under-banked areas. The lead banks are concentrating on regional development. By the middle of this year there were over 10,000 branches of all banks against 8,262 at the end June, 1969. This means that nearly 2,000 branches were opened in the first year of nationalisation. The State Bank of India alone has opened 306 branches and its subsidiaries 167 branches during the period under reference. The nationalised banks for their share opened 1,185 branches and other institutions 234 branches. Foreign banks opened only one new branch while there was a decline in the branches of non-scheduled banks to 193 from 217. This must be due to the merger of many institutions with the scheduled banks. The number of branches at the end of the year is likely to be over 11,000—about double the figure a few years back.

It cannot be said that there is a direct proportion between the growth of deposits and the number of branches but there is no doubt that the growth rate has been considerably accelerated due to this new development and a strong base in being built up. With the opening of post-offices in almost all villages and the effective functioning of banks the banking and saving habits will spread at a faster rate in the coming years and a larger volume of business will be handled by the credit-structure than ever before which would by itself lead to a big increase in deposits. It is, therefore, heartening to note that the Reserve Bank officials and bank executives are studying how the new branches are functioning and what should be done to stimulate further growth of deposits. Even an insistence that new branches should become viable within a stipulated pe-

period will result in a faster growth of deposits, though it will be necessary to provide some incentives for bank officials for carrying out a drive for mobilising deposits in new areas. It is also being explored whether differential rates of interest on deposits will be helpful. A suggestion has been made that higher rates of interest can be paid on deposits procured in mofussil areas upto a specified level, and that higher rates of interest should also be charged on advances in these areas especially as the existing credit agencies are charging usurious interest rates.

A differential system of interest rates for lending and mobilisation purposes cannot work satisfactorily in the present context. There can only be a higher rate of interest on all

savings account, by imposing special conditions. Only those who abide by these conditions will be benefited. There may also be a plan for providing for insurance as has been suggested by the Life Insurance Corporation of India. If this incentive is not to result in an increase in the cost of mobilisation of deposits, the plan should be made applicable to savings or other accounts where the constituents agree to limited operations of their accounts and maintain also larger balances on a stipulated basis. The field for development of banking is vast and it may not be surprising if with the opening of 2,000 more branches in 1971 the growth in deposits may be over Rs. 1,000 crores. It may touch even Rs. 1,500 crores annually by 1973-74 if agricultural production was maintained at a high level and

there was also a sustained increase in industrial output.

It will, however, be wrong to expect that there will be an easing of pressure on the banking system in the next two or three years. With the Government pursuing wrong policies relating to procurement during a period of rising food production and with larger investment in government and approved securities, there will be an unsatisfied demand for funds in the near future. Available resources are bound to be made good use of for productive purposes and if the Reserve Bank adopts a helpful policy in respect of refinance facilities, it will be aiding the new constructive forces to hasten the pace of economic growth.

—Meenam

Helping the Farm Sector

The Reserve Bank has formulated a set of guidelines for the financing of agricultural development by commercial banks. The public sector banks have been urged to move into agriculturally less developed areas and to lay emphasis on production oriented purposive credit rather than on security-oriented lending. It has been stressed by the Reserve Bank that the banks should help small and potentially viable farmers.

To achieve the above objectives, it has been suggested that the discretionary powers allowed to the Branch Agent should be such that at least 80 per cent of the proposals can be cleared by him, without reference to the Central Office. The Branch Agent must collect necessary agro data and work out a rational scale of finance for various crops. Short term loans for crop raising should generally be

divided into a cash and kind component. Through approved dealers, arrangement for supplying the kind components, like fertilizers and farm implements can be made.

In regard to medium-term loans, the income potential of proposed investment rather than the size of the holding can be taken as the norm. The points mentioned by the Reserve Bank regarding seasonability and timing of loans are apposite. It has been stressed that Banks should canvass and elicit custom well in advance of the commencement of agricultural operations. Instead of disbursing loans in instalments, it would be advantageous to make one loan available in one group. The right time for disbursing medium term loans would be the off-season, when the cultivator is not busy with his crops.

At the initial stages of commercial banks entry into the agricultural sector, a certain extent of duplication of effort was perhaps unavoidable. Thus, it has been noticed that occasionally more than one commercial bank as well as co-operative banks might have financed the same borrower for the same purpose and against the same security. It is common banking practice for lending institutions to consult each other in the process of appraising loan proposals. Such consultation is of special significance in agriculture where the base for repayment is relatively narrow. It is hence essential that all branch agents in a centre or area should be in touch with each other as well as with their counterparts in the co-operatives and attempt to work out informal methods of exchanging information. This collaboration should not merely stop with avoiding duplication of financing—which is of course, crucial—but should be extended to such matters as working out common norms and scales of finance.

—(FOC)

Pitfalls in Paper Production

A difficult situation is developing in the paper industry. It is feared that shortage of printing paper will become acute early next year if mid-term poll is ordered in February next. The shortage of paper and board has been emerging, for some time past as fresh progress of the industry has been taking place only through implementation of expansion schemes and no new flotations have come up so far. The unwillingness of entrepreneurs may seem somewhat surprising as it had been hoped that after de-control and the upward revisions in prices on two occasions there would be the necessary incentive for promoting new units. These expectations, however, have not been fulfilled since costs have been rising rapidly in the past two years and even with the higher prices for end-product a new mill with a capacity of 20,000 tonnes annually and costing at least Rs. 12 crores cannot function on a profitable basis.

Need for Fresh Incentives

It has been urged in industrial circles that further incentives will have to be given if new capacity is to be created in a big way by granting a higher development rebate and offering bigger concessions in respect of excise duties. Even here it has been contended that the mere availability of development rebate cannot be helpful as it can be recovered only after the capital expenditure has been incurred and taxable profits emerged after depreciation charges had been provided on a statutory basis. There is some force in this contention as new mills started in the early 'sixties have not been able to absorb development rebate due to inadequacy of profits and this facility has not been helpful for

these units for minimising the disadvantage of higher capitalisations as compared to the older units in the industry. In the past decade there has been a more than doubling of capital costs and a mill with a capacity of 60 tonnes daily costing Rs. 6 crores in 1960 is now requiring over Rs. 12 crores. It is, therefore, emphasised by experts that the optimum capacity for a new unit should be 150 tonnes or 200 tonnes daily so that there can be a reduction in overhead charges and saving in unit cost as has been happening in the fertilizer industry.

Rapid Progress in Rural Electrification

By A. P. SEETHAPATHY
Central Water and Power Commission

The progress of rural electrification was insignificant before Independence. Hardly 1,500 places, of less than 10,000 population had the benefit of electric supply in 1947. Over the last 25 year span it has been possible to cover the needs of some 77,000 villages. The part remaining to be done, however, is a Herculean task, as there are 5,67,000 villages in the country. But the proportion of the total population so far benefited is as high as 40 per cent.

During the Fourth Plan, 1.25 million additional pumpsets are planned to be connected up. There are several difficulties in extending electricity to rural areas. These include limited power demands, low load factor and comparatively large capital investment for necessary supply mains. It becomes imperative, therefore, that these unfavourable factors are removed so that the spread

No breakthrough has taken place in this industry on the lines of fertilizer units. But the emphasis is now on the use of speedier paper producing machinery, larger pulp units and the installation of facilities for recovering chemicals for recycling. Efforts are also being made to increase the yield of pulp for the same quantities of raw materials and reduce cost by using different raw materials, though bamboo is still regarded as the best base. Soft woods and even hard woods are being used in larger volumes because of the scarcity of bamboo, its high cost and heavy transport charges. Only in those cases where mills located advantageously from the point of view of bamboo resources, as in the case of some units in Orissa and Mysore, this advantage is being fully exploited. While these im-

of electricity to rural areas could be accelerated.

A Rural Electrification Corporation with an outlay of Rs. 45 crore by the Government of India and Rs. 105 crores by the U.S.A.I.D. has been set up in the public sector to finance selected rural electrification schemes in various States. These resources would be able to provide enough money for energising about five lakhs of irrigation pumpsets. To accelerate the programme of rural electrification and encourage consumer participation in it, rural electric cooperatives are being encouraged. Five Pilot Cooperatives, one each in Andhra Pradesh, Gujarat, Maharashtra, Mysore and Uttar Pradesh are being initiated. These experimental cooperatives will build up the necessary experience for a future large-scale programme.

improvements in techniques should be helpful in increasing operating efficiency there can also be a reduction in costs if only the government could persuade itself to reduce taxes on intermediate products which, it has been roughly estimated, have been responsible for an inflation in cost by over Rs. 400 per tonne. The Government may not be agreeable to a reduction in its levies as it has not bothered upto now about the regressive incidence of the different imposts and has been only worried about mobilising its revenues. The Government must examine whether instead of the development rebate it can concede a development grant as was done in UK until recently. If it is found that as a result of the import duties, excise levies and higher cost of indigenous equipment, the total capital outlay was unduly high there can be no objection to giving a development grant of about 30 per cent in cash so that the capital value of the equipment can be immediately written down in the books

and depreciation charges allowed on that basis. This method may actually work out cheaper from the point of the government besides yielding immediate results. As the budget proposals for 1971-72 must be under examination now the Finance Ministry should consider how the growth of particular industries can be hastened through the offer of new incentives.

Presently, the Government appears to be keen on the implementation of a crash programme which will increase capacity of the existing units by about 1.5 lakh tonnes by the middle of 1972. The objective to take advantage of surplus capacity of particular divisions in the existing units and install balancing equipment so that an immediate increase in output by 5 to 10 per cent can be secured by those units which are advantageously placed and which have no major problem of securing raw materials. Almost all units are making arrangements for increasing the speeds of the existing machines be-

sides installing facilities for recovering chemicals. These new techniques have been found useful and major companies like Ballarpur Paper, West Coast Paper and Orient Paper have benefited by them substantially. Apart from the installation of balancing equipment, it appears that all major units have been told to undertake immediate expansion of capacity of 15,000 tonnes annually. The applications are being processed by the Government and it is expected that early decisions will be taken and the necessary facilities will be granted to the units concerned. Seshasayee Paper & Boards, Andhra Pradesh Paper Mills, West Coast Paper Mills and others are in a position to implement these schemes. Ballarpur Paper has been continuously expanding its capacity in the past few years and the schemes in hand, when completed, will result in substantial addition to capacity. But the expansion schemes are likely to get delayed because of the difficulties in securing equipment from indigenous sources. In the case of West Coast Paper, its programme for increasing capacity decided upon some time back is being held up because of the undue delay in the supply of indigenous equipment. Meanwhile, imported equipment has started arriving and is being installed wherever possible. But imported equipment will have to be kept unused if matching supplies from indigenous sources were not received simultaneously. In view of the urgency of the immediate expansion programme the Government should not hesitate to allocate additional foreign exchange if, by doing so, it can ensure speedier completion of the new projects and those on hand. Otherwise, paper famine will set in in 1972 and the consumer will be unduly penalised. As there will have to be a more than doubling of capacity in the current decade it will be worthwhile to organise a consortium of machinery manufacturers, as was done some time back in respect of sugar machinery, so that there is no worry about the availability of major items of equipment at reasonable prices and within reasonable delivery periods. —Meenam

THE CITY CORNER:

An Election Eve Largesse

A pay increase costing the State Government Rs. 21 crores has been sanctioned for the Tamil Nadu Government employees. To take effect from October 1 last, the increase will benefit six lakh employees, including teachers and local government staff. There is criticism that on the eve of the elections to the Lok Sabha and the State Assembly, it is highly improper to take a decision committing the Government to an expenditure of this magnitude. This is described in opposition quarters as "rank vote catching", and "highly immoral and undemocratic."

The DMK Government which, at the moment, is not answerable to anybody, the Assembly having been dissolved has chosen to abolish the basic tax on wet lands in respect of holdings upto five acres. The basic tax on dry lands has already gone. This is also objected to as "election stunt."

Bread Nourishment

According to Mr. Chedi Lal, Chairman of the Modern Bakeries Ltd., the nutrition scheme of the Government of India will improve the health of five million children in the country. In Madras City alone, nutritive food in the form of enriched bread will be available to 80,000 children when the scheme is fully implemented. The Modern Bakeries Ltd. are to make a special type of bread for the purpose. The present turnover of the Modern Bakeries, he said, was Rs. 2.5 crores. The existing nine units spread in the different regions of the country would be soon expanded to a dozen. The sanction from the Government of India for the new units has already been received. Mr. Lal said there was

tremendous scope for encouraging bread consumption in these days of prepared food.

Corporation for Big Industries

A new corporation to aid major and medium industries in the private sector is to be set up in Tamil Nadu. Called the "State Industries Investment Corporation" (SICOT) the new body, it is hoped, will stimulate and speed up development of major industries. Modelled after the State Industrial and Investment Corporation of Maharashtra to finance private sector industries, the new financial institution of Tamil Nadu will have an authorised share capital of Rs. 5 crores and an issued capital of Rs. 1 crore to begin with.

Besides providing financial assistance, SICOT will prepare feasibility reports, give locational guidance and carry out incentives to which the industries are entitled under the various regulations and orders.

Aiding Backward Districts

The current fortnight also witnessed the identification by the Planning Commission of eight districts of Tamil Nadu as industrially backward for the purpose of concessional financial assistance. New medium and small industries in three districts will be entitled to easier and more liberal financial assistance. The districts are North Arcot and South Arcot, Thanjavur, Tiruchi, Salem, Madurai, Dharmapuri, and Ramanathapuram. Areas identified as backward for purposes of concessional power tariffs have already been announced by the State Power Board.

Not a Stroke of Luck

The 24th Annual Conference of the Indian Society of Agricultural Statistics, meeting in Madras, stressed the need for statistics with regard to the weaker sections of the agricultural community so as to draw up plans for their amelioration. It called for a census to secure information like size and number of operational holdings, crop and irrigation patterns, etc. Prof. S. K. Bose, in his Presidential address, wanted greater collaboration between university teachers and professional statisticians and suggested the formation of a high power committee for formulating a plan to give training on problem-oriented research.

Delivering Dr. Rajendra Prasad Memorial lecture, Mr. C. Subramaniam, Chairman of the National Commission of Agriculture, said the green revolution was the result of a new strategy based on sound research. It should not be dismissed lightly as a stroke of luck or an accident of nature. Research was now being carried on in breed types with great resistance to diseases like blight, blast and tungo virus and results would be available in one year or so, he said.

Serving the Cause of National Integration

The Conference of the Rotary International District 320 held in Madras in the fortnight was significant for the stress on national integration besides the usual service ideal and fair trade practices. The tone for this was set by the Governor of the State, Sardar Ujjal Singh, when he inaugurated the two-day conference at the Guindy Engineering College. "Goodwill, tolerance and understanding not only among the different communities in the region served by the Rotarians but among the different regions of the country were necessary to strengthen the bonds of national unity," he observed. As the reputation of the country in matters of trade and industry was in the hands of businessmen, they should, he said,

BOOKS

MANAGERIAL ECONOMICS.
Authors: R. L. Varshney, K. L. Maheshwari.

Publishers: Sultan Chand & Sons, 4792/23, Daryaganj, Delhi-6. Price: Students Edition Rs. 8-50. Library Deluxe Edition Rs. 11-00.

This text book on Managerial Economics is but an introduction on the subject but will meet the requirements of Indian students. The authors have, in their preface, made it clear that they are not claiming any originality, but they have presented the subject matter in such a way as to be easily made use of the students. Minimum use of Mathematics and Statistics has been made to serve the needs of non-mathematical readers. It is good that Indian examples are made use of in this text book.

AN INTRODUCTION TO INDUSTRIAL EMPLOYMENT, DISCI-

PLINE AND DISPUTES IN INDIA.
Author: R. C. Goyal.

Publishers: Sultan Chand & Sons, Delhi-6. Price: Rs. 18.00.

The strikes, lock-outs, go-slow tactics and the consequent loss in production are now too evident in India that any amount of emphasis on amicable labour relations will not be out of place. The Governments at the Centre and in the States have been bestowing adequate attention to labour problems and legislation has not been wanting to protect the interests of labour. There is a complex network of labour laws in force in India which requires specialised knowledge on the part of managers and supervisors in day-to-day administration. Mr. R. C. Goyal has done well in giving a concise information on labour laws with lucid explanation. This book will be of great use to all who have to deal with employees and trade unions.

conform to very high standards and recognise the worth and dignity of every avocation and conduct themselves in a manner calculated to give no complaint against them in any quarter.

The District Governor, Mr. M. V. Arunachalam spoke of how the Rotary movement could play a purposeful role in tackling problems like educated unemployment, population growth and environmental hygiene. He commended a thorough survey by the movement

(consisting of various Rotary Clubs) of the state of the members of the community, their employment character (full or underemployment), the proposed projects and the extent to which employment could be expected from them, and so on. The Rotary International representative, Mr. Saral Deb, said that unless every Rotarian identified himself with the pressing problems of the country and engaged himself in programmes like community deve-

lopment, slum improvement and spread of literacy, the movement would not be enduring. The Chairman of the Conference was Dr. C. R. R. Pillai.

During the two days of the Conference, Rotarians and Rotary Annes met in groups for discussion of specific problems. The usual social engagements like lunches and dinners, visits to places of interest and entertainment had not been forgotten while plans were drawn up for the two-day meet.

Substantial Progress of Small Industries Corporation

The progress of small scale industries is of such vital importance to the well-being of the people as well as the strength and soundness of the national economy that the portrayal of their position by the Chairman of the Small Industries Corporation may claim more than the usual attention of the public to such surveys. Mr. Sapru has afforded us a complete and candid picture in which the bright and the sombre are equally highlighted. The mixed character is just one should expect since small industries are a vast and fertile field in which "new lines of production suited to Indian conditions have to be thought out and planned and dove-tailed into the national plan of economic development." In broadening this concept, Mr. Sapru has "to refer in particular to those aspects that have assisted or thwarted our efforts to foster and to develop small industries." The financial position is admittedly none too bright. Promotional activities are losing ventures. Rising salaries and wages are hard to accommodate. The hire purchase system for machinery for small scale entrepreneurs has ceased to be remunerative after the devaluation. Since the losses are not transferred to other shoulders, possible profits have been turned to actual loss of Rs. 39.41 lakhs. It is however

an advantage to have had the Governments' advances to the Corporation turned into equity.

Life Ceases to Exist?

The international editions of the famous American fortnightly magazine LIFE have decided to end with the final issue of 1970. The Circulation Director has given the reason that "circulation and the advertising revenues have not offset the high cost of publishing LIFE locally." The lavish richness with which a variety of subjects were dealt, with great emphasis on photographs, used to be a treat for millions of readers spread over the world. The double issue on the 'sixties gave a rich spectrum of leading events of the past decade. Certainly this news of LIFE ceasing to exist is a loss of considerable dimension.

Need to Lift Official Hostility

These features of the working of the Corporation are more than outweighed

by the progress achieved in other directions. Starting from the lowly beginnings of providing wholesale depots and network of mobile vans to ensure and promote standardisation and distribution, the Corporation has now been able to secure orders from Government agencies for as much as Rs. 20 crores per annum. Participants in this programme number 19,000 units with a diversification of output covering one thousand units. Export possibilities are being vigorously explored. The sample shipment of cast iron pipes and machine tools and extruders have met with the approval of foreign buyers. There has been a substantial addition to the capital equipment of small scale industrialists. Though loss through irrecoverable outstandings may seem large, they form only 10 per cent of the advances made. All of which goes only to show that the field has to be cultivated with a fine blend of caution and courage, patience and vigour and vision tempered by a sense of the practical. Small scale industries depend for their success on being linked to big industry from which the cloud of official hostility must be lifted and on the dissemination of knowledge and managerial ability in a new class of entrepreneurs.

I BELIEVE:

Voices of Reason and Emotion

I believe that Lord Hailsham's address recently in New Delhi should awaken in our country the need for the voice of reason as a counterpoise to the voice of emotion. From the time the midterm poll was announced, the voice of emotion has been ringing clear and queer in favour of policies whose only merit is their emotional appeal. Even the Tamil Nadu Chief Minister, Karunanidhi, who has taken the unique step of dissolving the Assembly when his party holds absolute majority, has stated that he has done so for obtaining the mandate of the people for his socialist policies. Everywhere the appeal is to the egalitarian interest of democratic socialism but nowhere has it been conceded that there could be contradictions in such an ideal milieu which cannot be eliminated except by bringing in a bias for rationality rather for even ratiocination.

Lord Hailsham has pointed in this connection to the role of the elite in a democracy. The elite in democratic socialism are misfits. This is because such a society is wedded to almost arithmetical as well as ideological equality, while the tolerance of the elite would mean suffering a group to be more equal than the rest of

society. This incompatibility has, however, been condoned by the society which had required the efforts of this select group which had made for all the difference in social and material progress. It is the dedication of the elite which had helped the body politic to break down barriers, improve living conditions and ensure recreation and intellectual stimulation for the masses. But the trouble is that once the masses had got out of poverty and into better living, they could not help questioning the differentiation between themselves and the elite. This has provoked Lord Hailsham to observe: "The elite were encouraged, almost cajoled into existence but, when they showed their colours, they tended to be rejected."

In the Indian situation this rejection has taken place far ahead of its context unlike as in the West. In India levels of living have not improved significantly, the masses are not relapsing at the end of the day from work to recreation and intellectual stimulation as described by Lord Hailsham. The film music and workers' programmes broadcast at stipulated intervals are such matter-of-fact things and the interest of the workers in them so feeble that they cannot be regarded as having influenced the

thinking of those for whom they are intended. On the contrary, in the diverse forums outside there have emerged forces which seek to teach lessons as part of pattern of political indoctrination. That is, the voice of emotion has been keeping busy, thanks to politicians who are quick to exploit every little sentiment, however, parochial, to their personal aggrandisement. The animus resulting from such political declamation has been such that people have generally confused the rich with the elite, little realising that, in the one case, the dedication is to money and in the other case to a particular principle which scorns the constraints of money or its advantages. The only redeeming feature in such a situation is that mass confusion about the elite has not been catastrophic. But if emotions are allowed to rule the people always, the time may not be far off when our innocents like those in France during the Revolution may not shrink from killing a few Lavoisiers to further the cause of social equality, mistaking learning for a mark of aristocracy. The voice of reason is not dead yet. All the more the reason why the elite should strive with all the resources they can command to free the masses from the frenzied clutches of political cliches vended to them by their particular political heroes of the movement. Any failure to do so will ruin not only the elite but the long term welfare of the nation as well.

—Horace

Quality Steel From Andhra Steel

Andhra Steel Corporation Limited are the largest steel re-rollers in South India and their plant is situated at Visakhapatnam Port. Due to geographical situation, it occupies a very advantageous position as far as export from India is concerned. Their installed capacity is 1,79,000 tonnes per year. Their plant is most

modernised, manned by well experienced technical staff.

Established in 1960, the Corporation are manufacturing alloy steel, mild steel, tor-steel and steel rolled products. ASC are regularly exporting steel to U.A.R., the Middle East, East Europe and the Far East.

The Corporation, the first re-roller

exporter in the country were awarded a trophy by the Government for distinguished export performance in 1967. In 1968-69 they exported goods worth Rs. 2 crores in foreign exchange.

Andhra Steel Corporation soon propose to establish an independent plant at Bangalore for manufacturing Tor-steel and Alloy steel.

Company Meeting

National Newsprint & Paper Mills Limited

Speech delivered by Shri Hari Singh, Chairman of the National Newsprint and Paper Mills Ltd., at the 23rd Annual General Meeting of the Company held at Neapanagar on 28th December, 1970

Gentlemen,

On the occasion of the 23rd Annual General Meeting of the National Newsprint & Paper Mills Limited, it gives me great pleasure to welcome you all. It is a matter of personal happiness for me to greet you and recount to you the performance of your Company during the year 1969-1970. The annual accounts and reports thereon are already in your hands. With your permission I shall take them as read.

Overall Performance

During the year under review the production from both the Paper Machines was 39,275 tonnes as against 30,562 tonnes of last year. In spite of the increase in production and consequent higher sales revenue, the Company incurred a loss of Rs. 92.45 lakhs. It was envisaged in the Project Report that production on the second Paper Machine was to be made initially with imported pulp till such time the Pulping and Recovery Plants were ready. Due to the devaluation and resulting price increase, the cost of imported pulp had gone up considerably (Price of chemical pulp being Rs. 1,345/- per tonne and mechanical pulp Rs. 990/- per tonne). We had imported 9,700 tonnes of chemical and mechanical pulp initially, for the above purpose. However, as the cost of production with imported pulp was found to be very high, it was decided to stop the use of imported pulp. In addition, the management decided to limit the production to the availability of the mechanical pulp from the existing groundwood plant and supplement the requirements of chemical pulp by a small purchase from within the country. Though, this involved a lesser utilisation of the capacity of both the Paper Machines, it was the only way to keep the loss to a minimum.

Production

Production during the year from both the machines was 39,275 tonnes as against 30,562 tonnes last year. The Caustic Soda Chlorine Plant with a rated capacity of 3,600 tonnes of Caustic Soda and 3,000 tonnes of Chlorine produced during the year 3,090 tonnes of Caustic Soda and 2,743 tonnes of Chlorine, respectively, as compared to a production of 2,812 tonnes of Caustic Soda and 2,495 tonnes of Chlorine in 1968-69. Your

Caustic Soda Chlorine Plant is a captive unit and as such its production is regulated to the extent of our actual requirement for production of Newsprint.

Cost of Production

As already stated, the use of costly imported pulp was one of the main factors which contributed to the loss. Also, the depreciation on the second Paper Machine had to be charged to Profit and Loss Account this year, since it commenced production. As the total output was only 39,275 tonnes as against a rated capacity of 67,500 tonnes, the entire depreciation could not be absorbed. The cost of the second Paper Machine and Buildings was financed by loans from Central Government and deferred payment terms from foreign suppliers, and so interest on the above loans had also to be charged to the Profit and Loss Account during this year. Lastly, there have been some increases in the cost of finishing materials, stores as well as in the pay bill due to revision of pay-scales. All these factors have pushed up the cost of production to about Rs. 1,350 per tonne during the year as against Rs. 1,029 per tonne in 1968-69.

Sales

Sales during the year were at 39,297 tonnes bringing in a revenue of Rs. 434.77 lakhs as against the previous year's sales of 30,330 tonnes yielding a revenue of Rs. 332.41 lakhs. Government of India's decision on your Board's proposal for the increase in the selling price of Newsprint from Rs. 1,100/- to Rs. 1,350/- per tonne is still awaited. But for this low selling price, the financial results of this Company for the year under review would have been better.

Expansion and Development

During the year under review practically the entire equipment for the Pulping and Recovery Plants has been received at site. Messrs. Gannon Dunkerley & Co. and Messrs. Garlick & Co. to whom the civil and structural works contracts were awarded last year, have commenced work. However, due to an acute scarcity of steel, the works are not progressing according to schedule. We have taken up the matter with the Ministry for an early allotment of steel for our expansion needs.

Raw Materials

As some bamboo contractors failed to supply the contracted quantity, departmental extraction of bamboos was taken up in January 1970, and approximately 3,500 tonnes of bamboos were extracted by 31st March, 1970.

Employee Relations

During the year, review of the grades of workers and staff has taken place and an upward revision implemented satisfactorily. Ex-gratia payment of Rs. 4.12 lakhs at the rate of 1½ month's pay and allowance per head subject to a maximum of Rs. 360/- was made during the year to the employees; the figure for the previous year being Rs. 3.74 lakhs at the same rate. I am glad to inform you that the relations between the management and employees have been very cordial and there is an atmosphere of co-operation and good-will.

Management

Shri A. K. Basak, Chairman, Board of Directors of the Company, whose term of office was to expire on 30th September 1970, has since resigned. I join with my colleagues on the Board in placing on record our sincere appreciation of the valuable advice and guidance which Shri Basak has given to the Company during his association with the Mills. I also wish to place on record my sincere appreciation of the work done by the officers, staff and workers at Nepamill's with all their devotion, loyalty and hard work in contributing to the performance of the Company. I am confident that with the men and machines we have, we shall be progressing much further in the coming years.

Finally, I would wish to express my gratitude to my colleagues on the Board for all the support, advice and assistance they have granted to me so readily. My thanks are also due to the Government of India, the State Government of Madhya Pradesh, the shareholders and our customers for their assistance and continued patronage.

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

INDUSTRIAL ECONOMIST

BUSINESS BRIEFS:

TIIC Extends Scope of Assistance

It may look rather odd that when the Central financial institutions have been unable to utilise their funds more effectively, the State financial corporations should have showed an appreciable increase in the total loans sanctioned in 1969-70 to Rs. 32.5 crores from Rs. 17.3 crores in 1968-69 and in disbursements to Rs. 21.5 crores from Rs. 17.4 crores. This may be due to the revival in general economic activity and also to the greater readiness of these institutions to sympathetically consider applications for assistance. However, as the Chairman of Tamil Nadu Industrial Investment Corporation pointed out recently many of the sub-marginal units still continue to face difficulties which are reflected in their continuous defaults over repayments to the lending institutions.

It must be heartening to know the anxiety of both Central and State financial institutions to help balanced growth of industries with special emphasis on backward areas in each State and concessional terms are being extended to entrepreneurs to promote new units in these areas. The TIIC for instance has taken a number of steps to cater to the needs of the small-scale sector in a bigger way. While the stamp duty has been waived for small borrowers, the Corporation has decided to absorb the guarantee commission payable under the credit guarantee scheme instead of passing it on to the borrowers. It has also enlarged the scope of assistance to cover more industries. A committee of the board has been set up to consider and sanction loan applications from small units upto a certain limit. As a result of these steps, there is already an increase in the flow of applications in recent months from the small-scale sector. The Corporation has included the film industry in the list of eligible industries for assistance while rural medical practitioners and veterinarians will hereafter be helped to equip themselves suitably. The memorandum of association of the Corporation is being amended to enable it to undertake the new activities.

Development of Backward Areas

As regards balanced development of industries, concessions in the form of cheaper loans and extended periods of repayment are being offered by the various statutory

financial institutions to entrepreneurs starting industries in notified backward areas in each State. In addition to these, the Tamil Nadu Government has also offered special concessions in electricity tariff. The backward areas in the State are being identified. The Central Government has agreed to subsidise upto 10 per cent of the cost of fixed assets acquired by units set up in a backward area. The IDBI proposes to sanction refinance to SFCs at a concessional rate of 3½ per cent, provided the borrower does not charge over 6 per cent. To ensure a minimum margin of 3½ per cent, it has been suggested that the State Governments should provide a matching subsidy of one per cent to the SFCs.

The TIIC Chairman Mr. A. M. M. Arunachalam has, however, pointed to the need for allowing the State finance corporations to offer slightly higher interest rates on deposits than commercial banks to enable them mobilise their resources easily. It has also been urged that the SFCs should be given tax incentives if not total exemption, to enable them build up sizable reserves, within a reasonable time. These would provide the necessary cushion to absorb any risks in financing new industries. It has been suggested that the profits could be exempted from tax at least till an institution's total reserves equal its paid-up capital. Mr. Arunachalam has also called for facilities to the SFCs to effectively utilise their idle funds to operate on the call money markets or avail of the participation certificates scheme which is finding increasing favour at present.

Larger Assistance

The TIIC received 89 applications asking for assistance totalling Rs. 446.03 lakhs in 1969-70 against only 28 applications for Rs. 201.23 lakhs in 1968-69. There were more applications from small units. The Corporation sanctioned 36 applications for Rs. 241.77 lakhs against 19 applications for Rs. 135.50 lakhs the previous year. Shares of seven companies were underwritten during the year to the tune of Rs. 40.50 lakhs while preference shares of an aluminium company were sold for Rs. 20 lakhs. Also, the total market value of the share portfolio as on June 30, 1970 stood at Rs. 788.26 lakhs against the paid-up value

of Rs. 745.48 lahs. It is being examined how these investments can be liquefied. The corporation sanctioned deferred payment guarantee to a textile company for Rs. 17.50 lakhs during the year. The assistance sanctioned included 13 applications of small-scale units for Rs. 28.25 lakhs.

Loan disbursements during 1969-70 amounted to Rs. 200.05 lakhs against Rs. 169.72 lakhs in 1968-69. But there was a drop in the net profit to Rs. 32.07 lakhs from Rs. 36.59 lakhs in the previous year, mainly due to lower dividend income which declined to Rs. 29 lakhs from Rs. 41 lakhs though interest income was higher. The provision for taxation is Rs. 3 lakhs (Rs. 2.50 lakhs) and bad and doubtful debts reserve Rs. 10 lakhs (Rs. 10.58 lakhs). Special reserve gets Rs. 6.15 lakhs (Rs. 6.32 lakhs) and general reserve Rs. 8.50 lakhs (Rs. 10 lakhs) while the transfer to investment reserve is Rs. 1 lakh (Rs. 3.55 lakhs). The dividend is unchanged at 3 per cent taxable and is payable only to shareholders other than the Tamil Nadu Government.

Cauvery Sugars

The Chairman of Cauvery Sugars and Chemicals Limited, Mr. H. V. R. Iengar, has explained that the loss arising out of a prolonged strike and a lower average of 7.17 per cent (against 8.4 per cent in the previous year) due to extended crushing in 1969-70 was of the order of Rs. 37 lakhs. There was also a steep fall in free market price for sugar while a much higher price had to be paid for cane than the statutory price leaving only a slender margin on the levy price. Besides the lower realisation on free market sugar due to the higher excise duty interest charges on the larger stocks also contributed to the loss. It is expected that the factory would be crushing about 2.22 lakh tonnes of cane in the current financial year at an average recovery of 8.5 per cent against 2.28 lakh tonnes in 1969-70 but there may be no significant improvement in earnings, especially as interest charges on stocks are likely to be higher. In view of the present difficult financial position, the directors have deferred the scheme to expand capacity to 1500 tonnes per day.

Polyolefins

Polyolefins Industries Limited is expected to show much better results for the latest year 1970. Even, with a shut-down for three months, production of high density polyethylene is likely to improve to 18,000 tonnes from 17,000 tonnes in 1969. At the same time, the profitability of operations will be better as larger sales have been

affected in the internal market at attractive prices and export sales have been only 4,700 tonnes against 10,000 tonnes in the previous year. The turnover will thus be appreciably higher at Rs. 9.75 crores against Rs. 7 crores. Output in 1971 may also be nearer the installed capacity of 24,000 tonnes, with a further sharp rise in sales and earnings. The company is awaiting clearance for its plan to expand capacity to 30,000 tonnes which can be completed in 18 months if it is approved. PIL shares (Rs. 100 paid-up) have been firm in Bombay, with the quotation around Rs. 270.

A.C.C. Earns More

Associated Cement Companies Limited derived considerable benefit from a larger output and higher net average prices during the year ended July 31, 1970. The company's installed capacity went up during the year to 61.96 lakh tonnes from 56.87 lakh tonnes in 1968-69. Output of cement also increased to 54.47 lakh tonnes from 49.54 lakh tonnes while despatches improved to 52.10 lakh tonnes from 48.18 lakh tonnes. Labour strike at Kymore and the need to suspend working at Jamul works due to accumulation of stocks prevented a further rise in output while there were also transport bottlenecks which hampered larger despatches. The fixation of uniform retention prices was however helpful and the turnover rose to Rs. 76.88 crores from Rs. 64.65 crores in the previous year, particularly as the Shahabad heavy engineering unit accounted for a record turnover in plant and machinery. The net profit, before depreciation and taxation, was also much higher at Rs. 13.07 crores against Rs. 8.66 crores in 1968-69. However, the equity dividend has been only maintained at 12 per cent, taxable. The new shares are also eligible for the full dividend and the amount needed for paying the dividend is higher at Rs. 3.42 crores (Rs. 3.03 crores). But this is the first time in recent years that the dividend will be paid out of current earnings to a substantial extent as general reserve from which the dividend is to be paid, has been credited with Rs. 1.80 crores (nil), after providing Rs. 5.05 crores (Rs. 4.84 crores) towards depreciation, Rs. 3.34 crores (Rs. 3.12 crores) for development rebate, Rs. 2.04 crores (nil) for deferred taxation, Rs. 91.66 lakhs (Rs. 67.58 lakhs) for expansion reserve and Rs. 2.74 lakhs (Rs. 2.55 lakhs) for amortisation reserve.

The second kiln at Chanda in Maharashtra completes the first phase of expansion along with those of the units at Chaibasa, Kymore, Wadi, etc. With a further pickup in demand and improved transport facilities, there may be a further

sharp rise in output, and despatches this year, especially as the new units are getting over their teething troubles and the engineering division is also diversifying its range and has a number of orders on hand. ACC is setting up two granulated fertilizer projects at Kistna, and Sevalia each with capacity of 50,000 tonnes. The company has also won export orders for cement machinery against keen competition while it is completing a contract for supplying machinery for pelletising iron ore. The first pelletising unit will be commissioned by Tata Iron and Steel Company Limited at Noamundi in the next two or three months.

All the machinery orders are being executed in association with ACC-Vickers-Babcock Limited which has done well in the latest year, earning a profit of Rs. 101.16 lakhs against a loss of Rs. 41.70 lakhs in the previous year. After providing Rs. 16.28 lakhs for development rebate for earlier years, the balance along with a sum of Rs. 42.21 lakhs created for development rebate reserve, for earlier years but not needed now, has gone to reduce the debit balance from Rs. 346.78 lakhs to Rs. 219.69 lakhs.

Spencer & Co.

The Chairman of Spencer and Company Limited, Mr. C. H. Bhabha, has stressed the need for diversifying the company's activities to prevent a fall in earnings and dividend in future. This is due to the likelihood of reduced profit margins of the pharmaceutical division which accounts for almost one-third the earnings now. Income from investments in pharmaceutical units will also be lower due to the impact of price control. But the other divisions may be increasing their turnover in the coming years.

New Financial Agency

The Tamil Nadu Government is reported to have decided to set up a new Corporation called the State Industrial and Investment Corporation of Tamil Nadu (SICOT) to help promotion of major and medium industries in the private sector. It will be a wholly Government-owned corporation and will, among other things, grant financial assistance to industries, prepare feasibility reports, provide locational guidance for starting new industries and implement a scheme of incentives on the lines of the Industrial and Investment Corporation of Maharashtra. The new corporation will have an authorised capital of Rs. 5 crores and an issued capital of Rs. 1 crore initially. The scope of financial operations would seem to be to cater to bigger borrowers while the existing Tamil Nadu Industrial

Investment Corporation might be confining itself to the needs of smaller parties, and dealing with State and joint sector projects.

Carborundum Universal

Shareholders of Carborundum Universal Limited will be extremely gratified by the working results for the year ended August 31, 1970 when the company earned record profits following much higher sales. All the units functioned well with large orders on hand. The net profit, before depreciation and taxation, jumped to Rs. 218.25 lakhs from only Rs. 92.31 lakhs in 1968-69, though in that year a prolonged strike affected the operations. Even then, the performance of the latest year has been distinctly better and the directors have naturally decided to distribute a much larger sum to the shareholders. The dividend of 12 per cent, taxable announced on an equity capital increased by a nine-for-ten bonus issue, thus amounts to 22.8 per cent on the old capital against 14 per cent, taxable, in the previous year. It is learnt that the whole of the latest distribution will be exempt from tax at the hands of the shareholders being paid out of tax exempt profits. After providing Rs. 23.77 lakhs (Rs. 20.23 lakhs) for depreciation and Rs. 4.50 lakhs (Rs. 9 lakhs) for development rebate and setting aside as much as Rs. 105 lakhs (Rs. 33 lakhs) for taxation, general reserve gets a substantial sum of Rs. 85.14 lakhs (Rs. 37.52 lakhs). The equity dividend is to be paid out of general reserve. In 1968-69, there was a transfer to profit and loss account of Rs. 1.62 being provisions no longer required.

Trichy Steel Rolling

Trichy Steel Rolling Mills Limited has raised the dividend on equity capital for the year ended September 30, 1970 to 10 per cent taxable, from 7 per cent, taxable for 1968-69, following an appreciable increase in earnings, with even a lower turnover. Output was considerably restricted by shortage of billets but the higher prices realised prevented a proportionate fall in sales which dropped to Rs. 109.87 lakhs from Rs. 126.56 lakhs in the previous year. Even then, the profit margin was large as the net profit, before depreciation and taxation, rose more than threefold to Rs. 17.84 lakhs from Rs. 5.63 lakhs in 1968-69. The company may not however repeat this performance this year if the scheme to allow only processing charges to rerollers comes into force and no adequate billet supplies are made available to them. The depreciation charge for 1969-70 amounts to Rs. 3.78 lakhs (Rs. 2.60 lakhs) and development rebate Rs. 60,000 (Rs. 11,000) while taxation claims Rs. 6.15 lakhs (Rs. 400). General reserve gets Rs. 7.29 lakhs (nil),

whereas in the previous year Rs. 1.04 lakhs was written off as preliminary expenses. It has been indicated that about Rs. 1.52 lakhs out of the total dividend amount of Rs. 3.70 lakhs will not be subject to tax deduction at source as it will be paid out of tax-exempt profits. (i.e. about 40 per cent of the dividend will be exempt from tax).

S. I. Shipping

Sustained interested buying had lifted the quotation for the Rs. 50 paid-up equity shares of South India Shipping Corporation Limited sometime back to well over Rs. 270 from around Rs. 175 though subsequently there has been a setback to Rs. 235. This spirited support has been prompted by reports of the British collaborators of the company, viz., Peninsular and Oriental Steam Navigation Company having struck a deal with the party associated with Great Eastern Shipping Corporation, for selling P and O's holdings of 40 per cent of the equity shares of S.I. Shipping at a heavy premium of Rs. 150 per share. The reported deal will however have to be approved by the Reserve Bank of India, as it involves repatriation of the sale proceeds. The British party's move is rather unusual in that the disposal of all its shares comes so early in the Indian Company's career.

Automobile Products

Automobile Products of India Limited, has an ambitious plan to double its capacity to 48,000 scooters per year besides raising the capacity for clutches and brakes. The Government is stated to have decided in principle to grant a licence for the expansion, which will permit the company to produce upto 60,000 scooters a year. The Chairman Mr. M. A. Chidambaram, has ex-

pressed the hope that the official sanction would be received shortly. The company produced 24,440 vehicles in 1969-70 and sold 24,604. The Lucknow division is expected to earn a small profit in the current year.

Kothari Textiles

Sales of Kothari Textiles Limited during the 12 months ended August 31, 1970 amounted to Rs. 4.36 crores against Rs. 2.58 crores in the previous eight months. With a diversified output, there was also an appreciable improvement in the net profit, before depreciation and taxation, to Rs. 33.81 lakhs from only Rs. 19.83 lakhs in the 8-month period. After setting aside Rs. 11.31 lakhs (Rs. 8.73 lakhs) for depreciation and Rs. 3.66 lakhs (Rs. 1.25 lakhs) for development rebate, the provision for taxation is Rs. 12 lakhs (Rs. 5.50 lakhs). The disposable surplus of Rs. 13.43 lakhs has been taken to the balance sheet in view of the merger scheme now awaiting approval of the High Court. It is proposed to implement a modernisation programme in both mills of the company at a cost of Rs. 1.50 crores. The first stage will be completed by August this year and will cost Rs. 50 lakhs. The Industrial Credit and Investment Corporation of India, has given a loan of Rs. 35 lakhs for this purpose while the company is examining ways to raise the requirements of the second stage. Production of larger volume of blended fabrics and hosiery yarn is expected to improve profitability in the current year though the high cost of cotton may offset this.

Adoni Spinning & Weaving

Adoni Spinning and Weaving Company Limited also of the Kothari group, has done well during the 12 months ended August 31,

1970 though in the previous 8 months, the working results were affected by a two-month strike. Sales in 1969-70 thus were much higher at Rs. 2.42 crores against Rs. 94.82 lakhs in 1968-69 with a jump in yarn output to 3.22 million kg. from 1.36 million kg. The net profit before depreciation and taxation, has also increased sharply to Rs. 12.72 lakhs from Rs. 1.44 lakhs in the previous eight months. The charge in respect of depreciation is Rs. 7.01 lakhs (Rs. 3.50 lakhs) and development rebate Rs. 99,832 (Rs. 32,819) while taxation claims Rs. 60,000 (nil). The balance of Rs. 5.30 lakhs (nil) has been carried forward and as in the case of Kothari Textiles there will be no distribution of equity and preference dividends. Trial operations are going on with new machinery and after assessing the results, a regular modernisation programme may be taken up.

Blue Mountain Estates

Blue Mountain Estates and Industries Limited has earned a larger net profit for the year ended August 31, 1970 in spite of a sharp fall in the coffee crop. Output of tea improved to 11.36 lakh kg., from 10.11 kg., in the previous 14 month period while the coffee crop was only 589 tonnes against 823 tonnes, but higher selling prices mostly offset the lower output. The fertilizer unit also functioned more profitably while sales of straight fertilizers showed an appreciable rise as a result of agency arrangements. The net profit, before depreciation and taxation, rose to Rs. 19.89 lakhs from Rs. 15.72 lakhs for the previous 14 months. After providing Rs. 7.97 lakhs (Rs. 6.90 lakhs) for depreciation and Rs. 4 lakhs (Rs. 4.90 lakhs) for taxation, the surplus of Rs. 8.69 lakhs has been taken to the balance sheet. No decision has been taken on dividend pending the merger.

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More Capacity for Paper Machinery

The Union Government has invited proposals for creating additional capacity for integrated pulp and paper plants, especially those of 150 tonnes a day and above. It will also consider requests for foreign collaboration for know-how. It has also been stated that capacity would be desirable for specialised individual equipment like continuous digester, soda recovery plant, simplex and duplex, cutter, super calender, suction coach, roll slitter rewinder and coating plants. The Government is anxious to create 4 to 5 lakh tonnes of capacity for pulp and paper to meet the estimated requirements in the next few years. There has been accelerated growth in demand for writing, printing and package paper, and already a number of existing units have been allowed to instal balancing equipment and speed up the machines on a crash basis to raise production in the next 12 to 18 months by about 1.3 lakh tonnes. The new move to have 5 lakh tonnes of capacity will involve setting up facilities for making 8 to 10 integrated pulp and paper mills of an average capacity of 150 tonnes a day. The present indigenous capacity and know-how is inadequate to build such large plants and it may be necessary to enlist the assistance of foreign interests.

It is however felt that the impact of the crash programme will not be felt before the end of this year. The new directive to publicise the requirements of machinery and equipment locally, it is feared, will only slow down imports of the same ultimately.

Bigger Tea Crop

The tea crop for all India is expected to be higher in 1970 as compared to 1969. The South Indian outturn in the first ten months was 85 million kg. against 80 million kg. in the same period in the previous year while the North Indian Crop till mid-November was about 18 million kg. higher at 300 million kg. Thus the total for 1970 may be higher by about 25 million kg. But a more encouraging feature of the Indian tea scene, — and also of the world tea scene, has been the improved prices realised by the various producers. There has been a marked rise in prices for both high quality and medium teas at London auctions as also in Indian markets. The average price for North-East Indian tea at London auctions has been higher by over 12 per cent while South

Indian tea has improved in value by as much as 30 per cent. Prices at Cochin and Calcutta for leaf and dust have also risen by 70 paise to Rs. 1.35 per kg. The firmness in prices in London against a higher world production is attributed to a buying bout there and has taken place along with a larger build up of stocks, to over 230 million lb. (by the middle of November).

Meanwhile, the details of the international agreement on restriction of exports are awaited. A consensus had been reached at the New Delhi FAO conference, in December last on the need for a short term agreement which would be followed by a long-term agreement, on the lines of the earlier agreement which expired in the middle fifties.

Textile Exports

It is heartening that while the cotton textile industry is beset with the problem of acute cotton shortage and higher working costs as a consequence, exports have been kept at a satisfactory level. Export earnings in the first ten months of 1970 are estimated at Rs. 93 crores against Rs. 86.5 crores in the same period in 1969. However, the pace of shipments may not be maintained in the remaining months of the current financial year due to the further sharp rise in costs of mills. Export of cotton piecegoods during Jan.-Oct. 1970 totalled 334.4 million metres earning Rs. 52.2 crores against 333.4 million metres in the corresponding period of 1969 valued at Rs. 50.5 crores. There was an improvement in the unit value realised due to a larger export of processed goods. Shipments to U.K. and E.E.C. were sharply lower by over 30 million metres during this period but there were better sales to East Africa and East Europe (notably Russia) as also to other Asian countries. Yarn exports fetched a larger amount of Rs. 23.44 crores against Rs. 20.73 crores in the first 10 months of 1969 though there was a drop in shipments to 26.4 million kg. from 29 million kg. in 1969. The unit realisation was higher. Burma remained the foremost customer while exports to UAR, UK and some East European countries were maintained. Garment exports fetched a larger sum of Rs. 5.12 crores in the ten months under reference from 3.72 crores with the Soviet Union as the principal buyer.

Fashion goods were prominent in apparel exports to U.K., U.S. and West Europe.

Tyre Unit's Gesture

The Automotive Tyre Industry of India representing the tyre manufacturers has voluntarily decided to reduce the retail prices of tyres and tubes for trucks, buses and rear tractors in the replacement market by Rs. 7 on the average with effect from the beginning of the new year. The gesture by the industry in the face of rising costs may not make much of an impact on the consumer due to its marginal nature while there has been as yet no improvement in the availability of the scarce categories. No doubt the industry has warned its retail outlets against malpractices besides agreeing to make direct supplies to truck operators owning ten or more vehicles. But there is a shortage of tyres as a result of a four-month old strike in one factory and labour trouble in many others. As a result, output in the first ten months was proportionately lower at 32.7 lakh tyres against 40.2 lakh tyres in the whole of 1969. It has however been indicated by the industry that the supply position would ease distinctly in the next two months when the rate of production would rise sharply to meet the current demand of 4.2 million tyres a year.

Handloom Unit's Woes

The Tamil Nadu Government has sought Centre's help in restricting credit supply to the cotton yarn trade with a view to arrest the alleged hoarding of stocks by it. The handloom and powerloom sectors in the State have complained of exorbitant prices for their yarn requirements and had represented to the Government that the free availability of bank credit to the trade had helped hoarding. The Government's efforts to revive the voluntary scheme of the industry for direct supplies to weavers have not been fruitful as the industry feels the scheme would not be effective in the existing market conditions of scarcity and high prices. But the Government is still anxious to help the small weavers get their yarn at reasonable prices and has warned of drastic steps to ensure supplies of at least lower counts of yarn to powerlooms and handlooms. The South India Yarn Trade Federation has denied any hoarding by its members and stated that the problem relates to increased production of yarn in hank form and mills would have to change their pattern of production in favour of hank yarn. The trade has also questioned the charge that it has been given liberal credit facilities. Non-availability and high prices of yarn have affected output and exports of handlooms in the past few months.



URGENT NEED FOR LIBERAL REFINANCING

The Governor of the Reserve Bank and his colleagues will be reviewing the developments in the current busy season when they have discussions with the custodians of the nationalised banks and the chief executive of the State Bank of India and its subsidiaries in early February. The calculations of the monetary authorities have gone wrong and they have brought about a needless crisis in the money market and accentuated inflationary pressures by their restrictive policies rather than control them.

Instead of dispassionately examining how fresh advances exceeded fresh additions to deposits and whether the expansion of credit in particular directions has been misused or misapplied, the Reserve Bank has adopted a policy which has resulted in the denial of credit for usual productive purposes and brought about a situation in which many industries may not be able to continue even normal operations.

What is the philosophy behind this kind of banking when it is not clear whether the loans to agriculturists and small entrepreneurs are being productively applied? Lending can be effective only when there are arrangements for ensuring that agricultural inputs are being purchased with the sanctioned loans and small units are helped to buy raw materials and components. This is not to say that there is no misuse of credit given for other purposes. But it is one thing to lend on stocks and another to lend for buying stocks.

New procedures are being evolved for ensuring that there is no diversion or misapplication of funds and that short-term credit is also not used for long-term purposes. These steps should induce discipline and compel industrial units raise their own resources for meeting capital expenditure and maintaining machinery parts with their own finance. While the process can be expected to be completed over a period, a system of credit cards will have to be utilised so that small borrowers are protected from the

wiles of touts and they are trained to use resources for the intended purposes. Reports are widely current that small farmers particularly are obliged to pay discounts for getting loans and that part of these loans is getting into the hands of middlemen.

The banking system is clearly unable to discharge fully the new responsibilities as even the faster growth of deposits is inadequate to meet new needs and the Government also is anxious to appropriate to itself a large share of these resources. Between procurement finance and loans to the private sector, about Rs. 350 crores might have been fresh, given in the past year which means that other advances have risen by only Rs. 450 crores. The failure of the Reserve Bank to distinguish between long-term refinance and purely seasonal refinance has brought about the present disturbing situation in the money market. The Reserve Bank cannot escape responsibility for the crisis in the peak of the busy season. It is futile to think that high interest rates also can achieve the desired results. There should be a segregation of refinance facilities and it should be understood that seasonal expansion of credit was considered again on a defined basis during the slack season. If, however, there was no net contraction in overall credit during the slack season due to heavier procurement operations and accelerated lending to small borrowers, it will have to be decided whether this policy has not produced undesirable effects and credit creation can continue uninterrupted. The Reserve Bank has, therefore, to watch the developing situation carefully and make the necessary adjustments here and there. Immediately, however, it cannot avoid providing liberal refinance against sugar stocks, for purchases of raw cotton and for financing imports. Otherwise, short-term rates may shoot up further and even at the high levels the required funds will not be available. They will only have a harmful effect and create needless anxiety.

INSCRUTABLE WAYS OF OIL POLITICS

The controversy over oil prices between the international oil companies and the Organisation of Petroleum Exporting Countries (OPEC) has assumed serious proportions and an increase in the cost of refined products appears to be inevitable following the pact with Venezuela which has resulted in an increasing the tax to 60 per cent. The major countries in West Asia are asking for a similar increase in the tax rates. At one stage it looked as if oil supplies will be cut off and Europe and Japan which depend to a great extent for the requirements on the Middle East, will experience an oil famine. Europe's consumption of over 560 million tonnes annually is met to the extent of

50 per cent by West Asia, while Japan is drawing as much as 90 per cent of its imports from this source. The oil companies offered to negotiate a five year agreement with provision for escalation in prices in the event of inflation in cost of other products but the oil producing countries were not agreeable to this suggestion.

The talks with Iran and other countries have actually failed and there is no prospect of an agreed settlement with OPEC as the circumstances of each member are different apart from the differences in approach to outstanding issues. Libya and Algeria have already been successful in expecting liberal concessions and if there was

a general leveling up of taxes, either the oil exploring companies will have to be content with smaller profits or the refining companies will have to increase their prices for end-products. The latest developments have brought into focus clearly the issues involved in the formulation of the oil price structure and with the spectacular success that has attended the efforts to raise output, oil exploration in select areas is no longer such a difficult proposition as it looked some time back. Out of the annual production of 2,400 million tonnes, the Communist world is accounting for only 400 million tonnes while the USA alone is producing as much as 625 million tonnes. Yet it is a net importer of crude oil and there is dependence on West Asia. But the difficulties of Western Europe, Japan, India, Pakistan and others are somewhat acute as their requirements of crude oil have to be secured from West Asia. It is only in this region that there are large free supplies and with oil consumption increasing at a rapid rate the oil rich nations are in a position to extort their prices. The OPEC is certainly entitled to a better deal than the international oil companies as the former have been exploited by the latter until recently. The tables are now being turned and OPEC is conscious of its strong and strategic position. In the process the consumers should not be unduly penalised.

Oil politics is unfathomable but the discovery of new resources in recent years has eased the world situation considerably and with the successful exploration in Libya, Sahara and elsewhere there is no possibility of any oil shortage arising in the foreseeable future. In any case, there is no justification for inflating the cost of production on the plea that oil exploration is risky and the

expenses on it should be fully recovered from the consumer and regarding generation of internal resources the oil exploring industry should proceed on a basis which will take care of all future development. If the advisability of securing outside capital for exploration purposes at least in part is accepted, oil price can be reduced or an increase avoided even with higher taxes levied by OPEC. Our Government is naturally worried about the move of the foreign oil companies to raise the cost of the imported crude by 7 cents a barrel between dearer tanker freight charges and higher taxes. The Government should negotiate directly with the oil nations for securing supplies on a cheaper basis besides making arrangements for processing Rostum crude which is not new popular. The possibility of importing crude supplies from the Soviet Union also must be examined as U.K. has already made a move in this regard, to secure some imports. If there was competitive buying the Soviet Union too may not be able to supply on a cheap basis. However, as the needs of India are not large in international terms the situation may be got over temporarily. However, it will be futile for India to expect a reduction in the cost of imported crude. If on the other hand there was an increase in the import bill the consumers of refined products should not be penalised. It will be surprising to know that out of every litre of gasoline costing Rs. 1.16 to the consumer taxes account for 88 P. i.e. the net price recovered by the distributing company is only 26 P. per litre. Since the tax element is already prohibitive any increase in the cost of refined products should not be passed on to the consumer.

Poll Prospects

By Dr. G. S. RAJHANS

Political developments have been taking place very swiftly since the dissolution of the Lok Sabha. Mrs. Gandhi and her colleagues in the party and the government are gradually realising that fire and brimstone will not yield desired results in a country wedded to traditions. It is why her earlier image of a crusader is being deliberately replaced by a moderator. Soon after the dissolution of the Lok Sabha, people at the helm of the affairs of the Congress (R) started talking that their party having decided to go to the people must accept the fact that the people wanted radical changes and it should be prepared to accommodate their aspirations in the platform it would represent. Meaning thereby that more radical changes than envisaged in the Ten Point Programme, should be promised to the people in order to inspire enthusiasm among them. But wisdom seems to have prevailed on them now and they have started realising that any talk of radical measures will only mar their chances in Hindi-speaking States.

The Jan Sangh, on the other hand, seems to have put the Congress (R) on defensive in these States. Its election manifesto, 'War on Poverty', is surprisingly refreshing and has rightly earned for it a place among the forward looking parties. In fact, with its changed outlook, it would be difficult to brand it as reactionary and anti-secular championing the cause of vested interests only. Although economic programmes of the Jan Sangh do not conform to the existing realities in the country, it is heartening that the party has focussed its attention to the pressing economic problems of the nation.

While its desire to have ten per cent rate of growth without any foreign aid seems extremely difficult to achieve, its promise to use taxation to bring about a ratio of one to twenty between the lowest and the highest incomes, a promise to provide a house for every family and a share to the labour in the management, only show that it is indistinguishable from any progressive democratic party.

In this battle of ballots, the party which has put itself to a most hapless position is the S.S.P. It is a pity that it has not yet been able to get out of the hangover of anti-Congressism. Since its formation, it has been struggling to be recognised by the masses as a progressive or socialistic party, and in the course of this struggle it has wavered between Communism and Casteism. It is interesting to see it repudiating its past and now swinging towards the right. It has, however, retained its right to come to an understanding in some of the States with parties like the C.P. (M).

Need for a Common Programme

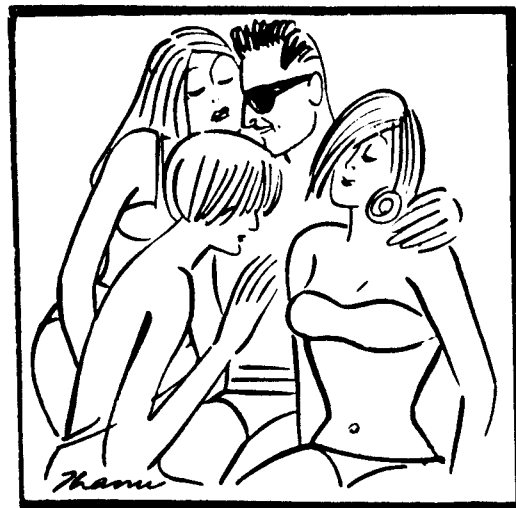
In fact, the four-party alliance has only one point programme, i.e. to defeat Mrs. Gandhi and her party in the polls. It is interesting to note that although they have made electoral alliance to defeat Congress (R), they are releasing separate manifestoes for the purpose. So far the manifestoes of only Jan Sangh and the S.S.P. have come to light. They are so contradictory to each other that it would be extremely embarrassing for their candidates to explain to the electorate that they stand

for a common cause. While the S.S.P. wants to set up a new Constituent Assembly to write a new Constitution, the Jan Sangh is opposed to any attempt to "tamper with the essential fabric" of the Constitution. The most it can do is to consider the setting up a "Commission on the Constitution" to review its working. Whereas the S.S.P. wants to delete "the right to property" from the list of Fundamental Rights, the Jan Sangh considers such a right to be inalienable. The Jan Sangh is also opposed to further lowering of ceiling on agrarian holdings whereas the S.S.P. wants the ceiling to be fixed much below the existing level. The Swatantra and the Congress (O) are also likely to release their manifestoes shortly, and in view of their known political professions, it is understandable that their election promises also will not be in harmony with those of the Jan Sangh and the S.S.P. As such, how will they form and run the government if voted to power? Will they repeat the story of Bihar and other States where in the wake of anti-Congressism in 1967, the political parties diametrically opposed to each other joined hands and formed the government only to be voted out later owing to internal dissensions? In this context, the best course for them would have been to listen to Mr. Masani and approach the electorate with a common minimum programme. That would have given them an opportunity to tell the voters as to what they would do if power came to them.

Mrs. Gandhi's Arithmetic

On the other hand unless the four-party alliance collapses over the issue of distribution of seats the chances are that the arithmetic of Mrs. Gandhi's party may not work out. There is no denying the fact that there are internal splits in the Congress (R) itself as a consequence of which friends will be pitted against friends with the tacit support of those in the power and, in the process, quite a few seats may

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be denied to the party. Besides, despite the fact that Congress (R) has decided to go it alone in the polls, it would be extremely difficult for it to convince the people that it is not aligned with the Communist and the Muslim League in view of the fact that it is one of the constituents of the C.P.I.—led Government in Kerala of which

the Muslim League is also a partner.

Taking all these factors into consideration, it seems improbable that Mrs. Gandhi will have an absolute majority. Assuming that a workable absolute majority is denied to her, the chances are that a coalition with the C.P.I. or the D.M.K or other regional or splinter parties may not be very smooth-

sailing. With no immediate threat of election these parties will be more vociferous in their demands than before. As the uncompromising temperament of Mrs. Gandhi is well known, she may not like to remain on their mercy for long. In that event, will another poll be forced on the country late this year or early next year?

Glimpses.....

By P. R. SRINIVAS

Salient Features of Foreign Trade

It is rarely that events and developments provide clear comment on the policies pursued. But a survey of our foreign trade in the two decades following the attainment of Independence show clearly the potentialities of our national economy after the planned development of the last ten years, the neglect and sometimes even antipathy of the Government towards our export industries and the responsiveness of our industries to even the half-hearted and belated measures for import substitution. The two salient features of our foreign trade during the era of Independence are the three fold increase in the value of total foreign trade, the comparatively upward trend in exports together with a decline in imports and the shift in our export trade from the traditional to non-traditional items.

The first decade was marked by the imposition of higher export duties on our staple industries when other items

on the export schedule were of little importance, the readiness to increase imports and the virtual refusal of the powers that be to recognise the basic or crucial importance of export earnings of favourable trade balances to the economy of a developing country like ours. The readiness to increase our imports may be attributed to the need to counterbalance the inflationary forces by reducing the shortages of consumer goods and capital goods which could not be obtained in the war and immediate post-war years. It may also be attributed to an understandable anxiety to use up a considerable part of our sterling balances over which a threat of repudiation hung at that time. But there is no similar extenuation for the successive increases in export duties, even those like jute and tea which had to face competition in foreign markets.

Import Substitution and Export Promotion

Whatever may be the aspirations of

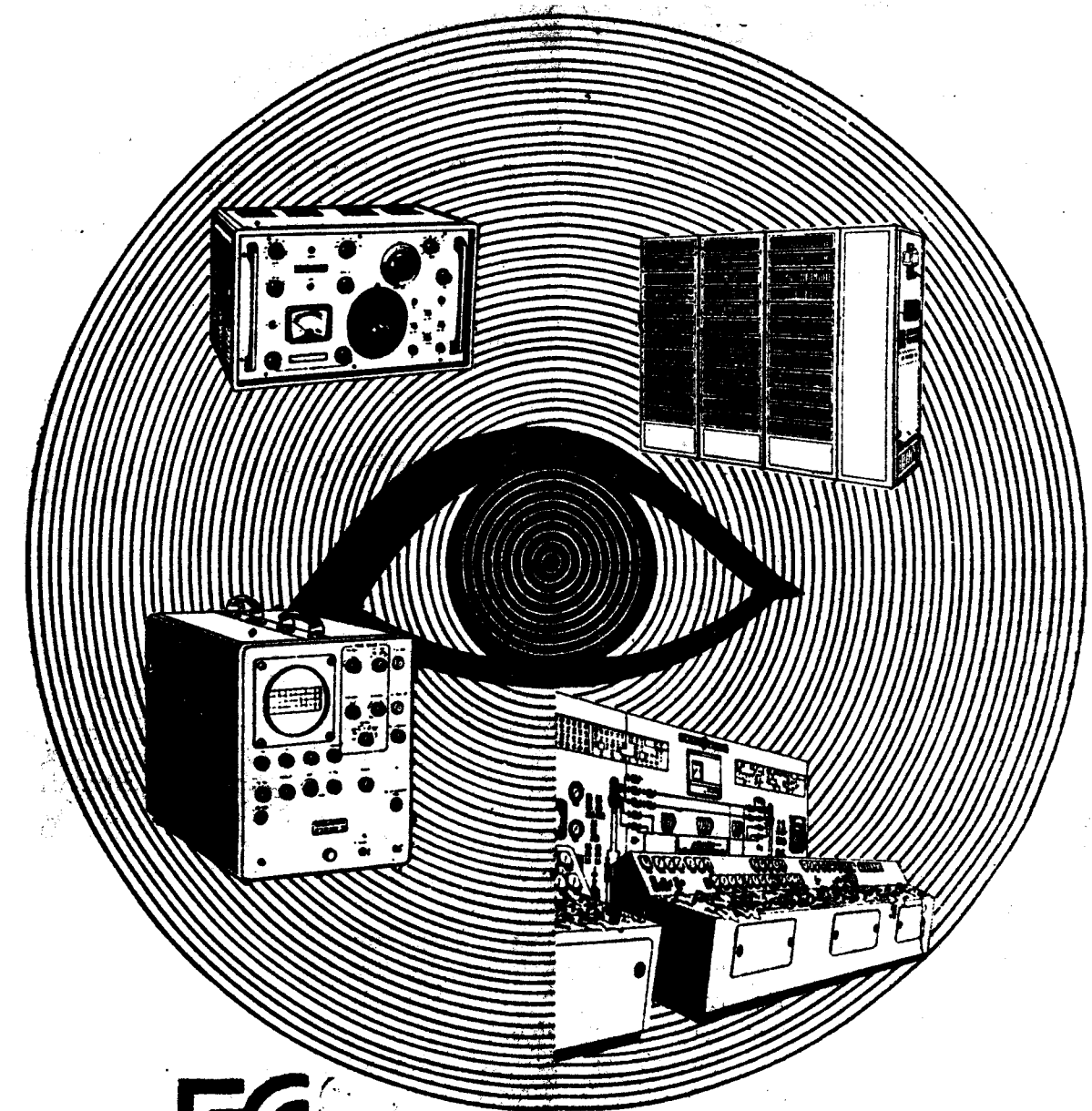
the earlier years and even under British rule, there was diversification of our exports so as to reduce the dependence on a few staples. And this involved the promotion of what at a later stage came to be called non-traditional items which called for an appropriate diversification of indigenous industry as well. But strangely enough foreign trade was conspicuous by the absence of any purposive mention of it in the first and second five year plans. And it was not till our foreign balances were virtually wiped off and the flow of foreign aid threatened to dry up that the twin ideals of import substitution and export promotion gained the attention of the Government. The devaluation of the rupee and the failure of exports to gain any notable benefit from it were irrefutable condemnation of the Government's policies towards industry and exports. The upward trend of exports in recent years, particularly of the non-traditional items is eloquent testimony to the potentialities. The adverse effects of licensing and so-called anti-monopoly measures have been emphasised by more than one study group. But the liberalisation in this respect threatens to prove a flicker because of the fresh urge to demagogic declaration which the mid-term elections have provided.

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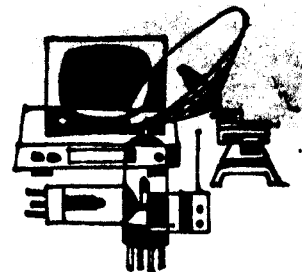
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Two Minds on Electronics

It may not be far wrong to say that the world in general and India in particular are undergoing the third Industrial Revolution. The first Industrial Revolution which originated in England was based on steam, the second, which was more global, on electricity and the present one on electronics. To the extent distances have been abridged between countries, the electronics industry in different parts of the world has developed through simultaneous build up and exchange of appropriate technical knowledge.

The excellence that India has already attained in the production of some sophisticated electronic items of equipment cannot be overlooked. Even as recently as in 1964, much of this equipment related to the entertainment field. But now the country is forging ahead in indigenous substitution in the field of sophisticated instrumentation — as for instance the single generator in the VHF/UHF range—which will help the country achieve self sufficiency in this line of production. Tamil Nadu can be legitimately proud of the fact that it had manufactured two types of signal generators which had been listed for domestic production in the Bhabha report almost in the very year in which the report was released, namely in 1966. Indeed more than six hundred items of electronic components and

instruments have over the years begun to be produced in this country meeting the highest international standards which are operating successfully in widely varying environments — from the cold Himalayas to tropical Kerala and from arid Gujarat and Rajasthan to over humid NEFA.

So far as Tamil Nadu is concerned, a functional industrial estate is being established at Adyar, Madras, with centralised certification testing and product development laboratory. The Government had also set up a working group to help identify the scope and the means for production of sophisticated instruments and components. The group has recommended various lines of production to be taken up. The recent exhibition in Madras sponsored by the Tamil Nadu Board of the All-India Manufacturer's Organisation gave a glimpse of the progress achieved in the country.

Obstacles to Expansion

The industry has also pinpointed from time to time the obstacles to its smooth expansion. These obstacles are quite familiar ones: In 14 years there have been 13 changes in sales tax, excise duty, trade discounts, etc. Even in respect of the 14 luxury items with reference to which there is an un-

derstanding that the rate of single point sale tax will be uniform, the rate has not always been uniform. For instance, low cost radio sets are charged 15 per cent in Tamil Nadu and 3 per cent in Andhra Pradesh. Apart from this, there is the misguided opposition to the introduction of electronic gadgets like computers because of a general unproven conviction of the trade union that all automation should be necessarily injurious to the short as well as long term interests of workers. There has been very little awareness of the fact that if the railways, even under their present constraints are large-scale employers of manpower, it is because of the widening of job opportunities which had been affected over the years by the introduction of some kind of automated control systems. The country has naturally been placed in two minds over the issue. Sensing how Russia and the United States have been solving their traffic problems not only on this orb but in interplanetary travel also, we seem inclined to emulate the example. But when an effort is made to make a beginning in a very modest way in a remote down-to-earth field, we are disturbed by the unavoidable displacements of labour skills. Unless we learn to take progress on the proper stride, we will be left by the way side soon even by some of our less developed Asian neighbours.

INDUSTRIAL ECONOMY

The Electronics Explosion

By K. P. P. NAMBIAR

WEST EUROPEAN ELECTRONICS PRODUCTION

(Rs. in Crores)

	1960		1967		1980—Estimate
	Output	%	Output	%	Output
Consumer	1200	45	1460	27	3840
Industrial	1320	49	3750	67	14100
Components	170	6	345	6	1060
	2690		5555		19000

ment, electronics calculators and accounting machines, medical X-ray equipment, etc. come under the category of industrial electronics.

Valves, semiconductors, resistors, condensers and electromechanical

expand and by 1980, it will give employment to one crore people, involve a capital investment of Rs. 38,250 crores, and will be assisted by a Research & Development expenditure of Rs. 2,260 crores to be spent by more than one lakh of qualified engineers and scientists.

Industrial Electronics Output

Increase in consumer electronics has been mainly due to transistor radios, black and white television and more recently due to the widespread popularity of colour television receivers.

In the industrial sector increased wages in the Western countries and Japan, coupled with increasing technical ability and greater familiarity with electronics techniques will produce a need for greater quantity of electronics capital goods for industrial control, for data processing and for communication. Only then would any particular industry be able to improve its efficiency and continue to be competitive in world market. Thus the industrial electronics output which constituted 60 per cent of the world electronics output in 1960 and 68 per cent in 1967, will continue to dominate the electronics production. This is particularly so since the radio and television market saturates fairly faster while the industrial market continues to grow.

Japan's Accelerated Pace

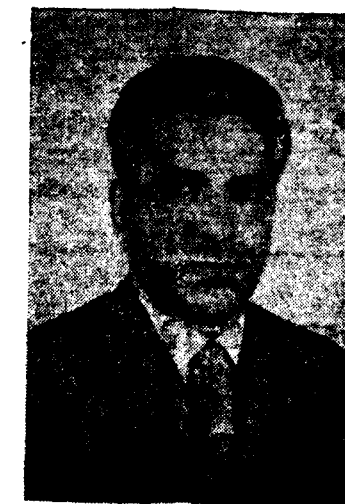
While the U.S.A. continues to be the largest producer of electronic goods, Japan's electronics industry has been progressing at a very accelerated

It is now widely accepted that the index of economic power is to be measured in terms of the production of electronics equipment as against the output of steel or electrical power which was once symbolic of a nation's strength. This is not only because electronics as a science and a technology-based industry has shown such enormous growth in the last two decades, but also because modern methods of production of steel, petrochemicals generation and distribution of electricity and other basic industries are today almost entirely dependent for its turnover and quality on electronics.

The growth in the output of almost all industries in the post-war period is influenced to a major degree by the growth of the electronics industry. The computers and data processing equipment have revolutionised business and commercial operations in addition to aiding production and cost control in manufacturing operations. It has made space exploration and communication through satellites possible.

World Output

Electronics production may be classified into three categories—consumer electronics, industrial electronics and components; radio receivers, television, tape recorders, radio phonographs and other audio equipment come under the category of consumer electronics; telephone communication, broadcast equipment, associated radio and electronics equipment, measuring instruments, industrial control equip-



K. P. P. NAMBIAR

transducers, etc., come under the category of components.

On the basis of the above classification, world output of electronics products, excluding those in the Communist countries, will be around Rs. 69,780 crores by 1980.

It is estimated that in this decade, electronics industry will continue to

WORLD ELECTRONICS OUTPUT IN CRORES OF RS.

	1960		1967		1980—Estimated
Consumer Products	4150	34%	7800	28%	15000
Industrial Products	7100	60%	18900	68%	52280
Components	800	5%	985	4%	1780
	11850		24685		69780

ELECTRONICS SUPPLEMENT

JAPAN'S ELECTRONICS GROWTH

		(Rs. in Crores)									
		1960		1964		1965		1966		1967	
		Output	%	Output	%	Output	%	Output	%	Output	%
Consumer		500	49	810	46	720	39.6	950	41.2	1280	43
Industrial		240	23.5	510	29	650	36.4	780	34	890	30
Components		280	27.5	445	25	435	24	570	24.8	800	27
		1020		1765		1805		2300		2970	
										3850	

ed pace. After a temporary depression in 1964, from 1966 the industry registered rapid growth in both consumer and industrial electronics and component manufacture.

From a turnover of Rs. 1,024.5 crores in 1960 corresponding to a tenth of the world production and nearly half of all the West European production, the Japanese electronics industry produced Rs. 3,000 crores worth of electronics products in 1967 corresponding to an increase of 300 per cent and

60 per cent of the total West European turnover. In 1968 Japan produced about Rs. 3,937 crores worth of electronics goods. The export of Japanese electronics products has also been steady being of the order of 30 per cent of the total production.

The main technical achievements of the Japanese Electronics Industry have been in the field of stereo, cassette tape records, desk calculators and television. Japan's electronics industrial output constituted more than

56 per cent of the total electrical equipment production in 1968.

Rapid Growth of a Market

The West European electronics market including U.K., is also witnessing a rapid growth.

The demand for colour television in Europe will continue to rise in the 1970s causing increase in the consumer electronics production, while industrial demand will follow the world pattern.

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India's Electronics Industry

Reference to the world electronics production in the last decade and the projection for the 'seventies has been made specifically to bring home the importance of the industry and the tremendous potential for growth it has for this country. The ratio of annual production to total investment for the industry is estimated to range from 4 : 1 in the case of radios and other consumer electronics products to about 2 : 1 in the case of computers and data processing equipment in contrast to the output/capital ratio of 0 : 5 : 1 in steel and other heavy industries. Thus in the capital-short developing countries like India, electronics must be treated as a top priority industry. Even though our achievement is far below what it ought to have been, it has by no means been insignificant.

Consumer Electronics

India's consumer electronics industry is mainly based on radios. In 1947 at the time of independence, the whole country had 2,70,000 radios and a production of 4000 sets per annum! Today, we have over 12 million radios and a production of nearly 3 million per annum with over 60 per cent of the production being provided by large scale organised sector and the balance by small scale industry.

The growth of the radio industry has been due to the availability of electro-

ronics components such as valves, transistors, resistors, condensers, etc., in the country and simultaneous development of the technology of plastics, printed circuitry and mass production techniques.

The total turnover due to radios, including those produced by the large scale industry, increased from Rs. 17.5 crores in 1964 to over Rs. 40 crores in 1968. The turnover in 1969 is expected to reach the Rs. 60 crore level.

Industrial Electronics

In this category all, other than entertainment and loose component industry can be considered. Major contribution in this area comes from the public sector undertakings like Indian Telephone Industries, Bharat Electronics Ltd., Hindustan Aeronautics Ltd., and from the newly established Electronics Corporation of India.

B.E.L. has established indigenous production of many professional electronics equipment for defence, A.I.R., Railways, Civil Aviation and Police Communications.

It was the first unit to start manufacture of valves and transistors in India, making it possible to expand the radio industry at a very rapid rate since 1962. The company was set up in 1954 with a planned production of electronics equipment worth Rs. 4.25 crores but it took about 10 years to reach that capacity. The production value of Rs. 3.03 crores in 1962-63 steadily increased under the jolt of

the Emergency, to 6.21, 7.08, 9.27 and 11.9 crores rupees in successive years. The turnover was about Rs. 21 crores in 1968-69, a 300 per cent rise in a four-year period.

The range of equipment manufactured covers radar to small man-pack wireless sets and high powered transmitters to small ancillaries. It has designed and manufactured storm-warning radars for the meteorological department capable of detecting storms within a range of 400 kms.

A new factory which will meet the requirements of sophisticated microwave equipment is currently under planning.

Indian Telephone Industry

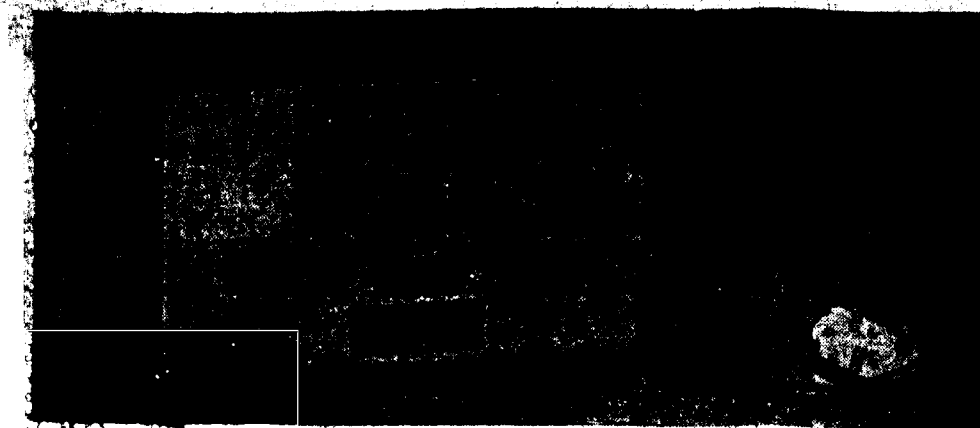
The Indian Telephone Industry manufactures open wire an cable carrier systems, Strowger automatic telephone exchanges, crossbar telephone exchanges, electronics instruments and a variety of other equipment required mainly for P & T.

I.T.I. has been backed by its own R & D organisation, the Telecommunication Research Centre in Delhi, one of the best organised applied electronics Research & Development group in the country. I.T.I. entered the export market in 1966 by securing orders worth Rs. 81 lakhs for automatic exchanges and carrier equipment from U.K. and Brazil. In 1967/68, I.T.I. exported equipment worth Rs. 52 lakhs and in 1968/69 increased it to Rs. 72 lakhs registering a 40 per cent rise in export.

The total sales turnover of I.T.I. increased from Rs. 10.8 crores in 1964-65 to Rs. 22 crores by 1968-69, recording a 200 per cent rise in four years.

Hindustan Aeronautics at its new plant at Hyderabad is responsible for the manufacture of highly sophisticated airborne equipment and components.

Though the construction of the company only commenced in August 1965, by 1968-69 it had a turnover of Rs. 2.3 crores. It is expected to steadily increase its production. HAL should



Automatic solid-state voltage stabilisers for protection of compressor motors in air-conditioners

ELECTRONICS SUPPLEMENT

provide the basis for the indigenous manufacture of highly sophisticated electronics equipment and components for Defence and Aviation Industries.

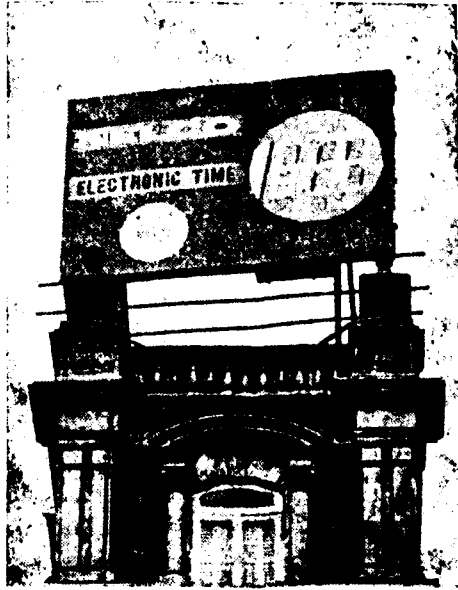
The Electronics Corporation of India (ECIL) manufactures electronics test instruments, nuclear instruments and certain selected semi-conductor and passive components of professional grade. All the items were indigenously developed without any foreign collaboration.

Computers and Data Processing Equipment

In computers and data processing, the major world market is held by a few companies like I.B.M., I.C.I., and in view of their vast resources and advanced stage of development, it is not particularly Easy to displace the foreign computers by local design. It is also doubtful whether large investment in this direction is justifiable at the present time. Foreign computer installation in India has grown steadily in the 'sixties and increased to about 120 with a total book value of about Rs. 26 crores.

The first Indian designed computer, called TIFRAC was commissioned at the Tata Institute of Fundamental Research in 1960. In mid 1968, a medium sized computer developed jointly by Indian Statistical Institute and the University of Jadhavpur was commissioned at the Institute. In January 1969, BARC commissioned the first 'real time' computer TDC-12. Designed and built by the Electronics Division of the Centre, this unit is

capable of performing 2,50,000 additions and subtractions in one second. Its 'real time' applications include monitoring and control of nuclear reactors, power plants and complex industrial processes.



India's first electronic digital neon-sign clock installed at Flora Fountain, Bombay

ECIL is expected to manufacture ten machines per year for sale. It is estimated that the cost of the computer would be competitive with similar type of imported ones and that there will be a good market for such units both in India and abroad.

Electronic Components

Total turnover of electronics equipment and radios includes the turnover of components which form the essential part of these units. While for radios almost 99 per cent of the compo-

nents are made in India at present, a substantial percentage of specialised components that go into Defence and other professional equipment are still being imported. The component production which was of the value of Rs. 6 crores in 1964-65 has increased to Rs. 30 crores in 1968-69.

Research & Development

In 1969, India produced electronics goods worth about Rs. 140 crores as against Rs. 28 crores in 1964. India is expected to have a turnover of Rs. 300 crores per annum by 1975. If the present trend continues, the turnover is likely to be much more, especially with the introduction of Television transmission in Srinagar, Bombay, Kanpur, Poona, Calcutta and Madras and the proposed satellite television to cover the villages in India. This would imply that in addition to expansion of the existing facilities, new products with indigenous design and know-how have to develop in the country. Electronics R & D activity therefore assumes significance for the industrial development in the 'seventies.

Public sector undertakings like BEL, ITI, and ECIL, are reported to be spending about 5 to 6 per cent of their sales turnover towards R & D activity.

Government laboratories like CEERI, and NPL have been working on the development of electronics equipment and components for the last few years. While NPL has made some significant contribution in the development of materials and components like ferrite and ceramic capacitors, the contribution of CEERI has been far from expectations. Even after four years, television sets with CEERI collaboration are only coming out to the Delhi consumer in trickles. Unfortunately development of Television receiver systems in the country was somewhat slowed down owing to the general belief that only the CEERI know-how will be permitted by the

ELECTRONICS PRODUCTION

Sector of Industry	Production (in crores of rupees)				
	1964	1965	1966	1967	1968
Radio receivers and other consumer products	17.5	23.0	26.0	37.5	48.0
Radio communication equipment	3.7	4.0	5.9	9.2	11.6
Microwave systems and equipment	1.7	1.6	1.3	3.9	7.0
Radio transmitters, industrial process control instruments, railway signalling equipment and industrial heating equipment	1.1	2.2	1.9	3.6	4.8
Electronic equipment for line communication	3.4	3.2	3.3	3.4	3.9
Computing and data processing equipment, nuclear instruments and equipment, medical instruments and equipment and other industrial instruments	1.3	1.5	2.0	1.7	2.9
Test instruments	—	2.0	2.5	2.3	3.2
	28.7	37.5	42.9	61.6	81.4

Government and any development work by other establishments in the private or public sector was infructuous.

Significant R & D contribution during the 'seventies is likely to come from the enlightened section of the private sector particularly since television and industrial controls, digital technique and instrumentation has

wide application in major industries and can be successfully undertaken.

Research Work in Private Sector

Some electronics R & D work has already been initiated in the private sector. For example, for the first time in India, the R & D department of the Tata Electric Companies has brought

to the manufacturing stage, solid state variable speed drives for DC motors capable of controlling the speed from zero to full rated r.p.m. with the turn of volume control knob. These have wide applications in textile, machine tool, paper, cement and allied industries. They have also developed, precision solid stage digital clocks with illuminated display with extreme timing accuracy.

They have also designed and fabricated for the first time in India, a precision master clock control equipment capable of accurately controlling the time of 200 electric wall clocks with a daily accuracy of 0.5 parts in a million corresponding to an error of ± 1 second in 25 days.

An overall assessment of the growth of the world electronics industry indicates that it is still a booming industry and will continue to be so throughout the decade. With the increase in the annual output of radios, the introduction of television including the satellite transmission programme during 1972-76, the establishment of electronics R & D by public and private sectors and consequent generations of indigenous technical know-how the industry will grow in the sophisticated electronic field independent of foreign collaborations.

Electronics Industry in Tamil Nadu

By E. N. NARAYANASWAMY
Dy. Director of Industries and Commerce, Tamil Nadu

It would be no exaggeration to say that electronics has had a revolutionary impact on science, industry, society and also defence; and it is in the vanguard of technological progress and consequently in a state of extremely rapid development. In India, in less than a decade the progress made in this industry has been phenomenal. The industry has been able to achieve a wide diversity of production and a high level of sophistication. The aggregate production of

electronics equipment, including the sophisticated materials used for Defence, increased from Rs. 28.7 crores in 1964 to Rs. 105 cores in 1969. This has been made possible by the tremendous developments in the basic technology, innovations of newer devices and their applications and the vast improvement in the reliability of electronics components. Inspite of the substantial progress recorded, the country lags far behind the sophisticated levels of electronics technology

prevalent in developed countries like Japan and U.S.A.

Mostly Entertainment Equipments

What is true of India in this regard is also true of Tamil Nadu in a greater degree, for the State has not made much headway in this sphere. In Tamil Nadu, as is perhaps in the entire country, the first impact of electronics has been on the domestic radio receiver, which has taken roots. Till about the

INDIAN RADIO PRODUCTION IN THE ORGANISED SECTOR

	Valve Radios			Transistor Radios	
	Total production in lakhs	Qnty. in lakhs	% of the total	Qnty. in lakhs	% of the total
1964	4.22	2.52	60	1.70	40
1965	5.03	2.56	52	2.47	48
1966	6.82	2.69	40	4.13	60
1967	8.25	2.25	27	6.00	73
1968	12.61	2.32	22	10.31	78
1969 (Estimate)	17.0	2.2	13	14.8	87

end of 1965, the electronics units in Tamil Nadu were mostly confining themselves to entertainment equipments, particularly assembly and repair of radio receivers, amplifiers and public address systems. Some units for the manufacture of electronics instruments, and components had also come up. (See Table I).

Of the 109 assemblers of radios, only ten are engaged in assembling their own models and others are repair and service units for radio receivers and other entertainment equipments. Letter of intent has been issued to one unit in the large scale sector for the manufacture of Potentiometers and Resistors.

The estimated need, during the ten years 1966-1975 of electronics equipment and the extent to which this need can be supplied by the existing industry in the country has been projected by the Bhabha Committee as given in Table II.

Although the exact share of Tamil Nadu in the above projections has not been indicated, it can be safely assumed that 10 per cent of the above could be accounted for by Tamil Nadu.

The State has yet to make a breakthrough in professional equipments, particularly Railway signalling and telecommunication equipments and V.H.F. units, although a good start has been made in respect of a few important components like volume controls, band switches, and instruments.

TABLE I

Item	Small Scale Sectors	No. of Units Other Sectors	Total
Radio Receivers	109	—	109
Instruments	3	2	5
Components	7	—	7
Professional Equipments	—	—	—
Total	119	2	121

TABLE II
DEMAND PROJECTIONS 1966-75

Items	Requirements over ten years	Extent of available supply from the existing industry
	(In Crores of Rupees)	
Radio receivers and other consumer products	450	170
Low Power Radio communication equipment	310	37
Microwave systems and associated equipment including radio and radio navigational aids	290	17
High power radio transmitters industrial heating equipment railway signaling and process control installations and other major industrial equipment	250	3
Electronic equipment for line communication systems	150	34
Computing, data processing and nuclear, medical and industrial equipment	165	4
	35	—
Total	1,650	285

Industrial Estate for Electronics

The State Government have accorded a high priority for the development of the Electronics Industry. Particular emphasis has been placed on the creation of infra-structure with a view to providing a proper base for the systematic and sustained development of the industry. Mention may be made of the functional industrial estate for electronics and instruments which is coming up in the technological campus at Adyar. This functional estate will have 30 units. Facilities, which an average small industrialist cannot afford to provide and own

individually, are being planned in this Estate and these include a centralised certification, testing and product development laboratory and common-service facilities. The Indian Standards Institution are being associated in the planning and running of this laboratory.

The State Government constituted a Working Group on Electronics to suggest steps for the promotion and development of electronics industries in Tamil Nadu. This group has submitted a detailed report making some recommendations, which are now under consideration of the Government. The group has laid emphasis on the development of components and auxiliaries as the bed rock for the progress of this industry.

The working group has also indicated that Medical Electronics have scope for development, besides surveying the requirement of the personnel both supervisory and the shop-floor level as also the research & development facilities required for the industry. Considerable importance has been attached by the group for the development of 'Electronic-Ceramics' in the State.

Accent on Research in Electronics Technology

By R. ARAVAMUDAN
ISRO, Trivandrum

It was only during the Second World War that electronics came into existence as a practical tool. Prior to that, in the early twentieth century, electronics engineering consisted mainly of experimental wireless transmissions followed by commercial broadcasting in the early 'twenties. In the following decade electronics became a powerful tool in scientific fields like nuclear research. However, there was a sudden acceleration in the tempo of electronics development during the Second World War, based on actual needs, which led to the development of radar, electronic counter measures and so on. With this momentum electronics came to the forefront in today's technological world.

Since the 'fifties, electronics has quite revolutionised the day-to-day life of the common man. Take the communications field: complex wireless communication systems have replaced primitive line communications. Communication satellites have done away with elaborate relay links and reduced costs to a fraction of what used to be spent.

Important advances have been made in the field of microwave technology with the discovery of lasers and other optical communication systems. The development of controlled atomic energy is closely linked with that of electronics. Computers which have taken over quick and efficient control of production processes are used extensively in widely varying fields like missile guidance, efficient scheduling of railway wagons and locomotives, deployment of Defence forces, meteorological predictions and other complicated planning activities.

The Bhabha Committee

Electronics as applied to the Indian situation was considered in great de-

tail by the Bhabha Committee on Electronics which published its findings in 1966. It made an assessment of the situation then of the electronics industry and estimated the total requirements of electronics equipment and components in India to be of the order of Rs. 1,650 crores from 1965-1975. It listed the grievances of the electronics industry which was faced with many obstacles like inadequate funds (only Rs. 26 crores were invested in 1964-65), no incentive to set up research and development cells, lack of test and evaluation facilities and so on.

The Committee made two important recommendations among others to the Government of India. The first was that it was vital to accelerate the tempo of electronics production. To meet the country's growing demands it would be necessary to double the production approximately every three years. The second recommendation was to take active steps to achieve self-sufficiency to the maximum possible extent in the quickest possible time to meet the above need. Here it was emphasised that a mere copying of the West was no answer. The know-how bought or acquired from the West was bound to be a trifle obsolete and hence could only be used as a kind of jump board from which the industry could take off. Several steps were suggested by the Committee to meet the requirements including increased investment in research, development and the need to involve independent organizations like the universities and other similar laboratories in the free and uncontrolled development of the technology.

Investment on Research

In the light of the above recommendations the production of electronics equipment in 1965 was approximately

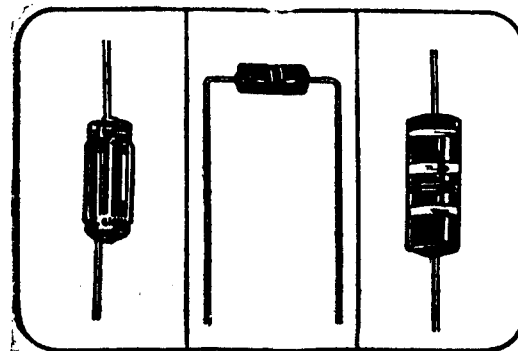
Rs. 26 crores, 1966 Rs. 38 crores, 1967 Rs. 50 crores and in 1968 about Rs. 70 crores. Thus the rate of increase of production envisaged by the Committee was more or less achieved. In the field of research and development, the Bhabha Committee expected that about Rs. 75 crores per annum should be invested by 1975. The present investment, however, on research is about Rs. 10 to Rs. 15 crores per annum and most of it has been channelised through organizations like Defence Research, the CSIR and the Atomic Energy laboratories. It is necessary that Universities and other similar institutions are brought into the fold by increased grants by the Government.

The proposed Space Research programme of the Government of India promises a considerable boost to the electronics industry. Rocketry and satellite technology are dependent to a very large extent on advanced electronic techniques like long-range communication, fast and miniaturised computation systems and high power microwave devices, to mention only a few of the requirements. The Indian Space Research Organization (ISRO) under the Department of Atomic Energy is going ahead with programmes, which would in the forthcoming decade see India launching its own satellites, carrying sophisticated communication equipment in synchronous orbit. In addition, it is also proposed to develop satellite ground terminals capable of disseminating television programmes among India's half a million villages apart from providing economic and efficient telephone services via the satellite. The most essential part of this proposal is the stress on the acquisition by the Indian engineers of technical know-how and managerial skills and the development of indigenous and need-oriented technology.

Accelerating the Growth of Electronics Industry

By P. A. BHAT

Managing Director, Asian Electronics Limited, Bombay



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It is said that 'slogans' always catch, but the infusion dies down soon if they are empty. This is true with electronics industry especially the 'components'. It started with the first slogan of 'import substitution' followed by 'Priority Industry'. The next classification was 'Key Industry'—perhaps 'Key'—meaning strict control leading to 'Core Industry'. These words are meaningful in all contexts and the thinking or classification is perfect in all respects—but implementation has become tardy, especially to export. Established industries have a continuing need to upgrade their technology and improve their efficiency. But the question is whether the Government is taking advantage of the urge for faster development by deviating from the present 'restrictive measures' adopted in licensing procedures.

Licensing Economic Units

The world over, India not excluding, electronics is the most wanted industry and most competitive line. Year after year, this is the only industry which is gradually decreasing the prices of components and finished products in spite of rising cost of raw materials. Therefore the licensing authorities have to consider licensing economic units with high capacities. Cost consideration and not ideology should be the criterion as licensing of bigger units will not result in concentration of wealth or means of production but will ensure cheaper output. The following are a few suggestions for the acceleration of the industry as a whole:

A top level co-ordinating body comprising various Government departments which at present deal with the electronics industry, has to be set up for the quick disposal of various matters regarding the industry.

Encourage Volume Production

Economy of scale especially in the component industry must have a relation to prevailing international scale and therefore existing units must first be brought up to bulk production level to make the units produce components at a very competitive price.

Professional electronics need faster development and to achieve this, it is imperative that some areas of low-power communication in HF, VHF, and UHF be thrown open for manufacture and usage by private sector as well as the public sector.

Scope of the small scale industry must be broadened, permitting them economic capacities of all items including professional equipment.

In view of the continuing sophistication in electronics, no doctrinaire approach can be taken in regard to collaboration and licensing.

Licensing for items based on Research & Development conducted within the country should have highest priority in foreign exchange allocations

for capital goods and for maintenance imports.

Industry-wise information and future planning data should be widely circulated so that the industry as well as R & D groups are given sufficient lead time to orient their own plans.

The Government must encourage small scale industries to establish co-operative units for providing various services including R & D testing, management guidance, etc.

Materials developed in the National Laboratories must be productionised without delay.

Such sectors of the computer and the TV industry as are to form an increasing portion of electronics, as can be taken up by small and medium industrial units must be quickly identified and widely published as such sectors offer tremendous opportunity and challenge for faster development.

Technological basis and manufacturing facilities for micro circuits should be actively mobilised as the next phase of the electronics industry will be based on microminiaturisation.

LARGEST SEMI-CONDUCTOR PLANT IN INDIA

Self-sufficiency in vital electronics components will be achieved to a great extent with the installation of the new plant of Hindustan Conductors (P) Ltd., at Nadiad, Gujarat.

Hindustan Conductors is associated with the dynamic Power Cables group. It will shortly go into production, manufacturing semi-conductor devices as well as integrated circuits, diodes and transistors. Most of the equipment for this project has already been received. This will be the largest semi-conductor plant in India and will cater not only to the Indian market but also to the export

market. In fact Hindustan Conductors has already received orders for several million semi-conductor devices from advanced countries like U.S.A., Germany, Italy, Austria, and Holland.

The plant at Nadiad is of the latest type and is equipped with highly sophisticated manufacturing and testing equipment. An institute of solid state technology along with the plant has been built up. This institute will serve as a centre for the development of a large number of electronics industries by giving guidance and developing indigenous substitutes for imported equipment.

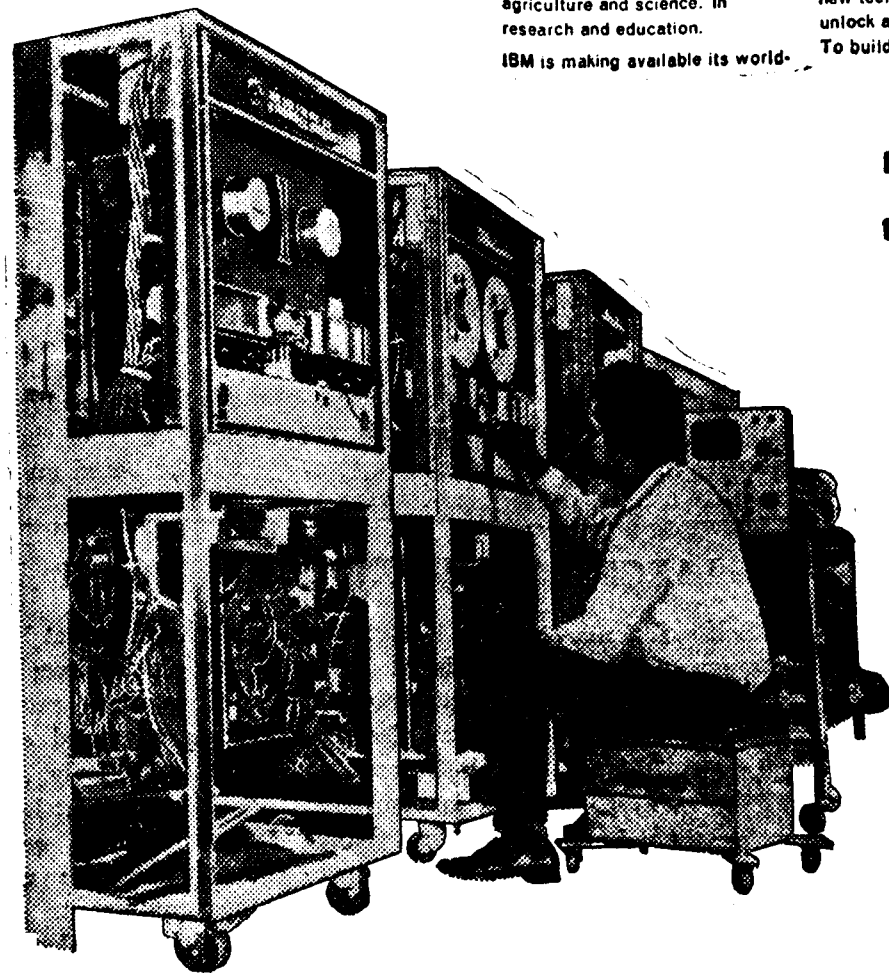
ELECTRONICS SUPPLEMENT

INDUSTRIAL ECONOMIST

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Computer Applications in India

By K. R. SINGH

Communications Manager, IBM, India

The computer—like steel, electricity and automobiles—is today an indicator of a nation's growing economic strength. Its unique ability to optimise the use of scarce resources, speed up development projects and release locked up capital for productive investment makes it a national asset. In India, this is already beginning to be borne out by about 125 computers installed in the country today. The spectrum of their applications is becoming richer and wider every day. Indian firms have used computers to maximise production, develop new markets and boost exports. Agriculture scientists have used computers to raise food production, fight crop disease and improve the milk yield. The Government is using computers to formulate development plans, increase productivity and streamline administration. Research laboratories employ computers to help mineral exploration, process import substitutes and design low-cost houses and bridges. Indian universities are using computers to enable research scholars devote themselves fully to creative work, break fresh ground in research and help check the brain drain. Though the existing number of computers in India is much too inadequate, their utilization has been extremely high, among the highest in the world. Several computer installations work round the clock. The computer applications in India have achieved an appreciable degree of sophistication and variety. Today there are hundreds of fields in which computers are being used in India. These range from computerized inventory management to cotton blending and from production planning to project planning. A few users are well on their way to having integrated Management Information System.

Computers Control Costs

Delhi Cloth Mills use their computer

for a Linear Programming application to choose the proper blend of cotton so as to minimize the cost of cotton input for a single mix. Mr. R. P. Coelho, Computer Division Manager of Delhi Cloth Mills, said: "The application which took only a few hours on the computer enabled management to



K. R. SINGH

take decisions which had a time span of seven months and covered a wide range of operations. Without a computer this decision could not even be thought of." Glaxo Laboratories (India) prepare their production schedule on their computer. The Indian Railways use computers for effective wagon control. In TELCO, Jamshedpur, inventory management

based on their computer reduced inventory significantly. Dunlop India have installed an IBM 1401 System and are well on their way to having an integrated management information system. In Bata Shoe Company an effective cost control scheme operated with the help of their computer enabled the company to reduce costs appreciably, enhancing product acceptance in the export market. A computer to be installed soon at Bokaro Steel Plant will be used mainly for implementing PERT so as to avoid delays in completing the project and to help management have complete control over the progress of the project.

Many other installations in India use computers effectively for applications such as Materials Planning, Engineering Calculations, Forecasting, Production Planning and Control, Inventory Control, Cost Control, Capital Budgeting, etc.

Thus, all available evidence shows that computers in India are very well utilized both quantitatively and qualitatively. They compare favourably with their counterparts in Europe or in the U.S.A. in terms of applications, programming techniques and sound installation management practices. In fact, in the sphere of utilization, computers in India are much more utilized than in many developed countries.

ELECTRONIC METERS FROM BPL

British Physical Laboratories India, manufacturers of Electronic Test Instruments was set up in Palghat, Kerala with the technical collaboration of British Physical Laboratories, U.K. in 1963. The factory started production in 1964. The initial production was mainly catering to the Defence requirements and considerable foreign exchange was saved. The factory commenced production of hermetically

sealed Metres, for the first time in India, a product required to meet combined NATO specifications. The company has done fairly well in the export market and negotiations are under way to bag a \$5,00,000 order from the U.S. for the latest product, "the pocket size" Multimeter. This order is processed in the face of keen competition from many countries mainly Japan.

ELECTRONICS SUPPLEMENT

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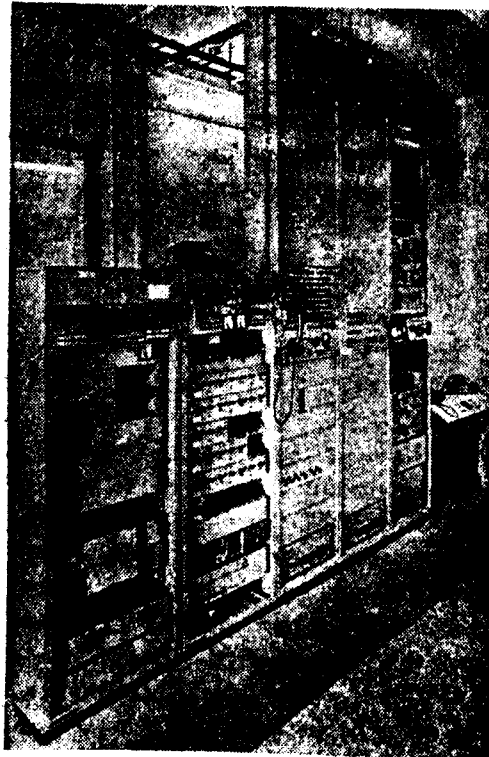
17

Railways and Electronics

By S. RANGANATHAN

The Indian Railways today are keeping pace with modern technological development in all spheres of Railway transport. 2,802 route kilometres are covered by electric traction. Diesel locomotives haul both passenger and goods service in a big way.

No developing Railway can function with any degree of efficiency without a highly sophisticated and versatile telecommunication system besides an equally competent signalling system to ensure the optimum utilisation of the sectional capacity, consistent with speed, precision and safety. Both modern signalling and telecommunication utilise electronic technology in its sophistication. There was practically no electronics application in so far as signalling is concerned earlier than the 'sixties. In the last decade phenomenal progress was made in the application of signalling. Electronic track circuiting, known as Jeumont Track Circuit, has now come into vogue.



A Control Panel at the Railways

Such electronic track circuits are more dependable and can work on longer lengths of track circuits. Similarly, there are other electronics track circuits which are used at the entry to each railway station to control the arrival and departure of trains between any two stations so that it is possible to keep only one train on the section between any two stations.

The next important change would be the introduction of Electronic Centralised Traffic Control. This would enable a traffic controller to control all the signals and points at a large number of stations over distances of about hundred miles or so. With electronic C.T.C. all operations will be done automatically by the CTC Controller, before whom will be a CTC panel giving a clear indication of the condition of all the lines between the stations and the conditions of all the signals.

Electronics in Telecommunication

Phenomenal changes took place in the 'sixties when electronics in the field of communication came into being in a very big way. Very large microwave schemes were embarked upon to provide most reliable communication facilities between all the important points of the railways. For example the microwave net work of Southern Railway covers a route length of 2,000 kilometres with 26 stations. This telecommunication project provides for simultaneous telephone and teleprinter communication between zonal headquarters and all the divisional headquarters.

The microwave also provides a radio patch on the section control telephone circuits so that these circuits which connect each railway station function when line wires interconnecting stations to the control office, are interrupted.

With the advent of microwave there

has been phenomenal improvement in communication. The microwave has also helped towards the introduction of a large number of teleprinter circuits which are compressed into single speech channel. Today the position of wagons in all the yards are available at the Control Centre through this vast application of teleprinter net works and such teleprinter net work also carries the message to the Central Computer in the Rail Bhavan in New Delhi which enables the railways to move the wagons expeditiously besides providing the information in regard to all the wagons and coaches in the railway so that orders are issued from a centralised point for the efficient utilisation.

In the 'seventies such communication is bound to grow much more phenomenally because the Indian Telephone Industries have embarked upon the manufacture of microwave equipment in India itself and the Railways are planning a broad based "On Line" Computer System to work through such microwave networks.

The computer system will provide instant information regarding reservations for trains running in any part of the country at any important reservation point. Therefore, an intending passenger in Madras can straightaway book a berth from Jodhpur to Bikaner and have it confirmed at Madras together with the ticket. Another passenger from Dwaraka may book a ticket from Varanasi to Korakpur. The obsolete line wire telegraph will probably be replaced hundred per cent by teleprinter service. The inter-office correspondence between the divisions and the railway headquarters will be either on the teleprinter or on the facsimile.

There are many other fields in which electronics are being used in Railways. The most important of these applications is in the field of Bio-Engineering, in railway hospitals.

Role of Television in Industrial Growth

By PRABHIR SANDELL

As one walks through the Royal Demka Steel Works, Holland, one sees molten steel being poured into a die in a vacuum. A slight variation in the uniform charging rate of the dye can cause considerable damage to the product quality. Similarly in the German Iron Works, Hittenwerke, Siegerland, the blast furnace top bell closes automatically but the danger exists that the closing operation may be prevented by the material from the charging vat plunging into the furnace. In another, rolling mill in Germany, hot strips leaving the rolling train and are placed on run offs for cooling as they leave the rolls. Here again, charging of an occupied run off need to be pre-

vented even though the same cannot be seen by the operator. The ingot heating furnace at Hadir Steel Works, Differdange, Europe, accommodates about 90 tonnes of ingot on a conveyor belt moving along two lines. If, within the furnace, any of these ingots move out of position, corrective action must immediately follow, otherwise the furnace will need to be closed involving heavy financial consequences. All such scattered instances of control problems faced in steel making and steel industry have been solved by the application of CCTV. In each case, a camera suitably placed flashes the image of the process to a distant monitor kept in the control room where-

by through visual supervision, the process conditions are restored to normalcy in case any divergence occurs.

Apart from steel industry, in all major industries in the world—chemical, cement, aeronautical, fertilizers, etc., numerous examples of the use of TV can be shown working satisfactorily in conformity with the principles formulated above.

Conveyor Belt Supervision

An important specific application is the supervision of conveyor belt operation in the fertilizer and cement industry. For instance, in the Chemical Works, Wesseling, Germany, materials are poured 24 hours a day via hoppers and conveyor belts into drying installations. Due to high moisture content, there is a risk that the hoppers will be



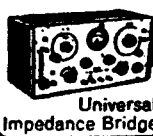
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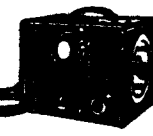
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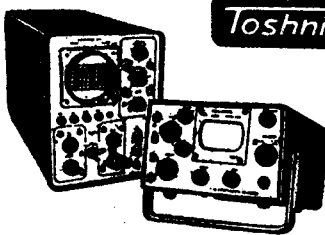
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clogged interrupting the production process. To avoid this eventually, regular cleaning of the hoppers have thus become essential. Installation of TV cameras, continuously surveying the condition of the hoppers, permits the supervisor at the control room to take appropriate decisions in this respect without loss of time and production.

Industrial security is an important aspect in India. Unrest, stoppage of work, innumerable difficult situations, etc., cause considerable headache to the already over taxed security management in various places. The conventional answer to the problem, i.e., continuous addition to the number of chowkidars can never be a lasting solution. TV provides a very effective solution.

For instance, as one drives into Oslo, Norway, the huge Sjursoya Oil docks are seen to house millions of gallons of petrol belonging to the six of the

world's oil giants. Such installations must be guarded night and day and the problem is still more accentuated by the existence of a long stretch of water front. All this stretch is guarded continuously throughout night and day by two TV cameras for detection of any inadvertent smoke or fire or suspicious intruders. Elsewhere another TV installation keeps watch for spotting intruders in the world's second largest industrial gas field in north-eastern Holland. Addition of a video-recorder to the security TV system permits immediate record of all untoward situations and circumstances as well as of miscreants for future record and action.

There are cases where hazardous industrial operations have to be carried out and yet kept under continuous human supervision. Such need arises quite often in the workshops of Atomic Energy establishments and in ato-

mic industries. Since a TV camera can act as an extended human eye, even in case of high radiation atmospheres, it affords immediate solution to such supervision problems.

Colour TV Equipment for Cosmetic Industry

Where an assessment has to be made at various points in the development stage of the efficacy of a particular cosmetic by actual application, Colour TV is a definite possibility since it helps evaluation and subsequent decision making to be done with proper speed and effectiveness.

In India application of CCTV in industry has just begun. In the factories of Bengal Paper Mills, Asansol, the Reactor at Bhabha Atomic Research Centre, Trombay, etc., the story is beginning to unfold, pointing the way to countless other prospective applications in the future.

Wide Range of Electronics Instruments from ECIL

Established in April 1967 as a commercial venture under the Department of Atomic Energy, Electronics Corporation of India Ltd. is today a group of 7 divisions with over 1,400 employees dedicated to a single objective—the advancement of indigenous technology.

During the last three years of its existence, the Corporation has earned a good reputation as a supplier of high precision electronic nuclear and test instruments. The instruments produced cover complete range of transistorised modular systems for nuclear work and other allied instruments in medicine, agricultural and industrial fields. It has stabilised its processes and production of active, passive and servo components. With this broad base the Corporation is now well poised to launch into several allied fields.

The Microwave Division of ECIL has taken up the production of microwave components and test instruments which have been designed and developed at the Tata Institute of Funda-

mental Research. The Corporation is in a position to take up contracts for the supply of special equipment required for satellite communication earth stations similar to that set up at Arvi near Poona. The Power Reactor Instrumentation Division has already made considerable headway in the field of control instrumentation. EC have thus placed at the disposal of the designers of electronics equipment from radio to radar, from television to computers, all the advantages of proven indigenous technology.

Precision and reliability are the hall-marks of all EC's components, instruments and systems. The Corporation has a well equipped Reliability and Environmental Laboratory where tests are carried out in accordance with the rigid MIL and DEF specifications. In addition, each production division has a well equipped quality control department to ensure high standards of quality at every stage of manufacture.

The Corporation has always recog-

nised that a considerable amount of investment in Research & Development is vital for any company determined to maintain its leadership in a world of ever changing technology and possesses well-equipped research and development facilities. In addition, indigenous substitution and systems design capabilities have been created which ultimately will save the country a considerable amount of foreign exchange.

Exports of some of EC's nuclear electronics instruments have already been made to other countries through the International Atomic Energy Agency, Vienna, and the repeat orders which are being received are an expression of the users' confidence in the comparable quality and competitive price of EC's products. The Corporation is making intense efforts for the export of its industrial and test instruments such as Oscilloscopes, Pulse Generators, Ultrasonic Flaw Detectors, etc. EC feels confident of meeting the existing challenge of contributing to India's exports.

INDUSTRIAL ECONOMIST

Hopes and Realities in University Education

There is nothing more tragic than the manner in which university education in this country is thrown to the wolves of political vested interest. The phenomenon has had particularly ghastly overtones when, as a result of external interference and therefore of internal indifference, standards have been steadily going down reaching well nigh the rock bottom. It is welcome in these circumstances that a Mysore seminar attended by 25 eminent educationists including several vice-chancellors and representatives of inter-university board has offered its assessment of the appropriate remedies to an endemic academic malady. It should be made clear at the outset that the suggestions made were not intended to be earth shaking especially because in the existing situation, immediate palliatives capable of easy application would seem to be in the keenest need.

Dog Chasing its Tail

The major problem confronting the academic world is the vast increase in the number of students seeking enrolment at all levels of education. The syllabuses could not stretch beyond a certain competence and because of their basically elementary character, any watering down under pressure of the massiveness of contemporary class room population had made degrees of little consequence from the standpoint of intellectual efficiency. The deterioration in standards of teaching is thus in the nature of a vicious spiral, though cynics will describe the whole process as being not less dissimilar to the dog chasing its tail.

The Mysore seminar was aware of the problem but the surprise is that the solution it offered is quite impractical. It is no doubt true that neither can education be denied to the seekers nor can colleges be constructed in sufficient numbers and in all the

desired locations. It is equally true that the lay mind cannot accept the argument that the nature of college education is such that it cannot be open to every one, irrespective of aptitudes. But if, as the Mysore seminar advises, correspondence courses are to be started more liberally and insistence on class attendance for appearing for examinations is discontinued there would be only greater chaos. Unlike his counterpart in the West, the Indian student will be unequal to the task and will require constant guidance and assistance. The class room with its emphasis on compulsory attendance and customary teaching has been designed for this purpose. In its absence, the young are prone to waste their time in idleness, which, on occasions can erupt into fiery participation in contemporary political tussles among politicians belonging to diverse party camps.

Political Interference

Indeed the interference of politicians in academic matters has been the greatest bane of Indian universities to remedy which the Mysore seminar has offered certain suggestions. The seminar has felt that though universities are accountable to the community, the Government and the legislature, representation of lay elements on university bodies needed modification. The senate, it was recommended, should continue in its present form but with a considerably reduced size. Representatives of the legislature should not be on it and the lay element should be appointed by the Chancellor on the recommendation of the Vice-Chancellor. The seminar discountenanced the inclusion of Government nominees on the Syndicate, while in academic levels it was desired that all age-levels should be represented. Even the Chancellor who was the Governor of the State,

should, according to the participants at the Mysore seminar, function independently of his political office. It may be recalled that the induction of Government nominees in academic bodies arose under the exigencies of foreign rule when the foreign ruler wished to have an eye on the university to ensure against sedition germinating within the safeguards and insulation provided by Western sanction to university autonomy. But the linguistic fanaticism of recent times has perverted such well meant control into a weapon of politicising universities. But the disturbing thing is that the antidotes to this suggested at the seminar are not workable at all. While the appointment of the Chancellor is in the nature of a recognition of the over-riding power of his political side namely his Governorship, the appointment of vice-chancellors is also influenced by politics. To exclude political influence whether of the Governor or the legislature will require a sublime act of self-abnegation on the part of politicians which will always be an unrealised dream.

The recommendations made by the Mysore seminar relating to the toning up of academic standards and the encouragement of student participation in university courses are timely. Particularly the recommendation for reorganising university departments deserves special notice. These are: first, the creation of professorship for each specialised department of study; secondly, the call for a statutory provision for full participation by all members of a department in framing its budget, timetables and courses of instruction; thirdly, the allocation of research grants each year against the name of each individual teacher; fourthly, the proposal that the headship of departments should go by rotation; fifthly, the creation of arbitration councils for settling disputes between teachers and managements; and finally, the stress

INDUSTRIAL ECONOMIST

on in-service training for university administrators besides courses in new management techniques.

Reorientation of Syllabuses

While most of the other reforms can wait, the above cannot. Likewise despite all the limitations under which universities function at present, there

is no gainsaying the fact that some reorientation of syllabuses and courses of study should still be possible. This is not to overlook the changes made or in the making in various universities. It is necessary in all cases to involve the student in the courses offered to him. This can be best achieved, by organising workshop-cum-training centres in universities.

I BELIEVE:

Attuning the Youth to Social Decencies

I believe that it is time that youth is attuned to social decencies by the elders undertaking to convince them of the need for it. It is reported that at the recent convocation of the Utkal University in Bhubaneswar, some of the new graduates forgot themselves in lodging their protest against certain formalities. It is nobody's case that formalities are always quite wholesome, more so when they have been imported from abroad. That cannot, however, be an excuse for spoiling the solemnity of an august occasion. It is unfortunate that one of the new graduates should have walked up to the dais to receive the degree only to tear it to pieces as being useless. It is unpardonable that certain heads of institutions, while presenting formally their candidates for conferment of diplomas, should have succumbed to playing to the gallery by doing the introduction, in Oriya and one of them in Bengali. The issues involved are so mixed up with emotion that they require to be eliminated for study under the controlled laboratory condition of cold logic and objective analysis.

Symbols of Academic Competence

First, taking the formal dress—the

black gown—to which great exception had been taken, it is a pity that none had told the students it was not an end in itself but a symbol of a particular end and that like all symbols it is a poor reflex of what it sought to convey. The receipt of a diploma marks the completion of a part of the academic career and the degree is a certificate of knowledge which has formed part of the intellectual personality of the recipient. By custom and convention, black gown has been the symbol of academic competence and even in the Indian situation it helps mark off the select from the crowd outside and the recipients themselves from their normal personality. Those who will regard this as moonshine or moon-calf simplicity masquerading under serenity will do better to recognise that those who would put on their Sunday best to create an impression of status and affluence which they may not actually possess have no cause to feel shy of wearing the dress to which they are entitled. Indeed the irony of life has always been that one likes too wear crimson silk always—crimson silk representing the inclination to be other than one is actually, but when it is a question of donning what is proper and is unlikely to be misconstrued, there is a ten-

Teachers should spend varying periods of time at such workshops and necessary grants should be released for this work. Above all, to the extent advanced knowledge requires a window on the West to keep up-to-date, there should be facilities for enabling students to learn an international language, viz. English. But will politicians concede this need?

dency to resort to a rhetorical exercise of all formality as the dead wood of a of a past that clings on to the present like Sinbad's old man of the sea.

Whipping Wrong Types of Emotions

What is disconcerting is that the young men of the present have failed to note the difference between protest and indiscipline. It is of course true that all protest involves an element of indiscipline, but the tearing off of a diploma to pieces is an example of indiscipline that is devoid of the saving grace of dignity and therefore borders on mere vandalism. In any case the insult to the degree is not an insult as it had been intended to the august assembly on the dais but to the candidates themselves who have acquiesced in an apparent demonstration that their past academic career involving all the recorded exertions were not worth a scrap of paper, even if the diploma can be denigrated to that level. Perhaps the blame does not rest with the students but with the elders themselves who have whipped up the wrong type of emotions in youth at the most impressionable stage in their lives. The callousness of human history has always been such as to point to the unpalatable truth that such misguided counsel boomerangs not against its authors but on those who had been gulled by it.

Consumer Risks in Affluence and Poverty

Affluence in Japan and the United States seems to have created a host of problems, the chief of which is the affliction of the consumer by substandard goods. The Japanese news paper, *The Daily Yomiuri* has published recently an address on this theme by Mr. Ralph Nader, the lone but successful crusader against substandard goods in the United States. While conditions in India may not exactly be comparable, there is no denying the relevance of some of the safeguards which deserve to be erected as part of an advance strategy. Apart from this, there is the inescapable conviction that many of the ills afflicting rich economies are either emerging already in India in a muted form or are likely to emerge unless consumers and producers alike are quick to erect the necessary protective defences.

The gigantic dimension of consumer protection problems in the U.S. is reflected in the manner in which industrialisation has led to destruction of natural resources and violence to the health and safety of human beings. In so far as the exchange of goods across the seas has become easier, thanks to the transport revolution associated with fast moving ships and jet aircraft, trade practices in one part of the world affect people living in every other part. Nader reports how certain popular brands of tuna which American supermarkets vended contained dangerous levels of mercury, a substance that harmed human brain cells and how almost at the same time, drugs manufactured and sold in Japan were found to be either harmful or ineffective. This is in essence the substance of the mutuality of the consumer protection activity for the people of all countries.

Hazardous Drugs...

Ominous are the consequences of harmful goods. Chloramphenicol, popularly known as chloromycetin, the best

selling anti-biotic has been subject to extensive congressional hearings and discussion in medical journals. Evidence that the drug causes harmful side-effects and death to some users has led the U.S. administration to require of manufacturers that advertisements contain clear warnings. But the point is that these warnings remain within U.S. boundaries, though the drug travels all over the world—over a third of Parke, Davis' sales of Chloramphenicol (\$30,000,000 out of \$75,000,000 sales in 1966) are in foreign markets. American probes indicate that "the drug is a powerful antimetabolite, which means a cell poison or a material which interferes with the growth of proteins, cells and it apparently has a particular effect on the bone marrow which is the chief factor ... of blood cell production." Developing countries which are at present exposed to publicity of this drug had better ensure that their medical personnel are seized of these hazards while prescribing it as a curative.

Another major consumer terror is the speedway. Those in India who have been complaining against peak rush had better read the following description provided by Mr. Nader: The waste of consumer dollars related to automobile injuries and fatalities in U.S. amounts to around \$20,000 million a year when all direct and indirect quantifiable costs of the auto-accident injury are computed. Despite tremendous costs to the public in lives and money, the consumer has little choice but to support a highway system of enormous proportions to serve the automobile industry and its allied highway construction and petroleum interests and to rest the economy heavily on them. And it is disturbing that the problems posed by auto-deaths and a mushrooming complex of highways and roads supporting the private interests they serve are as yet met with only minimal funds for planning

solutions and alternatives. And Japan is following the tragic pattern.

Worse still, auto manufacturers now only are in the U.S. applying safety features that were well known to automotive engineers 35 years ago. (The position in India can be worse). Only now such innovations as seat belts, head supports, collapsible steering columns, dual breaking systems and padded dash boards, which had been known quite long ago, are slowly being introduced after thousands of people had been killed or maimed needlessly. The main reason for the indifference of the U.S. auto-companies to these devices is that the industry is finding it always easier "to sell visible style than engineering substance" indeed under this circumstance, the manufacturers have no incentive. And as long as ethics does not become a necessity or a statutory obligation and so long as inferior, unethical goods do not fail to earn profit, the industry has no inducement to be ethical.

Respect for Ethics

The factor that can force respect for ethics is consumer organisation and consumer resistance. This is very feeble in India. Bright yellow turmeric in the Indian bazaar may contain poisonous lead chromite. Colouring additives to a host of food items may have noxious chemical ingredients. But unless they are discovered by the checking inspectorate, they have a high time in markets. So far as roadways and automobiles are concerned, the Indian response is one of lethargy nurtured in the complacent belief that traffic is not crowded enough and vehicles not numerous enough. What is missed in all this is the realisation that while other countries had no time to plan against consumer maladies, we have plenty of it and it will be the height of folly to waste it ineffectually and invite the inevitable disaster later.



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GAP BETWEEN RESEARCH AND COMMERCIAL APPLICATION IN LEATHER INDUSTRY

The International Leather Fair, the fashion-parade and the get-to-gether of those engaged in the leather industry organised every year under the auspices of the Central Leather Research Institute forcefully focus attention on the problems still remaining to be successfully solved for rising the unit value of exports of hides and skins.

Considerable progress has no doubt been made in leather technology and the CLRI is acknowledged to be one of the most efficient institutions of its kind in the world. Yet it has been complained that there is a big gap between research and its commercial application and as the Director of the Institute Dr. Y. Nayudamma has pointed out, even though the country is self-sufficient in leather technology, it is lacking in the manufacture of required chemicals. The President of the Indian Leather Fair Society Mr. A. Nagappan has also observed that the quantum of exports of leather is actually less as compared to a decade back and that the scheme for modernisation and reorganisation of the methods of manufacture by the big and small units involving an expenditure of Rs. 25 crores is yet to be implemented. The Government should surely find this amount and some special organisation should be formed for ensuring that the benefits of research reach the small tanners and finishers and there were service institutes which helped the small producers to get better value out of their work.

The foreign exchange earnings now being realised out of exports of hides and skins, finished leathers, leather goods and foot wear are around Rs. 95 crores annually but the contribution of leather, leather goods and footwear is only Rs. 11.05 crores in 1969-70, leather accounting for Rs. 2.25 crores, leather goods for Rs. 7 crores and footwear for Rs. 1.70 crores. In all the fanfare about the heavy purchases made by the Soviet Union and other countries the value realised out of finished goods is still only a small fraction of total exports. It should not however be concluded that no impressive progress has been made within the country in regard to the finishing of leathers or the manufacture of footwear. Indeed, there has been a virtual boom in the footwear industry and the demand for footwear of different kinds is so great that the large-sized units are working overtime and it has also been necessary to economise in the use of leather or even manufacture chappals out of PVC because of the high cost of hides and skins.

Subsidising Air Freight

The main difficulty in regard to export of finished goods lies in the fact that consumers in the developed countries are extremely sophisticated and with fast changes in fashion, it has not been possible to keep abreast of the latest developments. The lack of attractive profit margins has also been

a deterrent and as Mr. Nagappan has pointed out it may be necessary to subsidise the air freight incurred on exports.

Need for a Foot Wear Plant in Tamil Nadu

Notwithstanding these handicaps the industry can develop export units besides catering to the increasing needs of the home market. With changing conditions and a greater awareness of the new problem, the industry can grow greatly in stature in the coming years. This is perhaps among the few major industries that have vast scope for development and it should not be difficult to raise exports to Rs. 160 crores by the end of the current plan period and to Rs. 400 crores in the next one and a half decade. In view of the immense possibilities for development, there should be no hesitation to provide necessary institutional finance for building up exports or even creating new facilities for meeting the needs of the Indian consumers. It is somewhat surprising that in Tamil Nadu which is accounting for a very large proportion of the export trade in hides and skins, no big unit for manufacturing footwear has been established; while the scope in this regard should be explored, it should be the objective to raise the unit value of exports within the shortest period possible by shipping more of finished leather and less of raw or semi-finished hides and skins.

INDUSTRIAL ECONOMIST

7

Raw and Tanned Leather Exports from India

By A. NAGAPPAN

Chairman, Leather Export Promotion Council, Madras

India is a major exporter of leather. According to figures compiled in 1966 Indian exports of the item "Leather" which falls under Standard International Trade Classification No. 611, amounted to US. \$ 82.7 million. This constituted a 16.2% share in the world exports of the item. These figures are an indication of the position of Indian exports of leather in the world trade.

The above figures do not include the exports of raw hides and skins, but relate only to the semi-tanned and fully tanned leathers. The bulk of Indian exports are in the East India tanned condition and wet blue chrome tanned condition.

Ban on Export of Raw Hides

India has been exporting raw hides and skins for a long time. However, there has been an awareness that the available raw material should be exported in as much processed form as possible. This has resulted in a trend to progressively diminish the export of raw hides and skins. Today, the export of raw hides is entirely banned. The export of raw sheep skins is also banned. The export of raw goat skins has been brought under control since 1959 and a progressively diminishing quota system has been introduced. At present an exporter can export annually only 15% of his best year's exports falling within the period 1954-58. The result has been that in the last ten years or so, the volume and value of export of Indian raw goat skins has fallen sharply. It may be safely estimated that after the next two or three years, the export of any type of raw skins from India will completely stop.

E I Tannage — A Work of Art

The E.I. tanning process is unique and is peculiar to the South India tan-

nage. This is a contact process and has been indigenously developed very long back. Its origins are obscure, but it is popularly believed that a Frenchman from Pondicherry had experimented with the idea and introduced the process. In any case, the process is in existence for at least 200 years. Somewhere in the 19th century "Myrobing" was introduced by D'Souza. This was a great leap forward, as myobing gave colour to the final tannage and also prevented the quick oxidation or reddening of the 'Avaram' tanned leathers. With the introduction of the myobing operations, the E.I. tannage became a work of fine art and it flourished. E.I. tanned leathers were mostly exported to U.K., which in those days dominated the Indian export trade. E.I. tanned leather is justifiably famous all over the world.

It is a product based on ancient craft and skill and distinctively represents the Indian genius in this direction. The tannage is peculiar to India and cannot be duplicated elsewhere. E.I. tannage gives to the hide and skin much tensile strength and ensures its preservation for a long time. There is also much expertise involved on the question of selection for export packaging. The entire process has been designed to make E.I. Leathers of specific qualities to meet specific particular requirements for desired end needs. With this object in view, much expertise is available with the Indian tanners to sort the skins based on grades and selections.

The phenomenal growth in the exports of wet blue leather is underlined by the fact that the present annual export value is about Rs. 272 million com-

pared to practically nothing in 1960. Originally, only goat skins were exported in the wet blue condition. However, the trend is now for sheep skins and also even for hides and calf skins to be processed and exported in the wet blue condition. This is the fastest growing sector in the Indian leather export trade. The exports are mainly directed to the East European countries. However, the offtake of the Western European countries of wet blue leather is also increasing.

Export of Reptile Skins

India has been exporting snake skins for a long time. In the last financial year, the export of all kinds of reptile skins from India amounted to about Rs. 21 million, which consisted of Rs. 11 million of snake skins and the balance from lizard skins, etc. The most commonly exported varieties of snake skins are cobra, whips and water snakes. These are generally exported in the raw, semi-tanned or finalised forms. The predominant volume of export is in the semi-tanned condition. The export of python skins from India is banned. Considerable quantities of lizard skins are also exported.

There have been two significant trends in the exports of E.I. leathers in the last two or three years. Till a few years back most of the Indian exports have been made only to the United Kingdom. U.K. was absorbing a portion of the Indian exports and used to divert the rest to other parts of Western Europe. However, the pattern now is for the Indian leathers to flow directly to the consuming countries. In other words, our trade with U.K. of hides and skins has declined sharply in the last 15 years or so. But this decline has been more than made up by our direct exports to the E.C.M. countries. There has been much expansion of trade with West Germany, France, Italy, Belgium, Netherlands, etc. Not only this, many new markets have also been found in other countries. For instance, the Japanese market was not

The Tanners' Get-together

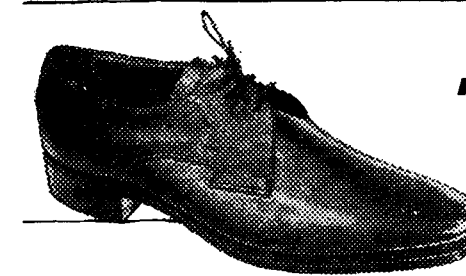
The Central Leather Research Institute, Madras, has been continuously endeavouring not only to put the Indian leather industry into the laps of modern technology but also to extend its willing help and expertise to sister developing countries under the auspices of international organs like the UNIDO, FAO, ILO, APO and a host of others.

The CLRI has evolved a healthy tradition by establishing a powerful venue through its annual get-togethers, for the different sectors of the leather world, viz., the scientists, the technologists, the industrialists and the policy makers at the various governmental levels, to come together, discuss the pressing current live problems facing them and establish the required rapport and implement the solutions through the evolution of meaningful and effective policies and

pursue vigorously the chalked out plan of action for achieving the objectives.

This programme of action over the years has yielded excellent results in putting the industry on to higher peaks of the national economy and achievement.

This year's Tanners' Get-Together is to discuss the various aspects of "Technological and developmental aspects of the Leather Industry" in three main sessions. The 500 odd delegates will discuss in 4 sessions "Finished leathers for internal and external markets", "Properties of leathers, specific end uses and standardisation", "Research in the '70s" besides a Brain storming session "The Views Forum". In all about 30 papers have been submitted to form the basis for these discussions.



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Flex



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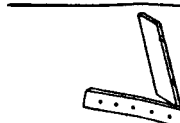
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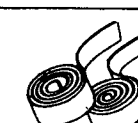
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EXPORTS OF HIDES & SKINS AND LEATHER

	1960-61	1965-66	1966-67	1967-68	1968-69	1969-70
Rupees in Crores						
Hides and Skins (Raw)	9.46	9.55	15.39	7.39	5.04	8.31
Leather & Leather Manufactures	24.97	28.45	57.49	53.45	72.67	81.54
Imports						
Hides & Skins (Raw)	2.47	2.36	1.68	1.29	1.71	1.68

EXPORT OF LEATHER & LEATHER PRODUCTS

	Rupees in Lakhs		
	68-69	69-70	%Increase
1. Raw Hides	9.95	11.00	+ 10.0
2. Raw Goat & Kid Papra Sheep & Lamb & Reptile Skins	467.00	668.00	+ 43.0
3. Fur skins Raw	8.02	9.75	+ 21.6
4. E.I. Vegetable Tanned Hides & Skins	4,953.00	4,968.00	+ 0.3
5. Pickled Goat Skins	47.02	1,470.00	+ 214.8
6. Tanned Reptile Skins	275.00	140.00	- 49.1
7. Chrome tanned Hides & Skins	1,812.00	2,720.00	+ 50.0
8. Finished Leather	161.3	223.00	+ 37.6
9. Fur Skins tanned	5.00	23.00	+ 346.00
10. Leather footwear & components	741.00	746.00	+ 0.7
11. Industrial Leather Mfrs. & Leather goods	71.00	125.00	+ 76.0
	8,550.00	9,780.00	+ 14.4

taking any appreciable quantity of Indian tanned hides and skins in 1950 and the Japanese were also unaware of the quality of Indian hides and skins at that time. However, at present the Japanese market takes about Rs. 30 million worth of E.I. tanned skins, mainly of sheep. We hope to expand our trade with Japan, which is at present showing greater interest in other types like goat skins, etc. Again, the U.S. market has been built up by us in the last seven or eight years and is a fast expanding one for us. They are inte-

rested also in our finished leathers and we hope to do increasing business with the U.S.

The other significant point is that the Indian exports till 15 years back were mostly on "consignment account" basis to U.K. The leathers were despatched from India and were auctioned in U.K. At the time of despatch, about 70% to 80% of the estimated values were drawn and the balance was finally cleared only after the final sales of the goods. This system was mainly evolved by the British importers, who were the main dealers in Indian leathers. This pattern has completely changed today, mainly because India is directly exporting to the consuming countries. The sales now are usually on a firm contract basis. This has naturally had a healthy impact on the trade.

It is expected that the export of semi-tanned leathers from India will continue for a very long time. The level will also not decrease very substantially in the near future. The growth of the industry will lead to greater exports of Indian semi-tanned leathers mainly in the form of E.I. vegetable tanned and wet blue chrome tanned leathers.

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K. M. FAROOQ AHMED & CO.

EXPORTERS OF E.I. TANNED GOAT AND SHEEP SKINS

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BUSINESS BRIEFS:

New Investments in Industry Remain Low

While political uncertainties continue to dominate the scene the economic outlook has remained fairly hopeful particularly so far as the industrial corporate sector is concerned. A major segment of industry has reported improved working during 1970 and looks forward to still better times ahead. A number of units have been encouraged to draw up expansion schemes where existing capacity is proving to be inadequate to meet the surging demand while many others are planning to diversify their lines of production with a view to reducing their dependence on existing lines. New ventures however have not been many as under the changed industrial licensing policy, established units are wary of putting up entirely new schemes for fear of these being turned down while a class of small entrepreneurs is yet to emerge in strength which will take advantage of the new licensing policy as well as various other incentives. It has been however, officially stated that the investment climate showed a distinct improvement in 1970 and that all the indicators of investment recorded a sharp rise thus holding out a promise of larger fresh investments in the coming months. There was a 50 per cent increase in the number of applications for industrial licences to about 2,000 even in the first nine months of 1970 over the whole of 1969. This was double the figure for 1968. While this may be heartening and indicates that private capital is not after all on strike as made out by some spokesmen of Government, there was only a modest increase in the number of licences and letters of intent to 600 last year from 552 in 1969, 380 in 1968 and 570 in 1967. In the absence of more details, it must be presumed that the new applications must be for medium and large-sized ventures since the liberalised policy does not require licence for schemes costing less than Rs. 25 lakhs.

But what must cause concern is the dilatory attitude of Government in clearing applications from large industrial houses as it is these that set the pace of new investments. The Chairman of Associated Cement Companies Limited, Mr. N. A. Palkhivala, while refuting the charge that capital is on strike and large business houses are not willing to cooperate with Government in developing the national economy, has quoted Government figures given to Parliament in November last to show that it was the

Government which has been unhelpful. Out of 444 applications for licences received from large industrial houses between January and September 1970, only three licences were granted and letters of intent were issued in three other cases, 50 applications were rejected and the remaining 388 applications were "under consideration". The licensing delays are proving to be costly to the economy. While the recent observation of the Foreign Trade Minister that the Government's industrial policy would be project-oriented and would steer clear of unnecessary conflicts between small and big industrial houses and between monopoly and dominance and economies of scale should be welcomed, it is yet to be seen how this new policy would be given effect. There is also the problem of finding the required resources for large schemes. Though there is public response to new capital issues by companies which are promoted under influential auspices and where the product commands a lucrative market, there is genuine concern over the attitude of statutory financial institutions while arranging long-term loans. All these are factors which cannot but demoralise the promoters and the foreign collaborators who are otherwise eager to enter into fruitful partnerships to tap the vast Indian market.

Carborundum Universal

The excellent results of Carborundum Universal Limited during 1969-70 were partly due to the large backlog of orders from the previous year arising from a prolonged lock-out at the Tiruvottiyur plant. There was also better use of capacity while the expanded capacity of the bonded plant was available from December 1969. The super refractories and grains divisions made a satisfactory contribution to the results for the first time. With larger sales of bonded abrasives, the total turnover jumped to Rs. 6.27 crores from Rs. 3.64 crores in 1968-69, with a sharp rise in earnings also. In the current year, however, it may be difficult to maintain output at a high level due to depleted raw material stocks. The chairman of the company, Dr. A. Ramaswami Mudaliar has stated that the performance in the first three months has been below expectations mainly because of difficulties over imported raw materials. As the company has met its export obligation, there will be an improvement in getting imported sup-

plies of silicon carbide of which however, there is a worldwide shortage. The supply position of graphite electrodes from indigenous sources is also not satisfactory. There has been some delay in receiving balancing equipment for expansion of capacity of the aluminium oxide grains plant at Edapally in Kerala. It is now expected that increased output will be available from this unit from April this year. Efforts are also being made to secure high quality bauxite in Gujarat for calcining purposes. In order to meet the increasing demand and bring down costs, further expansion has been considered necessary and an application for licence has been made to Government. This will have to be cleared by the Monopolies Commission as the company has been classified both as an interconnected and dominant undertaking.

Ashok Leyland

Sales of 5,103 Comet vehicles in 1969-70 constituted a record in the history of Ashok Leyland Limited and the company hopes to increase production further in the current year. The Chairman of the company Dr. A. Ramaswami Mudaliar has stated that there has been a steady progress in the indigenous content of the heavy-duty vehicles. The industrial and marine engines are in keen demand. It is stated that there has been some improvement in the supply of steel items in the current year as a result of liberalised imports though prices are very much higher. The expansion scheme to raise the capacity to 7,000 Comets a year by 1973-74 is awaiting Government sanction. Increased output of vehicles will naturally require larger supplies by the ancillary units but expansion plans of many ancillary units are also awaiting Government approval. The capacity for cast iron castings at Ennore Foundries is also planned to be expanded subject to Government sanction. Ashok Leyland has also been highly successful in increasing its export sales which jumped in 1969-70 to Rs. 1.67 crores from only Rs. 57.33 lakhs in 1968-69. Apart from the present markets of Ceylon and Singapore, an intensive export drive is being made in the Far East, East Africa and East Europe. With the help of the British parent company.

Indian Explosives

Indian Explosives Limited has assured the Government of its full co-operation in overcoming the current and anticipated shortage of explosives. The Chairman of the company, Mr. A. W. Hamer, has stressed the need for increasing the indigenous capacity in a short time. There has been acute shortage of different kinds of explosives in the past 12 months and as the scope for raising

production any further within the country is limited, it has been necessary to resort to imports spending sizable sums in foreign exchange. Arrangements are reported to have been made to import explosives worth about Rs. one crore and further orders are being considered for double this quantity. No doubt a new unit has been proposed in the public sector to manufacture explosives but this will take 3 to 4 years to go into production. As such, it is felt that the existing units should be allowed to expand their capacity substantially. Mr. Hamer said Indian Explosives was in a position to raise its capacity appreciably with minimum foreign exchange expenditure as most of the equipment required could be secured from indigenous sources.

Parrys Confectionery Pays More

Parrys Confectionery Limited has acquitted itself creditably during the year ended September 30, 1970. With cheap sugar available in plenty, it was perhaps possible to increase the turnover considerably, even after the cut in selling prices. The net profit, after depreciation and before taxation, has jumped to Rs. 22.40 lakhs from Rs. 2.40 lakhs in 1968-69. The directors have raised the dividend on equity capital to 18 per cent, taxable, from 15 per cent, taxable, previously. A final payment of 11½ per cent, taxable is to be made while the interim dividend of 6½ per cent, taxable, has already been paid. The net provision for taxation is Rs. 15.65 lakhs (Rs. 20,000). The transfer to development rebate reserve is Rs. 6,000 (Rs. 12,300) and to general reserve Rs. 1.66 lakhs (nil). The total dividend amount is Rs. 5.04 lakhs (Rs. 4.20 lakhs). In the previous year, there was a transfer of Rs. 2.26 lakhs from general reserve.

Garware Nylon

Garware Nylons Limited has come on the market to raise Rs. 1.06 crores in equity capital to finance its expansion scheme. After the expansion by middle of 1972 the turnover can rise to Rs. 15 crores from the expected level of Rs. 5 crores this year. It has been indicated that the new shares will rank for dividend from April 1, 1972. Arrangements have been made to import equipment from West Germany and technical experts of the foreign machinery suppliers will supervise the erection of machinery besides fulfilling the performance guarantees. In 1969-70, on a sales turnover of Rs. 4.44 crores, there was a net profit, before depreciation and taxation, of Rs. 154.75 lakhs. Sales in 1970-71 are estimated at Rs. 5 crores and earnings at Rs. 1.90 crores. The public issue is expected to be substantially oversubscribed. There is an unofficial premium on the company's shares of Rs. 18.

India Forge

India Forge and Drop Stampings Limited has been faring well in the current year so far and it has been indicated by the Chairman, Mr. S. Narayanaswamy, that the output for the whole year can be raised to 4,000 tonnes from 2,850 tonnes in 1969-70 if there is no shortage of raw materials. There was an overrun of Rs. 12.50 lakhs in capital expenditure on the expansion scheme which has been fully completed as there were some modifications to imported plant and machinery. This was however met from internal resources. There will be a further sharp rise in sales and earnings for 1970-71 and the disposable profits also may be much higher than in 1969-70.

Varadalakshmi Mills

In spite of higher cotton prices, Varadalakshmi Mills Limited has earned a higher profit in the year ended September 30, 1970 and the directors have raised the ordinary dividend to 15 per cent taxable from 12 per cent taxable in 1968-69. The net profit, before depreciation and taxation, has risen sharply to Rs. 19.15 lakhs from Rs. 13.92 lakhs in the previous year. After setting aside Rs. 8.74 lakhs (Rs. 9.16 lakhs) for depreciation and Rs. 1.10 lakhs (Rs. 3.33 lakhs) for development rebate, taxation claims Rs. 4.53 lakhs (nil). Capital redemption reserve gets Rs. 1 lakh (nil) and general reserve Rs. 2.95 lakhs (nil). The equity dividend will absorb Rs. 2.10 lakhs out of general reserve. The company may find it difficult to maintain its earnings at last year's level owing to a further rise in cotton costs as well as its shortage.

Foods and Inns Ltd.

Foods and Inns Limited is a new company formed for taking up the manufacture of egg powder at its Chembur plant in Bombay. The project is based on technical assistance from the Central Food Technological Research Institute, Mysore and an Indian firm will be supplying the required plant and machinery built with design provided by well-known Danish manufacturers. A poultry farm near Poona has been acquired for the purpose. A sizable portion of the output will be supplied to the Defence Services. The project is estimated to cost Rs. 90 lakhs including working capital of Rs. 10 lakhs. The company came on the market recently to raise fresh equity capital for Rs. 25 lakhs. There is already a paid-up capital of Rs. 10 lakhs. Term loans will provide Rs. 45 lakhs. Production is likely to commence by the end of this year and the annual turnover is expected to be Rs. 1.05 crores.

East Anglia Plastics

East Anglia Plastics (India) Limited could increase its sales during the year ended March, 31, 1970 to Rs. 2.87 crores from Rs. 2.31 crores in 1968-69. However with costlier raw materials and non-receipt of import licences, there was a sharp decline in the net profit, before depreciation and taxation to Rs. 9.82 lakhs from Rs. 17.61 lakhs. The provision for depreciation is Rs. 6.84 lakhs (Rs. 4.45 lakhs) and development rebate Rs. 63,000 (Rs. 1.90 lakhs). A dividend of 4 per cent taxable is to be paid after withdrawing Rs. 5.30 lakhs from general reserve. After repeated representations, the Government has issued the necessary import licences liberally but there may be no marked improvement in working results for the current year as the larger imports were available only for part of the year and there was also a strike for two months. There has also been reduced production of some of the profitable products while profit margins have been affected by the high cost of cellulose acetate flakes. Only in 1971-72, there will be a distinct improvement in working results.

Textool Turns Corner

The efforts to put Textool Company Limited on a sound footing appear to be bearing fruit. The company struck a bad patch since 1966 and till the end of 1969-70 the accumulated losses had amounted to Rs. 210 lakhs against a paid-up capital of Rs. 105 lakhs. Since the reconstituted board appointed by Government took over in August 1970, there has been on improvement in performance. The monthly output is now running at a level of Rs. 15 lakhs against the average of Rs. 9.25 lakhs in 1969-70 and is expected to rise further to Rs. 20 lakhs by May 1971. A new model high speed ring frame, developed by the company, will be produced in sizable volume shortly while it is proposed to increase the production of cone winders and double winders which have been well received in the market. There is also good demand for steel castings, and alloy steels, components of cement and mining machinery while steps are being taken to raise the output of steel which offers a large profit margin. Exports of textile machinery and diesel engines will also be sizable in the current year. The company is also taking steps to diversify its lines and trying to get orders for medium-sized steel processing equipment like cold rolling mills, arc furnaces and spun casting equipment.

The Chairman of the company, Mr. C. G. Rangabhashyam, has stated that the company is making special efforts to complete the partial supplies made in prior years and also fulfil orders on the books in order to improve its relations with customers.

During 1969-70, there was a loss of Rs. 32.8 lakhs in spite of a small cash profit due to stock adjustments and writing off of doubtful debts which had been carried in the books as current assets for a number of years. Profits in the current year are already encouraging and the year may end with a reasonable profit. The expansion and diversification is expected to increase the earnings substantially in the coming years which will enable the company to pay back all the debts.

HMT's Tractor Project

The Pinjore unit of Hindustan Machine Tools has concluded an agreement with Motokov, the foreign trade corporation of Czechoslovakia for the manufacture of Zetor tractors. HMT's initial investment in the project will be Rs. 5 crores. The 8 year agreement provides for the manufacture of 20 h.p. Zetor models initially and higher h.p. units later. The HMT Chairman Mr. S. M. Patil said that initially 2,000 tractors would be assembled from components imported from the Czech collaborators in 1971-72 and cent per cent indigenous content would be achieved in six years. By 1975-76, a capacity of 12,000 tractors would be reached with a turnover of Rs. 22 crores. The price will be in the range of Rs. 18,000.

Volta's Excellent Results

Volta Limited has reported excellent results for the year ended August 31, 1970 and the directors have restored the dividend on equity dividend to 15 per cent, taxable, from 7 per cent, taxable, paid in 1968-69. The company suffered a setback in its working in 1968-69 following a 5 month strike. Sales have jumped in the latest year to Rs. 91.30 crores from Rs. 68.27 crores in the previous year, sales on own account rising to Rs. 79.40 crores from Rs. 59.69 crores and on consignment account to Rs. 11.90 crores from Rs. 8.57 crores. The net profit, before depreciation and taxation, has also jumped to a record level of Rs. 311.50 lakhs from Rs. 66.43 lakhs. The sum set aside for depreciation is Rs. 53.45 lakhs (Rs. 55.87 lakhs) and development rebate Rs. 1.60 lakhs (Rs. 2.50 lakhs). Taxation, claims as much as Rs. 156 lakhs (Rs. 7.50 lakhs) while general reserve gets Rs. 100.64 lakhs (Rs. 3.48 lakhs). The equity dividend, of Rs. 64.94 lakhs (Rs. 30.30 lakhs) is to be paid out of this reserve. The company's proposal for a one-for-five bonus issue last year to compensate for the cut in dividend was not approved by Government under the new guidelines. A fresh application will be made shortly. The working in the current year so far has been even

more encouraging, with a 20 per cent rise in sales over the corresponding period of last year and a proportionate improvement in profit margin. Volta shares have firmed up latterly to Rs. 245 from Rs. 232.

Tata Loco

Tata Engineering and Locomotive Company Limited has done well in the current year so far and there is every possibility of the performance for the whole year being a record. Sales of vehicles in the first nine months have totalled 18,136 against 13,885 in the same period last year when operations were affected by a prolonged strike. Demand for other engineering products has also been better this year which may be reflected in improved working results.

Tata Chem. Bonus

Tata Chemicals Limited has finally obtained Government permission for its bonus issue in the proportion of one share for every five shares held. The company had approached the Controller of Capital Issues in November 1969 but was told that the application would be considered only after the lapse of 12 months from the date of enlistment of the bonus shares issued on the previous occasion. The previous bonus issue was made in 1968-69 in the ratio of one for three taking the paid up equity capital to Rs. 4.32 crores. Under the new guidelines, 18 months have elapsed since the last bonus issue and hence permission has been given for the latest issue which will be made by capitalising Rs. 86.47 lakhs. It is also learnt that the company has been issued a licence for expanding its capacity for soda ash from 600 tonnes to 1,000 tonnes per day. However, it has been stipulated that no effective steps should be taken without getting a clearance under the Monopolies and Restrictive Trade Practices Act.

Indian Oxygen

Indian Oxygen Limited was able to achieve higher sales of almost all products during 1969-70 the turnover increasing to Rs. 17.37 crores from Rs. 15.86 crores in 1968-69. The higher cost of calcium carbide affected sales of dissolved acetylene but there was good demand for industrial oxygen. Electric welding equipment and consumables maintained their upward trend in sales despite consumers' difficulties in getting steel plates. Sales of medical gases also were satisfactory but those of equipment were affected by shortage of matching cylinders. There was also a 43 per cent rise in exports of various gases and electrodes to South-east and West Asia as also

to East Africa. The Chairman of the company, Mr. N. Dandekar has expressed concern over the restricted scope for future development and expansion of activities because of Government's new industrial licensing policy. Several applications for licences are still pending with the Government. Only the scheme for making open arc continuous electrodes at Ambattur factory (near Madras) has been approved and a licence given. The company has however been preparing a comprehensive expansion plan for the next few years, keeping in view the various restrictions imposed on dominant undertakings and it is hoped the new plan which will be submitted shortly will be approved by Government. The company's plea for approval of its joint research agreement with British Oxygen has been rejected and it has been indicated that the company may have to spend large sums on research and development projects. The outlook for the current year is encouraging as there is spare capacity for several products which can be used to meet the increasing demand. The proposal to capitalise Rs. 1.54 crores from reserves and make a one-for-three bonus issue is pending with the Controller of Capital Issues. At the end of September 30, 1970 reserves and surplus amounted to Rs. 5 crores against a paid-up equity capital of Rs. 4.62 crores.

Larsen & Toubro

Larsen & Toubro Limited's sales for April 1 to Dec. 31, 1970 have risen by 35 per cent as compared to the corresponding period of the previous year. Sales for the period April-December 1970 are Rs. 1,569 lakhs as compared to sales of Rs. 1,161 lakhs for April-December 1969.

The company has a record backlog of orders. The backlog stood at Rs. 2,735 lakhs on Dec. 31, 1970, a rise of 25 per cent over the backlog of Rs. 2,190 lakhs on Dec. 31, 1969.

Lower Unit Sales

During the second quarter of the current year, i.e. from October 1 to December 31, 1970 units of the face value of over Rs. 1.75 crores were sold with 4,326 new investors joining the Trust as compared to Rs. 2.30 crores under 5,700 applications during the corresponding period of the last year. Of this, an amount of over Rs. 11.97 lakhs was invested by non-residents under 106 applications. During the quarter, units of the face value of about Rs. 87.79 lakhs were repurchased. The corresponding figure for the last year was Rs. 48.50 lakhs.

The total number of unit holders registered with the Trust as on 31st December 1970 was 3,67,379 the total amount invested in units being over Rs. 90.78 crores.

Soda Ash Shortage

The reported decision of the Government granting a licence to Tata Chemicals Limited for expanding its soda ash capacity from 600 tonnes to 1,000 tonnes daily subject to clearance from the monopoly angle comes not a day too soon as a critical shortage has developed in this vital basic chemical recently leading to a spurt in prices. There has been a sharp pick-up in demand for soda ash after the 1966-67 recession and indigenous production has been inadequate to meet the increasing demand particularly in the past one year. The position has also been aggravated by insufficient wagon supplies in the Western region where the industry is concentrated. There are four companies in the field now. Tata Chemicals with a capacity of 216,900 tonnes, Saurashtra Chemicals (180,000 tonnes), Dharamdhra Chemicals (45,000 tonnes) and Sahu Chemicals (45,000 tonnes). But against a total capacity of 4.86 lakh tonnes, output has been only at about 90 per cent (only Saurashtra Chemicals exceeded its capacity). Thus against an output of around 4.40 lakh tonnes, demand is estimated at 5.50 lakh tonnes, leaving a gap of over one lakh tonnes. There is no statutory control on prices of soda ash and so long the industry had been making available the requirements of actual users at reasonable prices. But since September last, transport bottlenecks have hampered free movement of stocks and as a result open market prices have flared up to over twice the ex-factory prices. On representations from consumer industries, the Government is reported to have decided to waive the ban on imports and arrange for import of 10,000 tonnes to meet their immediate needs besides taking steps to ensure equitable supplies to both big and small consumers.

Need for Expansion

It will however, be necessary to create fresh capacity on a sizable scale if further deterioration in the supply situation is to be avoided in the near future. While new units may have to be promoted in areas with abundant availability of salt, the existing units will have to be allowed to expand their capacity substantially. Already letters of intent have been issued to Saurashtra Cement and Chemicals for 1.32 lakh tonnes, Sahu Chemicals for 1.10 lakh tonnes, Maharashtra Cooperative Chemicals for 66,000 tonnes and Tata Chemicals for 1.44 lakh tonnes. These schemes can be completed within two years if only the licences are given immediately. Meanwhile, imports

will have to be liberalised and a strict watch on the trade kept to prevent undesirable practices. Already the high prices for this chemical used by numerous industries have affected the working of many small units and some of them are reported to be on the verge of closure because of the shortage. The developments have come about rather unexpectedly and the vacillations over licencing may prove very costly to the economy.

Widening Trade Gap

The trade gap is widening following the almost stagnant exports and increased imports in the current year. The rise in exports in the first eight months has been only of the order of one per cent to Rs. 931.8 crores from Rs. 923.6 crores in the corresponding period of 1969-70. This would indicate that it would be highly impossible to achieve the target of 5 per cent growth in the current year. Imports in the first seven months were higher at Rs. 946 crores against Rs. 939 crores in the same period last year. The trade gap for the seven months increased to Rs. 138.5 crores from Rs. 121 crores. Jute exports alone accounted for a sizable fall in earnings, these declining by as much as Rs. 43 crores in the first five months. Other traditional items like tea, hides and skins, coffee, fish and raw cotton suffered losses but oil cake, spices, cashew kernels, raw jute, cotton piecegoods, cotton yarn and manganese ore showed appreciable increases. Total earnings from traditional items showed a net decline of Rs. 41.1 crores to Rs. 299.2 crores in the first five months. However, exports of non-traditional items like iron ore, engineering goods, ferro-manganese chemicals, iron and steel, clothing, footwear and rubber goods were higher. The earnings from these items improved by Rs. 19.3 crores to Rs. 259.9 crores. Tea exports in the five months declined by 28 per cent or Rs. 13.4 crores to Rs. 34 crores while despite a fall in quantity, cashew exports fetched a larger sum of Rs. 28.6 crores against Rs. 26.1 crores. Imports of foodgrains declined during this period by over 30 per cent and of fertilizers by over 15 per cent due to better domestic production. Imports of all other items except petroleum crude and products and machinery and equipment registered substantial increases.

Sugar Production Trends

Sugar production in November 1970,

second month of the current season, was about 2.55 lakh tonnes against 2.67 lakh tonnes in the same month in 1969, taking the total for the first two months to 3.13 lakh tonnes against 3.10 lakh tonnes in the corresponding period of 1969-70 season. Offtake from factories in November last was about 3.13 lakh tonnes for internal consumption and 32,000 tonnes for export against 2.42 lakh tonnes and nil respectively in November 1969. The aggregate despatches for the first two months were 6.71 lakh tonnes (5.35 lakh tonnes) for internal consumption and 68,000 (17,000) for export. Stocks at the end of November with factories stood at 16.62 lakh tonnes against 10.63 lakh tonnes a year ago. But with a sharp rise in production from December much above the level of monthly releases, there is bound to be a continuous rise in stocks till the end of May when it may be well over 3 million tonnes. Meanwhile, the Government has ordered release of 2.2 lakh tonnes of levy sugar and 1.3 lakh tonnes of free sale sugar for January-February.

More Nylon Yarn for Powerlooms

Supplies of nylon yarn to the decentralised weaving sectors are being substantially increased to bring down the fantastic open market prices. According to a Government decision, the monthly release will be 400 tonnes against 150 tonnes at present. Additional imports of nylon yarn are also being considered. Already the supply position has somewhat improved with the State Trading Corporation's recent purchase of 1500 tonnes abroad. These will be arriving in the next few weeks.

Low Cotton Cloth Stocks

Cloth production in 1970 was slightly lower at 4,263 million metres against 4,297 million metres in 1969 but yarn output showed an improvement to 975.5 million kg. from 943.6 million kg. in the previous year. It is not known if the higher production of yarn was absorbed by powerlooms and handloom sectors though the small rise in yarn stocks, by 1.6 million kg. to 10.4 million kg. at the end of December 1970 as compared to a year ago would indicate that the offtake by the decentralised sector was higher in spite of a sharp spurt in yarn prices in the latter half of the year. Latest figures reveal that while production of cloth was lower, stocks of unsold cloth in December touched a new low at 98,000 bales of 1,500 metres or 147 million metres against 166 million metres a year ago. Stocks at the end of 1968 had stood at 394 million metres of cloth and 214 million kg. The overall stocks of sold but unlifted and unsold stocks were also at a new low since April 1970 at 337.5 million metres.

Social Obligations of Economic and Intellectual Communities

"Social justice in economic development" was the theme of a two-day conference organised by the Southern India Chamber of Commerce in connection with its Diamond Jubilee. Distinguished economists, industrialists and academicians from different parts of India discussed the implication of economic development in terms of social justice. Among the questions raised in the various sessions included growth or deliberate social policies like progressive taxation that would bring about a narrowing of inequalities. Is it not possible to devise a strategy of growth which will ensure a certain minimum level of living to all the countrymen? Can Democracy achieve both rapid economic development and social justice? The answers were varied coming as they did from participants with different backgrounds. For instance, Mr. S. L. Kirloskar who inaugurated the conference saw an inherent contradiction in the Government's policy, which entrusted the responsibility of creation of jobs to one section—the employers—and in the same breath loudly proclaimed that all people were equal. Unless people were unequal one section of them could not be expected to create employment for the other sections. But Prof. R. J. Taraporewala felt it was the responsibility of the business and investing community to generate employment and it was possible and essential for this community to discharge this responsibility without offending the regulations framed by Government. He regretted that the bigger business houses were after licences for setting up small ventures where there was neither technology nor any other consideration except perhaps easy money. He wanted them to promote a whole breed of new entrepreneurs for small enterprises.

Mr. Malcolm Audiseshiah, former Dy. Director-General, UNESCO,

INDUSTRIAL ECONOMIST

Mr. H. V. R. Iengar, and Mr. D. C. Kothari were among the participants. Mr. M. A. M. Ramaswamy (Chamber President) and Mr. M. V. Arunachalam, speaking on behalf of the Chamber, explained the objectives of the conference at the inaugural session. Several papers on allied subjects were presented in the three sessions and were discussed at length.

Mr. H. V. R. Iengar, the main speaker at the second day's proceedings blamed the current mood of frustration and anger in the country as due to lack of effective, homogenous leadership enjoying the confidence of the people. The failure of the intellectual community to discharge its obligations to society was no less responsible for the sorry state of affairs, he pointed out.

Judicial Decisions on Tax Laws

A two-day Taxation Seminar organised by the Institute of Chartered Accountants of India in the city discussed the basic principles involved in conflicting judicial decisions on tax laws and arrived at a rational interpretation of a number of them.

The seminar which was attended by over 300 participants including members of the institute, leading tax executives, and Government officials, provided objective, constructive suggestions and remedial measures for the prevailing ills and inequities in assessment. Mr. T. Ramaprasada Rao, Judge of the Tamil Nadu High Court, who inaugurated the seminar, expressed the view that the tax practitioners should not allow themselves to be baffled by conflicting high court decisions. For their part, they should be guided by three factors, namely quickness in appreciation of facts, independent thinking and honest application of the law. He advised the practitioners to see that "anti-social behaviour and

deliberate tax evasion are nipped in the law."

Mr. M. C. Bhandari, President of the Institute, was against high rates of taxation for the reason that it would increase the capitalistic power of the State and decrease the power of the general public. He suggested under no circumstances should the tax rate go beyond 60 per cent.

In the power technical sessions, papers were presented by experts on subjects like income-tax reliefs and rebates, taxation on charitable institutions, procedural returns, income-tax allowable expenses, reliefs and rebates on wealth and gift tax.

Plea for Better Planning of Leather Exports

The annual International Leather Fair was one of the events of the current fortnight in the city. Mr. P. L. Tandon, Chairman of the S.T.C. who inaugurated it pleaded for better planning of leather exports and it was his view that much more than the present Rs. 93 crores worth export seems possible.

The usual Tanners' Get-Together and Fashion Parade also found place in the Fair programme. Mr. A. Nagappan President of the Fair Society pointed out that the industry was alive to the need for stepping up finished leather and leather goods exports. The necessary technology for this was fortunately available at the country, thanks to the work done by the Central Leather Research Institute. The other participants included Dr. A. Lakshmanaswamy Mudaliar and Dr. Y. Nayudamma, Director of C.L.R.I. Mr. D. C. Kothari, President, FICCI gave away the international award 1969, (an HMT wrist watch and a bronze statuette of Saraswati) to Mr. Brian Keech of U.K.

A Masterpiece of Evasion and Vagueness

The celebrated British genius for compromise without detriment to freedom of action was never seen more clearly than in her conduct of the Commonwealth Conference to the point of convenient shelving of controversial issues. The communique issued at the end has necessarily to be a masterpiece of evasion and vagueness. But it is not for that reason to be condemned as a mere postponement of the evil day. Regarded dispassionately, the basic issues are not such that intransigence on either side on any of the issues can be defended on grounds of passion for principle. Many of the views which were fervently put forward were un-

duly coloured by the backlog of historical grievances or outdated standpoints. It is true as much of the opprobrium in which South Africa is held by the newly liberated nations of the Commonwealth or the desire to keep the Indian Ocean a haven of freedom from the great power conflicts and the threat of nuclear arms as of Britain's assumption that naval equality with Soviet Russia could be achieved by the sale of naval units to South Africa. The present situation in this part of the world, from whatever angle it may be viewed, is an extremely fluid one. The fight against racialism may be helped by the growing strength of the coloured nations

rather than the weakening of South Africa by the denial to her of British arms. Soviet Russia may not be deterred from aggressive intrusion into the Indian Ocean by British bringing South Africa's navy under her wing. The needs of inter-regional and international trade in South-East Asia and the Indo-African Zone may soon exceed even the most liberal estimates of today. Lastly, the South East African nations may well find that they cannot hit South Africa's naval power without impairing to some extent their own security in a real international crisis.

All these argue against a heedless precipitation of a breach in the Commonwealth which would certainly be far different from South Africa's enforced withdrawal from it. There is a ring of sincerity, and not a mere diplomatic acquiescence in the requirements of a unanimous communique, in the statement: "We believe that international cooperation is essential to remove the cause of war, promote tolerance, combat injustice and secure development among the nations of the world—we are convinced that the Commonwealth is one of the most fruitful associations for this purpose". Whether it is due to the accidents of history, or the ponderous forces of a historical dialectic which is Marxist only in part, the Commonwealth is there with its potentialities for good not less than its frictions and its unsavoury antecedents. Compromise is essential for avoiding a break-up before it becomes necessary. But as Lord Morley said, compromise has its nemesis and it is necessary to see that it is not overtaken by it. At present, the words of the communique and the appointment of the eight member committee, have not affected India's or Britain's stance on the question. Mr. Heath has retained freedom of action while India has made it clear that she will leave the Committee if such freedom is acted upon. If the Committee is steered wisely, it may do the world a world of good.

—PRS

INDUSTRIAL ECONOMIST

C. M. Inaugurates TAFE's Product Training Centre

A proposal to form a State level Agricultural Productivity Council was announced by the Tamil Nadu Chief Minister Karunanidhi while inaugurating the new building of Tractors & Farm Equipment Product Training Centre at the 'J' Farm in Pudupakkam, near Madras. The council, the first of its kind in India, would offer guidelines for accelerating the tempo of farm production in the State.

Stressing the need for mechanisation to modernise agriculture the Tamil Nadu Chief Minister said that the tempo planned to develop agriculture in the State could hardly be achieved by the traditional methods relying solely on manual efforts. The Tamil Nadu Government was forging ahead with plans for building a sound infrastructure for agriculture in the State, said Mr. Karunanidhi. The Rs. 4.5 lakhs Tractor Workshop proposed at Vellore was nearing completion; within

this year itself 16 bulldozers would be purchased at a cost of Rs. 23 lakhs; a Tractor Training Centre would be set up at a cost of Rs. 8 lakhs and six Tractor Workshops and Tractor Sheds costing Rs. 16 lakhs would also be established, announced the Chief Minister.

Presiding over the function Mrs. Sathyavani Muthu, Tamil Nadu Minister for Agriculture, assured that mechanisation would not in any way reduce employment opportunities for farm labourers. While it is true that labour requirements will be minimised due to mechanisation, the demand for skilled workers for operation, maintenance and ancillary services connected with the running of machinery will be increasing. Fitting them to do a more sophisticated work would also ensure better remuneration, said the Minister.

Earlier, welcoming the gathering, Mr. A. Sivasailam, Chairman of TAFE,

said that it was their endeavour to bring about, sustain and intensify, at the national level, an awareness for agriculture mechanisation by appropriate dissemination of knowledge from profitable and economic use of machinery and to enrich the knowledge of the farmer in the improvement methods to increase production quantitatively. Mr. Sivasailam said that TAFE was poised for an expansion of its capacity to increase its manufacture to over 7000 tractors a year.

The product Training Centre conducts classes for main dealer personnel, agricultural students and in special instances for Government officers and farmers in the operation and maintenance of Massey-Ferguson range of farm machinery. The courses conducted in several languages, were aimed at proper understanding at all levels of farming. To ensure that the knowledge imparted was retained and kept up-to-date, the certificates awarded were validated for 18 months only from the date of issue. The candidates had to attend refresher courses at the end of the specified term. An incentive was offered to its dealer personnel in the form of subsidies for the travelling expenses of candidates. Special course programmes for Agricultural University students was provided by the PTC, on location, at their request as part of the curriculum. This aspect, he hoped, would be the forerunner for a school being made available to overseas students from other Asian countries.

The 'J' Farm with 200 acres was bought by the late Mr. Anantharamakrishnan. It has been a model farm growing many of the latest high-yielding varieties of rice and also demonstrated techniques to carry on profitable farming under stress of severe drought.

—(FOC)

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Mr. M. Karunanidhi is seen inaugurating the Product Training Centre of TAFE. The Chairman of the Amalgamations Group, Mr. A. Sivasailam is also seen in the picture

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WORK ON RS. 500-CRORE VIZAG STEEL PLANT INAUGURATED

Prime Minister Mrs. Indira Gandhi inaugurated on January 20, 1971 work on the Rs. 500-crore Steel Plant at Balacheruvu, 18 kms. from Visakhapatnam. She referred to the industrial development of Andhra Pradesh and the importance of the steel plant to the economy of not only of Visakhapatnam but also to the entire country.

The formal inauguration of work was marked by the unveiling of a 53-foot high rocket-shaped pylon symbolic of not only the steel age but the urgent need to produce more and more steel to meet our growing needs but also our aspirations and progress soaring higher and higher.

The Chief Minister of Andhra Pradesh Mr. K. Brahmananda Reddy, earlier welcoming the Prime Minister, said that the occasion was the consummation of the long-cherished desire of the Andhras to have a steel plant. He said that the site for the loca-

tion of the steel plant was ideal and that the export potentialities of steel were immense and these had to be exploited fully.

Diverting Godavari Water

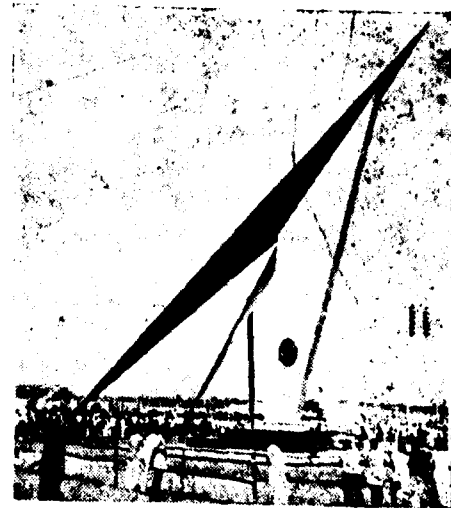
Mr. B. R. Bhagat, Union Minister for Steel said that Visakhapatnam had the distinction of having the first steel



Prime Minister Indira Gandhi speaking on the occasion of the inauguration of work on Visakhapatnam Steel Project

plant in the country which would have a capacity of 2-million ingot tonnes even in the first stage. He announced that the Central Government had accepted in principle extending all loan assistance for diversion of water from Godavari river to Visakhapatnam for meeting the needs of the Steel Plant and other industries.

He added that the three new steel plants in the South would provide



The Pylon erected at the site of the Visakhapatnam Steel Project

within the next 8 or 9 years, more than 4 million tonnes of ingot per annum.

Earlier, the Prime Minister refuted the criticism in respect of running of public sector industries. While she was aware that certain sections were not functioning well and their effectiveness had to be improved, the criticism was too general. There were many projects in public sector which were running very well and are rendering significant service.

The Prime Minister said that the three steel plants announced were only a beginning. Our needs for steel were growing and this matter was under review. (FOC)

The Special Supplement to **INDUSTRIAL ECONOMIST** released at the inauguration of work on the Visakhapatnam Steel Project was issued in cooperation with the Andhra Pradesh Government but was not sponsored by it as mentioned in the imprint.

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PROBLEMS OF THE TEXTILE INDUSTRY

Uncertainties relating to raw cotton availability or manipulation in prices have had a disturbing effect on the working of the cotton textile industry. In the past few seasons no new trend in the output of raw cotton has emerged, the yield for all India fluctuating around 56 lakh bales. Only in one season the country was lucky to achieve an output of 62 lakh bales. Against this stagnant trend consumption has been rising sharply and with the increase in purchasing power of the agricultural income group there has been a larger demand for cotton and blended fabrics. Since 1967-68 the demand for cloth and yarn has been rising on an average by 5 per cent and it is significant to note that at the present moment there is shortage of yarn supplies for handloom and power-loom weavers and mills are not complaining about the lack of demand or difficulty in using capacity.

The industry however is worried about the high price of raw cotton and the absence of a proper relationship between raw material costs and selling prices for yarn and cloth. This position is in contrast with the experience of 1970 when raw cotton prices were ruling at reasonable levels and with a higher output and better selling prices many mills earned the highest profits for many years.

The deterioration in the cotton textile industry since the latest quarter of 1970 has been mainly due to the skyrocketing of prices for raw cotton following reports about serious damage to the crop in Vidharba even while it was

known that the prospects for the 1970-71 crop were not satisfactory. The Reserve Bank relaxed its restrictions regarding advances against cotton and the trade and co-operative agencies got busy in accumulating whatever stocks were readily available. The industrial units also effected heavy purchases for replenishing its stocks and prices jumped by nearly 42 to 50 per cent in a short period. The Reserve Bank belatedly decided to impose restriction on the maintenance of stocks of cotton by textile units and there was also an increase in margins in respect of these advances. Subsequently, it has also been stipulated that heavier margins should be levied on advance against cloth stocks. These new regulations have been helpful in preventing a further speculative rise in prices and have compelled also brisker marketing of woven-goods.

The continued demand for cloth and yarn and the fears of delayed imports were mainly responsible for the spurt in cotton prices and the anxiety of the State Governments to secure for their farmers as large an income as possible on the eve of the elections. Having regard, however, to the sharp decline in prices by nearly Rs. 600 per candy in recent weeks, one gains the impression that the Central Government is not seized of the importance of maintaining staple prices for essential raw materials and making available cotton and blended fabrics at acceptable prices to the consumers. When it was definitely known that the consumption of raw cotton in 1970-71 would be more than Rs. 67 lakh bales and allowing for exports of

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certain varieties of cotton it would be necessary to import as much as 17 lakh bales, the Textile Commissioner did not take serious steps to arrange for expeditious imports of raw cotton.

There will be no harm in authorising liberal imports for some time as cotton prices should be prevented from rising to abnormal levels. In order to ensure against the emergence of undesirable situations, the government should arrange its imports for the next season fairly early. In view of the likelihood of a reduced carry over from the current season it will be advisable to secure imports

SUGAR IN SAD PLIGHT

The sugar industry, particularly in Tamil Nadu, is in sad plight. A number of writ petitions have been filed in the Madras High Court challenging the validity of levy prices for sugar, the lapse of quotas for controlled distribution and the levy of differential excise duties on sugar for free sale and for controlled distribution. These are likely to come up for hearing shortly.

The South Indian Sugar Mills Association is seriously concerned about the heavy accumulation of losses sustained by its members and the difficulties experienced in financing sugar stocks. There is confidence that the formula for fixing levy prices can be successfully challenged as the cost of cane is unduly high; growers are being paid on the basis of a basic recovery of 9.4 per cent whereas the actual recovery is not more than 8.5 per cent. It may be better in current season on account of the better quality of the crops but it will still be much below 9.4 per cent while interest charges on accumulating stocks are increasing all the time.

It is not clear why the Central Government is delaying the revision of levy prices for old season sugar when it has been established that the recovery of sugar was adversely affected in 1969-70 due to the poor quality of cane. As a result of this delay, sales effected out of old stocks are being reflected in heavy losses and it is feared that many mills will be obliged to suspend crushing operations if reliefs were not announced in time and there was also not adequate bank finance. The Reserve Bank has failed to assess the situation correctly as its latest directive to member banks has baffled sugar mills. Under this directive, banks have been told that sugar advances can be allowed to rise to the level of last season and the existing limits can be fully utilised by borrowers. But this overlooks the fact that the peak level of stocks of sugar is likely to be exceeded by nearly a million tonnes and, without an additional allocation of Rs. 100 crores, the industry cannot pay for its cane purchase or maintain stocks. Already many mills are in heavy arrears and some important groups are reported to have paid only 50 per cent of the dues against current purchases. Instead of recog-

of 15 lakh bales and maintain buffer stocks if need be for some time.

There is no justification for any complacency about the problems of the textile industry and definite steps must be taken to improve the yield of cotton per acre and immunise the cotton growing areas from the vagaries of the monsoon. A situation may arise in which the government will find it impossible to allocate the required foreign exchange for financing imports. The drain can also be avoided as all that is needed is greater concentration on cotton growing in the irrigated areas.

missing the practical difficulties experienced by the sugar mills, it is reported that the State Governments are contemplating action against mills for recovering arrears of cane payments. Nothing can be more cruel than on insisting on the fulfilment of statutory obligations by the industry when the State itself is violating its own obligations.

The monetary authorities can prevent an immediate crisis by expanding credit against accumulating stocks. It is unjustified in refusing to do so as the carryover from 1969-70 was nearly 21 lakh tonnes and the latest estimates indicate that output will again be 42 lakh tonnes in the current season.

In the first eight months output is expected to be as much as 36 lakh tonnes and offtake will not be more than 26 lakh tonnes. Stocks will increase by one million tonnes and at the peak level it will be higher by eight lakh tonnes compared to April or May last year. Under the existing arrangements banks cannot lend trading more than what they did in the last season. This would mean that any increase in stock in March, April and May cannot be managed within the existing limits.

The Indian Sugar Mills Association has been representing to the authorities that there should be an automatic revision of limits by 25 per cent and the margins also should be reasonable. The Reserve Bank cannot have any objection to the provision of refinance at the Bank rate as sugar stocks new rising are bound to decline to more or less the previous levels by the end of September. Even if output proved to be 42 lakh tonnes, the carry over may not increase by more than 2 lakh tonnes as consumption is expected to be 36 lakh tonnes and exports may be stepped up to 4 lakh tonnes. Fresh advances against sugar will, therefore, be automatically liquidated and they will not have any inflationary effects. In the light of new developments in 1971-72 a decision can be taken about buffer stocks. But interest charges are increasing all the time and it is only to be hoped that the genuine interests of a major industry will be redressed without further delay and there will be a better appreciation of the peculiar problems now facing it.

Russian Involvement in the Euro-Dollar Market

The 24th Congress of the Communist Party is scheduled to meet in March 1971 when the targets for the Ninth Five Year Plan for 1971-75 will be announced. Hence is the need to assess the achievements of the 8th Five Year Plan. 1970 was the last year of that Plan and it is interesting to note that many of its targets were never confirmed. If the Plan is judged by the draft submitted to the 23rd Party Congress, some lags in achievement will become obvious; but if it is judged on the basis of 1970 annual plan, it will have been over-fulfilled. The administration represented by Mr. Mikhail Sulov has opted for the second alternative. He has stated that the 8th Five Year Plan will have hit the targets for national income and overall production. It will have surpassed targets, according to him, in the case of growth of real per capita income, wages, payments to collective farmers and also the volume of retail turnover. Since the draft of 1966 envisages an increase in per capita income by 30 per cent and retail turnover by 50 per cent and since industrial output has, according to Suslov, risen by over 50 per cent in the last five years, it could be that gaps in achievement are not too wide. Yet output figures available at present indicate that, among key products of heavy industry, only oil and steel are upto the mark.

Oil production is now at 350 million tonnes a year as planned and is expected to go up by 25 million tonnes a year reaching 600-620 million tonnes by 1980. But the output of other industrial items has been behind the targets set in 1966. Thus in the case of electric power, achievement at 687 billion kwh against 862 billion kwh has been planned. The actuals and targets for other items with targets in brackets

are: gas: 195 billion meters (225-240); coal: 620 million tonnes (665-675); lorries: 514,000 (664,000); cars: 324,000 (804,000) tractors: 455,000 (550,000); mineral fertilizers 53 million tonnes (65 million); cement: 94 million tonnes (100-105 million); plastics: 1.6 million tonnes (2.1 to 2.3 million); and chemical fibres: 6.09 lakhs tonnes (7.8 to 8.3 lakhs).

Production of Cars Unsatisfactory

The position is particularly unsatisfactory in the production of cars. The Moskvich plant in the Urals is only now set to reach its ultimate capacity of 200,000 vehicles. In production of Russian Fiats, the 1966 target was 300,000 cars per annum while actuals were 20,000 vehicles. The Zaporozhets car factory in Ukrain has reached atleast its 500,000th vehicle. These vehicles are of mini-size and a new version to Zaz-968 which is guaranteed to run for 100,000 kms is in the prototype stage. Car prices have been pushed up ostensibly as a demand and supply adjustment but really because of a rise in costs. The typical Soviet official car—the 2-litre volga—will cost now £ 4,285 against £ 2,667 formerly. The Volga is selling accumulated stocks. The price of the Moskvich is to go up to £ 3,333 from £ 2,305. There is a four year waiting list for this car.

What is more interesting is the change in the socialistic attitude to the free market economy. It is not as if a free market economy has been voted for. There seems to be fairly conclusive evidence that the authorities are not interested in moving seriously towards market socialism. In fact, enterprises though subject to less detailed control than before have sales targets set for them as well as

what they are to sell. Prices are still fixed and central allocation of resources involves direct orders on mutual sales between factories.

It is quite possible that as the Russian economy gets exposed to the outer world of a free society and as the protest against the *ancien regime* gathers strength at home, it becomes inevitable for the administrators to bend instead of seeking to break. It will not be surprising if in the near future, the price mechanism is allowed to operate through some form of a market economy not only to vindicate the experiments at home with bonuses and enlarged wage funds but also to make Russian goods internationally credible in their prices and quality. With the setting up of an investment bank for the Soviet bloc from the beginning of this year, Russian involvement in the Euro-dollar market is likely to gather momentum which will surely unleash pressures on its usually rigid monetary system.

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Running with the Hare and Hunting with the Hound

The ruling party in the State must have, by now, realised with a jolt, that the policy of running with the hare and hunting with the hound does not always pay. With its inept handling of the sensitive Salem issue which has deeply offended decent people belonging to all religions, the State Government has raised a hornet's nest. The belated attempt of unconvincing, half-true explanations, especially taking umbrage under a similar act of omission of its predecessors in power, cannot absolve the government of its onerous responsibility to have the unhappy situation averted in the first instance. What happened in Salem on January 24 is unparalleled for the sheer affrontery of a group of people, with immunity and police protection, paraded the portraits of a pantheon of Hindu gods in the most obscene, indecent and revolting fashion. Donning the mantle of the eradicators of superstition, these people succeeded in offending not only the religious sentiment but even that of simple sense of decency. One is forced to ask, under what canon of decency can posters exhibiting nude figures in compromising positions be carried in a public procession, with the connivance of authority leave alone the religious aspect of case.

Stifling the Freedom of the Press

The Government cannot disown previous knowledge of the procession, because according to Mr. R. T. Parthasarathy, a member of Rajya Sabha, a memorandum had been submitted to the Collector, about ten days in advance, asking him to intervene in the matter. The easiest thing would have been to refuse permission to take out the infamous procession then and there. Not only was permission sanctioned but even police escort was provided for the procession in which, according to the newspaper reports, many participants walked jauntily with lethal weapons. The government simply ignored the whole affair

for more than a fortnight and now it has soiled its hands further by a desperate attack on the freedom of the press. They have seized the copies of the February 15 issue of *Tughlak*, an independent, non-party, Tamil fortnightly from Madras, alleged to have published the photographs of the blasphemous Salem procession. One fails to see the logic of permitting an act which is certain to wound the religious susceptibility of a section of people, but preventing the report of such an act in a journal with the flimsy excuse of section 292-A I.P.C. (selling obscene or scurrilous pictures, etc.). The action against *Tughlak* is clearly a step in the direction of stifling the freedom of the Press. An amusing argument, put forward by the ruling party through advertisements in some papers, claims that on February 13, the editor of *Dinamani* wrote in his paper that he was in receipt of some photos of nude figures in portraits, which were too indecent to be published. The ad. tearfully asks whether it is journalistic ethics to publish such

photos in other magazines. Clearly no question of ethics is involved but only the legitimate desire of a free-lance journalist to bring to book an unforgivable act of omission by the Government.

Police — The Handy Scapegoat

Rumour has it that the issue of *Tughlak* was confiscated with the less altruistic purpose of preventing its usually scathing, anti-administration remarks from reaching the public on the eve of elections which, if the present trend of events may be taken as an indication, will be fought by all the parties with bitterness with no holds barred. "Punishing" some police officials while allowing the fountain-spring of the hateful campaign and its organisers to go scot-free is only a mockery of justice and is only likely to demoralise the police force, a convenient scape-goat handy on all occasions, from T. Nagar Pillayar episode to the throwing of stones on a leader.

—Forscher

Out of the Inkwell

By RANDOR GUY

TYCOON TALE!

William Randolph Hearst, the U.S. newspaper tycoon, was a typical American boss. Larger than life, rich and autocratic, he was a very difficult man to work under. He took a sadistic delight in dismissing even his very top executives at the mere drop of a hat and for some inexplicable reason (or was it an odd quirk that all these super rich blokes invariably have?). He loved firing his men by sending them telegrams containing the go-get-the-hell-out-of-here-greeting. The teargas filled telegrams were even sent from one part of the skyscraper to other floors down or up! Not surprisingly his executives dreaded the very sight of a telegram on their desks. One expense-account rich executive, who had enough reason to fear the wrath of the Nabob, was shocked to see a telegram on his table one afternoon when he returned with a group of friends. With trembling hands he opened the 'gram and his face brightened into a

smile. "Hope it's no bad news," said his curvy secretary. "No, nothing," he said, relieved, "it just says, my father is dead!"

SMOKING, PLEASE!

Smoking is in the air these days. Some make a new blend to set the trend, as the ad. goes, and people take deep breaths to make it last. The smart Alocs say smoking causes cancer. A friend of mine, a research-bug tells me that fifty per cent of breast cancer in women is caused by men who smoke!! Interesting theory, that, and it only proves there is many a slip between the lip and tip! Now advertising about smoking is prohibited on TV and out in the U.S., you can no longer take a trip to Marlboro Country via the idiot box. What is so nice about smoking, anyway? Never having smoked, I do not know but as my friend, a fellow-writer put it, a woman is a woman but a cigar is smoke! Well, he said it, didn't he? Very smart, these writer guys....

Glimpses.....

Britain Goes Metric

Britain's adoption of the decimal system for her currency, though unconscionably delayed, will be welcomed by all countries as a step in the right direction. It is calculated not only to reduce the bookwork of accountants and the efforts of shop-keeping housewives in their daily work, but also to bring one of the foremost trading nations into line with the rest of the world. The surprise is not that Britain has abandoned her traditional system but that she has taken so long to do it and, even more that she is yet to adopt metric weights and measures. The metric system has no limited scope and extends to quantitative measurements, volume, values, weights and distances. Its desirability on grounds of rationality, simplicity and easy comparability is beyond dispute. And the only obstacle in the way of adoption is the innate conservatism of the average man and, what is hardly different from it, the force of tradition and established habit. The difficulties of the transitory stage are exaggerated by the advocates of change even as they are under-rated by its more passionate champions. In India, these reforms were effected with the momentum of a political and social revolution. And the fact that the Hindus have the credit of discovering the system, and that they were denied such credit for a long time by the rest of the world may also have been a help. There is some compensation in the fact that the Indian Standards Institution sent its experts to assist in the five-year preparation for Britain's decimalisation.

It is somewhat strange that while the decimalisation of currency has been effected ahead of schedule, there is no similar readiness for decimalisation of weights and measures. In

point of fact, the need for the latter has been felt more keenly by British industry and trade since other nations have been complaining for a long time about the quotations and specifications of British tenders being in non-metric terms. It is possible that the imminence of Britain's entry into the European Common Market and the adoption by the latter of a programme for further economic and financial integration with the objective of a common currency in ten years' time hastened the change to decimal currency. But the pressure for similar changes is by no means absent and is bound to be felt and yielded to before long.

Strength of Economic Union

The accord that has been reached among the members of the European Common Market on the steps to be taken towards full economic and monetary union and a common currency in ten years' time is an achievement of great importance not only to the E.E.C. but to world economy and international trade and finance. The hurdles that have prevented the starting of the plan from January 1, as scheduled have been cleared. The initial three-year phase provides for coordination of short-term economic and budgetary policies, the narrowing of fluctuation margin between community currencies, coordination of central banking policies and medium-term financial aid for members in balance of payments difficulties. A currency stabilisation fund to share up the currencies of member nations against speculation is also envisaged. There is no doubt that, if these measures are worked smoothly, they would be coming on top of common tariffs, free movement of labour and other features of the E.C.M. would pave the way for a common currency. It is true that some apprehensions have been felt about the plan entering its

second phase. But one must not forget that even graver misgivings were felt at almost every one of the earlier stages of the E.E.C. that these misgivings were eventually proved to be misconceived. A common agricultural policy was perhaps the biggest hurdle. But though it took some time for them, the leading nations surmounted it successfully. There can, in fact, be no better testimony to the value of the E.C.M. and its power to shape the course of their national economies than the compulsion which Britain and other members of the EFTA feel to join the European Union. It is significant that agreement on the progressive reduction of tariffs has been reached at about the same time between Britain and the E.E.C. With the retirement and death of Gaulle, the E.E.C. has developed a better attitude to the admission of Britain into their fraternity. The grant to the developing nations of the same treatment that had been accorded from the start to the former African colonies of France also shows that the E.E.C. is more and more outward-looking. Though regionalism may still be viewed askance the E.E.C. has shown its potentialities for progress through integration. And that is a lesson which many countries, particularly the States of the Union of India and also Pakistan badly need to learn. It was, and still is, one of the prime objectives of the E.E.C. to become a powerful political force comparable to the two upper powers, the U.S.S.R. and the U.S. But they have been careful to keep it in the background and concentrate on their economic and financial strength. They have been successful in toning down the domination of international finance by the Anglo-saxon nations. They may be able to reduce the evils that flow from the Russo-American confrontation. State Governments in India who clamour for autonomy and intend to utilise it for unwise policies of economic aloofness, if not isolation, will do well to ponder over the record of the E.E.C.

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Nixon's Six-Point Economic Reform

President Nixon's State of Union message has invited a lot of adverse comments as being a clap-trap. The assessment of his anxiety for ensuring a fair deal for the unemployed and for the average consumer stems, however, not purely from electioneering considerations but from the evolving contradictions in the economic situation arising from the juxtaposition of recession and inflation. A careful perusal of the goals outlined by him in respect of his control measures vis-a-vis the fluid economic situation will make this abundantly clear. It is, no doubt, true that the U.S. administration had, in a sense, been caught unawares by the oddities of the recession. Most of the surprise was due to the mistaken belief that the current recession was comparable to the 1957-58 experience. What was missed was the fact that the 1957-58 recession was sharper and deeper and that recovery began at a time when the margin of unused resources was wider than it is now. This fundamental difference should indicate that the pace of economic recovery in 1971 may not be as brisk as the 9.2 per cent rate of growth in real GNP between April 1958 and April 1959, nor is the rate of increase in consumer prices likely to fall to the 0.5 per cent which prevailed over that period. That does not mean that the present situation is out of control altogether or that the measures now being devised against it will be absolutely ineffective.

If Mr. Nixon's message is approached against the background, the worth of some of the economic measures outlined in it will be easy of right assessment. The President did not mince words when he confessed to the U.S. "going through a long nightmare of war and division, of crime and inflation." He has set before the Congress six goals to help tackle the malady. The first relates to the re-

forms of the welfare system. Even its worst critic could not have done better than Mr. Nixon when the latter described it as an outrage against the community and against the taxpayer. The outrage consists in the affront to human dignity arising out of a overplay of the element of charity. The reform seeks therefore to place a floor under the income of every family, establishing besides an effective work incentive and an effective work requirement.

Full Prosperity in Peace Time

The second goal is to achieve what Americans have not enjoyed since 1957—full prosperity in peace time. Mr. Nixon believes that the tide of inflation has turned with the escape from runaway inflation into reasonable price stability. There can be difference of opinion on whether reasonable price stability has been attained. The point is that unwarranted expectations of continued inflation and attempts to catch up with wage and price hikes in diverse sectors of the economy result in a painful hangover of these hikes. Mr. Nixon's answer to this is an expansionary budget which is designed to keep spending at the level warranted under full employment so that such spending will automatically increase the demand for labour and lift employment to the full employment level. But the unemployment situation has certain peculiarities about it. The commonplace impression is that it is a "white collar recession" insofar as there have been mounting layoffs of professional and technical workers. But the point is that the complex relationship between the fall in defence expenditure, and white collar unemployment has *ipso facto* hidden most of the increase among blue-collar, service and farm workers. Indeed white collars account for only slightly more than one fourth of the total number of the unemployed. And inasmuch

as there is no labour scarcity in the sense that employers would be willing to hire and train workers without the precise skills, such unemployment can be cured only by artificially creating a demand for labour. That is precisely the logic of the full employment budget now proposed. At the same time, care has to be taken to ensure that expenditure does not expand beyond the full employment level reigniting fires of inflation and undermining prosperity. The big "if" here is whether wage hikes can resist the inevitable hangover referred to already especially because, irrespective of levels of affluence, the canon of productivity has been observed mostly in the breach in wage negotiations. The commitments against productivity are a defect of quality of a psychological situation which resettles in favour of the desired wholesome reform only through the avoidable and painful way of suffering (and realisation based on such suffering).

Ensuring Better Environment

The third goal is towards ensuring a better environment. Black rain, birds languishing in oil slick, increase in the percentage of lead in blood due to inhalation of noxious exhaust fumes, the pollution of water courses by industrial effluents, the thick blanket of smog which is mounting to a level at which there is a possibility of the resultant heat melting the ice caps and flooding the coastal towns—indeed the entire gamut of environmental pollution which is the major headache of the U.S. has called for an extensive anti-pollution drive. There are proposals for expanding the nation's parks, recreation areas and open spaces which could leave a legacy of parks to the next generation. Automobile concerns are doing research in eliminating causes for noxious exhausts *via* battery propelled engines. This however, is a very long term strategy. Under the prevailing conditions, for many more years, the U.S.A. will have to learn to live with its pollution as best as it can.

Massive Campaign for Cancer Cure

The fourth goal revolves round an equally far-reaching health programme. It is desired to ensure that no American family will be prevented from obtaining medical care because of inability to pay; that there is a major increase in the volume and direction of medical aid to medical schools so as to assure appropriate strengthening of health personnel. Mr. Nixon proposes besides incentives to improve the delivery of health services, to get more medical care resources into those areas that have not been adequately served, to make greater use of medical assistants and to slow the alarming rise in the costs of medical care. Special programmes are also envisaged to encourage better preventive medicine, by attacking the causes of disease and injury and by providing incentives to doctors to keep people well rather than just to treat them when they are sick. And in medical care facilities is included a \$100 million campaign to find a cure for cancer.

The fifth goal is to fiscally improve the strength of State and local Governments. Mr. Nixon has proposed that the Congress "make a \$16 billion investment in renewing state and local government—with \$5 billion in unrestricted funds and with the other \$11 billion provided by allocating \$1 billion of new funds and converting one-third of the money going to the present narrow purpose aid programmes into federal revenue sharing funds for six broad purposes—urban developments, rural development, education, transportation, job training and law enforcement, but with the states and localities making their own local decisions on how it should be spent.

Restructuring of Federal Government

The sixth goal relates to a restructuring of the Federal Government reducing its 12 cabinet departments to eight. These two goals reflect broadly the growing impatience of the regions that

they had all along been on too tight a leash in the wake of a trend towards Centrism which was fostered as a counterpoise to the decentralising forces in the division of powers between the federal and state governments under the American Constitution. This is a local problem and the

economist is more concerned, therefore, over how far the U.S. Congress will accommodate the Nixon proposals in respect of the other four goals and how far the economy itself would react to the strange mix of squeeze and expansion in the fiscal-monetary policy of the administration.

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Water Supply and Drainage	28.49
Engineering	43.25
Cotton Textiles & Jute	30.74
Iron and Steel	17.35



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Playing the Socialistic Tune

I believe that right thinking men in India took trouble to apprise masses of the type of illusion that is being fed to them at every electioneering platform, whether of the Congress (R) or of the CPI or the Marxists. We are indeed a very poor country. Over the last two decades of planning, there has not been, according to a National Sample Survey corroborated by an assessment of the Planning Commission itself, any change in the character of rural poverty, though urban poverty has deepened further. In such a situation, every political party, irrespective of its convictions, is constrained to play the socialistic tune mouthing familiar shibboleths like land ceiling, ceiling on incomes and elimination of monopoly. While this is understandable it cannot be an excuse for soft-peddalling the changing content of socialism and instead sticking on to its primitive type of a struggle between the haves and the have-nots.

Western socialism, for instance, has revealed two types of change: In the capitalistic economies, there is a growing awareness that the economic system has, merely to ensure its survival, accord reasonably well with the needs of welfare of the unprivileged and underprivileged. Indeed over the years a number of checks have been imposed on the ownership and use of wealth in these countries through taxes, wage awards, profit sharing, price control and the like whose sole aim is to make sure that the baker, while he makes bread for society, bene-

fits the consumer as much as he benefits himself. The anti-trust legislation in its diverse facets in the U.S.A. and Western Europe seeks to keep private profit motive from engrossing on common weal to the detriment of the weaker sections of society.

In the communist societies of the Soviet block, there has similarly been a thaw in former rigid stances. Though politicians there are over-anxious to discount the character of the economic change as being revisionist, there has been considerable amount of revisionism forced by pragmatic considerations of productivity. Though official economists of the Soviet Union say that there has been no type of a return to capitalistic techniques of incentives, competition and the free market, the measure of such change has been responsible for crucial realignment of decisions on planning. And consequent changes in the structure of these economies have come to display some liberalism though its dimensions may vary as between a revisionist Yugoslavia or Leninist Soviet Union. In fact only in the case of Peoples Republic of China, there is still a rigidity of pristine communistic shades which also explains why the leaps forward have in many cases been there, mere leaps in the dark or no leaps at all.

The point is that the controversy over socialism vs capitalism has lost its meaning completely in the modern, technologically - controlled societies. Requirements of sophisticated technology dictate that certain decisions de-

mand a higher degree of centralisation and certain others decentralisation. The ideal mix of centralisation and decentralisation is what should decide the complementary roles of the public and private sectors in every economy. And in so far as these are days of multi-national companies operating all over the globe, the campaign against monopolies in India, in the context that the biggest Indian company is an international pigny, seems a quixotic tilting at the wind-wills. Indeed we are living in an era in which, just as each economy can prosper only by evolving an appropriate mix of centralisation and decentralisation of economic decisions, nations of the world can prosper only by identifying in their inter-relations the optimal mixture of nationalisation and internationalisation of their economic decisions. The reluctance to recognise this elementary truth is at the bottom of much of the stalemate in tackling questions of liberalisation of international trade as well as of disarmament. In fact, the emphasis on the balance of terror rather than mutual advantage is difficult to discard because of the short-sightedness of official policies of leading countries which inhibits wholesome internationalisation of their political and economic decisions. So far as India is concerned, the chase of doctrinaire socialism only confirms that in ideology as well as affluence, we are quite underdeveloped. And so long as the concept of welfare is soft pedalled in favour of vitriolic socialistic talk capable of arousing class conflict, the casualty will be social welfare involving the meagre fortunes of the vast masses for whose sake most reform is deemed to be pushed through.

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Liberal Refinancing of Priority Projects

The Governor of the Reserve Bank after consulting the Chief Executives of major commercial banks has decided that the monetary restrictions imposed at the beginning of the busy season should continue and that as far as possible fresh advances should be effected out of fresh additions to deposits. It was not quite realised that the developments in the past few months have come about on account of the Government's own anxiety to expand credit in new directions and that what was needed was the laying down of guidelines for proper use of available funds even in the case of small borrowers. Besides, it has not been recognised that during the period of interregnum advances will necessarily be in excess of deposits and where large amounts were immobilised due to the procurement of foodgrains and accumulation of sugar stocks, no serious accentuation of inflationary pressures was likely. In fact, it has not been properly appreciated that persistence in the procurement of foodgrains which are unlikely to move again into consumption in a short period will result in an addition to money supply and even an increase in open market prices for foodgrains in the deficit areas. The better course should have been to relax restrictions on the movement of foodgrains within larger zones as was done sometime back in the case of wheat. The Reserve Bank's insistence that advances against sensitive commodi-

ties like raw cotton, oilseeds and oils should be restricted is untenable. However, even here there will have to be an increase in limits to the cotton mills because of higher prices. The credit squeeze has no doubt had a salutary effect. But the drop in prices is due more to technical factors and the recent expectations that the actual yield of the cotton crop may not be so unsatisfactory as estimated earlier. The fact cannot be overlooked that there will have to be expansion of credit for seasonal purposes and it will be unwise to restrict refinance facilities where it was abundantly clear that there will be a repayment of the loans with a reduction in stocks of sugar or other commodities.

Affecting the Tempo of Growth

Indeed, the denial of credit for productive purposes may have adverse consequences and slow down the tempo of growth in agricultural production. The Reserve Bank can control effectively undesirable trends through selective control and not through blanket restrictions on the availability of refinance facilities. Actually it will be worthwhile to examine whether there can be compartmental refinance for a larger number of types of advances. As in the case of pre-shipment and post-shipment credit direct loans to farmers and assistance to small entrepreneurs it

should be decided for the time being that there should be 100 per cent refinance for procurement purposes.

Refinance for priority purposes should be made available liberally at the bank rate. If with a proper determination of the viability of new projects and the institutions of safeguards for the use of small loans there can be greater economic activity, the creation of credit would have been worthwhile. It is no use pursuing rigid policies and relying on orthodox measures as dearer money will be only compelling the organised sector to adopt the usurious practices of the unauthorised sectors and creating problems for the industrial units. What is needed is selective quantitative restriction of credit and not dearer money. Even here, it is understandable that there should be an increase in deposit rates for stimulating savings, but there is no justification for raising lending rates and having a wider spread between average deposit rates and average lending rates. The banking system can well manage with a differential of 2½ to 3 per cent against 4½ per cent at the present moment. If it can be agreed that there should be a maximum of 10 per cent for secured advances and 12 per cent for unsecured credit, there will not be an inflation of costs. The present policy of drift should, therefore, be abandoned and a careful policy of over-lending adopted at reasonable interest rates.

F.C.I.'s Decade of Service in the Fertilizer Field

The advent of 1971 for the Fertilizer Corporation of India marks the completion of a "decade of service" as the largest producer of chemical fertilizers in the country.

The Corporation came into existence on January 1, 1961, with the amalgamation of Sindri Fertilizers & Chemi-

cals Ltd. and the Hindustan Fertilizers and Chemicals Ltd., to own and operate complex and growing fertilizer factories in a co-ordinated and efficient manner in the public sector.

The Corporation has an authorised capital of Rs. 200 crores with an annual installed capacity to produce 4,10,325

tonnes of nitrogen and 36,000 tonnes of P 205. The five operating units under the control of F.C.I. at Sindri, Nangal, Trombay, Gorakhpur & Nampur produced, during the year 1969-70, three lakh tonnes of nitrogen and 17,000 tonnes of phosphates to replenish the depleted soils and increase the crop-yield in the country. The

rapid growth of the Corporation is evident from the fact that in 1960-61, when the F.C.I. was formed, the only operating unit—Sindri factory which was the first public sector undertaking to go into production—was producing 68,863 tonnes of nitrogen.

New Projects

The F.C.I.'s four new major projects in the implementation stage are at Durgapur, Barauni the Namrup Expansion and the Sindri Rationalisation scheme. By 1972, when the plants at Durgapur, Barauni and Namrup Expansion, each with an annual capacity of 1,52,000 tonnes of nitrogen, go into production, the nitrogen capacity of F.C.I. will be 8.29 lakh tonnes annually.

Besides, the Corporation has undertaken the responsibility of setting up

three coal-based fertilizer plants which will be the largest in the world. These will be Ramagundam in Andhra Pradesh, Talcher in Orissa and Korba in Madhya Pradesh. Work on the first two has already started.

The Haldia Project

The Government of India has already approved in principle a Rs. 73 crores fertilizer project to be located at Haldia in West Bengal. The plant will be based on fuel oil available in the country and will have an annual capacity to produce 3,77,000 tonnes of nitrophosphate, 1,65,000 tonnes of urea and 60,000 tonnes of soda ash. In terms of nitrogen, the capacity will be 1,50,000 tonnes annually.

F.C.I.'s store house of technical knowledge, known as Planning and Deve-

lopment Division, is located at Sindri. The Division has set up several projects. The most significant achievement of the Division is the development of know-how for the manufacture of a complete range of catalysts, the key to successful fertilizer production.

Agronomic Services

The Corporation, in addition to being the largest single fertilizer producing organisation in the country, also offers a complete fertilizer technology to the industrialists. It also provides complete agronomic services under the fertilizer promotional programme for the farmers which include proper fertilizer use, soil testing and recommendations regarding dosages for various crops.

Need to Get Maximum Value from Exports

The signing of a new trade agreement between India and Russia providing for a growth in exports by 15 per cent annually in the next 5 years has come about at a time when the problem does not relate to a stepping up of export but to a stepping up of production. During the first seven months of the current financial year total exports have fallen short of the corresponding period in 1969-70 by over Rs. 10 crores.

Yet it is expected that India will be supplying goods of the value of Rs. 190 crores and importing goods of the value of Rs. 140 crores. The balance of as much as Rs. 50 crores will be utilised for repayment of old debts. On the basis of a 50 per cent growth in exports, additionally about Rs. 28 crores worth of goods will have to be exported to Russia in 1971. In 1969 the increase in aggregate exports was not probably more than Rs. 50 crores. This would mean that even if this performance was repeated in 1971, which is unlikely in the face of set-backs suffered in 1970, nearly 60 per cent of the fresh increase in exports will have to be accounted for by Russia.

Unless the Union Ministry feels diffident of raising exports even with the availability of the required surpluses, there is no justification for entering into an agreement which will bring about a difficult situation and leave no choice for the government and buyers to purchase their requirements on a cheaper and more efficient basis. If it is assumed that the growth rate is maintained at 15 per cent annually exports to Russia by 1975 will be easily Rs. 350 crores out of a total of Rs. 1900 crores or thereabout which would mean that its share will increase to over 18 per cent from the present level of around 11 per cent. It

has of course been claimed that out of this total as much as 60 per cent will consist of engineering goods and the Soviet Union has agreed to take industrial machinery, rolled steel products, paints and varnishes and many other items which are not now being shipped. There will also be larger imports of non-ferrous metals, copper particularly, fertilisers, sulphur and other products which are badly needed by India. But when there is a glut of fertilisers in the world market and Russia is not known to have larger resources of non-ferrous metals, it is difficult to understand why a new agreement is being concluded which will limit the scope for manoeuvrability for India especially when different delegations which have visited foreign countries have come back with a feeling that there is vast scope for promotion of Indian exports and Indian entrepreneurs can embark also on joint-ventures with interests in South East Asian and African countries apart from supplying the special requirements of W. Germany and other developed countries.

Unseemly Hurry to Export

In a world where unexpected developments are taking place in many countries a prominent buyer should have the option to secure his requirements from sources which are attractive and from where upto-date equipment or high grade raw materials and components can be obtained. It is necessary to bear in mind this important aspect of foreign trade and make sure all the time that fresh purchases from the Communist blocs are effected on a competitive basis and the goods secured also compared favourably with those from W. Germany, Japan or other sources from the point of view of quality. While everything can be said in favour of closer ties with trading partners where they prove to be advantageous, it is necessary to point out that there should be no unseemly hurry to maximise exports to the Soviet Union and other rupee payment areas to adhere to targets when it is found difficult to raise even exports by an average of 7 per cent and maintain normal relations with existing partners.

Growing Need for Industrial Research

Even with best technology imported and despite low labour cost, price of Indian products is high and India has not been able to compete well in world market. The principal reason for this state of affairs was lack of general awareness on the part of industry to properly appreciate and recognise the importance of research and development, said Dr. Atma Ram, Director General, CSIR, while inaugurating a conference on Research and Development in Industry at Bombay sometime back. He felt that not even minimum R & D effort was there to adopt modern technology to suit Indian conditions. He, however, said that there was growing awareness among the Indian industry of this lacuna. He drew at-

tention to the fact that in Japan 99 per cent of R & D expenditure in industry was incurred by the industry itself. In India this trend was yet to develop. Dr. Atma Ram said that for best results, industrial research is best done 'by industry in industry.'

Five-fold Rise in Research Expenditure

The expenditure on R & D in India has grown substantially during the 'sixties. As per estimates made by the Committee on Science and Technology, expenditure on R & D in India increased from about Rs. 27 crores in 1958-59 to Rs. 135 crores in 1969-70.

The R & D effort in the country is financed mainly by the Union Govern-

ment, and the bulk of the funds forms part of budgetary appropriations. The contribution of industry to R & D effort is quite small in the overall financial expenditure. Private industrial sector is estimated to have spent about Rs. 8 crores in 1969-70 and the State under-undertakings Rs. 5 crores. In the above estimate, expenditure of State undertakings has been considered as part of the government sector expenditure. Thus, R & D expenditure of Indian industry (including the public sector) amounted to Rs. 13 crores in 1969-70. Viewed against the background of annual production, amounting to Rs. 6,000 crores, R & D expenditure of industries is indeed very small (about 0.2 per cent). However, in evaluating the contribution of industry to R & D expenditure, it is necessary to keep in mind that the expenditure of Rs. 13 crores indicates annual expenditure on revenue account only; its contribution would work out much larger if expenditure on capital account were also included. But such segregated and chronological data are hard to come by in the present Indian context.

SOARING PRICES CHECK EXPORTS

The rate of growth of exports of chemicals and allied products has been declining and this has been causing much concern. Mr. L. M. Jamnadas, Chairman of the Chemicals and Allied Export Promotion Council, addressing the 12th Annual meet of the council pointed out that in the first eight months of 1970-71, exports of this sector amounted to Rs. 21.50 crores against Rs. 20.50 crores during the same period of the previous year. The growth was only 5 per cent. As against this the rate of growth in 1968-69 was 28 per cent and in 1969-70 it was 17 per cent.

The exporter, explained Mr. Jamnadas, was beset with many problems.

Inadequate production capacity, difficulties encountered in obtaining indigenous raw materials, soaring prices of products like rubber, fabrics, steel wire, paper and board—all these affect export growth. Prices of all chemicals were nearly 60 per cent higher than the international prices. As for imported raw materials, apart from the high prices, their supply was not adequate. The Chairman was indignant that there had been great reluctance to expand the list of permissible items of import even to include items not made in the country. Quantitative restrictions were imposed in many cases retarding product development for export.

ESTIMATED R & D ALLOCATIONS

	Rs. Crores			
	1958-59	1965-66	1968-69	1969-70
Central Sector (including Universities)	20.05	74.89	105.74	118.99
State Sector	1.00	3.51	6.09	8.60
Private Sector	0.15	2.43	7.07	8.13
Total	27.20	80.83	118.90	135.72

Social Responsibilities of the Private Sector

By TILAK SHANKER

The protagonists of private sector have chosen to build their defence on two points, which are more a plea for *laissez faire* economy and less based on the realities of today's India. Firstly, private sector in the past had not been allowed to grow and fully participate in the building up of modern India. Licensing and monopolies act are stated as examples. Secondly, it is maintained that efficient functioning has been stifled, thereby demotivating the successful private sector units. Price control and excessive corporate taxation are pointed out as the deterrents.

Neither of these assertions are borne out by facts. Private sector had not only participated and had an impressive growth in the last two decades, but its functioning has been comparable to international standards. In the three five year plans, out of the total investment of Rs. 5,000 crores in industry, nearly Rs. 2,300 crores or 46 per cent of the total had come from the private sector. Even in the fourth plan, private sector has been allocated nearly Rs. 2,400 crores of investment for industrial development as against Rs. 3,900 crores by the public sector. Thus even though the public-private sector investment ratio has moved from 1:4 in the I Plan to 2:1 in the IV Plan, still in absolute terms, private sector's contribution had been significant.

The plea of the private sector, however, is that:

- (a) public-sector's growth had been equally phenomenal and hence it is not fair to isolate private sector alone.
- (b) such a rapid growth of the private sector is entirely due to their efficiency and infusion of new capital from time to time.

- (c) even after such significant growth, top industrial firms in India are infinitesimally small as compared to American or British or Japanese firms.

The above contentions appear at first glance reasonable and valid, but on a deeper probe reveal their true identities, as mere extenuations.

Success of Deliberate Policy

To say that public sector grew from a non-entity two decades ago to a massive industrial empire today, is merely stating the obvious. At the commencement of the first Plan, the 5 public sector units together totalled upto an investment of Rs. 3,330 crores. This growth had been the outcome of deliberate policy and inspite of the poor functioning of the public sector enterprises.

But it should be noted that primarily this investment had been in Iron & Steel—which is by nature "a high investment, long gestation" industry. As against this, the private sector investment had been in the "creamy" sectors, like light engineering, chemicals and consumer goods, where the capital-output ratio is high, gestation period low and profitability more attractive. It is estimated that while every crore of investment in the steel industry generates additional resources of Rs. 14 lakhs, while an equal amount invested in consumer goods generates 2.5 times additional resources of Rs. 35 lakhs.

Thus investment mix is substantially different in the public sector and any comparison of the total assets is likely to be misleading.

Secondly, it should be noted that whereas the total assets in the public

sector is Rs. 3,330 crores, the assets of the private corporate sector had crossed Rs. 7,500 crores in 1967-68.

Any claims of step-motherly treatment to private sector, thus, is not substantiated by facts.

Yielding Better Returns

It is true that private sector is more efficient and that it has been making better returns on capital than the public sector. It is estimated that the return obtained by Govt. undertakings was only around 3 per cent, while private sector netted 19 per cent. Private sector's strength and better profitability had been due to investment in "creamy" sectors like Auto ancillary 21 per cent (Gross Profit on sales), Bearing 20 per cent, Diesel Engines 18 per cent, Non-Ferrous metals 20 per cent, Electrical goods 12 per cent, etc., and in other consumer goods industry, a flexible organisation structure, managerial competence with suitable rewards for performance and technical excellence. But the most important factor had been the protection given by the Government against either foreign or internal competition.

It is also interesting to note that the growth of private sector had come about in spite of little infusion of capital. Depreciation and borrowings alone contributed for 80 per cent of the resources, while paid up capital contributed to only 10 per cent of the growth in fixed assets.

Market Economy Not Suitable

In this decade as also in future, we would be increasingly concerned with the *direction* of economic growth and not merely the *quantum* of economic growth. We have preferred a planned economy as "market economy" is not suitable to our conditions. In our

country with an abysmally low per capita income (Rs. 550), rampant unemployment (15 million) and widespread misery, the private sector expounding the virtues of a "free economy" would appear sadly out of context. Today's need is a private sector with a soul—with social responsibility.

Unlike the West, where social responsibility is a fashionable term, and freely used by firms in their advertisements (several companies in the US have been sued for making wild claims about their efforts to fight pollution), in our country it will have to be real and self-motivated.

How the private sector deals with today's problems and therefore with itself will show it to be, either the "selfish and exploiting" class that critics see it to be else the "greatly troubled, but still in the grip of its original moral purpose" and promise that the optimists see.

C.M. Lays Foundation for Polyester Fibre Plant at Manali

Work on the Rs. 9-crore polyester fibre project at Manali near Madras was inaugurated by Chief Minister Karunanidhi on February 3, 1971. This project, set up by the Indian Organic Chemicals Ltd., has a licensed capacity of 6,100 tonnes per annum.

Laying the foundation, Mr. Karunanidhi said that the Government of Tamil Nadu had created a favourable climate for industrialists to set up new projects in the State. He hoped that the proposed fibre plant at Manali would give a better fibre which could

be blended with cotton and make attractive yarn and cloth.

Manali Petro-Chemical Complex

The Chief Minister observed that the Government of Tamil Nadu was desirous of setting up many more petro-chemical industries based on the Madras Refineries and expressed the hope that it would be possible to set up soon a Rs. 100-crore complex which would generate more than 30,000 jobs. He hoped entrepreneurs

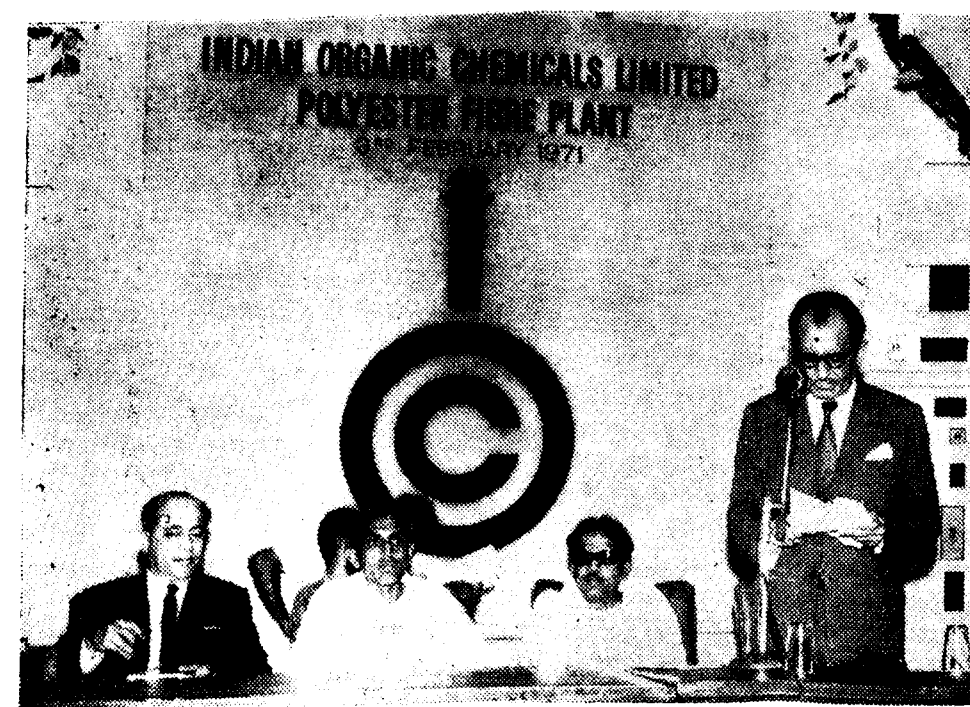
would come forward to set up new industries in the joint sector to provide employment.

Mr. S. Madhavan, Industries Minister, earlier said that the Government was committed to the industrial development of the State and, in that context, he would welcome private capital from any part of the world to start new industries in Tamil Nadu.

Bright Future for Polyester Industry

Mr. B. M. Ghia, Chairman of the Indian Organic Chemicals Ltd., observed, in his welcome speech that the plant was being set up at Tamil Nadu because the State had made spectacular progress in industrial development in the past several years. Also, industrial peace prevailed in the State and that went a long way to help industrial development. Further, the textile industry in the State was widespread and it offered a good potential market for polyester fibre. The industry had to contend with various factors, the chief among them being heavy excise duty. Hence, he appealed to the Government of India to reduce the excise duty which was more than twice the cost of production. He hoped that the plant would go into production in the second half of 1972. That, however, depended on the availability of mild steel as also stainless steel.

Mr. D. S. Dalal, Joint Managing Director of IOCL, proposed a vote of thanks.



Mr. M. Karunanidhi laid the foundation for a Polyester Fibre Plant in Manali near Madras. Picture shows Mr. B. M. Ghia, Chairman of IOCL, delivering the welcome speech. Others (L to R): Messrs. D. S. Dalal, S. Madhavan and M. Karunanidhi

INDUSTRIAL ECONOMIST

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INDUSTRIAL ECONOMIST

TOWARDS SELF-SUFFICIENCY . .

"Though the growth of the polyester fibre industry has been spectacular in advanced countries, there is only one such plant in India so far," observed Mr. Ghia, Chairman, I.O.C. Ltd., in a special interview to the **INDUSTRIAL ECONOMIST**. However, he added, the Government had issued licence for the setting up of three more plants in the country in addition to the proposed one at Manali. The Manali plant would have as its raw material, two expensive petro-chemicals, one of which was not yet produced in India, but was expected to be produced by the Indian Petro Chemical Corporation—a public sector unit in Baroda. The other petro-chemical

was available from another unit from Bombay. Both the raw materials would have to be transported over long distances to Madras. Moreover, as the capacity of the textile industry in South India to absorb the new fibre was limited, a large portion of the output would have to be transported to other parts of India involving an additional expenditure of Rs. 60 lakhs.

Collaboration with CHEMTEX

The company, Mr. Ghia said, had entered into collaboration with CHEMTEX Group of companies in New York and it would be getting technical know-how and process equipment from CHEMTEX. The cost of the proposed project would be nearly

Rs. 9 crores, excluding the working capital of Rs. 2½ crores. USAID. would meet foreign exchange to the tune of Rs. 2 crores for the import of equipment and machinery.

Plea for Cheap Power

Mr. Ghia observed that, as production at the polyester fibre plant at Manali would be a continuous chemical process, there should not be any failure of power or fluctuations in voltage. He hoped that the State Electricity Board would extend its full co-operation in that matter and also that the Government would consider favourably the request for a reduction in power tariff.

—PSR

Labour Trouble Afflicts Tyre Industry

A strange predicament of the tyre industry is that even though the industry has the capacity to produce 6.5 million tyres, current output is not more than 80 per cent of this. On the other hand, there are reports about shortage of heavy duty tyres in different parts of the country and some time back the Central Government held discussions with representatives of the industry to check black marketing and rationalise distribution arrangements. The shortage of tyres for trucks, buses, cars and tractors is most acute in some States in North India and the premium over list prices was as high as 40 per cent. This situation is anomalous as there is no shortage of raw materials and components and there is even an embarrassing surplus of natural rubber. The tyre units can function even above rated capacity as they have been expanding all the time and there is surplus capacity in particular divisions. All the units have been allowed to raise their output upto 25 per cent in excess of the rated capacity. But even with the installation of balancing equipment and the partial completion of expanding schemes, total production in 1970 is not expected to be more

than that of the previous year because of a prolonged strike at CEAT Tyres and go-slow tactics adopted by the workers of Good Year, Inchek Tyres and Premier Tyres. Even Dunlop India and Madras Rubber Factory were affected for some time and only latterly there have been a pick-up in production.

Expansion Schemes Delayed

The shortage can be expected to be remedied in two or three months as all the units are now free from labour trouble and attention is also being paid to an increase in the output of those tyres which are in short supply. If there is no interruption in production in 1971 it can be expected that the output can be increased by 20 per cent, if not more. Because of the shortages experienced in meeting internal demand the export effort has suffered a set-back. It has been complained that there has been delay in finalising arrangements for import of machinery to complete expansion schemes because of the wrangle over export commitments. The industry seems to be asking for some safeguards which will not impose on it disabilities

where export commitments have not been fulfilled due to factors beyond its control. The differences in this regard should be ironed out without delay as otherwise the desired growth in production cannot be secured in 1972-74.

The growth in consumption in the current year can be met with the intensive use of existing capacity. There will also be no problem of meeting the demand in the next year with the newly created facilities for installing balancing equipment. Five units have a programme for raising capacity by over one million tyres or in excess of 15 per cent of capacity. It is expected that the growth in consumption under favourable conditions will be about 7 to 8 per cent which would mean that the demand for 1972-73 can be taken care of by these new projects.

A number of licences to new parties have been issued and almost all State Governments have evinced interest in having a tyre plant of their own and a few State Industrial Development Corporations have been granted licences. There are also some proposals establishing new units in the private sector under new auspices.

—(FOC)

INDUSTRIAL ECONOMIST

THE CITY CORNER:

Secure Exports to Finance All Imports —R.V.

Incentives for development of Indian technology and innovation by industrialists, growth of the tertiary sector (banking, insurance, transport etc.) with a view to securing employment, self-reliance rather self-sufficiency in the field of exports/imports, emphasis on applied technology and engineering rather than on work on pure discipline were the keynote of the valedictory address of Mr. R. Venkataraman, Planning Commission Member, at the Exhibition organised by the Southern India Chamber of Commerce. "There should be no restraint on imports but the stress must be on securing the exports to finance all the imports desired", he said.

The Planning Commission Member regretted there was no direction in the employment policy of the Government. There was not enough appreciation of the employment potential of the tertiary sector whose development depended on industrial growth. Spelling out the incentives that would help technological development, he said those industrialists who developed their own innovations must be supplied raw materials without interruption. He advocated a ban on further import of improvements in technology once the import of basic technology had been allowed. All further developments and improvements of the technology bought from abroad should be the responsibility of the industrialists concerned, he said. Prizes and commendation certificates were given by him to the best pavilion in the exhibition.

Italian Trade Delegation Visits City

An Italian trade delegation led by Prof. Paolo Barbi, Member of Parliament, was in the city for three days meeting businessmen, Government officials and others. The visit coming on top of earlier delegations from Italy resulted in substantial trade develop-

ment. During the visit of the Barbi delegation to the city an Indo-Italian joint footwear enterprise was inaugurated. The venture is an export-oriented one and will manufacture

the latest Continental-style footwear for the European and American markets. According to one of the Directors of the company, the export commitments are of the order of Rs. 3.75



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crores to be fulfilled before December this year. The other developments announced during the delegation were: The early setting up of an Italian Consultancy firm at Madras, finalisation of two Indo-Italian joint ventures for manufacture of fuel injection pumps and carburettors at Ahmedabad and Poona respectively and the constitution of joint business group for promoting trade. Mr. Barbi and the 23 other members of the delegation were given receptions by business organisations in the city. All of them appeared to be highly impressed with the growth of the small and medium industries in India. They suggested that products of these industries be exhibited in Italian fairs.

One More Order for BHEL

The chairman of Bharat Heavy Electricals Ltd. Mr. O. S. Murthy, during a visit to the city announced that orders had been placed with them for the fifth 110 MW unit at the Ennore Thermal station. Mr. Murthy said that two 60 MW turbo-alternators had already been supplied and were in operation though they had not

been formally commissioned yet. The construction work on two 110 MW units was going on, he said.

TIDCO to Manufacture Cigarettes

The Tamil Nadu Industrial Development Corporation has received from the Centre a letter of intent to set up a cigarette factory with an annual production capacity of 7,000 million cigarettes. According to a survey made by the Corporation there is a big market for cigarettes in the State. Also, it is a growing market. The Central Government has given letters of intent to six private firms to manufacture cigarettes.

The Coal Strike Crisis

The Southern Railway suddenly cancelled as many as 150 trains on the branch lines following the stopping of loading of coal in the Dhanbad division of the Eastern Railway as a result of employees' strike on that railway. However, after about a week there were reports that special measures were being taken to keep up at least half the normal supplies from the coal bearing areas. Also suppli-

es from the outlying areas like Singareni were being maximised. A week later to the relief of all, the strike was withdrawn and the staff returned to duty. The Southern Railway which was the farthest zone from the coal bearing areas, announced restoration of the curtailed services.

The General Manager of the Railway Mr. P. C. Mathew who took pressmen round the Railway pavilion in the exhibition organised by the Southern India Chamber of Commerce as part of its diamond jubilee celebrations, said that the diesel rail car which was very popular on the Mysore-Bangalore route would be introduced on other urban centres like Tiruchi, Trivandrum, Ernakulam and Bangalore. He also thought in the next financial year there might be budget allocation for starting work on the sanctioned electrification of the Madras - Vijayawada section. The General Manager of the Integral Coach Factory, Mr. Sundararajan who was also present said that the factory was at present executing an order worth Rs. 3.5 crores for 113 passenger cars for Taiwan Railways. —V.M.

Committed Judiciary vis-a-vis Committed Executive

Mr. Vidya Charan Shukla, Union Minister of State for Finance, speaking at a reception in Bombay recently, observed that the attitude of the Supreme Court should be causing considerable concern to the public especially because of its failure to interpret fundamental rights according to changing conditions in the country. Much earlier than this, the Tamil Nadu Law Minister, Mr. S. Madhavan, told a conference of public prosecutors in the State that the Supreme Court had better divest itself of some of its jurisdiction in favour of the High Courts in the States. The inducement for both these sets of comments was the same, namely that the judiciary in the land is not sufficiently committed to social changes at least in the dimension in which such a commitment is considered necessary by reformist politicians.

Guarding the Constitution

What is conveniently missed in such a comment is a knowledge of the constitutional purpose behind the type of jurisdiction conferred on the Supreme Court. In the Indian situation, the authors of the Constitution went about distributing part of the powers of a unitary government to the regions to erect a federal set-up without injury to national unity. At the same time they kept a unitary system of judiciary by making the Supreme Court the top most rung and the central piece of a closely knit legal system, the lower tiers of which were constituted by the high courts and subordinate courts. Further in making a unitary set-up federal they took care to empower the Supreme Court adequately to operate as the guardian of the constitution and of the fundamental rights specially written into it.

The result of this has been a two-fold characteristic: First the Supreme Court is saddled with a vast jurisdiction of an over-riding type as a final court of appeal and as the final

arbiter in disputes relating to the interpretation of the law. Those who wish the United States pattern of the Supreme Court copied here conveniently overlook the fact that the jurisdiction of the Indian Supreme Court has been so conceived as to save it from some of the embarrassing and amusing experience of the U.S. Supreme Court. For instance, constitutional pundits have described how a particular State Government in U.S. once threatened to hang any one who dared to carry out a Supreme Court decision and how a U.S. President challenged Chief Justice Marshall—who was responsible for liberalising the American Constitution according to the requirements of a changing society through his famous judicial reviews—to implement his order if he could. Bottlenecks of this type with their implicit quarrels over trivials have no place in the Indian judicial system.

Judiciary to Safeguard Social Justice

Mr. Madhavan's contention is that litigation at the Supreme Court level is unnecessary in respect of certain things which need not go to it and is too expensive for the common man. There is some point in the first objection inasmuch as the Supreme Court has been asked to decide not only high questions of law but also trivial personal issues relating to individual wills. Even the second objection is patly valid insofar as taking a case to the Supreme Court especially on the civil side is a luxury which not many can afford. The remedy for the first has been already provided in the monetary limits of Supreme Court jurisdiction in certain cases. In most other cases, there can be room for the complaint as voiced by Mr. Madhavan, that the costs of litigation may be out of all proportion to the stakes involved which may be for instance as small as less than an acre. But in most such cases, the real stake is not the property in question, but a parti-

cular interpretation of law. So far as any law is intended to guarantee some type of social justice as inherent in a particular right, it is such justice that has to be safeguarded not only in the interest of the individuals concerned but also of that of the society at large. Any infringement of the right of the judiciary here will endanger such long term social interest.

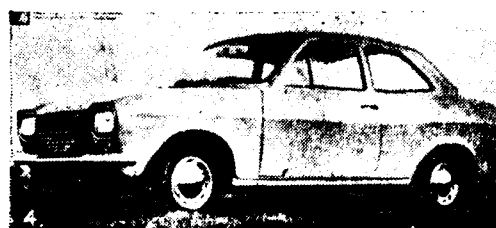
Failure to Observe Legal Decorum

On the contrary, the complaint as inherent in Mr. Shukla's observation that our Supreme Court is not as forward looking as it should be in a fast changing social milieu, the point left unclarified is whether he would like the Supreme Court to go against the law as enshrined in the fundamental rights chapter. The exaggerated charge of conservatism has soft pedalled the fact that the Golaknath verdict which made it impossible for the legislature to abridge fundamental rights had no retrospective application and that, by the time it became effective, much of the rights conferred in the original constitution had been completely eroded by the amendments made later. Thus the operation of the Supreme Court has in effect been restricted to safeguarding rights pruned to the bone and compelling the executive to observe minimum legal decorum in pushing through its reformist programmes. Justice Mohammed Ismail has recently pointed out how a committed executive has failed to uphold such decorum as it should within its limited competence. If the country has not yet thrown overboard legal and formal decencies, it has been because of the impartiality and independence of the judiciary.

It is time the elite in society—especially the intelligentsia—bestirred themselves to educating public opinion aright on this issue because the politicians who are the leaders of the people are intrinsically inhibited from doing so on grounds of political expediency. —(FOC)

SELECTIONS FOR THE SMALL CAR

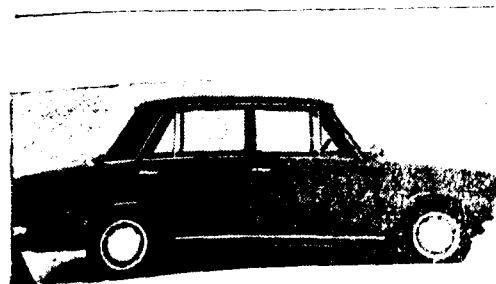
Eight foreign automobile manufacturers have offered to collaborate with India in the production of a popular car in the public sector. The models offered by the various countries are: Renault (R-6) of France; Alfa Romeo and Fiat (124) of Italy; Nissan (Datsun-1200) and Mazda of Japan; Ford-Escort of U.S.A.; Volkswagen of West Germany and Zastava of Yugoslavia.



Ford-Escort



Datsun-1200



Fiat 124



Volkswagon



Renault 6

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Plan Outlay in Andhra Pradesh

By DR. R. V. RAO

Mr. J. V. Narasing Rao Deputy Chief Minister of Andhra Pradesh rightly said before the Planning Commission that if the annual plan for 1971-72 is reduced to Rs. 87 crores and not allowed at Rs. 107 crores as proposed by the State Government, it would be difficult to meet even the cost of continuing schemes. The pressing demands of the agricultural industries and social services too cannot be met. Bulk of the amount would have to be spent for Nagarjunasagar, Sileru, Pochampad and Kothagudem projects and nothing would be left for other pressing needs.

The Deputy Chairman of the Planning Commission observed that the Commission assessed the resources and even after the Central share of Rs. 48 crores, the outlay could not be more than Rs. 87 crores.

It may be of interest to mention that the working group of the Planning Commission itself suggested an outlay of Rs. 99 crores. The State's Fourth Five Year Plan outlay is yet to be finalised. The State Government originally put it at Rs. 635 crores but was forced to accept Rs. 530 crores in view of suggestions from the Planning Commission. But the Commission now wants it to be fixed at Rs. 430.5 crores even though the need for the development of the backward areas of Telengana and Rayalaseema is more pressing than ever before. Actually, the state planners estimate that in order to achieve a growth rate of 5 to 6 per cent during the Fourth Plan, there is need for an investment of about Rs. 1,500 crores which can be broken up into Rs. 650 crores for the Central sector, Rs. 550 crores in the State sector and Rs. 300 crores in the private sector. Adding the current outlay to the investment in the State sector, the

total outlay of the State Plan will be Rs. 650 crores.

In the context of scarce resources, plan priorities assume added significance. The three Five Year Plans of Andhra Pradesh had given the highest priority to agriculture, irrigation and power. Agriculture and allied sections received 13 per cent of the total outlay in the First Plan, 20 per cent in the Second Plan and 22 per cent in the Third Plan. This will go down to about 17 per cent in the Fourth Plan.

High Allocation for Power Justified

The allocations for irrigation amounted to 22 per cent in the First Plan, 31 per cent in the Second Plan and 26 per cent in the Third Plan. It will be 16.80 per cent in the Fourth Plan. The power sector accounted for a higher share, with 39 per cent in the First Plan, 20 per cent in the Second Plan and 27 per cent in the Third Plan. The allocation for power in the draft Fourth Plan is 34.58 per cent. The industries sector accounted for only one per cent of the total expenditure in the First Plan, 5 per cent in the Second Plan and 4.3 per cent in the Third Plan. The outlay proposed in the draft Fourth Plan for "industries and mining" amounts to 7.18 per cent.

MITSUBISHI POWER-TILLER DEMONSTRATION

Farmers who gathered to witness the demonstration of the latest model of Mitsubishi power tiller, at the Sholavaram Panchayat Union Office compound on January 30, were well impressed by its efficient operations with a variety of implements. In this demonstration organised by M/s. India Garage, the power-tiller was worked with a reversible mould-board plough, a rotavator, cage-wheel puddling equipment, one-ton trailer and a sprayer attachment capable of a high thrust to reach the canopy of orchard trees. The reversible mould-board plough with adjustments for depth and breadth including a special hitch which can give a perfect cutting even with a depth of eight to ten inches particularly attracted the attention of the farmers. A special feature of this power-tiller was the automatic braking system that stops the tiller by itself regardless of the main transmission position and thus ensures the safest operation.

The power-tiller is manufactured by M/s. V. S. T. Tiller Tractors Ltd., Bangalore in collaboration with the Mitsubishi Heavy Industries Ltd., Tokyo. In the course of a group discussion of the farmers, presided over by Mr. K. M. Srinivasan, President of the Union, Mr. B. M. Lakshminpathi, Technical Director of the Indian firm explained that the indigenous component in the power-tiller at present comprised 40 per cent and would be increased to 70 per cent from April. At present 1,500 units are working in farmers' fields. The tiller consumes one litre of diesel per hour of ploughing. The cost of ploughing an acre would be about Rs. 16 a day of eight hours. A seed drill and an attachment for application of fertilizers are now being tested at Bangalore and will be added to the accessories. More sophisticated accessories will be designed and added for harvesting and threshing in due course.

— (FOC)

COMMODITIES:

New Pact on Rayon Yarn Prices

The long row over rayon yarn prices has been sought to be settled by a one-year voluntary agreement between spinners and weavers. This has been necessitated by the delay over a Government decision on the Tariff Commission's recommendations on the revised prices for rayon yarn and the representations by weavers, particularly in the decentralised sector, regarding the high prices they had to pay for their requirements in the open market following the expiry of an earlier agreement on supply of a fixed proportion of yarn output at concessional prices to weavers and exporters of rayon fabrics. The new agreement was reached at a joint meeting of spinners and weavers arranged by the Union Minister of Foreign Trade, Mr. L. N. Mishra. However, the agreement would be superseded by any decision that the Government might take on the Tariff Commission's recommendations.

Under the new agreement weavers together will get a larger proportion of 52.5 per cent of the total yarn production at concessional prices against the 45 per cent fixed till recently while the exporters of rayon fabrics will continue to get upto a maximum of 10 per cent of the output as earlier. The concessional prices are unchanged at Rs. 10 per kg., (basis 120 d) for supplies to actual users and Rs. 7 for supplies to exporters. The distribution will also be made as earlier on the basis of consumption though a section of weavers had demanded supplies on loomage basis.

Graded Quotas

However, the impact of the quotas will fall differently on the various spinners. The producers have been classified into three categories. Century and National Rayon, the two biggest spinners, in the first category, will allot 60 per cent of their production to the actual consumers at concessional prices while the second category consisting of Baroda Rayon, South India Viscose and Kesoram will part with 50 per cent of their production at fixed prices. The third group includes the smaller units of J. K. Rayon, Travancore Rayon and Indian Rayon, which will supply only 35 per cent of their production to actual users at the fixed prices. The smaller units will thus have some relief as they will have a larger quantum for sale in the remunerative open market where there is a substantial premium on various counts. The larger units also will be able to reduce the

loss on concessional supplies from the free market sales. Prices for Century and National Rayon yarn have already firmed up since the agreement. A central committee of rayon spinners and weavers has been constituted for running the distribution scheme and work out the details. It has been agreed that any increase in excise duty would be payable by the weavers while any relief in this regard would be shared by the spinners and weavers in the ratio of one to two.

Though the present agreement has been arrived at under the threat of statutory control on prices by Government, it marks a welcome end to a prolonged controversy. The spinners would also appear to have been influenced by reports that the Tariff Commission had suggested a reduction in prices. But in the present context of a sizable gap between demand and supply of rayon yarn any reduction in free market quota is likely to accentuate the price spurt though the producers are said to have come to some understanding on open market prices. A long term solution would however lie in allowing expansion of capacity of the existing units besides licensing entirely new units.

Slow Pace of Cotton Imports

The reported move by the State Trading Corporation for importing 80,000 bales of staple fibre before June should be helpful to the cotton mills during a critical period. This is part of the 1.50 lakh bales of staple fibre allowed by Government to be imported besides the 13.25 lakh bales of cotton during the current cotton season. The S.T.C. will be getting 30,000 bales from the U.S., 45,000 bales from the U.K., and 5,000 bales from Italy and the shipments will be made between now and June. Further supplies are being arranged from other sources. As regards foreign cotton quotas, licences have been issued so far for import of 1.62 lakh bales of Sudanese cotton, 1.72 lakh bales of Egyptian cotton and 52,000 bales against global quota. Imports of American cotton are yet to be finalised and licences have been given for only about 60,000 bales. The Government has also released Rs. 9 crores in free foreign exchange for importing one lakh bales of raw cotton from countries other than Egypt and Sudan. These will be allocated to mills which undertake to supply cotton yarn at fixed prices to handloom, powerlooms and hosiery units in accordance with a scheme an-

nounced by the Textile Commissioner recently. The large-scale imports being arranged and the arrivals against the new crop in Western India have arrested the continuous rise in prices for most varieties of cotton and even an easier trend was noticeable in many qualities. But with the total indigenous crop, placed at not more than 54 lakh bales, a critical situation may arise after May as mill consumption for optimum working would need about 70 lakh bales. The mills have already been exercising restraint in their purchases and utilising existing stocks in excess of the prescribed levels but a million more bales of foreign cotton are to be arranged from various sources and on the timely shipment of this quantity would depend the working of mills in the lean months. Also, prices for American cotton at origin are reported to have gone up on news that India would be buying larger quantities soon.

Sugar Output Trends

Output of sugar in December 1970 is placed at 6.43 lakh tonnes against 6.37 lakh tonnes in the same month in 1969. This takes the total for the first three months of the current season to 9.56 lakh tonnes against 9.47 lakh tonnes in the corresponding period of 1969-70 season. With the off-take in December of 2.86 lakh tonnes (2.33 lakh tonnes) for internal consumption and 52,000 tonnes (nil) for export the total despatches for the first three months come to 9.57 lakh tonnes (7.68 lakh tonnes) for internal consumption and 1.20 lakh tonnes (17,000 tonnes) for export. Closing stocks at the end of December with factories were about 19.66 lakh tonnes against 14.66 lakh tonnes a year ago.

Meanwhile, the industry is groaning under the huge burden of accumulating stocks which will mount to 3 million tonnes by April end while it is concerned over the non-revision of levy prices for 1969-70 and 1970-71 seasons. Only a provisional price was fixed for last season which continues for this season also. The industry is said to be losing on an average Rs. 32 per quintal at the existing levy and open market prices. The glut conditions have also forced many producers to seriously think of suspending crushing operations. While the monthly releases are quite substantial around 3.5 lakh tonnes, the offtake of levy sugar has not been brisk while the discriminatory excise duty on open market sugar has entailed severe losses for mills. The Vice-President of the South Indian Sugar Mills Association has already pointed out that mills in Tamil Nadu might be compelled to suspend operations by the end of

February if no arrangements were made to create buffer stocks and revise levy prices immediately. Additional bank finance may also have to be provided to nurse the huge stocks. While factories in Tamil Nadu and Andhra Pradesh would welcome a more realistic cane price which would take into account the lower average recovery in these States, all sugar units in Eastern U.P. have decided to stop crushing from February 19 if there is no immediate revision of levy price and the higher excise on free sale sugar is brought down to 25 per cent the *advalorem* rate for levy sugar.

Credit Squeeze on Oilseeds

As a follow-up its dear money policy the Reserve Bank of India has imposed fresh restrictions on scheduled bank credit

against oilseeds, oil and vanaspati by raising the margin from 60 per cent to 75 per cent. It has been stated that the measure has become necessary in view of the high prices for these commodities as compared to the last season despite a higher output of groundnut. At the sametime, a minimum margin of 25 per cent has been imposed on advances against cottonseed oil to vanaspati units. The minimum margin has also been raised from 40 per cent to 50 per cent in respect of advances to vanaspati manufacturers against stocks of vegetable oils used as raw material, equivalent to six week's consumption of each factory in the northern zone, and four week's consumption in Western and Southern zones. For stocks above these levels, the margin will be raised from 60 per cent to 75 per cent. The minimum margin in the case of

advances to vanaspati units in eastern zone is unchanged at 40 per cent. The concessions and exemptions for units in the eastern States will also continue as before. There was a slight reaction in groundnut oil prices immediately after the announcement of the new curbs but subsequently prices have hardened, the rate in Madras and Bombay quoting around Rs. 430 per quintal.

The Reserve Bank has also advised major bans to restore the higher margins. that prevailed before last October, on advances to textile mills against cotton stocks. Banks have been asked to raise the margin back to 40 per cent from 25 per cent that was prevailing for the past four months. The minimum margin on advances to mills against cloth stocks was reduced last October to 25 per cent.

Problem of P.L. 480 Funds

The problem of utilising the accumulated P. L. 480 and non-P.L. 480 counterpart funds held by the U.S. Government in India has given rise to an unfortunate controversy. The General Accounting Office of the U.S. Congress which is a counterpart of the Auditor-General in India has recommended that our government should agree to a preferential rate for the use of Rupees against Dollars by U.S. Agencies. This recommendation is childish if not mischievous. The intention is obviously to secure more rupees for the same appropriations in Dollars in the U.S. Budget. The U.S. Government does not secure any special advantage by this because its allocation in dollars where the expenditure of rupee or other counterpart funds expenditure are involved is only notional as no transfer of dollars takes place.

When the U.S. Government has been liberally giving grants and loans for implementing various projects and creating services this approach has no great significance from the financial angle except to bring home to the Indian Government that the rupee is over-valued and further devaluation is inevitable in the not distant future. The General Accounting Office of the

U.S. has obviously overlooked the serious repercussions that would follow even by a mere suggestion that the rupee should be purchased at the rates ruling in the black-market. This would clearly mean that there will have to be devaluation by another 50 per cent if the rates in the black market are any guide.

There is actually no difficulty in selling Indian goods as there is a large unsatisfied demand for traditional and engineering goods in South East Asian, West Asian and African countries. With world-wide inflation and relatively lower Indian costs in some directions what is needed is the creation of the required surpluses for export. With stability in the political situation and better co-operation between labour and management a fast rate of economic growth can be achieved. The position in this regard will become clear after the elections are over. There is, therefore, no question of further devaluing the rupee. If any thing, with a continued improvement in the agricultural sector and an activation of the industrial economy there is even the possibility of an upward revaluation of the rupee. The G.A.O.'s proposals for preferential rate, which means sectional

devaluation, should therefore be summarily rejected and the government has rightly indicated its opposition to such a move. The question of utilisation of PL-480 Funds has to be satisfactorily settled. It must be acknowledged that the U.S. Government has been very generous in its approach to the funding operation. The creation of power generating capacity and the implementation of rural electrification schemes have been immensely helped by the grants and loans effected out of these funds. Until recently the sizable imports of foodgrains and other commodities have led to a continued accumulation of PL-480 Funds and even with the grants and loans for various projects there was an unspent amount of Rs. 760.35 crores as on Sept. 30, 1970. The total of all U.S. counterpart funds exceeds Rs. 2,000 crores and there will be an addition to usable funds as the years pass by when repayments are made against earlier loans out of counter-part funds. There will naturally have to be a recycling of these funds on an agreed basis and the U.S. Government cannot think of any other course until such time the balance of payments position improves to such an extent that it becomes possible to think of repatriating these funds at the then prevailing exchange rates.

BUSINESS BRIEFS:

Mixed Performance of Cotton Mills

The excellent working results of Madura Mills Limited for 1970 when the cotton textile industry particularly in the South has been going through a crisis due to shortage and high prices of fibre indicate that composite mills which have modernised their spinning and weaving departments and have intelligently diversified their output to include blended fabrics have been able to absorb increased costs without much difficulty. Mills which had the added advantage of low-priced cotton stocks have been even able to improve their profit margins with the help of higher selling prices for uncontrolled varieties of fabrics. This will be evident from the results of most of the composite mills in Bombay, Ahmedabad and elsewhere which will be publishing their preliminary results for last year in the coming weeks. Spinning units turning out higher counts of yarn are also expected to report fairly satisfactory working. But the experience of the industry in 1971 may not be equally encouraging as an entirely different situation has emerged in which a further sharp increase in cotton prices and inadequate supplies of cotton and staple fibre are likely to erode profit margins considerably. There may be some relief to mills from the imports being arranged on a large scale but the statistical position in regard to cotton is expected to remain precarious while imported cotton may cost more and indigenous cotton will be found prohibitively costly by marginal mills.

Madura Mills Pays More

The experience of Madura Mills Limited in 1970 has however been quite encouraging. The company has been able to earn a much higher net profit of Rs. 397.86 lakhs, before depreciation and taxation, against Rs. 184.37 lakhs in 1969. The directors have decided to raise the dividend on equity capital to 8 per cent, taxable, from 6 per cent, taxable, in the previous year. (In 1969, the dividend was on a capital doubled by a bonus issue against 10 per cent paid for 1968). Depreciation claims Rs. 96.51 lakhs (Rs. 103.12 lakhs) while the provision for taxation is as much as Rs. 99.05 lakhs (Rs. 14.88 lakhs). The transfer to development rebate reserve is Rs. 10.75 lakhs (Rs. 13.15 lakhs), debenture stock redemption reserve Rs. 10.50 lakhs (Rs. 11.11 lakhs) and National Industrial Development Corporation loan redemption reserve Rs. 5 lakhs (same). General reserve gets Rs. 76 lakhs (Rs. 37.15 lakhs). The higher dividend will require Rs. 56 lakhs

(Rs. 42 lakhs) and will be paid out of general reserve. On the last occasion, a major portion of the distribution was available free of tax to the shareholders.

GEC Does Well

General Electric Company of India Limited has done quite well in the current year with a larger turnover and sharp rise in earnings in the six months ended September 30, 1970. Sales improved appreciably during this period to Rs. 16.04 crores from Rs. 13.03 crores in the corresponding period of 1969-70 while the net profit, before depreciation and taxation, nearly doubled to Rs. 125.39 lakhs from Rs. 68.02 lakhs. However, the directors have only maintained the interim dividend on equity capital at 10 per cent, taxable. The provision for depreciation is Rs. 53.61 lakhs (Rs. 44.91 lakhs). The directors consider that the results for the first half year are very satisfactory. The results for the first half of last year were affected by adverse trading conditions but there was a considerable recovery in the second half of 1969-70. It is likely that sales for the whole year may be much higher than the Rs. 31.79 crores for 1969-70 as there is keen demand for the company's products. The proposal for issue of bonus shares in the ratio of five for two by capitalising Rs. 4.38 crores is pending with the Controller of Capital Issues. No indications are also available on sale or issue to the public of equity shares if the bonus issue is approved. The company paid a dividend of 27.5 per cent, taxable last year.

Indian Organic

Indian Organic Chemicals Limited hopes to start trial runs on its polyester fibre plant near Madras by July 1972 and commercial production by the end of that year. The Chairman of the company Mr. B. M. Ghia, told an extraordinary meeting of shareholders in Bombay recently that the necessary land had been bought and construction work finalised. The company's turnover in the current year is expected to exceed Rs. 3 crores against Rs. 2.30 crores in 1969-70. Sales in the first nine months amounted to Rs. 2.08 crores against Rs. 1.67 crores in the same period last year.

Kirloskar Cummins

Kirloskar Cummins Limited has raised the equity dividend for the year ended

September 30, 1970 to 8 per cent, taxable, from 6 per cent, taxable, for 1968-69. The decision of the directors will be appreciated better if it is borne in mind that there was a marginal drop in earnings, before depreciation and taxation, to Rs. 100.3 lakhs from Rs. 102.6 lakhs even with a sizable increase in sales to Rs. 6.33 crores from Rs. 5.02 crores in the previous year. Obviously the directors have taken an encouraging view of the future and are confident of maintaining the latest dividend. Also, the higher dividend will require only Rs. 12 lakhs against Rs. 9 lakhs and is comfortably covered by the disposable profit. After setting aside Rs. 35.4 lakhs (Rs. 21.5 lakhs) for depreciation and Rs. 6.50 lakhs (Rs. 4.25 lakhs) for development rebate, the provision for taxation is Rs. 36.1 lakhs (Rs. 28 lakhs). General reserve gets Rs. 22.10 lakhs (Rs. 48.60 lakhs). It is stated that whole of the latest dividend will not be subject to tax deduction at source as it will be paid out of tax-exempt profits.

More from Madras Cements

There has been a spurt in the quotation for the equity shares of Madras Cements Limited by 15 points to Rs. 123 since the company announced a higher dividend of 12 per cent taxable for the year ended September 30, 1970 against 10 per cent, taxable for the previous year. The improved working results which have warranted the higher distribution were rather unexpected as the cement units in this region have been experiencing difficulties over getting adequate wagon supplies and costs also have been rising. The performance of a small-sized unit like that of Madras Cements with a capacity of 2 lakh tonnes a year is all the more praiseworthy—when much bigger units have not been able to maintain their earnings at satisfactory levels. The company's output of cement rose to 2.10 lakh tonnes from 1.78 lakh tonnes in the previous year though clinker production showed only a marginal rise to 1.85 lakh tonnes from 1.80 lakh tonnes. Probably there were large accumulated clinker stocks which came in handy. Despatches also were quite high at 2.10 lakh tonnes against 1.81 lakh tonnes in 1968-69. The net profit, before depreciation and taxation, has risen to Rs. 51.10 lakhs from Rs. 42.18 lakhs in the previous year. The provision for depreciation is Rs. 16.78 lakhs (Rs. 14.39 lakhs) and taxation Rs. 13.65 lakhs (Rs. 11.32 lakhs) while development rebate reserve gets Rs. 3.65 lakhs (Rs. 3.50 lakhs). The transfer to general reserve is Rs. 3.35 lakhs (nil). The dividend will require Rs. 10.79 lakhs (Rs. 8.79 lakhs). On the former occasion expansion reserve got

Rs. 3.50 lakhs while Rs. 3.25 lakhs was transferred from general reserve to complete the allocations. It is proposed to increase the effective capacity of the existing plant and machinery by modernising them and changing over to dry process from wet process after getting the necessary expert advice from Canadian consultants. It is estimated that the output can be raised from the present 600 tonnes a day to 1,000 tonnes after the modernisation scheme costing Rs. 2.50 crores is completed. Meanwhile, the company has decided to redeem Rs. 4 lakhs worth of preference shares in the current year.

Fit Tight Nuts

Fit Tight Nuts and Bolts Limited could not prevent a drop in earnings during the year ended September 30, 1970 in spite of a larger turnover, owing to higher interest charges, costlier raw materials and difficulties in the diesel engine industry. Sales improved to Rs. 301.60 lakhs from Rs. 252.39 lakhs in 1968-69 but the net profit, before depreciation and taxation, declined to Rs. 55.16 lakhs from Rs. 59.59 lakhs. After providing Rs. 23.85 lakhs (Rs. 20.28 lakhs) for depreciation and Rs. 3 lakhs (Rs. 6.10 lakhs) for taxation, the transfer to development rebate reserve is Rs. 11.95 lakhs (Rs. 15.65 lakhs) and to general reserve Rs. 16.75 lakhs (Rs. 17.55 lakhs) after some adjustments. A final ordinary dividend of 10 per cent is payable making with the interim a total of 17 per cent, taxable. The final is to be paid out of general reserve and 40 per cent of it will not be subject to deduction of tax being distributed out of tax-exempt profits.

Kirloskar Asea

Kirloskar Asea Limited has maintained the equity dividend at 6 per cent taxable for the year ended September 30, 1970. The net profit before taxation and after depreciation, was slightly lower at Rs. 6.52 lakhs against Rs. 6.59 lakhs in 1968-69 though sales improved to Rs. 61.34 lakhs from Rs. 53.24 lakhs. The provision for taxation is Rs. 3.30 lakhs (Rs. 1.45 lakhs) while general reserve gets Rs. 3.20 lakhs (Rs. 2.75 lakhs). There was a separate provision of Rs. 2.40 lakhs for dividend in the previous year. The whole of the latest dividend is exempted from tax deduction at source as it will be paid out of tax-exempt profits as in the previous year.

Reckitt & Colman

Reckitt and Colman of India Limited has been able to increase its sales for the year

ended October 31, 1970 by 7 per cent to Rs. 663.8 lakhs. The net profit, before depreciation and taxation, has been almost maintained at Rs. 116 lakhs against Rs. 117 lakhs in 1968-69. After providing for depreciation, development rebate and taxation, the surplus is higher at Rs. 39.9 lakhs against Rs. 34 lakhs. Depreciation claims Rs. 9.4 lakhs and taxation Rs. 65.5 lakhs while the transfer to development rebate reserve is Rs. 1.2 lakhs. After some adjustments and transferring Rs. 1.96 lakhs from development rebate reserve, a sum of Rs. 41.86 lakhs has been taken to general reserve. A final dividend of 7 per cent, taxable, is to be paid. The new shareholders will receive 35 paise per share (paid-up to the extent of Rs. 5). The interim dividend of 7 per cent claimed Rs. 12.25 lakhs which was paid on the paid-up capital as on April 29, 1970. The total dividend amount will be Rs. 27.13 lakhs. The final will be paid out of general reserve.

Rallis India

Rallis India Limited has been faring better in the current year, with sales and profits in the first four months higher than those in the corresponding period of last year. The company is now exploring more profitable lines of activity which will improve its profitability. Only recently, it entered into a sales agency agreement with Coromandel Fertilizers. The Chairman, Mr. J. D. Choksi, has however told shareholders at the recent annual meeting that a substantial improvement in earnings can be expected only after two years when the new lines will be contributing their full share. In pursuance of the policy to merge the subsidiaries with the parent company it is proposed to amalgamate Rallis Chemicals Limited with Rallis India. Searle (India) Limited, another subsidiary, is reported to have done better in the current year.

Excell Industries

Excell Industries Limited is raising additional equity capital for Rs. 50 lakhs to find part of the funds for its scheme to set up an elemental phosphorus plant at Bhavnagar in Gujarat. The company is already making insecticides, fumigants, aluminium chloride, etc. The new project which is estimated to cost Rs. 1.60 crores will use rock phosphate from Rajasthan. There is already a paid-up capital of Rs. 45 lakhs in equity shares. Out of the new issue, 3,450 shares of Rs. 100 each are being allotted to the directors, friends and employees while the balance of Rs. 46.55 lakhs are to be offered to the public. The company made a profit of Rs. 25.66 lakhs, after deprecia-

tion and before taxation on a turnover of Rs. 3.06 crores. Besides the fresh issue, the ICICI is giving a loan in foreign currency for Rs. 11.50 lakhs while bank borrowing will amount to Rs. 40 lakhs. A sum of Rs. 26 lakhs has already been spent out of internal resources and it is estimated that a further amount of Rs. 32.50 lakhs will be available from this source.

Gujarat Polyamides

Gujarat Polyamides Limited has been promoted by Baroda Rayon Corporation Limited for taking up the manufacture of nylon-6 yarn. The Rs. 11 crore plant is to be located near Surat. The company has a licence for producing 1.8 million kg. of yarn. Part of the funds required is to be found through an issue of preference and equity capital for Rs. 4.40 crores. Foreign currency loans for Rs. 382.50 lakhs for import of plant and machinery will be secured from the Industrial Credit and Investment Corporation (Rs. 212.50 lakhs), Industrial Finance Corporation (Rs. one crore) and Central Government (Rs. 70 lakhs out of an Italian credit). Besides these, there will be rupee loans for Rs. 1.25 crores from the Industrial Development Bank of India and Rs. 50 lakhs from the Industrial Finance Corporation while loan capital for Rs. one crore will be raised in the form of 8½ per cent debentures; which will be taken up by the Life Insurance Corporation for Rs. 60 lakhs and the Unit Trust Rs. 49 lakhs. The loans from the financial institutions can be converted into equities on a specified basis and for specified amount. Out of the new equity issue of Rs. 309.02 lakhs and preference shares for Rs. 1.1 crores, 67,500 equity shares will be allotted to the foreign collaborators, representing 15 per cent of the c.i.f. cost of plant and machinery. Baroda Rayon will be taking up shares for Rs. 69.18 lakhs while its shareholders will be offered 23,904 shares. The Maharaja of Baroda will take up 20,706 shares and the balance of 1,28,630 equity shares and the whole of the 1.1 lakh preference shares will be offered for public subscription. The preference shares will carry interest of 9.5 per cent taxable and will be repayable in 12 to 15 years.

Madras Rubber Pays More

Madras Rubber Factory Limited will be distributing a larger sum as dividend on equity capital for the year ended September 30, 1970 following larger sales and a significant increase in earnings. Though the dividend has been maintained at 12 per cent, taxable, it is payable on a higher capital as raised by a three-for-ten bonus issue. The amount required will therefore be higher at

Rs. 29.24 lakhs against 22.49 lakhs for 1968-69. The turnover rose further to Rs. 24.02 crores from Rs. 20.30 crores in the previous year in spite of 'go-slow' tactics by labour. The net profit, before depreciation and taxation, improved to Rs. 173.24 lakhs from Rs. 147.89 lakhs. But for the unhelpful attitude of labour, both sales and earnings, would have been much higher. After setting aside a larger sum of Rs. 52.92 lakhs (Rs. 33.65 lakhs) for depreciation and Rs. 19.50 lakhs (Rs. 20 lakhs) for development rebate, the provision for taxation is Rs. 43 lakhs (Rs. 42.50 lakhs). The balance of Rs. 57.82 lakhs (Rs. 54.44 lakhs) has been transferred to general reserve out of which the dividend is to be paid. It has been indicated that in the first quarter of the current year the performance has been more encouraging and the installation of balancing equipment will help boost production and earnings further for the whole year. The expansion scheme is expected to be completed by the middle of next year as import of plant and machinery is being expedited. The cycle tyre plant with a capacity of 2 million is scheduled to be installed by June this year. MRF's exports set up a new record in 1969-70 at Rs. 58.39 lakhs.

Cochin Refineries

Cochin Refineries Limited has declared a dividend of 18.6 per cent, taxable, for the year ended August 31, 1970 against 21 per cent, taxable, for 1968-69. However, the net dividend in the hands of the shareholders will be only slightly lower at 16.06 per cent against 16.40 per cent as 37.69 per cent of the latest distribution will be exempt from tax deduction at source whereas the whole dividend was subject to tax deduction in the previous year. Thus, the net after-tax dividend will not be less than the amount agreed to be paid to the foreign collaborators.

In spite of a shut-down for over 35 days because of difficulties in transporting crude oil and overhaul of plant and machinery, output was maintained at a satisfactory level. However, the throughput was slightly lower at 2.45 million tonnes against 2.60 million tonnes in 1968-69. But with more efficient operations and a change in pattern of output with larger production of superior kerosene and naphtha, the profitability was higher. With the result though sales dropped slightly to Rs. 37.41 crores from Rs. 39.50 crores, the net profit, before depreciation, was unchanged at Rs. 4.21 crores.

In the current year, the company may have to pay more for its crude supplies, as the foreign suppliers are asking for a price hike in view of the increased tax on profits

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of oil companies by oil-producing countries. Negotiations are under way for revision of crude prices. The proposal to use Rostam crude (share of ONGC in its off-shore venture in Persian Gulf) has been dropped as it has not been found suitable even after blending with other crudes. The expansion scheme to raise capacity by 40 per cent to 3.5 million tonnes is making good progress. Engineering designs are being finalised and arrangements are being made to get Government permission for importing plant and machinery. The generation of large internal resources has been helpful in executing the expansion scheme while at the same time enabling the company to reduce its indebtedness by over 40 per cent to Rs. 12.95 crores, Reserves including development rebate amount to Rs. 5.5 crores against the paid up capital of Rs. 7 crores.

Associated Battery

Associated Battery Makers (Eastern) Limited was able to increase its sales by 26 per cent during the year ended August 31, 1970 to Rs. 840.64 lakhs from Rs. 666.13 lakhs in 1968-69. The new Chinchwad factory made a significant contribution of Rs. one crore to the turnover while sales of products other than lead acid batteries amounted to Rs. 56 lakhs. There may be a further improvement in both in the current year. The net profit, before taxation and depreciation rose to Rs. 190.55 lakhs from Rs. 167.91 lakhs in spite of increased costs and it became necessary to impose a metal surcharge on most lead acid batteries in the middle of the year to cover part of the increase in costs. The sum set aside for depreciation is Rs. 28.02 lakhs (Rs. 19.83 lakhs) while taxation claims a larger sum of Rs. 96.43 lakhs (Rs. 75 lakhs) as the provision for development rebate is only Rs. 3.50 lakhs (Rs. 17 lakhs). The disposable surplus is thus lower at Rs. 66 lakhs (Rs. 73.08 lakhs). The transfer to stock reserve is Rs. 2.93 lakhs (nil) and general reserve Rs. 59.71 lakhs (Rs. 18.98 lakhs). A final dividend of 12 per cent, taxable, is to be paid making with the interim, 20 per cent taxable against 18 per cent taxable previously. The latest dividend is to be paid out of general reserve absorbing Rs. 42.48 lakhs while in 1968-69 there was an allocation of Rs. 38.23 lakhs for this purpose. It is expected that a part of the dividend will be exempt from tax in the hands of shareholders being paid out of the tax-exempt profits.

The outlook for the current year is reasonably promising and the Managing Director, Mr. B. W. M. Clarke has stated that sales and earnings so far have been higher than those of the corresponding period of last year. But the Chinchwad factory will not

be able to reach optimum capacity till it gets more battery containers from the main factory at Shamnagar (West Bengal) which has to face unsettled labour conditions. The company's free reserves and surplus amount to Rs. 82.87 lakhs (after providing for final dividend) against a paid-up equity capital of Rs. 212.40 lakhs.

Kothari Group Merger

The High Court has approved the merger of five companies of the Kothari group—Blue Mountain, Waterfall Estates, Balmadies, Kothari Textiles and Adoni Spinning and Weaving after hearing the petitions from various interests concerned. The date of vesting of their assets and liabilities in Kothari (Madras) Limited, the new company formed for this purpose will be notified after the Government consent for the issue of equity and preference capital by the amalgamated company is received. These shares are to be allotted to the shareholders of the five companies as proposed in the merger scheme and only the preference shareholders of Waterfall, Balmadies and Adoni Spinning and Weaving are to get back their money. After conversion of all the equity shares of the merging companies, the paid-up capital of Kothari (Madras) Limited will be Rs. 222.59 lakhs in equity and Rs. 18 lakhs in preference shares. The pooled profit of the five companies, after providing Rs. 21.60 lakhs for taxation, for the latest accounting period was Rs. 33.68 lakhs. The new company may be announcing an interim dividend.

British Government to Take Over Rolls-Royce Engine Production

The British Government's decision to take over the major part of the Rolls-Royce engine manufacturing divisions will ensure continuity of business for overseas customers and mean that Rolls-Royce will carry on powering civil and military aircraft throughout the world.

No other section of the giant Rolls-Royce undertaking is likely to be scrapped. Work will continue on all other current engine production, including the Olympus power pack for the Concorde supersonic airliner and the engines for the Harrier "jump jet" fighter.

The financial difficulties of Rolls-Royce have been building up for a considerable time, although it is only during the past few weeks that they have come to light. But Whitehall sources stress that the technical competence of Rolls-Royce remains unimpaired.

United Carbon Pays More

Shareholders of United Carbon India Limited will be immensely pleased to learn that the company would be increasing the equity dividend to 20 per cent for 1970 from the maiden dividend of 15 per cent in 1969. The entire distribution will be exempt from tax as in the previous year being paid out of tax exempt profits. The decision of the directors is commendable as there was a slight drop in earnings despite higher sales. But there is still a large cover for the dividend. Sales improved to Rs. 3.81 crores from Rs. 3.54 crores in 1969 while the net

profit before depreciation and taxation, declined to Rs. 1.71 crores from Rs. 1.82 crores due to increased costs. The reduced ratio of profit to sales at 44.9 per cent (against 51.4 per cent) must still be considered quite high. After setting aside Rs. 36.26 lakhs (Rs. 34.45 lakhs) for depreciation taxation claims a larger amount of Rs. 53 lakhs (Rs. 26 lakhs) as the provision for development rebate is only Rs. 7.05 lakhs (Rs. 33 lakhs). The disposable surplus is thus Rs. 74.60 lakhs (Rs. 89 lakhs). After some adjustments, a sum of 81.60 lakhs (Rs. 89 lakhs) has been transferred to general reserve. The dividend will absorb Rs. 31.07

lakhs (Rs. 23.30 lakhs) from this reserve.

The company has expanded its capacity from 40 million lb. to 50 million lb. but output in 1970 was only marginally higher. The full effect of the expansion will be felt in the current year. An application has been made for raising the capacity further to 50 million lb. If this is approved, this can be financed to a considerable extent from internal resources as in the case of the first phase. The Rs. 100 paid up shares have firmed up on receipt of the working results, the quotation rising from Rs. 447.50 to Rs. 465 but there was a setback later to Rs. 445 as there was no announcement of a bonus issue.



A BOLD PLAN TO MOBILISE PLAN RESOURCES

A bold experiment is to be conducted by the Life Insurance Corporation, the scheduled commercial banks and the Unit Trust of India for spreading group insurance and encouraging savings. The Chairman of the Life Insurance Corporation, Mr. T. A. Pai has announced that a deposit-linked-like-insurance scheme will be put into effect shortly with the help of public sector banks and credit institutions in the private sector. There will also be another scheme for promoting sales of Units of the Unit Trust of India. Construction of houses by policyholders through loans from L.I.C. is to be encouraged with the lowering of premiums for mortgaged redemption policies. It is also proposed to give accident cover to the holders of bank accounts and Units. Some changes are being effected in group insurance policies for making them more attractive.

The new schemes have been framed after a working group appointed by the Reserve Bank of India, L.I.C. and Unit Trust of India had examined the question of stimulating savings through the grant of insurance cover at reduced costs. The objective of the Reserve Bank and the credit institutions is to mobilise additional deposits and effect larger sales of Units so that bigger amounts will be available for the execution of plan schemes. The Life Insurance Corporation too would be increasing the volume of its business and realising larger amounts by way of premiums. As the risk involved in meeting claims will not be large, the Corporation will be in a position to add to its assets significantly on the lines of the Deposit Insurance Corporation. It is necessary to point out, however, that the insured under the new schemes would be eligible for cover only

on a stipulated basis subject to a maximum limit and no residual benefit will be derived by them after the expiry of the terms of insurance. The insurance cover will also be automatically terminated on the insured passing out of stipulated age groups.

The move of the LIC and the credit institutions should have far reaching significance, if the incidental advantages derived by depositors, Unit holders and borrowers from LIC are clearly explained to them and the schemes were efficiently administered. It has been indicated that cover would be provided to depositors by charging 1¾ per cent towards premium annually. Under this proposal depositors with the scheduled banks in the age group between 18 and 40 will be eligible for a cover which will be twice the amount of the average deposit in a half year period. The only stipulation is that the average balance would not be less than Rs. 1000 in an account in a half year period and that the maximum will be limited to Rs. 10,000 per individual. This cover will however be limited only to the average of deposit in a particular account in the case of those in the age group between 41 and 49. It is not known why such a high level of mortality has been assumed in respect of the latter group when the general expectancy is improving.

The depositor will have option to participate in the scheme and it is quite likely that many will elect to take advantage of the cover that will be available while paying a premium unconsciously. It is not known, however, how the actual cost works out and whether the banks will be prepared to bear some part of the insurance premium on their account. But if the scheme proves to be popular, the

STOCK MARKET:

Marketmen Watch Developments

In contrast to the buoyancy witnessed since the beginning of the year there has been a mood of caution in stock markets latterly as the Lok Sabha elections are nearing. Listless conditions have been in evidence and losses have been widespread in the principal markets at Bombay, Calcutta and Madras. Cleared scrips have been particularly weak with the recent gains pruned substantially while most cash shares also have lost some ground. The weakness in cleared shares, however, reflects the anxiety of operators who have long positions to square up their deals in view of the heavy carryover charges for outstanding business. In this vulnerable position even small selling has led to sharp declines in values.

The stringent money conditions have also been a bearish factor for the markets. The jump in short-term rates to 12 to 13 per cent in the inter-bank call money market and the reported tight fisted policy of the banking system to meet even genuine, credit requirements of industry and trade have dampened sentiment. There has at the same time been diversion of some sizable sum to the new issues like Garware Nylon, East India Hotels. Yield ideas would also appear to be changing after the Bank Rate was raised by one per cent last month and there is the likelihood of share prices hovering around the current lower levels except in those cases where the companies concerned hold out promise of increased earnings and higher dividends or bonus issues.

Corporate results have no doubt been

quite encouraging with many established and new companies reporting improved sales and earnings for the latest year or expressing confidence of better performance in the coming year. Even the cotton mill industry appears to have acquitted itself creditably in a year of acute cotton shortage and increased costs. Madura Mills has done extremely well in 1970 and the other textile companies which will be announcing their preliminary results shortly may also have at least maintained their earnings. But the current year will certainly be a very difficult year and with consumer resistance to higher cloth prices, it may not be possible to pass on the higher cost of cotton to the consumer.

Engineering units in the eastern region are yet to get out of the recessionary phase of 1966-68 completely. The wagon building units are particularly unable to find the resources to execute export orders while the Railways have not been helpful in the matter of prices for its requirements. Braithwaite one of the biggest wagon-making units, has closed down one of its units for a number of reasons which include paucity of funds, and steel shortage. The Union Government has ordered an enquiry into the closure. The acute shortage of wagon supplies, accentuated by a railmen's strike in the eastern region, has also led to accumulation of huge pitched stocks at collieries while public utilities including the Railways in the South and the West as also coal-consuming industries in distant places have been adversely hit by the transport bottle-

neck. The developments leading to further strained relations with Pakistan following the hijacking of the Indian Airlines plane and its destruction in Lahore have also been a restraining factor for marketmen who were already watching the election scene with special interest.

In Dalal Street, Tata Steel reacted sharply during the fortnight ended February 10, the quotation closing at Rs. 100.75. Century was another major counter to fall back sharply to Rs. 870 from Rs. 911 while National Rayon reacted to Rs. 543 from Rs. 566. Most other active shares also turned weak. In the cash list, however, selective support lifted prices for Fit Tight Nuts, S.I. Viscose, S. L. M. Manecklal and T. Manecklal. Banks also put up a steady front.

In Lyons Range, despite encouraging corporate news like the good performance of General Electric of India in the first half of this year prices for both cleared and cash scrips drifted lower. While Indian Iron weakened further to Rs. 12.50 Hindustan Motor was easier at Rs. 12.60 x.b. against Rs. 15.50 cb. Birla Jute, Dunlop, Indal, Guest Keen, Orient Power were all subdued. Alkali had sellers at Rs. 28 and Union Carbide at Rs. 28.81. In Madras, S.I. Viscose, Madura Mills Alind and Madras Rubber had buyers at improved levels, but India Cements, Ashok Leyland, Trayons and Mettur Chemical found lower levels. Sugar shares like Deccan and E.I.D. looked up on support at the lower levels. Carborundum was a firm spot at Rs. 270 cd. Madras Aluminium was sought higher at Rs. 178.

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INDUSTRIAL ECONOMIST

Implications of Nixon's Foreign Policy Report

credit institutions will gain to a considerable extent as a large residual balances will be maintained with them at a cost of perhaps not more than 4 per cent since one to two year deposits alone fetch 6 per cent. There is every justification for suggesting that those who participate in the group insurance scheme should be offered higher rates of interest which are in between those available on the saving bank accounts and fixed deposits. It is however likely that many small depositors will be encouraged to obtain incidental insurance cover and that the growth of deposits will become more pronounced over a period. If it is found that the cost of insurance worked out much more cheaply than estimated, either the quantum of risk can be increased or accident insurance provided simultaneously on a cheaper basis.

The proposal of the Unit Trust of India to afford insurance to the purchasers of Units who agreed to increase their holdings on a stipulated basis for 10 years is likely

to have general appeal because the Trust will be paying the premiums to the Life Insurance Corporation and insuring Unit holders on a group basis. Maximum risk will be restricted to Rs. 12,000 for a Unit holder who will invest Rs. 100 in Units every month for a period of ten years. In the early stages however the risk will be only partially covered, no claim being admitted in the first year. In these cases the premiums paid will be refunded. Full risk will be covered only after three years from the date of entry though the payment of premiums will cease after some years.

These proposals are well-conceived and if properly popularised will result in the fast spread of insurance and saving. The only criterion should be to cheapen the cost of insurance, bearing in mind the overall advantage that will accrue to the economy with the mobilisation of larger resources through deposit and sales of units.

TRAFFIC BOTTLENECKS AFFECT INDUSTRIAL OUTPUT

The serious interruption to industrial production as a result of labour trouble, railway bottlenecks and strikes of railway employees is accentuating inflationary pressures and defeating the export effort. Not long ago, a prolonged strike by dock workers at the Calcutta Port had a crippling effect on exports. Difficulties are also experienced by different industries in securing raw materials as a result of wagon shortages or railway strike. Only a few weeks back, railway workers in the Dhanbad area in Bihar went on a strike and loading operations in the vital coal belt were grievously affected.

It has, however, been complained by industrial organisations that wagons allotted to the different coal mining regions are not on the desired scale and hence coal supplies are not being made available to the industrial centres regularly in the desired quantities. The actual allotments however have been far below current needs and it has been reported that thousands of wagon are lying immobilised in West Bengal and elsewhere because of delays in loading and unloading. These delays are due to labour intransigence and troubled political situation. The railway bottlenecks are so serious that the engineering industry in the coal deficit areas are not having enough coal for smelting purposes and it has been actually complained by the President of the Engineering Association (Northern Region) that engineering units would be obliged to stop their operations if adequate supplies were not available immediately. In Ahmedabad a sorry state of affairs exists and mills are living on a hand to mouth basis for their needs of steam coal. It has been actually pointed out by the President of the Ahmedabad Mill Owners' Association that it will be necessary to resort even to block closure if the railways did not arrange to send special rakes for supplying coal.

Meanwhile, there is another serious threat to steam production because of the strike of railway employees in the steel town of Rourkela. If this strike lasts for a long time, the movement of raw materials and finished goods will be affected and it may even become necessary to curtail production of steel. When there is already a critical shortage of this basic raw material due to troubled situation in Durgapur and Asansol, any drop in production in Rourkela will have a complicating effect. These developments clearly emphasise the vital role played by the railways in the industrial economy.

It is therefore necessary that the Railway authorities take serious note of the developments in the past few months and adopt remedial measures. Unless there is a re-routing of traffic and rationalisation of movement the different industries cannot function properly. The collieries in Bihar are having the problem of disposing of coal as there is an accumulation of stock at the pit heads which is reported to be in excess of 4 million tonnes in Bihar alone. While there is a glut in the mining areas high prices are being charged in the deficit regions. Likewise there is a surplus of cement in the Southern Region while there is an acute shortage in North West India and open market prices are higher by 50 per cent than the controlled price. The cement industry in the South is having unutilised capacity while there is an unsatisfied demand in Punjab, Haryana, Delhi and U.P. This sorry state of affairs is a clear indication of how harmful an effect unplanned, indiscipline and uncoordinated activity can have on national economy. Absence of industrial peace and efficient transport will result in a chaotic situation and it will be idle to expect that the upward trend in prices can be arrested.

President Nixon's foreign policy report to the U.S. Congress underscores the directional trend towards reducing U.S. commitments abroad through assisting in the building up of the military or diplomatic competence of the countries concerned. One can sense the anxiety of Mr. Nixon, as evidenced in the report, to convince his audience that his administration was bent upon going a new way in both the principles and financial commitments of such a new path. Reduced American presence in Viet Nam hinges, according to Mr. Nixon, in Vietnamisation of the Indo-China war. *Prima facie* this is reflected in substantial improvement in South Vietnamese forces and withdrawal of U.S. troops.

The "Nixon's War"

This cannot obscure the oddity of the evolving military situation in which the effort to protect the withdrawal and the residual U.S. force in the area has compelled an extension of conflict first to Cambodia and then to Laos. Nor has the record of South Vietnamese troops which are to take over ultimately all the military responsibilities of the United States in this region been edifying. A general of theirs has been killed in a helicopter accident and U.S. air strikes at the Democratic Republic of Viet Nam's missile defences across the 17th parallel have drawn protests from Russia and China as well. Indeed if such airstrikes continue, it could invite Chinese intervention, open or covert, which may escalate the conflict just when the U.S. is seemingly winding up its forces and thus not only stagger withdrawals but will also suck in more troops from home. Critics may not be far wrong when they say that the only difference that the Nixon doctrine had made for is to rename the Vietnamese

war as "Nixon's war" instead of being "Johnson's war".

A good deal of hesitancy is noticeable in the U.S. stances on peace negotiations in Vietnam. Indeed the main objection of Mr. Nixon to withdrawal of U.S. troops completely and replace the leaders of South Vietnam by a coalition Government is that so long as the striking power of Hanoi remains formidable, as now, any coalition government will only be a stooge of Hanoi—which explains why a counterpoise of U.S. troops may be necessary for some time, theoretically until the South Vietnamese forces are capable of looking after the area without U.S. help. If all this means, as Hanoi rightly suspects, that the negotiations cannot succeed until the U.S. is in a position to force a military decision, there surely can be no peace. This is not to overlook the equivocation of Hanoi about what it means by a "coalition government." According to the representatives of Hanoi, this will consist of one-third from the N.L.F., one third "from those people in the Saigon administration who stand for peace, independence and neutrality and one-third from other forces who also stand for these principles. Rightly does the U.S. deem these terms an instrument for forcing on the South Vietnamese a government not of their own choice but of Hanoi's.

Polycentrism in Modern Communism

The situation is not without any saving grace either. Dean Acheson on it was who propounded years ago the need for containing communist aggression. This is a cross which distorts the reputation of the bearer, sometimes almost beyond redemption. It is plain as pikestaff that the U.S. is fighting the war of democracy against totalitarianism in the only armour that will look decent according to contemporary

international values. There is no gainsaying the accumulation of abuse that has been shoved on the U.S. in the bargain. But the diplomatic tactics of the U.S. deserves credit not simply for bearing their insults with a smile but specially for ensuring that the war does not become unmanageable. In recognising what he calls polycentrism is current communism, Mr. Nixon has displayed a clear understanding of the nature of modern communism, as being less of an ideology and more and more of national solidarity, which has accounted for the identification as special entities of the states in the bloc. The demarcations are too clear in respect of the Soviet Union and entity are visible in the case of the China, though the lines of separate other communist countries. These shifts in national status and in the overall military equation forces the U.S. to cast aside ready-made diplomatic formula and to shape instead new weapons of diplomacy which, whatever be the embarrassment, will concede to Caesar what is Caesar's.

The Achilles' heel of the report is "trade and trade policy". Mr. Nixon has stressed that the central issue is simply whether the U.S. should pursue a liberal trade policy. He has observed how for 37 years, the U.S. has considered such a policy to be in the national interest. But as he himself has confessed that events in 1970, particularly the failure of the Congress to enact the modest but liberal trade bill proposed by the Administration and the near passage of protectionist trade legislation instead, demonstrated graphically the challenge to this traditional course. The point, however, is that the growth aspirations of developed economies like India depend on how far the administration will resolve the challenge in the manner warranted by the tacit acceptance of generalised system of tariff preferences.

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Evolving Common Currency Towards Monetary Union

It is difficult to exaggerate the merits of the agreement recently reached at Brussels for achieving the monetary union of the E.E.C. through evolving ultimately a common currency as a counterpoise of the existing reserve currencies—the U.S. dollar and the British pound. As a first step towards monetary union, short-term cooperation among the E.E.C. Central Banks has been conceded. There has been such co-operation since 1961. What is new now is the provision of financial aid of \$ 2 billion of which \$ 1 billion could be drawn upon automatically by members to meet a short-term crisis. As monetary experts point out, even this facility may not measure up to much, especially when it is recalled that in the franc crisis, credits far beyond this magnitude were required to stem the crisis. The sincerity of E.E.C. membership in favour of economic integration will be clearer only if there is a far reaching agreement on medium term assistance and on currency parities between now and 1980, the date on which the E.E.C. currency will come into being. Indeed the Werner Committee of the E.E.C. had proposed that in the Common Market monetary zone which is to be established in 1980, the parity relationships of various currencies must by then be irrevocably fixed, parallel to elimination of exchange rate margins, complete internal convertibility of currencies and the liberalisation of capital movements.

There are certain obstacles here which have been played down by the enthusiasts of integration. Take the role, for instance, of an exchange equalisation fund which, through appropriate intervention in the foreign exchange markets, should limit fluctuations in parities of E.E.C. currencies within a narrow margin (as the means to the creation of a common currency later on). We may overlook the fact that any such fund cannot conceivably obtain resources any larger than

what the I.M.F. or the existing swap arrangements among member Central Banks can offer. Intervention by the Central Banks so far will mean, in a deficit, the placing of foreign exchange at the market's disposal and in a surplus, its withdrawal into the banks. If an exchange equalisation fund is superimposed on the market, it will lead to a curious situation in which the Central Banks and the exchange equalisation fund will be working at cross purposes. This is precisely what will happen when for overall reasons of economic policy, a central bank may be seeking a tightness in the money market while the fund, in furtherance of its aim of minimising foreign exchange margins will purchase currencies of other E.E.C. countries.

Tantalising Challenge

Suppose on the other hand, the Central Banks themselves are to intervene in the foreign exchange market to eliminate margins within the E.E.C. The stability of a currency within certain allowable margins can be maintained by the Central Banks' buying and selling of dollars on the market at certain prices, with surplus countries buying up dollars at the upper intervention point and deficit countries sel-

BHEL TO PRODUCE FERTILIZER EQUIPMENT

Bharat Heavy Electricals Limited and Nuovo Pignone of Italy have signed a collaboration agreement which will enable BHEL to undertake the manufacture of centrifugal compressors required for the fertilizer and chemical industries. The manufacture will be undertaken at BHEL's plant at Hyderabad. These compressors are of large capacity and highly sophisticated equipment most essential for the production of fertilizers. Their manufacture is being undertaken for the first time in the country. Production is expected to be of the order of about Rs. 3 crores a year.

ling them off at the lower intervention point. Basically the currency of a surplus country will be above the dollar parity and of the deficit country below the dollar parity. If margins in exchange rates are to be reduced to the allowable minimum, either the exchange rate of the deficit country will have to be pushed up or that of the surplus country pulled down. And in both cases the intervention of Central Banks will be at completely arbitrary exchange rates. The position becomes more complicated when the aim is to make them fluctuate in unison against the dollar. According to which criteria should the exchange rates of all the currencies be revised up or down? This is the most tantalising challenge that will confront the foreign exchange experts of the E.E.C. An ingenious method could be to link one E.E.C. Currency, say the Deutschmark with the Dollar, with the other countries of the market intervening only in respect of purchase and sale of Common Market currencies. The net result of this will be as it were to saddle the franc crisis solely on the Deutschmark. Both because West Germany cannot agree to shoulder such vicarious suffering and also because other members of the E.E.C. particularly France, will be reluctant to accord to the Mark the special status that is called for, this scheme cannot work.

Obviously, as a European expert puts it, the path to a monetary union obviously does not lie via a European equalisation fund and a co-ordination of exchange rates, but rather via successive harmonisation of economic, monetary, credit and income policies. The harmonisation of economic and financial policies not only requires co-ordination of taxes, banking laws, wages and many other factors; it also presupposes a homogenisation of mentality and social climate. The requisite harmonisation is sought to be achieved by stages.

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Glimpses

By P. R. SRINIVAS

Agricultural 'Varsity for Tamil Nadu

Resort to an ordinance for measures which can well wait for the normal processes of democratic legislation is always open to valid objection on constitutional grounds. And on the eve of the elections it may also be construed as an attempt on the part of the Government to seek unfair advantage over its rivals. Nevertheless, the establishment of an Agricultural University at Coimbatore is to be welcomed as a wise step towards raising the level of technical knowledge in this vital sphere of popular welfare.

Agricultural development has in modern times to mark the confluence of different streams of increase in knowledge and improvement in techniques and it would be unwise not to direct and enrich these streams at various stages of their flow. Coimbatore's claims to the location of the university are indeed incontestable. The Agricultural College has the credit of paving the way for the large scale sugar industry. And it has been a centre of research for a long time. The other institutions in the State are clearly in need of co-ordination of their activities and more expert direction. In the sphere of agricultural development on modern lines, much progress has, no doubt, been made in recent times. But there are many loose ends to be tied up. It has also to be remembered that the knowledge of other associated sciences required for agricultural research is of a high order. It is, therefore, necessary that while research is pursued at the higher levels, the discoveries of research and the experience of model farms have to be taken to the ordinary cultivator in an assimilable form. The

University can do a signal service by preparing a large army of agricultural graduates and diploma-holders who will take science to even the most isolated farms in the country.

Gap between Outlay and Resources

The widening of the gap between outlay and resources of the Fourth Plan which is occurring today is of course certain to escape the attention of the parties or the notice of the voters in the coming elections. The parties expect to gain the suffrage of the people by more and more extravagant promises of what they will give to the people if returned to power. And by far the preponderant majority of voters are incapable of apprehending the problem. But the Central and State Governments have before long to tackle the problem either on the basis of cutting down the targets or of increasing the resources or more probably of both. In the wake of strikes and agitations holding out threats of strikes, many a State Government has announced increases in the salaries and dearness allowances and others are bound to follow suit with or without the aid of a special enquiry. The increases that have been announced already are estimated to account for a cut in resources of over Rs. 100 crores. And when all the States have adopted similar measures the cut will amount to as much as Rs. 700 crores for what remains of the plan period.

The old habit of presenting deficit budgets, of which these have already been two in Punjab and Haryana, and looking to the Centre for help can no longer be indulged in for one thing, it has been definitely understood

that if a State Government wants to have a bigger income, it can only be with the additional resources raised by itself and that Central assistance cannot be increased beyond the already agreed levels; for another, the Union Government has announced interim reliefs to its employees which will cost Rs. 425 crores in the Fourth Plan period ending March 1974. Since the rise in prices is far from being halted and the index is very near the level which obligates further relief, the Centre will find itself in a difficult financial position. Even the return of the Indira Gandhi Government with a decisive majority will not make it easy to levy new taxes on a large scale. And that State Governments have never been inclined to do their part of the task of finding the resources for the Five Year Plan. It is futile to speculate any more on possible developments when the outcome of the elections seems more doubtful than ever before.

Reducing Inequalities of Income

The study conducted by the Scientific and Economic Research Foundation has published some findings which ought to stimulate thought on the all-absorbing question of reduction of inequalities of income. It is not clear how far the findings are based on an analysis of "incomes", within the meaning and scope of the Indian Income Tax and how the study has taken into account even such incomes as have escaped the nets of the Income Tax Officer, not to speak of incomes from land and other sources. The lower brackets of the incomes of the self employed and the incomes below the taxable limit cannot possibly have been brought within the scope of the survey. The very large incomes of the top brackets, whether they are earned or unearned, may call for the attention of the Government and the people who want them reduced either out of pure love of the ideals of Socialism or equality or out of pure democratic jealousy.

What is important from the point of view of national economic progress is that the national income should be so distributed as to uphold the principle of equal pay for equal work, adequate incentive to genuine workers and the increase of purchasing power

in step with the increase in the output of different grades of consumer goods and in consonance with the requirements of further expansion alike of output and demand. One would hesitate to mention in this context the need for margin in in-

comes for savings or the incentives to investment. A national incomes policy is devoutly to be wished. But it would be a will of the wisp if reduction of inequalities is pursued with animus for the rich instead of devotion to economic progress.

Towards Greater Equality

The study of the Scientific and Economic foundation makes clear mention of the fact that there are four important sources of income which among themselves account for more than 80 per cent of the income assessed in India and these sources are salary dividends and interest from securities, property and business and profession. With the progress of industry and business, prosperity becomes less significant while salary business and profession become more important. In all the three years from 1959-60 to 1964-65 business and profession accounted for more than 50 per cent of the assessed incomes above Rs. 10,000 and salary for one fifth. Between 1964-65 and 1966-67, the share of business and profession increased from 52.49 to 64.90 per cent. The income of top one per cent of the earning population as a proportion to the total was 9.7 per cent in 1964-65. And the Study states as its finding that the gap between the rich and the poor among tax-payers in India increased by 19 per cent between 1964-65 and 1965-66. It is also pertinent that income-tax payers (as distinct from earners or recipients of income) was one per cent of all income earners in 1964-65. What is important for the popular politician and the policy maker is that the relative share of the lower 60 per cent of the population was 28 per cent in India, 30 per cent in Ceylon, 34 per cent in the U.S. and 36 per cent in Britain. It is equally important the distribution of incomes in the developed countries in their pre-industrial phase was as unequal as in the developing countries and that it was only in the post-war period that the relative distribution moved "towards greater equality".

INDUSTRIAL ECONOMIST

Integrated Approach to Industrial Problems

There is no speculation about the significance of the revised budget estimates for 1970-71 which are expected to be presented to the new Parliament before the end of the month. The budget estimates that will be made available in the next fortnight do not have much significance for the economists and marketmen as they have for planners and even economists. For the budget estimates (actual) for 1969-70 and the revised estimates for 1970-71 will indicate how non-plan expenditure has increased in the first two years of the Fourth Plan. It is clear that non-plan expenditure has got out of control mainly due to the anxiety of the government to please every one and the adverse effect of a continuing rise in prices resulting in the grant of interim relief to government employees.

The Increasing Commitments

The Central government has fortunately escaped any serious upset in its budgetary calculations as tax revenues have been buoyant and the targets for borrowing through open market loans and small saving collections have been exceeded. There has also been a slowing down in the tempo of plan outlay, with Central government deposits with the Reserve Bank remaining at the high level of over Rs. 300 crores at the end of February. A close analysis of budgetary trends seems to indicate that deficit financing in 1969-70 would be practically negligible and even in 1970-71 not substantial. But the State governments are in a bad way and their overdrafts with the Reserve Bank were at a much higher level at the end of February than in the same period in 1970. The full effect of the revisions of emoluments of government employees, teachers and others will be known only over a period. It is quite likely that there will be new additions to the pay bill and these may work out in the aggregate to Rs. 250 crores a year for the Central and State governments.

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There will also be the impact of the final recommendations of the Central Pay Commission. In three years alone there will be an addition to non-plan expenditure by Rs. 1000 crores. Taking the increase in the first two years also into account the total diversion will be of the order of Rs. 1250 crores. It may even be Rs. 1500 crores ultimately. In the absence of strenuous efforts to control the price situation it may become necessary to find additionally Rs. 2500 crores on a conservative estimate to finance the schemes for achieving the allotted physical targets.

Problem of Physical Resources

This would mean that total plan outlay will be of the order of Rs. 27,500 crores in all sectors, and Rs. 16,500 crores in the public sector alone. In the first two years however aggregate plan outlay in the public sector may not be more than Rs. 5000 crores which would mean that the tempo of plan expenditure will have to be raised considerably in 1971-74 if the remaining Rs. 11,000 crores odd has to be spent. The Central government may be in a position to gear up its machinery after a stable government has also been formed. The problem of financial re-

ELECTRONICS COMMISSION

The Government of India have decided to establish an Electronics Commission with full executive and financial powers. This step has been taken to ensure the necessary balanced development of electronics in the country as rapidly as possible. The Commission will review the entire field of electronics with regard to research, development and industrial operations, with full authority to formulate policy in this field. It will also direct implementation on sound technical and economic principles of all measures, both promotional and regulatory, that are necessary for the country to attain self-reliance in the shortest possible time and in the best possible manner.

sources also may not become immediately difficult. But the State governments cannot pull their weight and there is bound to be a serious shortfall in plan achievements even in financial terms if Central assistance could not be given more liberally. What is more important is the availability of physical resources. There is already complaint that the shortage of steel, aluminium, chemicals, commercial vehicles and others is holding up the implementation of the many projects and the boosting of production. If these shortages cannot be minimised or eliminated with intensive use of existing capacity, the Fourth Plan is doomed to failure.

A continuing rise in prices and disturbed industrial situation will prejudice the prospects for the 4th Plan. It is time that the Central and State governments realise that greater attention will have to be paid to economic issues and agricultural and industrial production should be raised to the maximum extent possible with the existing facilities. There can surely be an increase in industrial output by over 12 per cent against the current annual increase of 6 per cent, with a better use of existing capacity. A sustained growth in agricultural production can generate new constructive forces, though there can also be bad side effects if there was no integrated approach to the problems of agricultural sector. The rapid implementation of rural electrification schemes has also resulted in a big increase in consumption of power. There is a larger demand for consumer goods with an increase in purchasing power of the agricultural income groups. Further strident progress will become difficult if there was no sustained increase in the output of manufactured goods and the shortfalls in availability of cash crops were also eliminated. The Fourth Plan can still be a success if there was correct thinking and no inhibitions with ideologies.

PRATIBHA 23-1

CAN YOU MEET HIS GROWING NEEDS?

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I BELIEVE:

Fruitless Dichotomy Between Productivity and Social Justice

I believe that policy makers should take a close look at the evolving changes in industrial production *vis-a-vis* the ends of social justice. As Mr. Arvind Mafatlal put it in his Anantharamakrishnan Memorial Lecture in New Delhi the other day, we seem to be involved in a fruitless dichotomy between the interests of businessmen and of the society at large. The illusion seems to be that the two are disparate, the basis for such an assessment being the single-track emphasis of industrialists on production and productivity and of politicians on social justice. It is interesting to note that a lowering of volume of production denies social justice by denying some sections of the community fully or in part certain goods and services which they can otherwise obtain in an abundant measure. Likewise by being oblivious to distributional requirements of social justice, the incomes which are the demand-builders for making production a satisfying exercise will be kept below the optimal level. As Ricardo put it, a social order in which servants under pangs of hunger run riotously upstairs to seize their master's family cake will be disrupted the moment such a riot starts.

What is particularly important in a developing economy like India is that developmental planning having created aspirations among the masses has to be attuned to satisfying them. Such satisfaction depends on popular consensus about the planning experiment, a consensus which, according to Mr. Mafatlal, will not be forthcoming unless the people have a reasonable assurance that they will be the sharers in the fruits of growth. That pinpoints the urgency of having to link industrial development with increases in the purchasing power of the people. There seems to be a misguided impression that increased affluence will automatically achieve this through its percolation to the lowest strata of society. If it were so, Bihar and Orissa with their

giant industrial complexes should be rich in every inch of their territory. The fact however, is that these complexes did not have any impact on prosperity beyond 10 miles of their location.

Partners in Progress

It is in this context that considerable rethinking seems necessary on decentralisation of industry and on the relative roles of the organised and small scale sectors. For quite some years, it has been a facile assumption that certain areas of activity should be earmarked for small industry and that certain segments of community demand should be tied to them. There has also been the other assumption that, for a country with India's massive population, the small sector has a definite logic on the score of its labour-intensiveness. What has been missed in these assumptions is the elementary truth vindicated by fact and theory that except in cases of highly individualised or personalised custom, in all other cases, the small factory has no existence except as an ancillary or fabricator *vis-a-vis* in an appropriate large factory. Either its raw materials originate from the big factory or its finished products constitute part of the inputs of the large-scale firm. The fortunes of the two sectors are so closely intertwined that by placing any handicap on the organised sector the long-term interests of a cluster of small factories gets adversely affected. This is not to overlook the need for the organised sector consciously to accept the rural decentralised sector as a partner in its plan of growth and to undertake the development of the rural sector as an integral part of the total plan of its own investment.

There seems to be no logic on this count in either sector looking on the other as a rival, nor is it correct for the Government to be devising a licensing policy with the sole aim of curbing the jurisdiction of the large-scale industry as the means to build

up the small firm. Indeed Western experience has demonstrated how big firms learn to divest themselves of some responsibilities in favour of the small firms, while the latter for their part unfailingly develop over the years the acumen necessary for becoming big leaving their work to be done by newer, smaller units. This is the industrial chain reaction that sustains and improves increases in gross national product, enlivens rural areas with industrial activity and creates the forces necessary to keep the balance even between town and country. Indeed this is the secret of the vision of Toynbee who postulates the possibility of an unending world city developing through the industrial linkage of cities, towns, suburbs and rural areas along the Atlantic and Pacific seaboard.

Feeding on Hopes

We are a poor country where such visions help only to create the dream state in which the pricking thorns of poverty are taken off the worrying mind. We require here not these hopes but the realities that we can achieve. On this also there has been a lot of discussion with little, concrete action. For instance, since 1960-61, there have been endless disputes over the choice of agro-industries which are to serve as the means to greater rural prosperity. Till now, the industries appropriate to each region of the country have not been identified and the elementary infrastructure facilities for their sustenance have not been provided. Likewise, the talk on production and productivity has soft pedalled on issues so vital for ensuring productivity as, for instance, the introduction of automated techniques for fear of stirring a hornets nest in the form of hostile unions. If such conditions continue to exist, industrialisation will be at a pace and of a type that will keep the masses of us far too hungry and far too long to boot.

—Horace

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Bridging the Communication Gap

In this age of ideological socialism, the private businessman is more often than not depicted as a parasite. It is part of the ideological prejudice to be oblivious of the positive role that private initiative has played in ushering the improvements that have progressively made life more and more comfortable and therefore worth living. The discovery of the power of steam by Watt, of the electric lamp by Edison and of wireless by Marconi — for they are all really discoveries that threw up what had remained hidden — are easily applauded but the persons who have made a commercial proposition of these (without which the discoveries would have been mere academic delights) are denied the approbation because of biased ideologies. It is all a case of "the evil that men do lives after them, the good is oft interred with their bones." It was in the fitness of things that the Madras Management Association should have decided to organise annual lectures by distinguished businessmen, presenting each of them on that occasion with the Business Leadership Awards, for that year. The lectures are organised in memory of a titan in the South Indian business world, the late Mr. Anantharamakrishnan and the award has been instituted by his son, Mr. Sivasailam.

The first award made last year was to Mr. J. R. D. Tata and this year's award has gone to Mr. Arvind Mafatlal, head of the Mafatlal group of concerns. Mr. Tata had called for social and management audit to curb malpractices because some private businessmen indulged in shady transactions. He called upon the honest businessmen to dissociate themselves from such anti-social elements and to constitute themselves into fresh bodies

whose membership would be limited to those with proven record of straight dealing even if it was impossible to eliminate bad elements altogether. Mr. Mafatlal in his lecture said that social justice and growth were intertwined and that it was time the single track devotion of businessmen to growth and of politicians to social justice to the point of mutual opposition was ended in the interest of the community. Insofar as growth had no meaning except through its beneficial impact on the rank and file of the community and in as much prosperity of any plant does not percolate beyond 10 miles of its location, Mr. Mafatlal felt that it was incumbent on the organised business sector to assist in a complimentary build-up of large and small scale industries through the length and breadth of the country.

Serving the Needs of the Community

These points from these two lectures should vindicate the hopes of the organisers that business leadership should rise to the pressing needs of the present, covering the community as well as itself in glory. Indeed for quite a long number of years, the Indian businessman had been keeping to his shell, resigned to all misplaced criticism of him from whatever quarter. The award instituted by Mr. Sivasailam and the lecture that it occasions provides an opportunity for introspection both for the business community and for their critics. In fact, much of prejudice that is the result of a communication gap will get eliminated through this exercise. And anything of adulation in the bargain has to be kept, as it has always been, within limits. The lecturers in the years ahead, it is hoped, will continue the task undertaken by their predecessors both to identify and formulate the means to better business as the inevitable concomitant of better living.

—(FOC)



Mr. Arvind Mafatlal receiving the Business Leadership Award from Mr. Sivasailam

INDUSTRIAL ECONOMIST

Brain Drain from the Planning Commission

A storm in the tea cup seems to have disturbed the Planning Commission. It concerns the general relations between the generalists and technical persons in the top executive and ancillary executive posts in the Commission. It may be recalled that a committee had been constituted under the Chairmanship of Mr. B. Venkatappiah with Mr. Ashok Mitra and Mr. Baveja (Secretary and Joint Secretary respectively of the Planning Commission) as the other members for recommending measures for assuring better efficiency and economy in the working of the Commission. The Committee had recommended the demarcation of two cadres in the technical level. There was to be a "specialist" level—Deputy Secretary rank—where officers are to be designated as Chief, Senior Specialist or Director and an "analysts level", comprising Joint Directors, Senior Research Officers and Investigators. Above these two was to be "a coordinating level" of officers—Joint Secretary or Adviser rank—drawn from the Indian Administrative Service. This cadre would necessarily consist of non-technical officers who would not necessarily be technically experts in every field but would have enough experience and organisation capacity as would enable competent examination of suggestions or advice offered by technical experts in the light of their administrative feasibility. The Committee is of the view that the designation of any one as adviser (Joint Secretary rank) should not be on the basis of pay but according as the person concerned is at the 'co-ordinating level.'

Flutter in the Dovecots

The flutter in the dovecots caused by this recommendation is understandable. There are at present certain technical experts who are drawing higher pay and have been designated as advisers. They should be irked by the Committee's observation that

"merely because a higher rate of pay has to be allowed to a specialist, he should not be designated as adviser, which term will have to be reserved for group co-ordinating officers." The mental reservations against each other between generalists and technical men being what they are, there is absolutely no surprise in the stance of technical men that even if the peculiar exactions of their technical labour are not given the weight they deserved, there should at least be no minimising of the rank that higher pay offered to them over the non-technical co-ordinators seemed to indicate. The contention of the generalists against this has been that their excellence consisted in the feel they had of the bureaucratic side of the work whose nuances were not less peculiar or less technical than that of managing a machine or a technical function.

The Committee seems to believe that the Planning Commission should be given considerably more powers than are at present available to it for creating higher posts and that the flexibility which the Atomic Energy Commission enjoys in this respect should not be denied to the Planning Commission. Generally speaking, such a facility will help sow the insular brain drain problem besetting the latter at present. The present rub lies in that officers at the higher executive levels in the Planning Commission unfailingly go back to their parent department because the Commission

THE DECLINE OF THE PASSENGER TRAINS

The number of passenger trains in the United States in the late 1920s was somewhere near 20,000. Today it has shrunk to about 285. According to a new proposal of the Transportation Secretary of the National Railroad Passenger Corporation it may become as low as 150 trains daily.

—Newsweek

does not have jobs which will offer the same benefits as will accrue to these officers through promotions in the parent department. There is no denying that flexibility for creating posts will provide the Planning Commission with the safeguard against brain drain. There are, however, two questions involved in this which have to be satisfactorily answered. The first is that the commission may not afford such expansion. It has been the common criticism that the Commission has over the years expanded so much that its officialdom is an exact replica of the Central bureaucracy in every department so designated. If brain drain from the Commission is to be arrested, it should be done without exaggerating existing malaise in this regard.

It's the Pay That Pays

The second problem is that there is a severe limit to manoeuvring against such brain drain through job manipulation or multiplication even if it were conceded that the Commission's bureaucracy has still room for growth. It is the hall mark of a developing, technological society that the split between the generalists and technicians gets wider with every effort at developing a mixed cadre of both. The process of easing tension between them will be easier if technical personnel at the higher level recognise that inherently they do not have the mental inclination to put on bureaucratic robes under whatever provocation. In some of the Western countries, technical persons do not worry "over much" on rank so long as the "pay differential" "held out for a mile." In those countries, the practice is for experts to receive many times the salary of their administrative superiors, the unmentioned guarantee being that the superior would not play superior for superiority's sake. It is up to our policy-makers to evolve a similar advantage.

India Pistons to Set Up Plant at Kuala Lumpur

The Government of India has given sanction to India Pistons Limited to set up a factory near Kuala Lumpur, Malaysia, in collaboration with National Development Corporation for production of 25,000 pistons and 10,000 automobile liners a month. The project is to be set up with a capital cost of Rs. 25 lakhs, 51 per cent of which will be borne by the Corporation which is a Malaysian Government agency. The share of India Pistons will be in the form of plant and equipment and will amount to 49 per cent of the capital.

Mr. M. K. Raju, Managing Director of Indian Pistons, was recently on a

visit to Malaysia and he mooted the suggestion to the businessmen there that developing countries must help each other in establishing projects instead of trying to get know-how and equipment from developed countries. This suggestion was readily accepted by the businessmen and the Government as well. The Chief Secretary to the Malaysian Government immediately responded to the suggestion and wanted to know if India Pistons could help Malaysia in setting up a project. Mr. Raju proposed that his firm would set up a unit for manufacturing pistons. The proposal was accepted

by the Malaysian Government and was later cleared by the Government of India.

The proposed plant will go into production in a year's time. A number of Indian engineers will go to Kuala Lumpur to train Malaysian engineers and workers in the production of pistons and automobile liners.

It is quite heartening that this collaboration has been concluded smoothly when ventures of such nature have not been so successful in the past.

Role of Research in Textile Industry

By D. C. KOTHARI

Research in relation to the specialised problems of industry is very necessary. While fundamental research is essential, applied research gives immediate and perhaps more fruitful results. Over the last 25 years, tremendous progress has been made abroad in the sophistication necessary for producing textiles of varied specifications. In our own country too, much progress has been made. But, the problem is availability of machinery. Our textile machinery produced in this country is of the order of Rs. 25 crores per year. It will take a long time for the textile industry to be modernised on this basis of production. What is necessary is an increase in the capacity of the textile machinery producers on the one hand and a crash programme of import of textile machinery on the other, so that within the next five or eight years the bulk of India's textile industry is modernised so as to be able to compete with the rest of the

world. If a bold attempt were to be made in this direction in respect of imports of about Rs. 50 crores worth of machinery in two or three years time, in addition to what is produced here and this could be linked up to export performance, the textile industry's modernisation programme would be given a tremendous fillip.

Developing New Processes

The textile industry has other problems too. Cotton shortage, higher costs of labour, etc., make the industry a high-cost producer and in international markets it becomes more and more difficult for us to compete. The impact of the textile industry on the masses and its social obligations in terms of maintaining reasonable prices for its cloth cannot be over-emphasised and it is in this respect, that research associations can play a vital part in cost production and in developing

new processes. And the research bodies have done lot of work in respect of fundamental and applied research. An emphasis is now being laid on research in respect of textile machinery so that the industry may be able to take advantage of the latest processes available abroad and the improvements that are taking place there.

In respect of finance, what we need is a Textile Development Fund or Corporation to deal specifically with the large amount of money required for rehabilitation. In respect of productivity also, the research associations can play a vital part. That the higher output of labour can result in higher wages without any unemployment and, at the same time, result in higher productivity and higher profits for industry is an outlook that has to be cultivated amongst the working classes and this the research bodies can do successfully.

There is also need for having a fresh look at the growth of this industry and also to the future pattern of its growth. Hitherto, our growth has been on the basis of spinning mills becoming weaving mills. The time has come when we should think in terms of what is happening in other countries, namely handlooms converted to powerlooms, spinning mills selling their yarn to powerlooms, processing and finishing factories established at convenient locations so that the cloth produced by the powerlooms is finished at the finishing stations. This will ensure a dispersal of industry which would also ensure production at reasonable prices.

Availability of Cotton

One of the big problems facing the textile industry is non-availability of cotton. Our consumption has been growing and is in the region of seven million bales and it is likely to increase further. Our cotton yields per acre of land are the lowest in the world, being about 150 pounds per acre and although both Industry and Government have been talking from time to time about the need for increasing the yields of cotton, nothing substantial or worthwhile has yet been attempted or done.

Man-made fibres are going to play a more important part in the textile industry than they have done in the past. Today, about eighteen per cent of our production is accounted for by man-made fibres and elsewhere in the world the ratio between man-made fibres and cotton cloth is of the order of 60:40 or even 70:30. It is not inconceivable that by 1975 or 1980 our consumption of man-made fibres will go up to at least 30 to 35 per cent of the total in which case we should plan for it from now on. Government of India should licence quite a few more polyester and other man-made fibre plants and, if necessary, import the intermediates until such time as we are

able to produce them in India. This would, to some extent, alleviate the cotton shortage.

With its large domestic base, India should be in the best position to compete with U.K., U.S.A., Japan and Hong Kong. In fact, it can become the largest textiles trader in the world. But, new capital is not flowing into textiles because of the competition for money from the newer and more sophisticated industries. We have to make the return on the textile industry worthwhile for capital to flow in and for the necessary expansion that we must have if we are to have a greater per capita consumption of cloth.

Diversifying Research Work

It is heartening to read of the reports of the Ahmedabad Textile Industry's Research Association, Bombay Textile Research Association and the South India Textile Research Association, in different aspects of textile production,

spinning, weaving, finishing, chemicals and management and market service. But it would be duplicating the work if all the three bodies were to do research, say, in spinning or weaving. Would it not be better if, for instance, the SITRA which is catering to the South zone of the country were to concentrate its attention on spinning and make the results available to the entire industry? Similarly BTRA of Bombay could perhaps concentrate on the weaving aspect and ATIRA could concentrate more on the finishing side of the business. In respect of management and marketing also similar allocations of research work could be apportioned among the three associations. In order to make this feasible, it will be necessary that the results of all the three associations are made available to all the textile mills in the country.

(Excerpts from the inaugural address at the Technological Conference of Bombay Textile Research Association, Ahmedabad Textile Industry's Research Association and South India Textile Research Association).

DEVELOPING BACKWARD AREAS

The Industrial Finance Corporation of India has decided to extend financial assistance on concessional terms to small and medium-sized industrial enterprises in backward areas. The facilities to be allowed will help accelerate the pace of industrial development in such areas.

Projects in backward areas which would receive grant or subsidy from the Central Government would also be eligible for IFC's concessions. The concessions will normally be applicable to cases where the total project

cost does not exceed Rs. 1.00 crore; concessional finance for bigger projects would be considered on a selective basis. Financial assistance from the Corporation is available only to public limited companies incorporated in India or registered cooperative societies.

In Tamil Nadu, South Arcot, Tiruchi, Madurai, Ramanathapuram, Kanyakumari, North Arcot, Thanjavur and Dharmapuri are the districts chosen by IFC for offering concessional finance.

Need for Long-term Policy on Crude Oil Production

The agreement signed at Tehran between the oil producing countries in the Persian Gulf area and the international oil companies resulting in an increase in the posted-prices of crude oil by 35 to 41 cents per barrel has far reaching implications for importing countries like Western Europe, Japan and India. The oil producing countries have succeeded in holding to ransom the rest of the world as the crude import bill may increase by over \$ 1200 annually. The international oil companies want the entire additional burden to be borne by the consuming countries.

The immediate effect on India will be an increase in the cost of the crude import bill by Rs. 25 crores annually as all the three oil refineries in the private sector have asked for an increase in prices by 35 cents per barrel in the aggregate while the foreign collaborators of the public sector refineries have also asked for similar adjustments in import prices. As there is provision for an escalation in the f.o.b. price by 5 cents annually, it is quite likely that by 1973-74 the foreign exchange outlay will have to be raised by at least Rs. 50 crores.

The Central Government is puzzled over the latest move of the international oil companies, as its foreign collaborators also in the public sector have been asking for their pound of flesh. Indeed, it has miserably failed in its attempts to reduce the selling price of crude fixed at \$ 1.35 per barrel under the long term agreement concluded with Iran for supplying Darius crude through the Madras Refineries, even while other foreign oil firms were supplying the country's requirements at \$ 1.28 per barrel. It would now appear that this long term agreement contains clauses providing for revision of selling prices for crude on the basis of posted-rates of select companies in Iran and it would be difficult for the government to avoid costlier imports. Petroleum products are likely to become even more costly in the coming

years and with increasing internal consumption, the foreign exchange outlay may become prohibitive. As Western Europe and Japan are big consumers of crude oil, it is expected that some sort of compromise will be reached between the oil companies and the main importing countries.

Bleeding the Consumers

The strategic position in regard to the production of crude oil by West Asian and African countries is sought to be exploited both by Members of OPEC and the international oil companies and the consumers will be bled in the process. There will obviously have to be some manner of international organisation of consumers which will be in a position to bargain with the exporters of crude oil. It is too much to believe that there is no scope for a reduction in the demand for revision of crude prices. Some arrangement must ultimately be reached under which the cost of imports will not be so heavy as now indicated but it is unlikely that the importing countries would be able to avoid an increase in the foreign exchange outlay by at least 10 to 15 per cent.

In order to get over the immediate difficulties the government has agreed to allot additional foreign exchange and permit the foreign oil companies to import usual quantities of crude oil. It is hoped that after August when there will be a seasonal decline in consumption of petroleum products imports could be reduced. This is obviously wishful thinking as new trends in consumption have emerged and with the liberal credit becoming available for promoting agricultural operations and an increase in the volume of road traffic, there has been a bigger demand for middle distillates. The immediate intention is obviously to avoid an awkward situation as the private sector refineries have already indicated that there will be a cut in imports if additional foreign exchange was not allo-

cated. A cut in the throughput of the private sector refineries will have disastrous effect in the coming months especially as two major refineries will be shutting down in the near future for annual overhaul.

Increasing Off-take of Petroleum Products

The consumption of petroleum products is usually at its highest in the first half of every year. With power shortages and increasing dieselisation of railways, the offtake of petroleum products is again on the increase. Naptha is being consumed in increasing quantities with the commissioning of new fertilizer unit. The Union Ministry for Petroleum and Chemicals has asked the oil firms to import their requirements on the understanding that necessary adjustments will be made in the light of subsequent agreements and that there should not be any immediate cut in the output of refined products in a crucial period. Arrangements are also being made for importing kerosene and fuel oil from the Soviet Union and other sources. It is also being explored whether imports of crude oil can be secured from the Soviet Union and the UAR on a cheaper basis.

It has been suggested that the government may acquire a controlling interest in the foreign-owned oil firms so that imports of crude can be arranged on favourable terms after the existing refinery agreement has been modified. While some happy compromise may be reached, the government has to evolve a long term policy for boosting indigenous production of crude oil. It should not also think of choking the consumers of petroleum products further by an increase in the cost of production of the refineries. It should be content with a lower burden of excise duty and sales taxes on petroleum products, as the revenue from these levies will still increase with increasing consumption.

Bumper Season for Coffee Crop

The coffee crop for the current season promises to be an unbelievable all-time record. While the President of the Coffee Board has indicated that the actual output might be 82,000 tonnes the estate owners are inclined to believe that it may be even higher at 85,000 tonnes. The previous best crop was only 72,000 tonnes, a few seasons back. Since then the yield has been fluctuating narrowly and the output was only 63,000 tonnes in 1969-70. As there was a shortfall in the earlier estimate for that season by about 7,000 tonnes, there was a skyrocketing of coffee prices in the latter half of 1970—accentuated by exports maintained at a high level. The government desired to take advantage of the satisfactory prices in world market and earn foreign exchange by even starving the home market of its normal requirements.

Prospects of an Export Record

The procedure now is vastly different and for the first time in recent history there will be a surplus even after providing for exports and international consumption. The Coffee Board is worried that there should not be any undue decline in either export or internal prices as the coffee planters are insisting that they should get a minimum price which will meet increased cultivation cost and afford also a reasonable return on investment. It is therefore likely that exports will be stepped to 35,000 tonnes without depressing prices and foreign exchange earnings will constitute a new record. If there were liberal regular releases, internal consumption may even increase to 45,000 tonnes though it is estimated in some quarters that even on a liberal calculation the home

market may not require more than 42,000 tonnes. Even assuming that there will be absorption of about 80,000 tonnes between exports and internal consumption there will be a carry-over of 5,000 tonnes into the next season. A buffer-stock has to be maintained as it will be difficult to meet the needs of Indian consumers in 1971-72 if there was a decline in coffee output in the next season. Usually the coffee crop proves to be less after a bumper crop and it may not be surprising if it proved to be only 70,000 or 75,000 tonnes in 1971-72.

It will be interesting to examine if

2500 Filter Point Wells in Thanjavur District

Very often, raising of *Kuruvai* nurseries in the Cauvery delta is delayed due to late release of water from the Mettur dam. Tail and ryots of Cauvery channels also face short supply of water at the time of inadequate storage in the Dam. In the project report prepared for the World Bank's assistance, a comprehensive scheme for sinking 15,000 filter point wells, 3,600 medium tube wells and another 3,600 deep tube wells in Thanjavur District is included. The Chairman of the Agricultural Refinance Corporation, Bombay, who visited the Thanjavur District recently was convinced of the need for the irrigation facilities in the Cauvery sub-basin of the district in advance of the release of Mettur Dam water to enable the agriculturists to start *Kuruvai* crop operations earlier than they are able to do at present. The A.R.C. Bombay has sanctioned the implementation of an initial programme of sinking 2,500

any new trends in the yield per acre have emerged. The expert opinion is that the extremely favourable weather condition in the past few months have mainly been responsible for the bumper crop, besides intensive efforts to replant existing acreage and grow better strains. If new experiments will result in a continuous yield, the coffee industry will be in the happy position of maintaining its exports for and meeting the increasing internal consumption. The Coffee Board is now in a position to ensure stable prices with regulated releases, and earn also sizable amounts of foreign exchange through exports. Only it should not allow critics to say that prices were maintained at artificially high level through niggardly releases. There has of course been a drop in values by over 20 per cent from the peak levels but these can decline further by another 10 to 15 per cent.

filter-point wells at a cost of Rs. 100 lakhs, at an approximate cost of Rs. 4,000 per well, in Thanjavur District.

The cost of a filter point well is estimated at about Rs. 4,000 including the cost of materials and electric motor pumpset and pumpshed. Power supply to energise these filter points will be made available close to the filter point by the Tamilnadu Electricity Board.

The intention of the Government is to see that 1,000 filter-point wells are sunk before June, 1971. The remaining 1,500 filter points will be sunk between 1-7-71 and 30-6-72. The loans will be sanctioned by the Primary Land Development Banks in the scheme area. The agriculturists of the Thanjavur District in the scheme area may approach the Banks of their area to obtain their requirements of the loan.

Preserving Elementary Decencies of Civilized Existence

The B. N. Rau memorial lecture of Mr. K. S. Hegde, Judge of the Supreme Court on Directive Principles of State policy should not be dismissed as a jurist's view of the Constitution, though it is often considered that a juristic view is taken to be a reactionary view, forgetting completely the perils that a juristic decision which is not juristic can pose. It was well therefore that Mr. Hegde took pains to resolve the apparent contradiction between fundamental rights and Directive Principles of State policy. On the surface it looks as if the assurance of social justice implies an irrevocable abridgement or cancellation of fundamental rights. To the layman it should appear that the achievement of the goals of social justice should *ipso facto* witness the annulment of fundamental rights. Mr. Hegde however, put the issue in proper focus by pointing that the reins provided by rights were intended to modulate evolution of justice. He employed here the simple argument that what is done gradually and convincingly had much merit in it as compared with that done convulsively and under compulsion. It will be difficult for the "reformist groups" in office and outside to concede that there is a lot to be said in favour of this view.

The reformists believe that the process of judicial review within the letter and spirit of the Constitution will "deliver its equity goods" far too slowly to be safe for this country. The massiveness of poverty, according to them, is such as to aggravate impatience to the point of a revolution, and a revolution is just the situation in which no court will hold the scales even, both because the scales will keep necessarily tilted in favour of the underprivileged and because the role of the judiciary itself will have been seriously circumscribed. If this is a threat, one has not go to involve oneself in replying through mere argument. If the idea is on the contrary to demonstrate that the legalities

necessary for civilised existence will be corroded, there should definitely be an answer.

Product of Best Brains

This brings in the issue of a committed judiciary. The contention of reformists is that the Court, uncommitted except to the letter of the law will by the very process of change be shown up as holding on to out-of-date opinions, while it will be sinning all the while by its decisions against the principal of equity as it should apply under conditions of massive poverty. What surprise one here is the native manner of this plea. It makes the presumption, albeit unexpressed, that the Constitution has become an anachronism. But it is forgotten that it had been shaped by the best brains in the country and piloted through the Constituent Assembly by a towering legal genius in the person of the late Dr. B. R. Ambedkar. What is worse, the heat

GROWING DEMAND FOR HEIL'S RECTIFIER EQUIPMENT

Facilities for the manufacture of rectifier equipment at the Heavy Electricals factory, Bhopal have been augmented with the construction of a specific factory block (No. 7) in this big industrial complex.

HEIL'S rectifier equipment is in great demand and so is Silicon rectifier equipment which is the most modern in this field. Due to its compact size and reliability, Silicon rectifier equipment is increasingly replacing old and big installations. The factory has recently been asked to provide replacement of old rectifier installation on Central Railway. Plans are afoot to raise the annual production of the rectifier equipment to Rs. 10 crores.

HEIL is also proposing to manufacture Silicon controlled rectifier (Thyristor) equipment and electronic control for which the designs are already in advance stage. The rectifier equipment already supplied by the Bhopal factory is working satisfactorily in the big aluminium plant at Belgaum for the last one year.

and fever of reformist counselling would incline a stranger to the view that the Constitution should have run for very many years so as to merit this charge of obsolescence.

The trouble lies in the failure to view court decisions in the proper light. When the Supreme Court struck down certain portions of the bank nationalisation legislation, it acted like that not because it had certain views against nationalisation. When it called into question the abolition of privy purses, it did not act thus because it had a soft corner for the princes and for all that they and the princely order signified. The Court's conclusion was purely on the basis that what was bad in law had to be so exposed so that the common weal which the law enshrines is safeguarded against any erosion by thoughtless action. Mr. Hegde was particularly careful to clarify that the Court did not have any bias in favour of property. He went to the extent of observing that those who could deem property rights as not being incongruent with poverty (and so could remain concomitants under all circumstances) did not visualise the situation in which poverty could annihilate such right.

Turning People to Playthings

Perhaps all this exercise in respect of the fine points of law is wholly fruitless. It cannot be that the reformists are ignorant of these elementary truths. If they still err as they appear to have, it should be because of their zeal for reform which can stand no obstacles. It is this zeal and this prejudice that require to be checked if laws in this country, especially those which will influence unborn millions of the distant and remote future, are not to be made the plaything of politicians through obliging them with a committed judiciary. It is not social justice but the elementary decencies of civilised existence that are at stake here.

Fresh Feasibility Study for Salem Steel Plant

According to a message received by the Madras Office of Messrs Dastur and Company who have been appointed engineering consultants for Salem and Vizag Steel Plants, the Government of India has decided that a fresh feasibility study must be undertaken for the proposed Salem Steel Plant. Though feasibility (technical and economic) has been established both by the Dasturs and a Japanese team, it is pointed out in defence of the Government's latest decision that on those occasions the feasibility was established for mild steel production. With the change in the product-mix from mild steel to special and alloy steels it is contended that a fresh feasibility has become necessary. Both the State government and the Government of India swear that there is no wanton delay on anybody's part to go ahead with the plant. It must however be admitted now that the Salem project which was thought and even declared to be ready for straightaway taking up and which was expected to have a lead of at least five or six years over the other two Southern steel plants has now come to be regarded as one of the three to progress together.

Labour Welfare Centres

The State Labour Welfare Board has decided to set up labour welfare centres at Madras, Coimbatore and Madurai. The centres will provide facilities for games, screening of films, tailoring classes for women, reading room-cum-libraries for the benefit of workers, etc. The Tamil Nadu Government has announced a grant of Rs. five lakhs to a newly started Welfare Fund. Legislation has been proposed providing for suitable contributions from industrialists to the fund. The only other States where such a fund is in operation are Maharashtra and Gujarat.

Advantages of Arbitration

At a seminar on Commercial Arbitration organised by the Indian Council of Arbitration, several speakers stressed the merit of arbitration as a method of settlement of disputes. Arbitration had as its base voluntary settlement and mutual consent and its chief merit lay in the finality, they said. The Chief Justice of Tamil Nadu High Court who inaugurated the seminar however said that arbitration, however acceptable to the different parties, could never become a substitute for law courts. He said it was necessary to educate the business community in the advantages of arbitration and to intensify training in commercial arbitration.

Mr. D. C. Kothari, President of the Council, pointed out that if there should be smooth, unhindered flow of trade between countries, the disputes that were bound to arise in the course of the transactions should be settled expeditiously.

Reorientation of Technical Education

A four-day national seminar on reorientation of technical education urged diversification of diploma courses in view of the demand for technicians with greater depth of knowledge and skills. The seminar which took note of the diversification of industrial activity in the country and the changing pattern of technology felt such diversified courses should be introduced on the basis of scientific analysis of the needs of industry and employment opportunities. It also emphasised a study by experts of the managerial manpower requirements. A technical university in each State would be the answer for the problem of effectively developing technical education in the next decade.

Problems of Hire Purchase Financiers

The Madras Hire Purchase Association led by Mr. T. S. Santhanam met Mr. R. T. Parthasarathi, Chairman of the Joint Select Committee on Hire Purchase Bill, recently at a reception and represented to him the difficulties faced by those engaged in this business. Mr. Namby, Chairman of the Association, said that there were 500 financiers in the State.

While hire purchase transactions have swelled to enormous proportions in the last couple of decades, still there is no law in the country to govern these transactions. They are regulated now by the Contracts and Sale of Goods Acts—a position of incompatibility. This gap was sought to be filled only a year ago. A Bill to regulate hire purchase transactions and provide for healthy and orderly growth of this business and to check fraudulent practices was considered by both the Houses of Parliament and referred to a Joint Select Committee under the chairmanship of Rajya Sabha Member Mr. Parthasarathi.

The Association's leading members made a number of suggestions to Mr. Parthasarathy for incorporating in the Bill. They included conversion of the finance charges in terms of a flat rate instead of on true rate of interest basis as at present and a revised range of charges for new and second-hand vehicles between 7½ and 15 per cent flat per annum and these suggestions were accepted by Mr. Parthasarathy. There were however other suggestions like computing the value of the goods as on date of sale rather than on date of seizure. The Committee Chairman said he could not accept these suggestions as they were calculated to benefit the financiers at the expense of the borrower. The Bill sought to protect the interests of the weaker party, namely, the hirer.

—V.M.

INDUSTRIAL ECONOMIST

Renaissance of Indian Tourism

Unprecedented economic prosperity in many parts of the globe together with greater leisure and the revolutionary growth of air transportation have put tourism at the top of international world business today. In 1969, the total world receipts from travel were over Rs. 11,000 crores. India together with many other countries is accelerating its efforts to meet the challenge of the new boom in tourism ushered in with the advent of the Jumbo Jets (which will in turn be replaced by supersonic and hypersonic aircrafts).

The last four years have seen as a result of various measures a breakthrough in tourism in India with earnings going up to Rs. 37 crores in 1970 from Rs. 22 crores in 1966 and the tourist arrivals reaching 2.75 lakhs in 1970 from 1.60 lakhs in 1966.

One of the significant developments in the field of our promotional work abroad was a marked change in emphasis towards a more dynamic market-oriented strategy. That this has paid rich dividends is reflected in the 30 per cent increase recorded during 1969 in tourist arrival figures. "Operation Europe", a dynamic promotional tie-up with Air India which was started in 1968 has been successful in increasing tourism from Europe by nearly 45 per cent. The Department of Tourism also has a hospitality programme under which foreign travel agents, travel writers, photographers and producers of TV films are invited to India on familiarisation tours. This has helped immensely in improving India's image abroad. Within the country we have mounted a series of campaigns highlighting the role of tourism in promoting national integration, creating tourist consciousness among opinion-leaders and for motivating investment in tourism.

INDUSTRIAL ECONOMIST

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Increase in Tourist Arrivals

If the tourist arrivals in 1969 are any indication, India will face one of its greatest challenges in the field of tourism during 1970's. A total of 2,44,724 tourists visited India in 1969 registering an all time record of nearly 30 per cent over the preceding year. The United States sent the largest number (52,836) followed by Britain (38,037), Germany (14,222), France (12,094), Australia (10,615), Malaysia (8,823) and Japan (8,352). The foreign exchange earnings from tourism (excluding international fares) has been estimated at Rs. 33.11 crores in 1969 as against Rs. 26.42 crores in 1968.

There has been a steady increase in tourist arrivals over the past five years. The figures of tourist arrivals for this period are:

1965	..	1,47,900
1966	..	1,59,603
1968	..	1,88,820
1967	..	1,79,565
1969	..	2,44,724

The Government has set a target of 4,00,000 tourists by 1973 and all efforts are being made to achieve this target.

Air Transportation

At present Indian Airlines, the domestic carrier, is hard pressed to meet the increasing traffic. However, with the decision to acquire Boeing 737 for the airline's trunk routes, the situation in regard to air transportation within the country is expected to improve considerably. The deliveries of the new aircraft are expected to begin later this year.

As group movement by charter flights is playing an increasingly important role in the tourist traffic, Government have done away with the ceiling on the number of charters allowed to land in India. Other restrictions have also been substantially liberalised.

Plan Outlay

In the Fourth Five Year Plan a total outlay of Rs. 25 crores has been made for tourism. Reallising the importance of creating resorts for attracting destination traffic, five major integrated development projects have been included in the Plan schemes. These are a Winter Sports resort at Gulmarg in Kashmir, development of Kulu-Manali area, Beach Resort in Kovalam and Goa and development of selected Buddhist places. Of these the Gulmarg Winter Sports resort is expected to be fully operational by the end of this year. A Ski Training School has also been set up at Gulmarg.

The Government attaches great importance to wild life tourism. To develop this an amount of Rs. 50 lakhs has been provided in the Fourth Five Year Plan. To start with, it is proposed to provide additional accommodation and transport facilities for six selected National Parks and Game Sanctuaries viz. Kanha, Kaziranga, Gir, Periyar, Corbett and Bharatpur-Sariska complex.

THE CASE AGAINST MINISKIRTS

Miniskirts may be easy on the eyes but they are hard on the ears. Clothes absorb sound. With fewer clothes a person reflects more sound waves. Dr. Vern O. Knudsen of California University says that in concert halls, designed with the idea that most audiences will be fully dressed, acoustical calculations may be thrown off, if skirts go up and absorption goes down.

—Science Digest

Hyderabad Letter:

Singareni Steps up Production

By DR. R. V. RAO

Mr. K. I. Vidyasagar, Managing Director, Singareni Collieries said that in December 1970, the collieries broke their all-time record by producing 4.10 lakh tonnes. The Singareni Collieries has made steady progress with the production of 29,85,591 tonnes upto the end of December 1970 compared to the previous years' production of 28,78,551 tonnes for the same period, thus registering an increase of one lakh tonnes. Increase in production was due to the efficient and good work done by the employees and the cordial relations existing between the management and labour force. The Collieries sold all the coal produced. In addition, they had disposed of about 2 lakhs tonnes from the accumulated stocks.

The Collieries are planning for a production of 46 lakhs tonnes in 1971-

72 against 42 lakhs tonnes this year. Three new mines are also being planned.

Open Cast Mining

The Managing Director disclosed that they were exploring the possibility of open cast mining near Ramagundam. New machinery is being obtained from Bangalore. Open cast mining, it may be stated will give more yield with less expenditure and less risk.

Problems of the BHEL

The Bharat Heavy Electricals at Ramchandrapuram is now beset with a number of problems. The first is lack of adequate orders to maintain an even flow of production for the next

five years. Having regard to the long gestation period in the manufacture of electrical equipment, orders for 10 years are essential and crucial in the early period. The 40 crores plant has a capacity to manufacture 900 M.W. of thermal turbines and turbo-alternators. Special raw materials are to be imported and efforts in the matter of import substitution have not borne fruit. The State Electricity Board are not quick in payments. Hence the unit is bound to borrow from commercial banks at high rates of interest. Efforts are now made to diversify production. Centrifugal compressors for fertilizer industry are also proposed to be manufactured. So far as exports are concerned, the difficulty is that countries like Syria have offered deferred payment. The activities of the units, however, have recorded considerable promise and appreciable rate of growth. Value of production in 1969-70 was Rs. 1312 lakh whereas in the previous year it was Rs. 1143 lakhs. Efforts are being made to reduce import content also.

Growing Exports of Marine Products

The year 1970 has proved yet another year of success for the sea-food industry. The exports during the year under review reached a new peak of 37,175 tonnes valued at Rs. 35.54 crores as against the previous figure of 30,584 tonnes valued at Rs. 33.07 crores in 1969. In quantitative terms the export growth for the year works out to 21.56 per cent as against 23.27 per cent in 1969 and 14 per cent in 1968. However, in terms of value the growth rate has considerably declined to as low as 7.45 per cent from 49.76 per cent in 1969 and 10.8 per cent in 1968 and this sharp fall is mainly due to the fall in

the prices for frozen shrimps and lobster tails in our major markets.

While both canned and dried items have made substantial improvement in the export front, the frozen sector has shown only a marginal rise. The share of frozen items has declined to 67.42 per cent in volume or 79.21 per cent in value in 1970 from 74.89 per cent in volume or 86.53 per cent in value in 1969. In the case of canned items there has been an improvement from 5.43 per cent to 6.93 per cent in terms of quantity and from 6.68 per cent to 11.13 per cent in terms of value. Dried sector also improved their share from 17.58 per cent to 24.31 per cent

in terms of quantity and from 6.36 per cent to 9.21 per cent in terms of value.

In our overall exports of seafoods, U.S.A.'s share has sharply declined from 55.0 per cent in 1969 to about 47 per cent in 1970 due to her poor imports. In contrast, Japan has improved her position marginally with a share of 18 per cent in volume and 30 per cent in value. Other markets which have registered increase in their shares include U.K., Ceylon and West Germany. On the other hand we are losing ground in the French market particularly for canned shrimps and froglegs.

The year 1970, however, has been remarkably good for our exports of frozen froglegs, canned shrimps, dried fish and dried prawns.

STOCK MARKET:

Weak Sentiment on Poll Eve

Generally weak conditions have been noticeable in the stock markets for some weeks now and all-round losses have been recorded in both cleared and cash sections. The losses in cleared scrips have been more pronounced due to the anxiety of bull operators to lighten their outstanding positions in view of the high carry-over charges in many counters. Cash scrips have not suffered to the same extent as corporate news from many of the new companies have been encouraging in spite of the problem peculiar to different industries. There has however been a sharp contraction of business in the various centres. It is quite likely that there may be no improvement in sentiment in the next few weeks till the election uncertainties are out of the way and a clear picture emerges about the nature of the new Central Government and its economic policies.

Thus, for the present, political developments have induced extreme caution in operators as well as investors. Much is at stake for the investor in the parliamentary elections. Even here, the increasing violence in West Bengal gave rise to doubts if the elections could be held at all along with those in the rest of the country. The skirmishes between rival parties in other States also caused serious concern. It was feared that there might be a worsening of the law and order situation as the poll dates drew near.

Financial stringency was a major economic factor for the subdued conditions in the

markets. The credit squeeze following the hike in Bank rate has affected major industries like textiles, sugar and engineering. With a slackening offtake of cotton cloth, stocks have accumulated with mills and traders, locking up large sums, while the sugar industry has been groaning under the weight of huge stocks which cost considerable sums by way of interest charges. Dearth of funds has also been reflected in tighter credit against shares while the new issue market has siphoned away a good portion of the investible funds from the stock markets. The Reserve Bank's latest stocks liberalising refinance to banks and fixing a ceiling of 15 per cent on the penal interest rate on such refinance have however been welcomed.

Some Encouraging Corporate News

Among encouraging corporate news were the optimistic reckoning of the chairmen of Indian Oxygen, Voltas and United Carbon about their companies' prospects in the current year. Bombay Dyeing and Manufacturing Company Limited has raised the dividend on equity capital for 1970 to 13 per cent, taxable, from 12 per cent, taxable in 1969. Associated Bearing Company Limited has also increased the dividend for 1970 to 12½ per cent (tax free) from 10 per cent following a further rise in earnings. Indian Aluminium Company has announced a bonus issue in the proportion of one share for every two shares held besides maintain-

ing the dividend for 1970 at 14 per cent. The company also expects to earn a much larger profit in the current year. United India Fire and General Insurance Company Limited has declared an interim dividend of 10 per cent for 1970. Mahindra and Mahindra has reported improved results for 1969-70 though the dividend has been maintained at 11 per cent. Associated Battery is paying more to its shareholders while Union Carbide will be distributing a much larger sum as it will be maintaining the dividend on a higher capital. Siemens India which will be coming on the market to raise additional capital for its new schemes has published excellent results.

But in the general context of tighter money conditions, stock market operators have not been eager to extend their commitments particularly as there is rethinking on yield rates. The only sustaining factor for the markets for sometime to come will be the working results and near-term prospects for continued profitability of operations of companies. During the fortnight ended February 25, leading scrips in Dalal Street shed most of their gains made since the beginning of this year while cash shares were less weak. In Lyons Range, there were some firm spots like Union Carbide, Associated Battery, G.E.C., English Electric, and Electric Construction Co. (one for three bonus news) on shortage of scrips and growth prospects. But in cleared list, barring Indian Aluminium on bonus issue news, the others were very weak. Indian Iron as low as Rs. 11.65 and Hind Motors at Rs. 11.90. In Madras, textile scrips like S.I. Viscose, Madura Mills, Travancore Rayons and Lakshmi shed their earlier lustre while other groups were quieter with all-round declines.

PRICE MOVEMENTS

The following were the closing quotations for selected scrips on Feb. 10 and Feb. 25

Madras			Bombay			Calcutta		
	Feb. 10	Feb. 25		Feb. 10	Feb. 25		Feb. 10	Feb. 25
India Cements	5.63	5.60	Tata Steel	100.50	100.50	Indian Iron	12.15	11.56
Mettur Chemical	12.30	12.15	TELCO	228.00	228.00	Hind Motors	12.35	12.25
Ashok Leyland	6.40	6.30	Century	859.50	863.00	Guest Keens	30.50	31.60
S.I. Viscose	164.00	165.00	National Rayon	533.00	522.00	Indian Aluminium	35.10	37.85
Travancore Rayon	19.50	19.60	Tata Chemical	35.40	29.75	Orient Paper	37.90	37.30
Madura Mills	19.00	18.25	Larsen & Toubro	22.24	23.16	G.E.C.	64.75	74.00
Aluminium Industries	7.20	7.10	Great Eastern	39.25	36.00	Ass. Battery	30.00	29.25
E.I.D. Parry	15.10	14.90	Century Enka	365.00	360.00	Union Carbide	29.12	28.94
Madras Aluminium	178.50	178.00	United Carbon	440.00	450.00	CAFI	47.87	45.87
Madras Rubber	20.00	20.00	NOCIL	237.00	232.00	Indian Oxygen	22.92	21.94
Seshasayee Paper	13.25	13.00	Synthetics	180.00	175.00	English Electric	16.00	16.62
FACT	6.15	5.75	Bayer	239.00	234.00	Elec. Construction	24.25	25.44

COMMODITIES:

Wide Fluctuations in Rubber Products

Rubber growers in Kerala have expressed deep concern over the steep fall in prices for the commodity in the past two or three weeks following the slow-down in purchases by the State Trading Corporation and suspension of buying by the co-operatives. Prices fell sharply to Rs. 455 in a week from Rs. 472 per quintal. Even the price before the slump was much below the Government fixed level of Rs. 520 as recommended by the Tariff Commission as the S.T.C.'s support operations had been inadequate to lift the open market prices. While it had agreed to purchase 8,000 tonnes between October end and the middle of December last year, actual purchases have totalled only 3,500 tonnes in 3½ months. At present, it is buying only through one of the four depots in the Kottayam-Calicut area for want of storage facilities. The industry has, however, been maintaining its purchases at a high level but till the expansion schemes are completed, there may be no marked increase in their requirements. Though there has been a slight recovery in prices, it may be necessary for the S.T.C. to lift a bulk of the accumulated stocks with growers if a further fall in prices is to be averted. Latterly, however, there has been a rally in prices to Rs. 480 per quintal on poor arrivals and reports that the S.T.C. might be buying 10,000 tonnes.

Production of natural rubber from April-November 1970 totalled 60,566 tonnes against 54,694 tonnes in the same period in 1969 and 81,953 tonnes for the whole of 1969-70. Against this consumption in the first eight months amounted to 56,715 tonnes against 57,230 tonnes in April-Nov. 1969 and 86,213 tonnes in 1969-70. Imports have been negligible during this period at 2,347 tonnes against 16,161 tonnes (for eight months in 1969-70) and 17,821 tonnes for the whole of 1969-70. But stocks at the end of November 1970 were higher at 37,657 tonnes against 31,716 tonnes a year ago. As output in the subsequent two months must have been around 20,000 tonnes and consumption around 16,000 tonnes, the stock position at the end of January this year must have been even higher. But at the end of November, the break-up of stocks was 8,517 tonnes with estates, 10,493 tonnes with dealers, 15,748 tonnes with manufacturers and 2,899 tonnes in transit. This would show that the industry had a stock of only two months' consumption against the normal level of 3 to 4 months.

As regards the total supplies of all kinds

of rubber, output for eight months was 88,695 tonnes (79,526 tonnes) consisting of, besides natural rubber, 18,458 tonnes (15,542 tonnes) of synthetic and 9,671 tonnes (9,290 tonnes) of reclaimed. Against this consumption was 86,196 tonnes (86,436 tonnes) made up of 56,715 (57,230) tonnes of natural rubber, 20,599 (19,957) tonnes of synthetic and 8,882 (9,249) tonnes of reclaimed rubber. For 1969-70 consumption of synthetic was 30,636 tonnes and of reclaimed 13,885 tonnes, while that of all kinds was 130,734 tonnes.

Record Coffee Crop

Coffee addicts will heave a sigh of relief in knowing that the availability for internal consumption this year (1971) will be as much as 40,000 tonnes. Already prices in pool auctions since the beginning of the year have declined by over 20 per cent from the fantastic levels of 1970 with large scale arrival of the 1970-71 crop. The Chairman of Coffee Board, Mr. H. G. V. Reddy recently indicated at the board meeting in Bangalore that the 1970-71 crop will be an all time record, with the revised estimate placed at as high as 82,000 tonnes against the previous estimate of 75,000 tonnes. Receipts into the pool till February 9 have totalled 39,446 tonnes, consisting of 28,191 tonnes of plantation, 9,533 tonnes of Arabica Cherry and 1,742 tonnes of Robusta. The rate of arrivals this year is much higher than in the last three years. While 40,000 tonnes (33,582 tonnes last year) for internal releases should ensure easy supplies at reasonable prices to the consumer, the Marketing Committee has earmarked 36,000 tonnes (31,202 tonnes last year) for export out of the current crop to quota as well as non-quota countries. There was a shortfall in export to quota countries by 8,797 tonnes, against the allotment of 23,447 tonnes for the 1969-70 year. This was due to shipping difficulties and lack of buying activity on the part of East European bilateral quota countries.

Difficulty Over Cotton Imports

The cotton mill industry is worried about getting adequate imported cotton on time in spite of the Government's serious efforts to arrange imports from various sources. It is felt that its earlier assurance to the industry to secure 13 lakh bales of foreign cotton may be difficult to implement as

there is considerable difficulty in arranging for imports against rupee payment. Egypt may be agreeable to supply an additional 50,000 bales besides the usual 2 lakh bales it gives under the rupee payment agreement. But the U.S. is reported to be not willing to give more cotton than it supplies under the PL 480 programme. So far, only a quota a little over 6.50 lakh bales has been announced of which over 90 per cent has been licensed. The quantities licensed so far are 1.71 lakh bales of Sudan cotton against a quota of 2 lakh bales, 1.79 lakh bales from Egypt against a quota of 1.90 lakh bales, 58,840 bales of global cotton (60,000 bales), 60,116 bales of U.S. free dollar cotton (one lakh bales) and 1.24 lakh bales of PL 480 cotton against a quota of 1.25 lakh bales. Besides these, one lakh bales will come under the yarn sale scheme (i.e. for supplies to mills which undertake to give yarn to the decentralised weaving sector at fixed prices). The State Trading Corporation is also trying to get 2 lakh bales of staple fibre from foreign sources. It would thus seem that mills will have to face critical shortage of cotton after the arrivals against indigenous crop thin down after April. The present easier trend in fibre prices may also get reversed, after some time and the peak levels of January may even be exceeded. Cotton prices had shot up by Rs. 800 to Rs. 1200 per candy for most varieties of indigenous cotton between November and January following the damage to Maharashtra crop from rains but with the arrival of Gujarat crop from the first week of February there was a sharp break in values by Rs. 400 to Rs. 600 per candy from the January levels.

The fall in fibre prices has been reflected in yarn and cloth prices. The boom conditions in yarn seem to be over as with reduced demand from weavers due to sluggish offtake of cloth, spinners have been forced to cut prices for yarn by 20 to 25 per cent for different counts in recent weeks and even then are unable to find buyers who are waiting for a further fall in prices. Financial stringency has also been responsible for the lower offtake and spinners are worried about the more than proportionate decline in yarn prices as compared to the fall in cotton prices. The sluggish demand for cloth since January is partly seasonal and partly due to disturbed conditions in the eastern region as also tight credit position. Prices of cotton cloth of various qualities had risen by 10 to 40 per cent since last November but have come down since January but still are much higher than the levels that prevailed a few months ago. Even prices for controlled varieties are reported to be sold at much high levels and the centre has asked the State Governments to strictly enforce the stamped prices for those categories.

INDUSTRIAL ECONOMIST

BUSINESS BRIEFS:

Merger Moves of Erstwhile Banks

Shareholders of the erstwhile banks whose businesses were taken by Government will have justifiable concern over the delay in getting any tangible benefit from the compensation amounts paid to the respective institutions. No doubt the managements of these companies are anxious to find a profitable employment for these large sums in such a way that the shareholders will derive satisfactory returns. It is also being studied how the tax liability of these amounts with the institutions and in the hands of the shareholders can be minimised. Five of these companies have already come out with proposals for merger with industrial undertakings which are already running on a lucrative basis. While the merger of Central Bank of India Limited with Tata Engineering and Locomotive Company Limited has been approved by the Bombay High Court and awaits only the sanction of the controller of capital issues, the other four schemes are expected to be cleared by the High Courts in due course. These relate to the merger of Bank of India Limited with Ahmedabad Manufacturing and Calico Printing Company Limited, Union Bank of India Limited with Mahindra and Mahindra, Indian Overseas Bank Limited with Travancore Rayon and the Bank of Maharashtra Ltd. with Swastik Rubber. Canara Bank Limited, Syndicate Bank Limited and Indian Bank Limited are still considering how to employ their shareholders' money while United Bank of India Ltd., United Commercial Bank Limited and Dena Bank Limited have decided to enter the field of development banking and allied activities. Punjab National Bank Limited would seem to be intent on resuming banking operations but is yet to decide on a definite course. Only Allahabad Bank Limited, a subsidiary of Chartered Bank, has decided to wind up business by going to voluntary liquidation.

Bank of India — Calico Merger

There is a slight modification in the scheme for merger of Bank of India Limited with Ahmedabad Manufacturing and Calico Printing Company Limited. The changes in the earlier scheme will overcome the difficulties likely to be experienced by the equity shareholders of Bank of India Limited during conversion of their shares into equity shares, convertible bonds and debentures of Calico Mills. There is however no change in the construction of the

scheme. It is now proposed that for every four Bank of India shares, one 'A' ordinary share of Rs. 25 each and two fractional coupons of one-tenth each of Calico will be allotted along with convertible bonds and debentures as stipulated earlier on a proportionate basis. The 'A' shares will be consolidated into equity shares of Rs. 125 each after May 31, 1974 on giving three months' notice. The shares that remain unconsolidated will be allotted to a nominee appointed by the company for being sold after consolidation and the proceeds will be distributed to the holders on a *pro rata* basis. Small shareholders of Bank of India may experience some hardship due to this procedure and there may be some relief to them if the new 'A' shares are allowed to remain as a regular feature of the capital structure of the amalgamated company.

Central Bank of India — Telco Merger Approved

The approval for the scheme of merging Central Bank of India Limited with Tata Engineering and Locomotive Company Limited by the Bombay High Court has given rise to hopes that similar proposals relating to other erstwhile banks whose businesses were taken over by Government would also be cleared by the respective courts. Under the proposal, shareholders of CBI are to receive equity shares and debentures of Telco in a certain ratio for their bank shares. It is significant that the High Court held that the merger or amalgamation would not require the approval of the Central Government under the Monopolies Act as the Central Bank of India Limited was not an "undertaking" as defined in the Monopolies Act. It was also held by the court that though the merger would result in expansion of Telco, it would not result in an increase of 25 per cent or more in the value of its assets. This did not require the sanction of the court. Allowing for any likely tax liability, Telco will get additional funds for about Rs. 15 crores (out of the Rs. 17.5 crore of compensation money) from CBI Limited for its expansion schemes.

Bank of Maharashtra

Bank of Maharashtra has announced an attractive scheme of merger with Swastik Rubber Products Limited. Under this proposal, holders of the Rs. 50

paid-up bank equity shares, will get three equity shares of Rs. 10 each and four convertible 8 per cent debentures of Rs. 10 each of Swastik for every bank share. A novel feature of the scheme is that each new Swastik equity share will be treated as paid up to the extent of Rs. 4 amalgamation and the balance of Rs. 6 per share will be considered as calls received in advance and will become paid up in instalments of Rs. 2 every two years after amalgamation. There will also be payment of interest at 12 per cent per annum from the effective date of amalgamation on the outstanding amounts treated as advance calls. Every four debentures can be converted at the option of the holders after five years (i.e. July 1, 1976) into one fully paid up 9.5 per cent cumulative redeemable preference share of Rs. 10 each, one fully paid redeemable convertible debenture of Rs. 25 each and one coupon of Rs. 5. Two coupons can be exchanged for a fully paid Rs. 10 equity share while the preference shares and debentures can be redeemed by June 30, 1984. The existing preference and equity shares of Rs. 100 each of Swastik Rubber will be converted into shares of Rs. 10 each. The company will also not issue bonus or right shares till June 30, 1976. Shareholders of Bank of Maharashtra who do not want to take advantage of the merger will have the option to receive Rs. 64 for every bank share of Rs. 50 held by them. Meanwhile, it has been decided to pay a dividend of Rs. 5 per share by the bank for the period before amalgamation.

Bank of Maharashtra has received a compensation of Rs. 230 crores. Swastik Rubber will be utilising the funds got through the amalgamation for financing its ambitious expansion scheme. The company has already a turnover of Rs. 6 crores per annum, including Rs. 80 lakhs from exports. It is proposed to set up a factory at Nasik taking advantage of the special concessions offered by the Maharashtra Government. The gradual increase in paid-up capital will not impose burden on the company.

Union Carbide Excels

The decision of the directors of Union Carbide India Limited to maintain the equity dividend at 15 per cent taxable for 1970 on an increased capital as raised by a one-for-two bonus issue has been well received in stock market circles, especially as only in 1969 the company had repeated the dividend in 1969 on a capital doubled by right and bonus issues. A final dividend of 7½ per cent taxable is to be paid for 1970 while a similar interim dividend has already been distributed. The total quantum of dividend will be Rs. 184.28 lakhs against

Rs. 122.86 lakhs in 1969 and only Rs. 61.42 lakhs in 1968. Sales during the year ended December 25, 1970 increased to Rs. 48.03 crores from Rs. 44.04 crores in 1969 while the net profit, after depreciation and before taxation, improved to Rs. 6.22 crores from Rs. 5.64 crores. After providing Rs. 2.84 crores (Rs. 2.48 crores) for taxation the transfer to general reserve is Rs. 2.30 crores (Rs. 2.28 crores) and to sinking fund reserve Rs. 3 lakhs (same). The final dividend will be paid out of general reserve. The dividend for the latest year even on the increased capital is covered about 1.8 times by the disposable profits.

The company incurred an expenditure of Rs. 3.44 crores (Rs. 2.38 crores) during the year on expanding its facilities. The electrolytic manganese dioxide plant has been almost completed but there may be difficulty in using the capacity fully because of shortage of graphite anodes. The project for taking up the manufacture of hard-facing and wear-resistant products has not so far been approved by Government while the expansion of the carbon electrode plant is also awaiting sanction. Two modern trawlers for deep sea fishing, a new line of activity, have been imported and it is expected that this diversification will prove to be quite remunerative besides helping the country to earn large sums of foreign exchange through export of marine products. The company has commissioned a sewage reclamation plant with a daily capacity of one million gallons to ease the water problem faced by the Trombay petrochemical complex. The company also wants to expand the polyethylene output in view of the increasing demand for this intermediate plastic material.

Straw Products

Straw Products Limited has a project on hand to produce additionally 9,500 tonnes of MG and MF fine tissue papers and speciality products at a cost of Rs. 8.51 crores. The foreign exchanges cost will be Rs. 147.90 lakhs which will be found from a loan of Rs. 76.50 lakhs from the Industrial Finance Corporation and of Rs. 71.40 lakhs from the Industrial Credit and Investment Corporation. The ICICI will also be providing a rupee loan for Rs. 30 lakhs. The company has already made a right issue of equity shares for Rs. 37.50 lakhs at a premium of Rs. 2.50 per share, while a preference issue is to be made for Rs. 20 lakhs. The Industrial Development Bank will be providing assistance for Rs. 3.05 crores and the Life Insurance Corporation for Rs. 75 lakhs. Internal resources will provide Rs. 236.50 lakhs. The scheme is expected to be completed by the middle of 1972.

Indal's Bonus Issue

Indian Aluminium Company Limited has decided to capitalise Rs. 6.01 crores out of reserves and issue bonus shares in the proportion of one share for every two equity shares held subject to the consent of the Controller of Capital Issues. The directors have also maintained the equity dividend for 1970 at 14 per cent, taxable, with the declaration of a final payment of 8.5 per cent, taxable. The interim dividend of 5.5 per cent has already been paid. With the completion of the first stage of the Belgaum project with all its integrated facilities during the year there was a big rise in sales, to Rs. 35.40 crores from Rs. 26.43 crores in 1969. But the net profit, after depreciation and before taxation, is only marginally better at Rs. 5.27 crores against Rs. 5.25 crores in the previous year probably due to a much higher provision for depreciation (than Rs. 1.88 crores made in 1969). Development rebate also claims a larger amount of Rs. 2.52 crores (Rs. 2.05 crores) while there is no provision for taxation against Rs. 59 lakhs. The dividend will require Rs. 168.28 lakhs (same) and if the bonus issue materialises there should be no difficulty in maintaining the dividend on the increased capital particularly as with the full additional capacity at Belgaum in operation in the current year, there will be a further marked rise in production and sales as also in earnings.

The third potline (of 10,000 tonnes) of the smelter and the alumina plant were commissioned during last year while the Government has approved the expansion of the Belgaum smelter by setting up a fourth potline of 10,000 tonnes capacity. This is expected to go on stream by the end of 1971. The sheet rolling plant at Talaja near Bombay is likely to commence production by the same time. There will thus be an appreciable improvement in the company's working results in the next two years. The encouraging results for 1970 and the bonus issue proposal have already sent up the quotation for the Rs. 10 paid up equity shares to Rs. 38.50 from Rs. 35.60 earlier.

Associated Bearing Pays More

The directors of Associated Bearing Company Limited have raised the equity dividend for the year 1970 to 12.5 per cent from the maiden payment of 10 per cent in 1969. As in the previous year, the entire dividend will be exempt from tax deduction at source being paid out of tax-exempt profits. It has been only indicated that a tax provision of Rs. 64 lakhs (nil) has been made after completely availing of the benefits of development rebate in respect of the year

under review and earlier years as also the accumulated relief under Section 80 J of the I.T. Act 1961. The company will now be liable to income tax and may even attract surtax. It is learnt that there was a larger output and sales with a further rise in earnings. The Rs. 100 paid up shares are now quoting around Rs. 302, affording a gross yield of slightly over 4 per cent.

Andhra Sugars Pays Less

Andhra Sugars Limited could not prevent a severe setback in its working results for the year ended September 30, 1970 in spite of its diversified activities. The sugar unit perhaps more than offset any improvement in other divisions. There was thus a slump in the net profit, after depreciation and taxation, to Rs. 19.08 lakhs from Rs. 64.16 lakhs in 1968-69. However, the directors have avoided a drastic cut in the equity dividend which has been only reduced to 9 per cent, taxable from 12 per cent, taxable in the previous year. The transfer to general reserve is a meagre Rs. 48,530 (Rs. 29 lakhs) and development rebate reserve Rs. 4.50 lakhs (Rs. 16 lakhs). The appropriation to gratuity reserve is Rs. 20,000 (Rs. 60,000).

Cooperative Fertilizer Unit

The Indian Farmers Fertilizer Cooperative Limited has secured an industrial licence for setting up a huge fertilizer complex in Gujarat. The project is envisaged to produce 300,000 tonnes of ammonia, and 396,000 tonnes of urea at Kalol and 475,000 tonnes of compound NPK fertilizers at Kandla. The estimated cost of Rs. 91.76 crores is to be met from equity capital for Rs. 27 crores and loans for the balance amount. The Government of India will be subscribing Rs. 18 crores to the equity capital while co-operatives of 10 states have already contributed Rs. 9 crores.

United Carbon

The directors of United Carbon India Limited have explained that the decline in earnings during 1970 in spite of a higher level of production was due to higher costs of raw materials and working expenses while selling prices were unchanged. Though there may be a further rise in costs in the current year it is expected that this can be absorbed with a substantial increase in output and sales following the effective use of the expanded facilities. The Chairman, Mr. C. H. Bhabha has indicated that it will not be possible to pay entirely tax-free dividends henceforth but the "board nevertheless

would try to ensure reasonable rewards to all genuine investors depending on the working of the company". The second phase of expansion of capacity from 40 million lb. to 50 million lb. if approved by Government can be financed entirely with available internal resources and there will be no need to issue fresh equity capital. For the first phase of expansion from 30 million lb., the additional capital expenditure was only Rs. 32 lakhs as the gross capital block at the end of 1970 was Rs. 3.51 crores against Rs. 3.19 crores a year ago but the net block was only Rs. 1.74 crores against Rs. 1.78 crores. And against a paid-up capital of Rs. 1.55 crores, reserves and surplus amount to Rs. 1.95 crores. Development rebate reserve will account for Rs. 78.35 lakhs. The company is thus in a position to capitalise a part of the free reserves and make a modest bonus issue.

Siemens India

Siemens India Limited which will be shortly affording an opportunity to Indian investors for the first time to participate in its equity capital has announced very encouraging working results for the year ended September 30, 1970. The company has been able to increase its turnover during the year to Rs. 25.03 crores from Rs. 20.31 crores in 1968-69 while the net profit, before depreciation, has almost trebled to Rs. 2.21 crores from Rs. 76 lakhs. After providing Rs. 94 lakhs (Rs. 61 lakhs) for depreciation and Rs. 36 lakhs (nil) for development rebate, the transfer to bad and doubtful debts reserve Rs. 6.6 lakhs (nil). Out of the disposable profit of Rs. 89 lakhs (Rs. 29 lakhs) a sum of Rs. 76.88 lakhs (nil) has been taken to general reserve after wiping out a loss of Rs. 12.32 lakhs brought in from the previous accounts. However, a dividend of only 8 per cent, taxable, is to be paid which will absorb Rs. 9.60 lakhs out of general reserve.

The company will be issuing equity shares of Rs. 10 each at par for Rs. 1.20 crores and debentures for Rs. 2 crores for repaying loans and completing the expansion scheme. This will help raise the turnover to Rs. 38 crores by 1973-74 and improve profitability substantially. The debentures will carry interest at 8 per cent taxables and be repayable in 12 to 15 years. Out of the equity issue, the German collaborators will be taking up shares for Rs. 60 lakhs and the balance will be offered for public subscription. The Indian participation in the capital will thus be 25 per cent. The response to the new issue is expected to be overwhelming as there will be a further rise in sales and earnings in the current year and there should be no

difficulty in paying a much higher dividend (than the latest) even on the increased capital. There is already an unofficial premium of Rs. 3.37 on the company's equity shares.

Mahindra & Mahindra

Mahindra and Mahindra Limited has maintained the equity dividend at 11 per cent, taxable, for the year ended October 31, 1970 though sales and earnings were significantly higher as compared to 1968-69. The turnover increased to Rs. 32.45 crores from Rs. 29.45 crores while the net profit, before depreciation and taxation, improved to Rs. 123.33 lakhs from Rs. 107.67 lakhs. But depreciation claims a larger sum of Rs. 36.99 lakhs (Rs. 25.51 lakhs) and development rebate Rs. 13.42 lakhs (Rs. 4.98 lakhs). Thus, even with a reduced liability of Rs. 30.50 lakhs (Rs. 41 lakhs) for taxation, the disposable profit is lower at Rs. 43.04 lakhs (Rs. 47.86 lakhs) after some adjustments. The allocation to debenture redemption reserve is Rs. 4 lakhs (Rs. 2 lakhs) while there is no transfer to general reserve against Rs. 6.50 lakhs. The equity dividend will require Rs. 34.85 lakhs (same) and preference dividend Rs. 4.06 lakhs (Rs. 4.49 lakhs). While a high level of activity is being maintained, it is proposed to undertake an expansion and rationalisation programme to enlarge the company's manufacturing activities. To find the finance for this programme, apart from the proposed merger of Union Bank of India Limited, the directors are also exploring other sources like the statutory financial institutions for fresh loans. The Rs. 10 paid up equity shares of the company have firmed up to Rs. 17.24 after a publication of the preliminary results.

Southern Trawlings

With the growing recognition of the high profitability of the seafoods industry, many new ventures are being promoted for tapping the rich potential of the Arabian Sea while established companies like Tata Oil, Union Carbide and American Refrigerators are already in the field or are about to engage in trawling operations. The latest company to enter the field is Southern Trawlings Company Limited which will have a fleet of medium sized trawlers operating from Mangalore. The company will be exporting most of its catches for which there is a keen demand in the West. The first batch of trawlers is expected to be delivered by July this year. The estimated cost of the project is Rs. 38 lakhs which will be found from an equity issue for Rs. 20 lakhs, a medium-term loan for Rs. 16 lakhs from the Mysore State Financial Corporation and

Rs. 2 lakhs from the directors. Out of the equity capital of Rs. 20 lakhs, the promoters will be taking up shares for Rs. 5 lakhs and the Mysore State Industrial Investment and Development Corporation for Rs. 4 lakhs. The balance of Rs. 11 lakhs worth of shares will be offered for public subscription.

Walchandnagar Industries

Walchandnagar Industries Limited has suffered a severe setback during the year ended September 30, 1970. The company has incurred a loss of Rs. 95.32 lakhs against a profit of Rs. 58.07 lakhs in 1968-69. The directors have skipped the ordinary dividend whereas a distribution of 10 per cent taxable was made in the previous year and 12 per cent, taxable, in 1967-68. Sales in 1969-70 were marginally lower at Rs. 10.16 crores against Rs. 10.22 crores in 1968-69. Machinery sales declined to Rs. 6.27 crores from Rs. 6.40 crores. But the loss was mainly due to the sugar division due to a slump in open market prices though the factory handled a larger quantity of cane of 2.57 lakh tonnes against 2.32 lakh tonnes and produced 2.55 lakh quintals of sugar against 2.43 lakh quintals. The recovery declined to 9.85 per cent from 10.46 per cent. There is no provision for depreciation against Rs. 35 lakhs in 1968-69. There was also a provision of Rs. 4.25 lakhs for taxation and Rs. 1.25 lakhs for development rebate on the former occasion. After some adjustments, a deficit of Rs. 97.77 lakhs is carried forward.

Larsen and Toubro

In accord with the growing tendency of established companies to absorb wholly owned subsidiaries, the directors of Larsen and Toubro Limited have proposed to merge Willcox Buckwell with the parent company with a view to reducing the tax burden and rationalise the working of various units. Willcox Buckwell India has a paid up capital of Rs. 30 lakhs in equity shares, of which only 13,249 shares of Rs. 10 each are held by outsiders and the balance by L and T. Under the proposed merger scheme, the outside shareholders will be offered five equity shares of Larsen and Toubro for every eight Willcox Buckwell shares, on the basis that the net worth of the latter shares is Rs. 12 per share of Rs. 10. The subsidiary has been operating on a profitable basis and the amalgamation will prove beneficial to L and T shareholders.

Yet another proposal of Larsen and Toubro relates to the purchase of 50,000 equity shares of Utkal Machinery Limited, an associated company promoted by L and T and three West German firms. These

shares will be bought from the Industrial Credit and Investment Corporation of India at Rs. 10.70 per share of Rs. 10. This block forms part of the 124,800 equity shares offered to L and T as right shares by UTMAL in 1964 out of 6 lakh right shares. L and T took up only 20,800 shares and renounced the remaining 104,000 shares in favour of ICICI (50,000 shares) and LIC (54,000 shares) to maintain parity of shareholdings among the four major partners. The three German firms renounced 104,000 shares each in favour of a German financial institution. L & T however gave an undertaking to ICICI and LIC to repurchase the shares at a premium of 70 paise before September 30, 1971. And ICICI has now asked L and T to buy back its shares. UTMAL has started operating on a profitable basis laterly and has a backlog of orders for Rs. 7 crores which must ensure improved results in the coming years. With a view to facilitating the merger and purchase of UTMAL shares and any fresh issue of capital in future it is proposed to raise the authorised capital from Rs. 5 crores to Rs. 10 crores. An extraordinary general meeting is to be held on March 17 to get the approval of the shareholders for these proposals.

Stewarts and Lloyds of India

Stewarts and Lloyds of India Limited has earned a lower net profit of Rs. 17.19 lakhs, before depreciation for the 52 weeks ended October 28, 1970 against Rs. 19.35 lakhs in 1968-69. But the directors have maintained the equity dividend at 10 per cent tax-

ble. The charge in respect of depreciation is Rs. 6.15 lakhs (Rs. 4.56 lakhs) and development rebate Rs. 96,500 (Rs. 2.31 lakhs). The balance of Rs. 10.07 lakhs (Rs. 12.48 lakhs) has been transferred to general reserve. The dividend will be paid out of this reserve.

Bajaj Tempo

Bajaj Tempo Limited has doubled the equity dividend for the year ended September 30, 1970 to 10 per cent taxable, as there is a larger disposable profit. The net profit, before depreciation and taxation, was substantially higher at Rs. 58.53 lakhs against Rs. 38.67 lakhs in 1968-69 when a sizable loss of Gammon-Shah was written off. As the method for computing depreciation has been changed to straight line basis, the provision under this head is only Rs. 14.40 lakhs (Rs. 28.55 lakhs). Development rebate claims Rs. 2.20 lakhs (Rs. 3.56 lakhs) and taxation Rs. 4.65 lakhs (Rs. 10,000). After wiping out earlier losses of Rs. 10.68 lakhs, and taking credit for the excess provision in earlier years for depreciation of Rs. 38.41 lakhs. Under the new method there is a credit to general reserve amounting to Rs. 67.50 lakhs. The proposed dividend is to be paid out of this reserve, absorbing Rs. 7.93 lakhs (Rs. 3.97 lakhs).

Panyam Cements Pays Same

Panyam Cements and Mineral Industries Limited was able to avoid a serious setback

in working results during the year ended August 31, 1970 though the old kiln had to be stopped for 40 days due to acute water scarcity and there were serious teething troubles with the new kiln. The production of the raw mill was also not adequate. The water shortage is being overcome by arranging for supply from a new large bore-well located nearby while the suppliers are rectifying the defects in the new plant and machinery. The output of clinker was almost maintained at 2.83 lakh tonnes against 2.88 lakh tonnes previously but production and despatches of cement were higher due to use of clinker stocks at 3.31 lakh tonnes 2.95 lakhs tonnes) and 3.34 lakh tonnes (2.89 lakh tonnes) respectively. The net profit before depreciation and taxation was also better at Rs. 95.63 lakhs (Rs. 94.31 lakhs). The dividend on equity capital has been maintained at 12 per cent, taxable. The provision for depreciation is Rs. 49.32 lakhs (Rs. 44.82 lakhs) and development rebate Rs. 27 lakhs (Rs. 28 lakhs) Expansion reserve got Rs. 6.42 lakhs and general reserve Rs. 2.50 lakhs in the previous year.

Ultramarine & Pigments

Ultramarine & Pigments Limited have secured a bulk order from S. Vietnam for export of 150 tonnes of Ultramarine Blue under U.S. aid. The country will earn a substantial amount of foreign exchange from this deal. The first consignment of 30 tonnes left Madras recently. This is the first time Ultramarine Blue is being exported in such large quantities.



THE TRAGEDY OF BANGLA DESH

Except for the upshot of the use of military power by President Yahya and the Punjabi clique in West Pakistan, the situation in East Pakistan, as it may be called even now, and the prospects ahead have been clear from the time of the general elections. Sheik Mujibur Rehman's hold on the entire population of the eastern wing including the Government employees was unquestionable. And so was the determination of the people to free themselves in any manner that may be necessary from the domination of West Pakistan. The protracted negotiations between the leader of the Awami League and President Yahya were closely followed by the general public mainly because ignorance of the ulterior motives and plans of the ruling circles in West Pakistan permitted the hope that an amicable settlement on the basis of autonomy for East Pakistan to the full extent desired by the people would eventually be arrived at. Such hopes are now seen to be utterly baseless, since the negotiations had been carried on only with a view to gaining time for the movement of the troops and military equipment necessary to defeat the freedom movement in the East. Though this is in keeping with Pakistan's former record in such matters, what is surprising is that Sheikh Mujibur and his supporters had not been unprepared for such a resort to arms and the confrontation with the immensely superior military power. The people had steeled themselves for the coming ordeal. The loyalty of the East Pakistan Rifles and the Police, not to speak of the civil

administration, to their compatriots, has not only deprived a quick or easy triumph to the Pakistani forces, but ensured some military successes which one could not have expected before they were actually achieved. The war between the two wings has gone along the lines made familiar by the guerilla warfare carried on by freedom-fighters in different parts of the world during and after the Second World War. "Bangla Desh" has achieved signal success in the capture of the radio stations at Chittagong and Dacca, the killing of the Pakistani Military Chief and his four lieutenants, in bringing about the surrender of some considerably large groups of Pakistani troops and making as impressive success of their civil and military administration as is possible in the present conditions. These successes have increased the handicap of West Pakistan in having to move troops and equipment through circuitous routes, overflight through India being clearly out of the question. The freedom forces have had mounting successes. The landing of military forces has been made extremely difficult by the destruction of port facilities and the movements of troops within have been made impossible by the blowing up of bridges and railway lines.

World opinion, which would in any case have been on the side of President Yahya and the Western wing, has hardened in favour of Bangla Desh as reports of the successes of the freedom fighters started to flow in. Hard facts

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like the lack of cultural affinities between the two wings, the 1000 miles of foreign territory which divide them, the relentless exploitation of East Pakistan in the interests of the politically and economically powerful group in West Punjab are now being seen in their true colour by the jaundiced eyes of the Western powers. The British Press has gone to the extent of confessing that the events in East Bengal have cut at the root of the two-nation theory on which the partition of the Indian sub-continent rested and affirming that Britain would hold West Pakistan responsible for the safety of Mujibur Rehman. The disintegration of Pakistan under pressure of imponderable national forces is now the theme with many writers in the West. And the Government of Pakistan, far from trying to keep the Western powers in good mood, has little care to safe-

WINDS OF CHANGE IN PLANNING

The resignation of the Deputy Chairman and the three members of the Planning Commission — Dr. D. R. Gadgil, Mr. R. Venkataraman, Mr. B. Venkatappiah and Mr. Pitambar Pant — should be deemed to be more than a formal compliance to the principle of change which the election of the new Parliament with its new Council of Ministers imposes. If the Prime Minister were to live up to the expectation raised by her socialistic promises, it stands to reason that the policy-making body which should help advise on the logistics of the appropriate economic policy should be composed of such members as, in the Prime Minister's opinion, will be competent to deliver the goods. If the Prime Minister was anxious to stress that Dr. Gadgil's team has not lost her confidence in this respect, it is because during its office it has taken up for clarification just those goods which are crucial to the fulfilment of socialistic ideas as, for instance, the development of backward areas and rural employment. While this can justify re-entertainment of the same team, there can be no gainsaying of the need to make the planning body a much more dynamic instrument for counselling on the right means to assure egalitarianism.

It is common knowledge that the Planning Commission has over the years, got covered by the ivy of red tape. There is no department in the Central bureaucracy that does not have its replica in the Commission. Excessive departmentalisation has bred certain deep-seated bureaucratic prejudices that accord ill with the Commission's dynamic aspirations. The need of the hour seems to be to remove such prejudices, a task which may require perhaps larger dimensions of the dynamism than what its present head has assured.

For various reasons, an impression has sedulously gained ground that the Commission cannot, both because of its tradition and of evolving charges, help being a mere arm of the Government. Critics have not been rare who

guard foreign personnel working in East Pakistan. Though the ultimate result of the military operations may be hard to predict, in spite of such successes, it is certain that there can be no return to the old regime. The chances are that Bangla Desh will become independent, foreign recognition of such status flowing in more or less slowly. For India, the proprieties of international diplomatic relations have a specially binding character. But the sympathies of the people and the Government can hardly be concealed. Humanitarian considerations compel the grant of asylum to refugees and care for their needs while in Indian territory. More can and must be done in getting cognisance of the U.N. and the mobilisation of world opinion in favour of Bangla Desh. The issues, strictly speaking, still hang fire. But the denouement cannot be in doubt.

have compared the Commission in this sense to a fourth leg to the administrative tripod. The appeal of such criticism can obviously be on the basis of its rhetoric; for, inevitably, the economic system in the country has veered round to looking for such an advisory body as the Commission to provide it with the desired guidelines. There is greater relevance, therefore, for this body now than when it was fumbling through in the early 'fifties.

The only thing that has to be ensured is optimal structural reorientation. This invites incidentally the question of how best regional planning can be left to be taken care of by the regions. What most economic analysis of our economy overlooks is the elementary fact that our country is a subcontinent with a diversity of endowments of resources and skills ranging from their absolute poverty to abundance. How much of centralised direction will be feasible under these circumstances should be plain as pikestaff. From the days of Jawaharlal Nehru, there has been considerable discussion about grassroots planning. So far there has been little positive action to achieve it. Quite recently, the address of Sardar Ujjal Singh to the Tamil Nadu legislature, has hinted at the proposal to have a planning panel for the region. It may be recalled that even at the inception of the Planning Commission, the administrative bulletins spoke about the organisation of grassroots planning, the constant analogy being about a pyramid with its base composed by the regions and the apex by the Commission. Its only impact has been to constitute planning wings or cells to the appropriate State department which, instead of initiating proposals, served as mass communication channels from the top to the region. The only embellishment which savoured of regional planning consisted of organising planning forums and seminars alongside of the repetition at the regional level of the dialogues between industry, planning wings and the Government.

Interim Budget :

Well-Laid Base for Fresh Tax Efforts

The Union Finance Minister, Mr. Y. B. Chavan, who will be formulating the Budget proposals for 1971-72 is in a happy position, as the tax base built up over a long period is proving to be very helpful in effecting considerable saving out of revenues for financing Plan schemes. This favourable development has come about as a result of revival in economic activity in the past four years and a higher level of industrial and agricultural production. Mobilising additional resources will have to be made only for meeting the increasing needs of the State Governments and for pursuing the egalitarian ideals of the new Government. Though the additional quantum of taxation is not known, an attempt will be made to introduce new items of indirect taxes and step-up direct taxes.

The details relating to the current year present an under-estimate in respect of revenue and over-estimate in regard to expenditure. There has certainly been an increase in revenue expenditure on account of the grant of interim relief to Central Government employees and larger assistance to the States. But it is unlikely that Plan outlay in the Central sector would have measured upto expectations. As it has always happened in the past, actual revenue receipts have been higher than the revised estimates and there were also heavy lapses in expenditure allotments, the exact overall deficit might prove to be much less than Rs. 229.57 crores now indicated. This is borne out by the fact that the actual deficit for 1969-70 was only Rs. 45.53 crores against the revised estimate of Rs. 290.11 crores for that year. What is really encouraging is the buoyancy of tax and non-tax revenues: the tax receipts for 1970-71 were higher at Rs. 3197.50 crores against the Budget estimate of 3134.13 crores. The revenue surplus is, therefore, much higher at Rs. 198.14 crores against the Budget estimate of Rs. 137.81 crores. As there were,

however, larger disbursements to the States and repayments of loans, the capital deficit has increased to Rs. 427.71 crores from Rs. 364.75 crores. The overall deficit is even marginally higher at Rs. 229.57 crores against Rs. 226.94 crores. The actual deficit, however, will be considerably smaller as there will be a decline in expenditure on revenue and capital account, as the outlay on Plan schemes has not been on the desired scale.

Larger Share of Taxes by States

It has been pointed out by Mr. Chavan that there may be a serious shortfall in Plan outlay on Central schemes for the second year in succession. This is due to slow progress of work on the Bokaro Steel Project, fertilizer schemes and in various other sectors. The experience of the State Governments, however, would appear to be different as a scrutiny of the budget estimates of some governments would show that Plan outlay has been much higher than the figures authorised by the Planning Commission and the budget estimates of the States concerned. The availability of larger Central aid has, no doubt, been helpful. Central assistance for Plan schemes has been increased by Rs. 74 crores in the current year as also special assistance to backward States. But these by themselves will not give the necessary relief to the sick States and implementation of Plan schemes in the State sector can be upto expectations only if there were a larger transfer of revenues from the Centre as the State's share of taxes.

The temptation to impose additional taxation for helping the States indirectly may not be resisted and it will not be surprising if in the regular budget new proposals were presented to Parliament calling for mobilisation of additional resources for over Rs. 150 crores, of which the States' share will be more than Rs. 50 crores and the Centre might probably increase its

allocation for Plan and social welfare schemes by Rs. 100 crores. Another way of helping the States will be by raising the outlay on rural employment-oriented schemes for which purpose there is now an allocation of Rs. 50 crores.

The Finance Minister, however, can get all the resources he wants for productive purposes as there is a lot of cushion in the budget estimates for 1970-71. The estimated surplus of Rs. 114.20 crores for 1971-72 can easily rise to Rs. 175 crores as, even on the basis of existing taxation, there will be larger receipts through excise duties and direct taxes. It should not be overlooked that some of the taxes levied last year will yield more in 1971-72 and it will also be possible to raise much more by way of borrowing through open market loans and bank credits for rural electrification schemes, energisation of pumpsets and the like.

The deficit on capital account is placed at Rs. 354.50 crores which may not materialise if allowance is made for larger receipt through open market loans and mobilisation of small savings. The overall deficit of Rs. 240.30 crores even on the basis of existing taxation and conservative estimates regarding capital receipts is Rs. 110 crores less than the overall deficit for 1970-71 before the tax proposals for Rs. 170 crores were announced. After allowing for the State's share of new taxes, credit for revenues from this source was taken for Rs. 125 crores the overall deficit was reduced to Rs. 225 crores. When the Budget was actually passed after some amendment of the proposals the overall deficit was estimated at Rs. 226.94 crores.

Rise in Direct Taxes

Opinion would seem to be sharply divided on the advisability or otherwise of introducing radical measures which will upset the economy at least for a time. Besides, the area for manoeuvring is very limited, as already Income Tax rates on personal incomes are prohibitive, the slab rates

INTERIM BUDGET AT A GLANCE

REVENUE BUDGET

Rs. in crores			
	Budget 1970-71	Revised 1970-71	Budget 1971-72
REVENUE RECEIPTS			
Tax Revenue ..	3,134.13	3,197.50	3,403.12
Non-Tax Revenue ..	899.75	949.36	990.62
Total—Revenue ..	4,033.88	4,146.86	4,393.74
Less—States' Share ..	743.89	755.43	850.32
Net Centre's Revenue ..	3,289.99	3,391.43	3,543.42
REVENUE DISBURSEMENT			
Civil Expenditure ..	1,498.24	1,524.10	1,646.86
Defence Expenditure ..	1,017.84	1,039.89	1,079.23
Grants-in-aid to States and Union Territories with Legislature ..	636.10	629.30	703.13
Total ..	3,152.18	3,193.29	3,429.22
Surplus on Revenue Account ..	137.81	198.14	111.20

CAPITAL BUDGET

Rs. in crores			
	Budget 1970-71	Revised 1970-71	Budget 1971-72
CAPITAL RECEIPTS			
Market loan (net) ..	161.70	136.29	167.90
External and (net) (Other than P. L. 480) ..	399.75	354.54	323.77
P. L. 480 aid* ..	132.27	121.78	72.96
Loan repayments ..	825.00	930.00	930.00
Other receipts ..	304.99	562.26	454.96
Total ..	1,823.71	2,104.87	1,949.59
CAPITAL DISBURSEMENT			
Civil expenditure ..	524.35	684.03	393.42
Defence expenditure ..	133.67	142.94	162.43
Railway capital outlay ..	150.00	126.10	151.00
P and T capital outlay ..	35.00	15.80	27.60
Loans and advances ..			
(1) States and Union territories ..	878.25	1,039.49	948.48
(2) Others ..	467.19	524.22	621.16
Total ..	2,188.46	2,532.58	2,304.09
Deficit on capital account ..	364.75	427.71	354.50
Overall deficit ..	226.94	229.57	240.30

* In addition P. L. 480 and other food aid on revenue account will be Rs. 41 crores in the revised estimate and Rs. 24 crores in budget estimate.

being revised only last year. If the assessee had also to pay wealth tax and other local and State taxes, there will be no balance left out of these excesses. It will be inadvisable and undesirable to tinker, with corporate tax rates as they are already among the highest in the world. There may be a move to bring about a dispersal of ownership of short holdings in closely held companies by imposing penal rates and compelling them to adopt some measures which will bring concentration of ownership. However, the scope for raising additional resources through higher direct taxes is limited, though it is almost certain that there will be an attempt to raise the rates on wealth tax and those on urban property particularly. If, Mr. Chavan is very keen on finding additional resources in order to finance new schemes, there will have to be higher indirect taxes.

It is not known how Mr. Chavan will avoid disincentives to saving and investment through increased direct taxes. There can, however, be indirect compulsion to save more through higher tax rates on incomes and grant of rebates for larger amounts for approved purposes. If instead of granting exemption from Wealth Tax, sufficient investment in industrial securities of approved undertakings granted tax rebate, there will be larger availability of resources for productive purposes. There will, of course, have to be an increase in the percentage of income from 30 to 40 per cent in the aggregate, though there may be sectional rebates for particular purposes.

The whole situation should be carefully watched and a massive tax effort may be made only after the existing apparatus began to yield quick results and industrial production also was raised substantially with co-operation from labour and improvement in the operating efficiency. If there was an increase in industrial production by 10 per cent this by itself would be reflected in larger receipts by way of excise duties and direct taxes.

—Meenam

INDUSTRIAL ECONOMIST

Bright Prospects for Mobilisation of Resources

Mobilisation of resources through open market loans, the small savings campaign and additions to bank deposits has assumed special importance in the context of the Union Finance Minister Y. B. Chavan expressing anxiety to increase the outlay on Plan schemes in the coming years. There is already a sizeable surplus on revenue account and it is quite likely that the actual surplus will be nearly Rs. 200 crores.

The developments in the past four years have, however, clearly shown that an increase in agricultural production by itself can generate large incomes. In spite of the slowing down in the growth of deposits latterly, the additions to bank deposits in 1971 are expected to be more than Rs. 1,000 crores against only Rs. 442 crores in 1968. As it has been estimated, the output of foodgrains in 1970-71 will be around 105 million tonnes and industrial production also will be higher by 6 per cent. It is possible that the Life Insurance Corporation will be able to increase substantially its new business and with a determined effort the additions to Bank deposits can be even Rs. 1,200 crores in 1971. The cooperative credit societies are also becoming more important.

On a conservative estimate it would be possible to mobilise additionally Rs. 100 crores in excess of the Central Budget estimates for 1971-72, which, with the likelihood of a large surplus in the revenue budget, will provide all the resources additionally required for accelerating the tempo of the Fourth Plan. There is, therefore, no justification for thinking in terms of punitive taxation when presenting the regular budget to Parliament in May. It has been assumed in the capital budget that there will be a gross borrowing of Rs. 500 crores in the next financial year. This amount may appear to be larger significantly when compared to the effort of 1970-71. The

gross amount raised in this year in two stages was only Rs. 427.50 crores.

The shortfall in the target for borrowing by Rs. 36 crores in the current year was due to the anxiety of the Central Government to make way for the States and public bodies. It was also not keen to raise additional resources because its ways and means position was very comfortable as a result of shortfalls in Plan outlays. On the other hand the availability of additional resources to the States may be useful as they were starved of funds when in a position to step up Plan expenditure. In the next year the Central Government should proceed to mobilise additional resources only if it had immediate use for them.

Assuming that there will be need for additional resources, the Central Government can hope to increase its net borrowing easily to Rs. 200 crores. There will, of course, have to be a

staggering of the floatation of Central and State loans and issue of bonds by the statutory financial corporations and the State Electricity Boards. This will be helpful to the Life Insurance Corporation, the banking system, Provident Funds and Trusts to plan their investment programmes on a regular and intelligent basis. Even if the scheduled commercial banks mobilised only Rs. 1,000 crores, by way of new deposits they would be obliged to invest Rs. 280 crores for complying with the statutory liquidity ratio. Out of this amount the Centre can hope to get easily Rs. 140 crores while the Life Insurance Corporation will be in a position to allocate Rs. 40 crores for investing in new Central loans. The Provident Funds and Trusts can mobilise easily over Rs. 20 crores, thus completing the target of Rs. 200 crores indicated above without difficulty.

—(FOC)

Fifth Lok Sabha Session

The first week of the new Parliament turned out to be a busy session, what with the President's address, the passing of interim Railway and Central budgets, the discussion on IAC lock-out and concern over developments in East Pakistan.

The President re-emphasised the Government's objective to fight poverty and establish a socialistic order. There were indications of effective implementation of land reforms and the fixation of a ceiling on urban property. The absence of notable Opposition leaders was definitely felt as there were no fiery speeches.

The Railway Budget with a Rs. 33.12 crore deficit was passed but it inspired some interesting discussion. A member even suggested the abolition of the Railway Board to improve the Railways' working. Mr. Hanumanthayya, the Railway Minister, however, had no difficulty in having it all his own way.

The deficit budget of the Union Government presented by Finance Minister. Chavan was rather prosaic without any humorous sallies.

Many Opposition members expressed fears of heavy dose of taxation in store. An allocation of Rs. 50 crores has been made for a country-wide programme for creating more employment opportunities. The objective: Job for at least one person in every family.

The Parliament was emotion-packed while discussing East Pakistan. Parliament urged the Government to rush to the help of East Pakistan, Mrs. Gandhi, fully sharing the anguish, however, wisely added: "In a serious moment like this, the less we, as Government, say, I think, the better it is." Mr. V. K. Krishna Menon described East Pakistan incidents as a 'national revolution against a colonial regime.'

—Venkatesh

Ills Besetting Railway Finances

The Union Railway Minister, Mr. K. Hanumanthayya, presented the interim Railway budget for 1971-72 to Parliament on March 20 and said that the deficit would be only Rs. 23.69 crores though a mid-year appraisal threw up a deficit of nearly Rs. 47 crores and "that but for the post-budgetary developments throwing up a burden of Rs. 45.65 crores on working expenses, the Railways might still have ended with a surplus of almost the same order as foreseen in the original budget." The increase in working expenses was as usual due to flood disasters, increase in the prices of fuel and other items and theft of railway equipment. But the biggest slice was accounted for by the grant of interim relief to employees which required as much as Rs. 36 crores. Even with these extraordinary developments, the Railways could

have avoided a deficit if only there was a rationalisation of movement and quicker handling of bulk cargo. There was, no doubt, a shortfall in originating freight traffic due to the absence of an increase in steel output and ineffective use of the capacity of major steel plants. The irony of the whole situation is that when the Railways are crying for more traffic, there were complaints about shortages of coal in Western India and the Northwest region despite accumulation of stocks at pit-heads. Likewise, cement units in the southern region were unable to despatch their required quantities to the deficit areas in the North. The shortfall in revenue from goods traffic was offset to a great extent by increase in passenger traffic and the revised estimates indicate gross traffic receipts of Rs. 1,004 crores in 1970-71

against Rs. 1,009 crores in the Budget Estimate. But the loss on account of suburban and other passenger traffic is as much as Rs. 38 crores in a year. With the additional losses and higher working expenses, it is not surprising that there will be a gap of Rs. 23.69 crores in the current year with the present level of operating efficiency of the railways.

In the next year it is estimated that there will be an increase in the freight traffic by 9 million tonnes. Gross traffic receipts for 1971-72 are estimated at Rs. 1,044 crores. With an increase in working expenses to Rs. 765.44 crores from Rs. 731.76 crores, a larger provision of Rs. 105 crores (Rs. 100 crores) in respect of depreciation, Rs. 15 crores (same) towards pension fund and net miscellaneous expenditure of Rs. 17.91 crores, it is expected that net railway revenue will be even slightly lower at Rs. 140.65 crores against Rs. 142.65 crores. As the contribution to General Revenues in the shape of dividend will be higher at Rs. 173.77 crores, against Rs. 165.81 crores, the deficit will be higher at Rs. 33.12 crores against the gap in the revised estimate for 1970-71 of Rs. 23.69 crores as stated above.

If only coal could be moved in the required quantities and there was no shortage of wagons for the despatch of cement, originating traffic can increase initially by 4 to 5 million tonnes. Also if the steel plants stepped up their output by even half a million tonnes, there will be an increase in traffic by nearly 4 million tonnes. If there was also a general improvement in industrial production there will be no reason for complaint due to the lack of traffic. It can therefore be argued that the Railways are in a position to manage their affairs without resorting to a further revision of passenger fares and freight rates. The Railway Ministry is probably anxious to avoid an undue increase in these rates especially as there was criticism last year when an

attempt was made to raise third class fares. But it cannot also resist its temptation to raise more revenues because of the deficits in five years in a row with a devastating effect on Railway finances. It has been actually stated that as much as Rs. 153.60 crores has been borrowed from the Central Government for meeting bud-

getary deficits of Rs. 65.08 crores and loans on development fund account of Rs. 85.50 crores. These loans have to be repaid out of future surpluses besides the generation of resources for Plan purposes. This will necessarily mean that the revenues have to be augmented with higher passenger fares and freight rates. There is obviously

scope for earning additionally Rs. 50 crores or more without any substantial rise in working expenses.

With marginal adjustments in cash and with the elimination of subsidies in freight rates for particular purposes, the Railways can function profitably without unduly soaking industrial users.

—(FOC)

Poor Representation in Central Cabinet for South

The Central Cabinet that has assumed office after the Fifth General Election cannot be taken to be greatly different from its predecessor. Most newspaper comment immediately after the swearing-in ceremony sought to overlay the omissions from the new Cabinet. The most conspicuous was of Mr. Dinesh Singh who had recently been moved from Foreign Office to the Ministry of Industrial Development only to be kept out ultimately. Equally conspicuous was the omission of Mr. Bali Ram Bhagat who did really good work in his charge of External Affairs. Over the decades Mr. Gulzarilal Nanda has established his reputation as a colourless politician eager to set right a wrong to the point of revealing desperate agony but ending up by dyeing mighty little. While it is easy to presume that Mr. Dinesh Singh could have incurred Mrs. Gandhi's displeasure by overreaching himself, final comment should, as in all such cases, await the final event, which is not yet. One cannot easily reconcile the new substitution in the Ministry of Industrial Development. The incumbent now chosen is such a stranger that one is prone to conclude that either the Prime Minister herself would be the mainspring behind that Ministry or that its catalytic role for achieving egalitarianism in equity ownership will have become superfluous in the process of exercise of the other weapons in the socialistic armoury of the new Government.

Distinguished Omissions

Among other distinguished omissions, that of Dr. V. K. R. V. Rao is a class apart. Despite all the pedantry blamed upon him, he has the advantage of having been a pedagogue and an administrator — pedagogue at that

There is nothing very spectacular that a politician can achieve in the Ministry of Education where ideas may belong to the Centre but their execution to the States. The latter are, in figurative sense, such a motley crowd that pleasing Tom will inevitably displease Dick and Harry, with the result that

CENTRAL GOVERNMENT CABINET MINISTERS

Mrs. Indira Gandhi: Prime Minister, in charge Home, Planning, Atomic Energy and Information and Broadcasting.
Mr. Fakhruddin Ali Ahmed: Food and Agriculture.
Mr. Y. B. Chavan: Finance.
Mr. Jagjivan Ram: Defence.
Mr. Swaran Singh: External Affairs.
Mr. K. Hanumanthayya: Railways.
Dr. Karan Singh: Tourism and Civil Aviation.
Mr. Raj Bahadur: Parliamentary Affairs, Shipping and Transport.
Mr. Moinul Haq Chowdhury: Industrial Development.
Mr. Siddhartha Sankar Ray: Education, Social Welfare and Culture.
Mr. H. R. Gokhale: Law and Justice.
Mr. S. Mohan Kumaramangalam: Steel and Heavy Engineering.
Mr. K. K. Shah: Health and Family Planning.

Mr. K. V. Raghunatha Reddy: Company Affairs.
Mr. D. R. Chavan: Petroleum and Chemicals.
Mr. Nitiraj Singh Chaudhury: Petroleum and Non-ferrous Metals.
Mr. Om Mehta: Parliamentary Affairs.
Mr. R. N. Mudhar: Home Affairs and Personnel.
Mr. P. C. Sethi: Defence Production.
Mr. K. C. Pant: Home Affairs, Electronics, Atomic Energy, and Science and Technology.
Mrs. Nandini Satpathy: Information and Broadcasting.
Mr. V. C. Shukla: Finance.
Mr. A. P. Shinde: Food.

DEPUTY MINISTERS

Mr. K. R. Ganesh: Finance.
Mr. A. K. Kisku: Health.
Dr. Sarojini Mahishi: Tourism and Civil Aviation.
Mr. Jagannath Pahadia: Supplies.
Mr. Mohammed Shafi Qureshi: Steel and Heavy Engineering.
Mr. K. S. Ramaswamy: Home.
Mr. Siddeshwar Prasad: Irrigation & Power.
Mr. Surendra Pal Singh: External Affairs.

MINISTERS OF STATE

Dr. K. L. Rao: Irrigation and Power.
Mr. L. N. Misra: Foreign Trade.
Mr. R. K. Khadihar: Labour, Employment and Rehabilitation.
Mr. I. K. Gujral: Works, Housing and Urban Development.
Mr. Sher Singh: Communications.

RAILWAY BUDGET AT A GLANCE

(Figures in Crores of Rupees)

	Actuals 1969-70	Modified Budget Estimates, 1970-71 (As Passed)	Revised Estimate 1970-71	Budget Estimate 1971-72
Gross Traffic Receipts	951.28	1,009.00	1,004.00	1,044.00
Ordinary Revenue Working Expenses (net) E.I. after Taking Credit for Recoveries	684.94	700.99	731.76	765.44
Appropriation to Depreciation Reserve Fund from Revenue	95.00	100.00	100.00	105.00
Appropriation to Pension Fund	10.00	15.00	15.00	15.00
Net Miscellaneous Expenditure (Including Cost of Works Charged to Revenue)	14.78	16.54	15.12	17.91
Total	804.72	832.53	861.88	903.35
Net Railway Revenue	146.56	176.47	142.12	140.65
Dividend to General Revenues	156.39	167.09	165.81	173.77
Net Surplus (+)/Shortfall (-)	-9.83	+9.38	-23.69	-33.12
Operating Ratio	83.0%	80.9%	84.3%	84.8%

the person who sought to please will, apart from making enemies also be baited in the bargain. Unless education is taken on vigorously to the concurrent list and concomitant educational policies are insulated from contradictions implicit in the process, educational reform will degenerate as now into sectarian options at braving the neighbour. It is part of the ironies of the current socio-economic tangle that there should be so little of national consensus on so vital a nation-building activity like education. In the evolving situation, one should feel thankful if the Union Ministry of Education does not become a grave of political reputations like the Food Ministry in olden times.

Dr. Triguna Sen who has had to bow out is another peculiar category. As Vice-Chancellor of Jadavpur University, he made a name as an educationist which he quickly lost in the Union Ministry of Education. To observers it looked as if he had made good by his tough line with the foreign oil companies and by the vigour with which he pushed through the dynamic petroleum policy of his predecessor. In politics, one cannot perhaps be too sure, especially when one's reputation in one's home State was necessarily a decisive influence. In the Ruling Congress-Marxist melee in West

Bengal, it was perhaps politically expedient to go in for a change in the incumbent in office at the Union. One can only wish that his successor will take the trend aright and fulfil Mr. Sen's aspirations.

Mr. Sanjivayya has ascended to the Ruling Congress Party gadi. To those who are aware of the anxiety evinced by Mrs. Gandhi to have Mr. Jagjivan Ram vacate that office, it should occur that she should have heaved a big sigh of relief. How the choice of his successor will impact Andhra Pradesh politics is a matter for speculation. In any case the omission of Mr. Raghuramiah who was elevated to Cabinet rank as Minister of Shipping but who has now been dropped has perhaps a secret behind it. Tongues have begun to prattle that he is tipped to Andhra Pradesh Chief Ministership though the why and how of it is and must remain a mystery until such an event actually takes place. The appointment of Mrs. Nandini Satpati as the Minister for Information and Broadcasting will be suspect in the eyes of the critics of Mrs. Gandhi who may decipher in this choice the desire to build the Indira and socialistic images in a lower key than that played by Mr. Gujral. Likewise Mr. Gokhale's choice for the Law Ministry may reflect a desire to move towards a committed judiciary.

Indeed Messrs. Siddhartha Shankar Ray, Gokhale and Ahmed constitute the legal trinity—excluding Mr. Hanumanthayya; and how much weight they will pull in assisting Mrs. Gandhi's crucial legal decisions on the anvil should be anybody's guess. On a par with this should be the guess about Mr. Mohan Kumaramangalam's selection for the Ministry of Steel and Heavy Engineering. Of the lesser lights, the Lok Sabha should reveal the colours.

The inclusion of as many as six M.P.s from Maharashtra (including three Cabinet Ministers) in the Ministry and the total exclusion of some other States from the purview of this appears a bit puzzling. After the rout of the Congress in the 1967 elections, Tamil Nadu lost its share in the Cabinet and for four years now there has not been a Minister with Cabinet rank in the Central Government. Even if it were difficult to include one of the 9 M.P.s elected from Tamil Nadu in the Cabinet, it should be possible to try for some one outside this fold for this purpose. Even from a smaller State like Assam with only 11 M.P.'s to the Lok Sabha two Cabinet rank Ministers have been appointed. It is hoped that in the next phase of expansion Mrs. Indira Gandhi will try to correct this imbalance. —(FOC)

had only nine members. Of course, the return of the party with as many as 184 members had necessitated inclusion of a wider cross-section of members into the Cabinet. Mr. Karunanidhi should desist from any further expansion of the Cabinet. What is important in all such cases is how the Cabinet, big or small, works as a team. No Cabinet has ever been free from internal differences of opinion. Indeed this is as it should be because each party in a democracy represents only certain common areas of agreement beyond the periphery of which there are bound to be differences. Equally true is the tendency of power centres inside a party to shift

according to the push and pull effects of group operations. Only a stranger to human facilities will exaggerate the menace that all this may portend. The only thing that has historically vindicated these fears is that, at some stage in the evolution of parties, groupism develops portentous proportions resulting in splintering. Those who are aware of how the Liberals after Lloyd

George and Labour after Ramsay MacDonald fared in the British elections can vouch for this. It is hoped that such groupism is nowhere in the near future so far as the D.M.K. is concerned,

It is customary to assess a Cabinet on the basis of its allocation of portfolios. Even in this respect, any conclusion applying generalisations is

TAMIL NADU CABINET WITH PORTFOLIOS

Mr. M. Karunanidhi (Chief Minister): Public, Finance, Planning, General Administration, Police and Prohibition.

Mr. V. R. Nedunchezian: Education and Local Administration.

Mr. K. Anbazhagan: Public Health.

Mr. N. V. Natarajan: Labour, Stationery and Printing.

Mrs. Satyavani Muthu: Harijan Welfare and Fisheries.

Mr. P. U. Shanmugam: Food, Revenue and Commercial Taxes.

Mr. S. Madhavan: Industries, Courts and Prisons.

Mr. S. J. Sadiq Pasha: Public Works.

Mr. Si. Pa. Aditanar: Co-operation.

Mr. A. P. Dharmalingam: Agriculture.

Mr. K. Rajaram: Backward Classes

Mr. O. P. Raman: Electricity.

Mr. S. Ramachandran: Transport.

Mr. M. Kannappan: Religious Endowments.

I BELIEVE:

The Garter and the Boot

I believe that the Fifth General Elections in this country will go down in history as a record event. This is not because of the manner in which it has upset the predictions of poll experts. Indeed there is nothing strange about such predictions being far off the mark. The manner in which the Americans voted for Mr. Truman and the British for Mr. Heath provide ample testimony in this regard. In the highly sophisticated Anglo-Saxon set up with its opinion counts and Gallup polls, near credence is given to every gossip and off-the-beat talk of party tacticians with the result casual utterances develop a weight in computation quite disproportionate to their actual import. Added to this is the possibility of random sampling errors where the samples chosen may reveal

an inner wish of the surveyor than impartiality.

A Different Kettle of Fish....

In the Indian situation it is a different kettle of fish. Accustomed as we are to judging purely by externals, opinions are formed not on the basis of the feasibility of party manifestoes as adjudged by random samples from the electorate but on the basis of the strength of the audience at political meetings. There is nothing seriously strange in this. For one thing, any one who has gone in detail through the political pamphlets of contending parties will have noticed their basic similarity in promising the citizens some form of socialistic or egalitarian better life. This has to be so in a poor country where the rivalry in vote-catching

likely to be off the mark. Undoubtedly, the Chief Minister has reserved for himself all the key portfolios—Public, Finance, Planning, General Administration, matters relating to I.C.S. & I.A.S. officers, District Revenue Officers, Deputy Collectors, Police, Elections, Prohibition, Information and Publicity, Cinematograph Act, Passports, Newsprint Control, Prices & Supply of Goods, Tamil Nadu Drainage and Water Board and Slum Clearance Board. This will give the impression of a Churchillian attempt at dominating the Cabinet and there through the party. Such a view, however, overlooks the fact that the Tamil Nadu Chief Minister is a dynamic personality whose will is likely to have its way and so there is no need for any special insulation through portfolios to make it so. All the more reason why the principle of consensus by which the Chief Minister lays great store should become obvious in actual practice. —R.S.

devices leaves little room for cold logic. For another the election had come off as the greatest surprise of the year and had allowed so little time for deliberation that most manifestoes proved to be patchy and ill-integrated in respect of what are deemed to be the essentials of the concerned party programmes. And precisely because of this, computations began to rely on attendance at political meetings. In this part of the country, such an attitude led to gross error of judgment either because the largest crowds were drawn by the appeal of either father-figures like Rajaji or Kamaraj or film artistes. One is reminded in this connection of the manner in which Churchill drew the largest crowds and yet his party lost the election to the Labour Party. Indeed the ire of Churchill over this was so great that he refused the Knighthood of the Garter offered by his king saying that he could not verily accept it because his people had given him the order of the boot. —Horace

A Larger Cabinet for Tamil Nadu

The composition of the Tamil Nadu Cabinet indicates the keenness of the Chief Minister, Karunanidhi to make it an appropriate reflection of differing talents in the party in the process of introducing new blood. Indeed his concern for keeping his feel on the rising generation has been responsible for the induction of younger members into the Cabinet, while the addition of Messrs Anbazhagan, Rajaram and Dharmalingam seems to be an effort at making available directly at the Cabinet meeting a wider spectrum of competent counsel than in the

past. Perhaps the Chief Minister may have been influenced by the desire to disabuse any impression that, having won the election so spectacularly against great stakes, he may play the role of finality Jack at every discussion. The presence of seniors around him should make for a stress on consensus rather than on steam-roller decisions.

Successive Governments in the past in Tamil Nadu had benefited from smaller, compact Cabinets contributing to cohesion. Even the first D.M.K. Cabinet led by Mr. C. N. Annadurai

Tamil Nadu Budget :

Where Debt Service Exceeds Loans Received ----

The spate of deficit budgets is swelling. And so is the cry in almost every State for a better deal with the Centre and a revision of the allocation of sources of taxation and of the present system of financial devolution. But Tamil Nadu can justly claim that the deficit of Rs. 12 crores for 1971-72 which goes to increase the deficit of Rs. 23 crores for 1970-71 to Rs. 35 crores is in spite of the State Govern-

ment having done "its best by prudently managing its finances, raising adequate resources and minimising wasteful expenditure." It is not to be expected that the interim budget will include proposals for additional taxation or other means of covering the deficit. But allocations which will not brook delay because of its impact on the progress of execution of schemes and projects have been attended to.

TABLE I
MORE RECEIPTS, MORE EXPENSES AND LARGER DEFICIT
(Rs. in lakhs)

Item	1961-62	1965-66	Estimate Budget 1970-71	Revised Estimate 1970-71	Estimate Budget 1971-72
Revenue Receipts	92.18	1,72.80	2,94.04	3,12.60	3,38.68
Expenditure on Revenue Account	1,01.79	1,80.66	2,96.98	3,20.43	3,49.64
Revenue Surplus(+) or Revenue Deficit(-)	- 9.61	- 7.86	- 2.94	- 7.83	- 10.96

TABLE II
REVENUE RECEIPTS
(Rs. in lakhs)

	Revised Estimate 1969-70	Accounts 1969-70
Share of Central Taxes	46.22	46.93
Grants-in-aid from Union Government	34.99	26.52
State Taxes	1,27.36	1,34.69
Non-tax Revenue	74.35	72.77
Total	2,82.92	2,80.91

A Plan outlay of Rs. 91.13 crores has been provided for with a sum of Rs. 11.7 crores for Centrally sponsored schemes and Rs. 32.67 crores for loans and advances to the agriculturists, the Electricity Board and local bodies. The Madras Corporation is to get more than a crore of rupees. The factors which make for instability and unsoundness in the State's finances are the unplanned additions to the salaries and emoluments of Government employees by the actions of the Central and other Governments and the nature of the financial relations with the Centre. In presenting the budget for 1971-72, Mr. Karunanidhi rightly laid stress on both these aspects of the financial situation. Since it is impossible, apart from the injustices, of any such course to resist the demands of public servants for salaries comparable to those which have been awarded to their employees by the Centre, it is a reasonable demand that changes in this sphere should be decided on only after due consultation with the State Governments.

As for the loans from the Centre and the schedule of repayments, it is sufficient indictment of present conditions that "the total debt service payment to the Government of India during 1971-72 is, in fact, Rs. 16 crores more than the loans we receive from it. What is more, out of a total of Rs. 3,500 crores of Central assistance to the States, Tamil Nadu's share is only Rs. 202 crores, while at the same time the State will derive no benefit from the Rs. 800 crores of special assistance which the Centre has planned to give the States on second thoughts." That the "five year per capita transfer to Tamil Nadu is only Rs. 142.5 as against the national average of Rs. 185.5" is more than a strong *prima facie* case for reconsideration of the present arrangement.

—PRS

INDUSTRIAL ECONOMIST

Kerala Budget :

Fresh Levies for Rs. Three Crores

The State Governments are apparently determined not to raise fresh revenues through new taxes on a large scale pending the outcome of the Budget proposals of the Union Finance Minister for 1971-72, by the middle of May. Otherwise, it cannot be explained why so many Governments have left uncovered large deficits, as much as Rs. 44 crores in the case of Assam. The only three States that have made an attempt so far to levy additional taxation are Gujarat, Kashmir and Kerala. Even here the two former States have made only a feeble attempt while Kerala is proposing to mobilise additionally Rs. 3 crores. When many States have been abolishing the land tax on small holdings, the Chief Minister of Kerala, Mr. Achuta Menon, has announced that the exemption on limit of 2 hectares for agricultural land had been removed and that the exemption limit of two hectares for plantation holdings had been reduced to one hectare. There is also to be a levy on urban land in selected centres on a specific basis per square metre of land. Sales Tax will be imposed on the turn-over of hotels and restaurants on a graduated basis making the incidence heavier on bigger establishments. This is almost skin to the levy of Income Tax on the lines of Agricultural Income Tax, irrespective of whether the establishments concerned were making net earnings or not. These levies will obviously have inflationary effect though the objective would seem to be to siphon away a portion of the profits that would be attracting Income Tax.

P. F. Contribution to Go Up

All the new taxes will fetch Rs. two crores in a full year. It is also proposed that there should be an increase

in bus fares for improving the finances of the State Transport Corporation. This is now working at a loss. In order to compel savings and make available capital receipts it has been decided that the contribution to the Provident Fund by Government employees should be increased to 10 per cent of their salaries. This would result in an augmentation of capital receipts by Rs. one crore. With all these exercises the Government will still have a minus closing balance of Rs. 31.85 crores at the end of 1971-72 against a minus closing balance of Rs. 8.69 crores at the beginning of the year.

Mr. Achuta Menon is seriously worried about mounting Non-Plan expenditure and the absence of scope for mobilising resources through taxation in a big way for implementing Plan schemes. The State is already among the highest taxed in the country and there will be only increase in discontent if further attempts were made to raise the burden of taxation. The main difficulty relates to the balancing of the Revenue Budget as even with an increase in receipts by Rs. 16 crores to Rs. 165 crores in 1971-72, there will be a revenue deficit of Rs. 16.26 crores. It has been emphasised by Mr. Menon that without a new approach to Centre-State relations, there cannot be any increase in the tempo of Plan expenditure. Salaries alone account for 95 per cent of the State's taxed and non-taxed revenues from its own sources and only the devolution of revenues and grants from the Centre are available for Plan purposes. The Central Government is of course agreeable to provide loans for meeting Non-Plan gaps, but this has resulted only in an increase in liability and interest charges which has a snowballing effect over a period.

INDUSTRIAL ECONOMIST

The Slovenly Idikki

The State Government is anxious to increase the outlay on Plan projects though it must be pointed out that the desired progress on certain vital schemes has not been made because of labour trouble and the inadequate appreciation of the issues involved. The Idikki Project which will be beneficial not only for the State but for the whole southern region by making available large blocks of cheap hydel power, is considerably behind schedule. Labour trouble has been holding progress and inflating costs in the process.

Mr. Menon has observed that major irrigation projects will be spilling over to the Fifth Plan for want of resources. The Kerala Government is entitled to a better deal but without more active development of its natural resources by industrialists in the private sector and the Government itself expanding its activities no serious dent can be made on the unemployment problem. There will, no doubt, be an increase in Plan outlay to Rs. 60.60 crores in 1971-72 from Rs. 50.30 crores in 1970-71 but the financial position of the State will be deteriorating all the time and it has been estimated that even if the balance of Rs. 18 crores was raised by way of additional taxation, in the next three years, in order to complete the target of Rs. 50 crores for the whole Plan period, there will be no net addition to the availability of resources for Plan purposes.

There will, no doubt, be an increase in the share of State's in the revenues of the Centre as a result of buoyancy and the new proposals that might be made for mobilising resources through fresh taxation. There should be a further increase in the overdrafts from the Reserve Bank or additional special assistance from the Centre in the form of loans. This is indeed a challenging task for the new Central Government and the reorganised Planning Commission.

—(FOC)

13

Glimpses

By P. R. SRINIVAS

President Enunciates Government's Policies

The President's speech at the joint session of the newly elected Parliament is but a formal statement of the Central Government's reading of the situation in the country and its intentions in regard to new policies and new legislation. He has reiterated that the Government will continue "to press the State Governments for further action in promoting a more equitable agrarian structure" and pursue the objective of imposing a ceiling on urban property." There is also a similar re-affirmation that the "resolve to abolish by appropriate constitutional measures the privy purses and privileges of rulers remains unaltered." One is at a loss to determine what significance is to be attached to the omission of reference to other amendments to the constitution such as those which affect Centre-State relations or the protection now afforded to property rights. The Government is apparently content for the moment with stressing the need for improving the slums and the intolerable living conditions of the urban poor and its intention to create more employment through vigorous pursuit of the new banking policies. A mid-term appraisal of the Fourth Plan with a view to accelerating its progress, a step-up of rural electrification and the appointment of an Electronics Commission are among those which have received special mention in the President's speech. Questions of foreign policy and external relations get only a passing reference or superficial treatment, and the programme of new legis-

lation for the present session is mentioned in bare outlines. Behind the President's speech one can see the ruling party's sense of absolute power for the full term of the present legislature.

Ministry Making in States

A mere reshuffle of small parties and groups and independents only aggravate the headaches of the Governors concerned. Where the old Congress has the support of a sizeable number of Swatantra Party members or other groups, the new Congress finds it hard to secure a majority. And no Governor would, in such circumstances, invite a leader to form a Cabinet which would only aim at the holding of mid-term elections.

In Orissa, the question whether or not the United Front Assembly Party will be able to form a ministry has to be shelved for the present because of the constitutional necessity of getting a vote on account passed by Parliament before March 31 and the need to continue President's rule for some time more. Mr. Biswanath Das, who has been elected leader of the United Front, has expressed the opinion that "it would be too cruel and expensive for the State, if no Government was formed and the State again went to polls." It is amusing to find the octagenarian Dr. Mahatab attributing immaturity to the 72-year old Biswanath Das. The United Front is said to be guarding itself against defections and their success can hardly be indubitable.

In Mysore, defections have had both ebb and flow. While Mr. Veerendra Patil was prompt in tendering his resignation as soon as he received some letters from members about their going over to the other party, the New Congress is divided over its course of action in the present juncture, particularly the question of forming a ministry now or seeking a dissolution and an early poll. The differences extend even to the question of admitting the defectors. And the change of attitude has induced second thoughts in some of them and revived the chances of Mr. Veerendra Patil being asked to return to office. Most significant of all is the statement of the Governor, Mr. Dharma Vira that "it would be unfortunate if a Government was formed merely for the purpose of getting hold of official machinery prior to the poll." For his part he has already two sets of budget papers, one set to be presented to Parliament and the other to the Assembly, so that a vote on account could be maintained as soon as a decision either way could be obtained.

U.P. provides in some ways a contrast to Mysore. While Mr. T. N. Singh has shown no readiness to resign in the manner of Mr. Veerendra Patil, the S.V.D. Government has been rapidly reduced to a minority and the S.V.D. members who had expected to defeat a no-confidence motion agreed to the postponement of the debate when they found a number of their members taking their seats in the benches opposite. While in Kerala, Mr. Achutha Menon is fairly comfortable, though not also mentally easy on the saddle, Mr. Ajoy Mukherjee has shifted from one of getting majority support to one of keeping the support of the various groups by giving each its share of ministerial offices. It is well, however, that there is agreement on a nine-point programme which gives first place to immediate restoration of peace and tranquillity in the State.

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Oil Find at Aliabet

The striking of oil at Aliabet in the Gulf of Cambay has come about at a time when the Government is seriously worried about the rising cost of crude oil imports as a result of the conclusion of an agreement at Teheran between the oil producing countries and the International oil companies. The Oil & Natural Gas Commission too should feel relieved, as after the spectacular success in oil exploration in the mainland in Gujarat, further efforts have not been successful. It was even reported that the rate of depletion of the crude resources was so fast that the refinery at Koyali could not be fed fully if there was a further expansion of its capacity. The latest feat is highly commendable as there were fears that the off-shore drilling operations might not be successful and would have to be abandoned at an early date. The first drilling operation, on the other hand, has been quite successful indicating that a new oil basin has been struck and fresh exploration can be carried on with greater confidence. Off-shore drilling will begin in the Bombay high region after the new platform is supplied by Japan by the end of next year.

If the efforts to establish new oil reserves prove successful and the difficulties involved in off-shore drilling operations are overcome, it would be possible to secure 2 to 3 million tonnes of crude oil per annum from a contiguous area and feed the existing refineries in the region to a greater extent with indigenous crude than is possible now.

No decision has yet been taken by the Government about the grant of an increase in prices for crude oil asked for by the foreign-owned refineries in the private sector and by the foreign collaborators of the two coast-based refineries in the public sector. The Chairman of Cochin Refineries Limit-

ed. Mr. C. R. Pattabiraman, has actually indicated that the French suppliers had asked for an increase in crude prices and that if this had to be conceded, it will be necessary to increase prices for petroleum products. The Government is examining this question and it has been decided for the time being that there should be no change in end-prices.

Exploiting the Needy

An increase in crude import bill cannot, however, be avoided as posted prices have been raised in the Persian Gulf and elsewhere by 35 cents a barrel. Currently four North-African countries, Libya, Algeria, Iraq and Syria have asked for even more striking increases in the share of profits earned by the oil companies and in the absence of a satisfactory settlement, a threat has been held out that there will be a suspension of crude exports. The big consuming countries like the United States, Britain, Western Europe and

Out of the Inkwell

By RANDOR GUY

SCIENCE NON-FICTION -

Reading a clinical thermometer is so casual an affair, you never bother to think about the little bit of interesting history behind it. Years ago such thermometers did not have the constriction—the slight bent inside that holds the mercury from slipping back—in the tube and the reading had to be taken while the thing was still in the patient's mouth or armpit! Not an easy thing, that. It was worse when it came to know temperatures of sick animals. Not merely unpleasant but also positively dangerous—for you stood a good chance of being kicked in the face or some other more sensitive part! Nice thing, they invented the modern version that is safe. Clever chaps, these scientists!

Japan are naturally worried about the latest developments in this field and they regard the attitude of the oil producing countries as unreasonable and an attempt to exploit a position of advantage. As present, West Asia and the African countries account for the bulk of available free supplies of crude and if there was a reduction in exports from these regions, West Europe and Japan particularly would be badly affected.

Since the tendency to hold to ransom important consumers would become more unhelpful as years pass by if competitive sources were not developed, it has been considered advisable to develop new areas. The Alaskan region has been intensively explored by the U.S.A. in recent years and the find of new reserves has encouraged this country to feel that the dependence on the Middle East can be reduced considerably in a short period. The efforts now under way to explore the existence of oil and gas in North Sea may also be successful after sometime while Indonesia is thinking of doubling her output. Oil exploration is also being carried out in the Mekong delta region and there are hopes of tangible results at an early date. Japan, for part, is examining whether new fields can be established so that dependence on the Middle-East and African countries will be reduced.

The consumption of oil is increasing at an alarming rate and the importance of this form of energy should be minimised by using other fuels like electricity, nuclear power and coal. If there was a multi-pronged approach to the problem of oil consumption such as dispersed exploration and optimum use of various forms of energy, deficit countries can avoid a big increase in their import bill. Fortunately India has abundant resources of hydel power and vast deposits of coal. If these sources of energy can be fully utilised, the growth rate in oil consumption can be reduced. What is needed is an integrated approach to the problems of using different forms of energy.

—(FOC)

INDUSTRIAL ECONOMIST

A Decennial Picture of the People

This is the centenary year of census-taking in this country. While this will give a special, solemn significance to this occasion, the interest of publicists and economists alike inheres in the particularist details that have been newly introduced for the current enumeration. Indeed the present census is not a mere counting of heads. On the contrary, it is expected to collect diverse data of socio-economic significance. Under the law, information provided to enumerators cannot be invoked in any court of law and will be kept entirely confidential. Such secrecy had been guaranteed in earlier enumerations; but while there was no special need for it in earlier censuses which collected merely demographic information for pure purposes of compiling vital statistics, the present operation seeks to collect certain personal details, as for instance, educational qualification, income, socio-economic pressures of the group to which the individual belongs, etc. on which information will not be vouched unless the individual was sure that it would not be quoted against him in any event.

We Want "Change"

Who does not? Everybody wants change in place, vocation, dress.... But we in Delhi are want of "change." Thirsty, I wanted a sugarcane juice seller to fill me a glass. Before quenching my thirst he accosted whether I have change—a 25 paise coin. I didn't. He just decided rather to forego his business than accept a rupee note and return the balance to me. Shortage of coins affects everybody. The scare and the need is so much that change is

It is the duty of the public to provide this information because the law protects against leakages to their disadvantage. Statistical details regarding income, conditions of work, etc. are so meagre that the little in this direction to which the enumerators have been asked to collect will be worth its weight in gold. It can only be hoped that the individual citizens will not fight shy of furnishing this information.

Many Who Do Not Know Their Age

The bigger problem, however, is to collect data from the illiterate masses. There are many in the villages who do not know their date of birth. It is this ignorance which has been rendering into guesses the census estimates regarding age groups. In fact, it will require all the acumen that the enumerators can command to arrive at reasonably correct answers to their questions about work and employment. It is part of the imperfection in our statistical knowledge that, despite all the fanfare about the Green Revolution and rural prosperity, there

given at a great discount. The rate is even Rs. 5 for Rs. 100.

This was discussed even in the Parliament. The coin shortage is due to some miscalculation regarding demand. The Reserve Bank has been making additional supplies and the mints at Hyderabad and Alipore are being geared up. It is expected that production of coins in the mints is likely to rise from 5,500 lakh pieces in 1970-71 to about 18,500 lakh pieces in the next year.

—Venkatesh

are no reliable estimates either of aggregate or group-wise increases in rural income.

The intriguing nature of the problems involved in enumeration are such that they require for tackling them considerable expertise. It is open to doubt whether such expertise is available in the requisite dimension. The letters' column in the daily Press had already brought to light the deficiencies of the enumerators in this regard. It is reported, for instance, that one of the enumerators calling on a resident in the city could not understand what the designation "Chartered Accountant" meant and went a step further by noting down the qualification as B.L. Insofar as teachers at the elementary and middle school levels have to be inducted and their general information may not be large enough for purposes of collecting the required information, the gap between aspirations and realities of the current census will indeed be wide.

Need for Quick Compilation

Then and now the census authorities will be collecting statistics enough for their village monographs. One can expect them to contain vivid pictures as usual about social customs and taboos, nature of agrarian problems, prior debts, etc. The pity is that some of these monographs prepared in the 1961 census have come our way only now. And ten years in developmental planning is a long enough period to have ushered in many changes. It will be useful if the publication of monographs this time can be expedited so that the continuous quest for socio-economic information by research institutions in the public and private sectors does not end in sheer despair as has been the case very often in the past. Likewise, quick estimates usually released after the census should seek to ensure greater accuracy and more detailed categorisation in order that the lumped up results on that basis do not compare too unfavourably with the final results.

—(FOC)

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THE CITY CORNER:

Karunanidhi Presents 'Lame Duck' Budget

As is usual in an election year, a "lame-duck" budget for 1971-72 was presented on March 25 to the new Tamil Nadu Assembly by Chief Minister Karunanidhi who holds the Finance portfolio also. It is a non-tax budget showing a Rs. 12 crore deficit. In addition, the budget carries a deficit of Rs. 23 crores coming from the year that has just ended, making up a total budget gap of Rs. 35 crores.

After discussion for a couple of days the State legislature will provide a vote on account for expenses for the first four months of the year. The regular budget, possibly with fresh taxation proposals, will be presented during June.

Mr. Karunanidhi, while presenting the budget blamed the budgetary gap on "the continued neglect" of Tamil Nadu by the Centre. Central Assistance for Fourth Plan, already low at Rs. 250 crores out of a total allocation of Rs. 3,500 crores, had been cut to Rs. 202 crores. Tamil Nadu had not been allocated any sum out of the special accommodation of Rs. 800 crores to States. He felt the Centre should take some responsibility for the increases in the emoluments of the State Government employees. The only way out, according to him, is a constitutional amendment for a radical change in the pattern of revenue-sharing between the Centre and the States.

The estimates of receipts have been placed at Rs. 446.44 crores and expenditure estimate at Rs. 458.69 crores in the interim budget.

SIDCO Offers H.P. Facilities

The Small Industries Development Corporation (SIDCO) of Tamil Nadu added a new dimension to its working when it launched on March 29 a new scheme to assist entrepreneurs in the small sector with hire purchase finance for buying machinery, etc.

This facility is similar to the one offered by the NSIC but the SIDCO

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Art in Steel....

As a major public sector industrial enterprise in a vital sector of the economy, Hindustan Steel Limited communicates with the people of India about its performance, problems and perspectives through various media and at various levels.

The newest medium adopted by HSL for the purpose is the painting canvas. As many as 12 Indian artists stayed at the different units of this giant undertaking and collected impressions for permanent reproduction on canvas. The paintings and sketches produced by these eminent artists together make up the complex drama of steel making which they witnessed.

The paintings were on view in the city recently. The display was inaugurated by a former Tamil Nadu Chief Justice P. V. Rajamannar who said that any theme—science, technology as much as landscape—was as good as any other for an artist provided, of course it possessed outstanding qualities for portrayal.

Mr. D. C. Kothari, President of the Federation of Indian Chambers of Commerce and Industry commended this latest method of communication with the people adopted by HSL. He expressed the hope that HSL would become an efficient, economic production unit under suitable new policies framed by the Indira Gandhi Government.

Strategy of Export Pricing

A seminar on Export Pricing Strategy was another feature of the fortnight drawing attention. Governor Ujjal Singh who inaugurated the seminar stressed it was the competitiveness of Indian products that would decide the level of exports. Pricing strategy was a matter in which experts could advise exporters to the benefit of the country.

Mr. K. Eswaran, a leading exporter from South India, said that while it was for individual firms to decide on its own pricing mechanism, he could

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Photo shows Mr. S. Madhavan, Minister for Industries delivering the address at the inauguration of the Hire Purchase Assistance Scheme introduced recently by SIDCO. To his right is Mr. C. G. Rangabashyam, Chairman of the Corporation.

give some suggestions for over-all improvement on the export front. Small vessels, not affiliated to the Conference Lines exclusively meant for carrying India's exports, doing away with the practice of allowing free sale of import obtained as entitlement by exporters, removal of other official inhibitions were some of his suggestions. It was fallacious to imagine that domestic market should always subsidise exports. On the contrary exports helped to bring down prices for the domestic consumer, by helping the spread of Manufacturing costs over a larger volume of production, said Mr Eswaran.

Overhauling Industrial Licensing System

The President of Associated Chambers of Commerce and Industry, Mr. B. Mitter called for a review and overhaul of the country's industrial licensing system in a speech delivered at the annual general meeting of the Madras Chamber of Commerce on March 23.

The licensing policy, he agreed, was openly biased against large business organisations. By international standards, our largest business organisations were really small and in the export effort they were not really competitive with medium-sized international export houses, not to speak of

the international giants. If the so called large Indian business houses indulged in malpractices, there were ample weapons in the state's armoury and it was a sheer question of law enforcement.

About the Monopolies Act he said that the principle behind it was all right but in actual practice it was going to be distorted into yet another fetter on the operation of industry.

Sardar Ujjal Singh, Tamil Nadu Governor, speaking as the chief guest, advised the business community to help hold the price line. He also cautioned businessmen against unsocial practices. —VM

Problems of Personnel Management

Personnel specialists drawn from industry gave a hard professional look to problems of personnel management in contemporary India in the course of a four-day conference organised by the Indian Institute of Personnel Management. The speeches made at the inaugural session on March 25 set the pace for the discussions in the various sessions that followed. Both Mr. K. Eswaran who welcomed the delegates and others and the Tamil Nadu Governor Ujjal Singh directed atten-

tion to what Personnel Managers could do in three areas—wages, productivity and automation—areas central to the efficient operation of the country's economy.

How do personnel managers influence the determination of wages? How do they contribute to better productivity? What should they do to mitigate the rigours and pains of automation? The first plenary session which was chaired by the Institute's President Dr. Ram S. Tarneja and the

sectional discussions that followed attempted answers to these questions. Even in his speech at the inaugural session, Dr. Tarneja referred to these problems and dealt with the various management tools available to the personnel men. In the context of the rapid technological developments being witnessed in India as elsewhere, personnel officers are to be thoroughly acquainted with scores of different processes in diversified fields, such as procurement, production, finance, audit and accounting, marketing and advertising. More than one speaker stressed the need for modernising the whole process of decision-making in the industrial establishments. Personnel managers in such a modernisation programme would be shifted from the periphery of the Board Room to their rightful seat among the working Directors. Personnel management which should function as an integral part of the top management right from the planning stage onwards, should inculcate in the employers a sense of fellow-feeling, a deeper involvement in what they do and a better understanding of the business functions and the forces at work.

Fringe Benefits

Mr. Harish Mahindra stressed that productivity was more a personnel than a technical function.

In the session devoted to wages, attempts were made to quantify the various services, facilities and amenities provided in an establishment to give an all-inclusive definition of wages. The difficulties of meaningfully assessing expenses like costs of operation of canteen, dispensary, recreation centres, etc. or items popularly known as "fringe benefits" were stressed by some speakers. The area of fringe benefits has become a happy hunting ground of industrial conflict.

Quite some time was taken to explain the concepts of need-based wages, fair wages and minimum wages. The need-based wage has been accepted in India as the minimum wage. The lower limit of fair wage must obviously be the minimum wage; the upper limit is set by the capacity of

industry to pay. It was stressed that the wages actually paid should depend on productivity of labour, prevailing rate of wages in same or similar occupations and the level of national income.

Two sessions were devoted to trade union rivalry and to civil liberties and trade union. Among the participants in these sessions was the Tamil Nadu Labour Commissioner M. M. Rajendran. Several speakers urged trade unions to break totally and wholly from political affiliations. The different parties, more particularly the ones in power, engage themselves in competitive activity in unions as a means of strengthening the party. The need for labour unions to familiarise themselves with the rule of law and respect for the judiciary and other traditional

values was emphasised by three participants.

In the session devoted to automation, two foreign personnel men participated. Mr. M. A. Howe, President of the Institute of Personnel Management, Australia said the results of research carried out in his country had allayed fears of large-scale unemployment from technological change and automation. But such change did seriously affect the nature of jobs and brought with it the need for re-training programmes. Personnel officers had the responsibility to minimise anxiety and hardship, arising out of these, said Mr. Howe.

Mr. E. S. Appadurai of Ceylon said that in the experience of his country, productivity was lower in the state sector than in the private sector. —VM

A Unique Experiment in Education

World Campus Afloat, a unique experiment in education is conducted aboard the s.s. Ryndam organised by the Chapman College of California. This floating university consists of 279 girl students and 149 boy students apart from the faculty members and the crew. The students were drawn from 200 universities of the United States and all the states are represented on board except Alaska. Contrary to the generally held belief about the freedom of the younger generation in Western countries, a certain high standard of moral code and discipline has been imposed on board. All are required to be properly dressed. Drinking of alcoholic liquor has been prohibited. Possession, use or distribution of harmful drugs such as LSD, opium, etc., have been banned. No student may enter the cabin areas of the opposite sex except with the permission of the Dean. Attendance to class is compulsory except when the student is sick.

The ship consists of 14 class rooms, laboratories for science and Oceanography, a carefully selected library,

and a theatre to seat 280 people. The other facilities include a buffet service dining room, a book store, gift shop and beauty parlour. The duration of each semester on board is about four months. No Diploma is awarded after each semester because the students will go back to their respective colleges to continue their degree courses. It costs \$ 800 per tuition. \$ 2450 is charged for passage for each student. But one does not have to be a rich American student to enter this floating university and as many as 42 per cent



Some of the students of the floating university aboard S.S. Ryndam

get free scholarships, and another 26 per cent get educational loans. A minimum of second class performance in the degree course has been prescribed for the entry into the floating university. The courses offered in the ship are mainly Liberal Arts, Languages and Oceanography.

s.s. Ryndam sailed off from Los Angeles on February 1, 1971 and will reach its final port of call, namely New York, on May 21 after visiting Honolulu, Tokyo, Hongkong, Madras, Colombo and South Africa. In between Honolulu and Japan the ship experienced a great turmoil when waves as high as 50 feet were threatening the students of the ship for two full days. Of course, the students faced this natural threat with composure.

World Campus Afloat holds to a commitment which includes to extend education beyond the four-wall classroom to gain varied environmental and academic experiences, to provide a triple learning experience where students learn from each other, from their professors and from contacts in ports of study throughout the world and to maintain an involvement in field research in which "the real" is weighed against textbook theory. —S. Rajath



The XXI All India Conference on Personnel Management and Industrial Relations was held in Madras recently. Picture shows Dr. Ram S. Tarneja, President of the Indian Institute of Personnel Management, delivering the Presidential Address. Also seen are Governor Ujjal Singh, who inaugurated the Conference, Mr. K. Eswaran, Chairman of the Reception Committee. (second from left) and Mr. M. K. Raju, President of the Indian Institute of Management (fourth from left).

STATE BANK CHAIRMAN'S SPEECH

IMPORTANCE OF GUIDELINES FOR CREDIT FLOW

R. K. Talwar on dilemma facing banks

Shri R. K. Talwar, Chairman of the State Bank of India, has highlighted the need for credit planning and clear guidelines to the banking system as regards the appropriate priorities in lending.

In his speech at the Sixteenth Annual General Meeting of the shareholders held in Bombay on Friday, the 26th March 1971, he said :

Let me extend a warm welcome to you all to the sixteenth annual general meeting of the State Bank of India. The annual report, including the balance sheet as on the 31st December, 1970 and the profit and loss account for 1970, is already in your hands. As you will have observed, during the year the Bank's profit has somewhat dipped inspite of a substantial increase in the volume of business handled. I cannot pretend I am not concerned over it, though I am certainly not perturbed. The lower profit is due mainly to the increased operational costs during the year. We hope our working will show better results in the current year. I believe that even while reorienting their operations for subserving the social good, or rather for that very purpose, the commercial banks, whether in the private or public sector, must continue to make increasing profits year after year and thus strengthen themselves and the country's economy.

Credit Expansion

I would like to take this opportunity to share with you some thoughts on the large credit expansion witnessed over the last three years in the banking system. An indisputable fact is that this large credit expansion has been brought about mainly in pursuit of a deliberate public policy. It was on the assurance of liberal support from the

central banking authority that the commercial banks were able to extend credit in these years on a significant scale to agriculture, small industry and small businesses. This was entirely in accord with the aspirations of the weaker sections of the community, which were attached greater importance than ever before. A major portion of the credit expansion should be attributed to the reorientation of bank lending operations in the wake of this welcome change.

Another area in which credit expansion has taken place over the last few years with the full support of the Reserve Bank of India, or because of it, relates to the food procurement operations—and, to an extent, also the fertiliser distribution operations—of the State governments and their agencies and the Food Corporation of India. Whether the financing of these operations should have been its legitimate concern or not, the banking system was in a position to undertake this activity mainly due to the refinancing support available from the Reserve Bank of India. There was also an unprecedented demand for credit from the sugar industry. Production in this industry reached record levels for two successive years, and the prospect seems the same for the third year also. Due to several factors, over which the industry has no control, the offtake of sugar is very slow and the banks are obliged to provide finance to enable the industry to carry the large stocks.

Banks' Predicament

It is in this context that we should view the recent monetary restraints, and particularly the stringent net liquidity requirements designed to discourage commercial banks' borrowings from the Reserve Bank. It should go without saying that I am entirely at one with the objective of monetary policy, namely to contain inflationary pressures, on the need for which there can be no two opinions. I do not propose to make an extensive excursion into the realm of economics, nor to participate in the controversy over the efficacy of the monetary weapon. Wherever the real roots of inflation may lie, once the inflationary trends set in, no central banking authority can remain a silent spectator without taking such steps as lie within its powers. Yet, I feel, I must draw attention to the predicament in which commercial banks find themselves today. This arises mainly from the modification of refinance facilities, substantially on the basis of which the credit expansion had taken place.

The principle that banks should lend and invest no more than what they possess by way of deposits, and use the Reserve Bank of India only as a lender of the last resort, is indeed unexceptionable. However, a relevant point here is that liberal refinance was made available to the banks with the express purpose of ensuring that the new

shift in the lending policy should not come in the way of the medium and large-scale industries obtaining finance for their legitimate production needs. This support from the Reserve Bank enabled the banks to go all out in extending credit in pursuance of public policy and simultaneously continue to meet other legitimate credit demands. With the curtailment of refinance facilities in the context of inflationary trends, the banks will find it difficult to meet the aggregate demands for credit from their own resources immediately. The squeeze must be felt somewhere and this is where the banks find themselves in a fix.

Credit Planning Needed

Their dilemma is that large and medium scale industries cannot be denied assistance without detriment to industrial production, and the weaker sections of the community cannot be denied assistance without a serious set-back in public policy. Surely the decision cannot be left to the discretion of each individual bank and the situation calls for credit planning and clear guidelines to the banking system as regards the appropriate priorities in lending. I do not suggest there has been no credit planning as such so far; but this planning has merely been directional in nature without bringing within its compass the quantitative allocation of the total flow of credit. What I have in mind is an assessment of the optimum expansion in bank credit that is permissible, and its apportionment among various sectors and sub-sectors of the economy so as to accord with the Plan priorities. With the awareness of the limited resources, I hope that such credit planning will receive the urgent attention that it deserves.

Deposit Rates

Varying views have been expressed in regard to the pattern of interest rates on the deposits in the country. One view is that for an accelerated growth in deposits there should be a substantial increase in these rates. I doubt very much whether deposits, at least in this country, can be considered interest elastic, but this is no reason why the bank depositor should be given a raw deal. Recently there was an increase in the Bank Rate from 5 to 6 per cent. The effect of an increase in the Bank Rate is a rise in the interest rate structure both for deposits and advances. In our country, however, the effect has become lopsided, in that while there has been an all round increase in the lending rates, the de-

posit rates have not correspondingly moved up. Whatever may be the objective of increasing the lending rates, the proportionate benefit ought to be passed on to the bank depositor, who should get what is legitimately his due.

Financial Institutions

In this context I would also like to draw attention to the invidious distinction in the matter of interest rates as between individual depositors and some large financial institutions; it is indeed ironical that the individual depositors should be clearly at a disadvantage vis-a-vis such institutions. In the case of a bank depositor, the shorter the period of the deposit, the lower his return by way of interest. A financial institution like the Life Insurance Corporation of India or the Unit Trust of India, on the other hand, may operate in the inter-bank call money market and command a high return—as disproportionately high as 11 to 12 per cent—on its day-to-day lendings. When these financial institutions were permitted to operate in the inter-bank call money market, even though they are not banks, their entry was justified on the ground that this would improve the liquidity of the banking system. I am not sure that this hope has been fulfilled, since the funds offered in the call money market are mostly the funds which would in any case lie with the banking system and earn interest at the rates applicable to the public. The only result seems to have been a diversion of funds from low-yielding fixed and short-term deposits to high-yielding call deposits, with a consequent rise in the cost to the banking system. The position is more or less the same in the case of the co-operative banks. Some of these banks, taking advantage of their exemption from the deposit rate directives of the Reserve Bank of India, have succeeded in extracting a stiff price from the banking system for their deposits. I urge that not only on considerations of fairness but also of wider issues of investment, individuals and institutions should be put on an equal footing in the matter of return on surplus funds.

Consolidating Gains

As stated earlier, commercial banks have lent to priority sectors and particularly to agriculture at a fairly fast rate. The pace of their branch expansion programme has also been very fast. Severe strains have, therefore, developed on the organisational and trained man-power resources of the

banking system as a whole. The understanding as regards the concept of lending to the priority sectors has not been uniformly clear at all levels and the stipulated criteria in regard to assessment of applications have not been strictly adhered to. Measures will have to be taken to consolidate the gains in respect of advances to the priority sectors as well as opening of new branches. The pace of progress in these two spheres must be related to the growth in qualitative and quantitative terms of the organisational infrastructure, and vice versa. For this purpose, it will be necessary for the commercial banks to realign their organisational patterns so that they may regain their poise and proceed with renewed confidence and vigour.

Agricultural Finance

Of the priority sectors, agriculture poses very hard problems. The credit needs of this sector in the next three or four years seem to be as high as Rs. 4,000 crores. Meeting these needs is an enormous task. Having regard to the resources available, the role of the commercial banks in this field can only be supplementary, at any rate in the immediate future; the responsibility must continue to rest mainly with the co-operatives. It will be imperative for commercial banks to ensure that the credit that has already been extended, or is being extended, is put to the most effective use. This presupposes the creation and strengthening of a machinery which can properly evaluate the proposals at the initial stage and effectively supervise afterwards the utilisation of credit at different stages.

It will be difficult to create such a machinery at every office of the Bank. The Bank's strategy will, therefore, be to move away from scattered lending and shift the emphasis towards intensification of the area approach. Efforts will be directed towards formulation of a programme of banking propositions in respect of a definable area consisting progressively of a village, a cluster of villages, a taluka or a few talukas, leading to integrated and harmonious development covering the various facets of the agricultural economy of that area. We believe that only through a concentrated effort in selected areas could the scarce resources of the banking system be put to the optimum use. To this end we propose to select throughout the country about 150 centres, in course of time, where we shall strengthen our offices so as to be able to take both the initial and follow-up action in dealing with the loan applications. In selecting these centres, we will be guided by consultations with the State authorities, and have a bias

in favour of areas with a preponderance of small farmers, particularly where Small Farmers' Development Agencies are being set up and in districts where we have assumed the lead role. Elsewhere our efforts will, subject, of course, to adequacy of resources, be confined to the financing of only those farmers who come to the Bank on their own and have their land situated not more than ten miles from the nearest office. Here again the Bank's efforts will be to avoid scattered lendings, financing being restricted to a village or a cluster of villages.

Organisational Structure

Last year I referred to the inadequacy of the Bank's organisational structure to meet the problems of control posed by the growing number of the Bank's offices and our desire to have the entire matter studied by a team of management consultants. The services of the Indian Institute of Management, Ahmedabad, were engaged for this purpose and the study has now been completed.

The consultants have suggested a plan of reorganisation to meet the problems caused by the rapid growth and the change in the nature of business of the Bank during the last few years. Broadly, it has been suggested that the work at the larger branches should be organised on the basis of customer-groups to assist in focussing attention on the needs of different types of customers. Handling of the complete range of banking needs of a customer in one department would improve the quality of service which customers expect from the Bank. It has also been suggested that decision-making should be further decentralised not only to expedite the customer's work but also to create a climate for managerial development in the supervisory cadres.

The consultants have recommended that a system of annual performance-budgeting in regard to deposits, costs and profits should be introduced at each office to enable systematic development of business in each market segment in consonance with the Bank's policies. It has been suggested that management control based on such a scheme of annual planning would provide scope for timely remedial action, at the same time enabling the operating staff to know what is expected of them. Detailed suggestions have also been made to bring about certain far reaching changes at the Local Head Offices and Central Office with specific responsibilities in relation to the management needs of the various aspects of the Bank's business. These recommendations are now being examined.

Staff Relations

It is customary at such annual meetings for chairmen to thank members of the staff for their co-operation during the year. We are fortunate in having been endowed with dedicated employees at all levels, who keep their institution going and prospering. They are our mainstay. I must offer my sincere thanks for their co-operation. We successfully concluded negotiations for major wage settlements both with officers and the junior staff during the year. These settlements have been reached on the basis of major benefits to the staff. It will now be the responsibility of the management and the unions alike to ensure that the return to the organisation in terms of higher efficiency and of assumption of greater responsibilities by the staff would be commensurate with these benefits resulting in greater customer satisfaction.

If I may turn to the banking industry as a whole, the picture of staff relations is none too encouraging. The industry is up against a bewildering variety and multiplicity of disputes. The conduct of negotiations is bedevilled by intra-union and inter-union pressures. The ultimate sufferer is the customer, who is the reason for the very existence of the banks. Indeed, the irony is that the greater the suffering of the customer, the greater the pressure on the managements to settle. They become helpless participants in deals where not reason but power to dictate terms becomes the sole arbiter; and the settlements while apparently solving one dispute seem to be sowing the seeds of another dispute in another wing of the same institution or in another institution. We never seem to reach the end of the road. I can only voice the hope that it will be possible before long to evolve a more suitable machinery for the settlement of disputes so that the atmosphere may become less and less vitiated in course of time and greater harmony may prevail between managements and unions. Only then will the customer receive more courteous, speedier and cheaper service, to which he is entitled.

I wish to place on record our sense of high appreciation of the valuable services rendered by Shri K. T. Desai who relinquished his office as Vice-Chairman after the completion of his term of appointment on the 7th June 1970. I also thank the Members of the Local Boards and the Directors on the Central Board who ceased to be on these Boards during 1970 for their able guidance and direction.

COMMODITIES:

Quotas for Rubber Purchases

The decision of the Rubber Board to introduce a quota card system from April 15 for purchase of rubber from members of co-operatives by the State Trading Corporation should be helpful in bringing about some semblance of stability in the rubber market. The entry of the S.T.C. last November into the Kerala market has failed to ensure the Government-fixed price of Rs. 520 per quintal to the growers as the volume of S.T.C.'s purchases has not been sizable. In fact, there was a weakening of prices following the suspension of S.T.C.'s operations due to want of godown space, since the beginning of February and prices dipped to around Rs. 457 from Rs. 470 prevailing earlier. The S.T.C. has, however, resumed its purchases from March 1 and will be buying at the daily rate of 100 tonnes. At the same time, the Corporation has been releasing its stocks and has so far delivered about 1,300 tonnes while its purchases since October 25 have totalled 5,700 tonnes. The accelerated buying of stocks with small growers will have its impact on prices only after some time. The quota system which involves the distribution of quota cards to members of farmers' co-operatives will eliminate mutual complaints by the S.T.C. and the co-operatives on the mode of purchases and will also encourage other growers to join the co-operatives. Meanwhile, a panel of the Rubber Board has urged the Government to buy a bulk quantity of 2,000 to 3,000 tonnes immediately from the open market to boost the sagging prices.

Sugar Output and Stocks

With the output in January amounting to 7.69 lakh tonnes against 7.29 lakh tonnes in January 1970, production of sugar in the first four months of the current season totals 17.25 lakh tonnes against 16.76 lakh tonnes in the same period last season. Total despatches in the first four months were 12.37 lakh tonnes for internal consumption and 4.13 lakh tonnes for export against 10.32 lakh tonnes and 17,000 tonnes respectively last season. Closing stocks at the end of January were substantial at 24.63 lakh tonnes against 19.31 lakh tonnes a year ago. Though the monthly releases for both levy sugar and open market sales have been kept high around 3.50 lakh tonnes for some months now, internal absorption would appear to be not more than 2.80 lakh tonnes a month and in the absence of any large-scale exports, stocks with the industry must be rising at an alarming rate till May posing serious problems of financing them. The reported slow-down in crushing opera-

tions since February could not have altered the immensity of the crisis being faced by the mills. Sugar prices in the open market have naturally been subdued. (Production till February end is placed at 23.50 lakh tonnes and stocks at 27.20 lakh tonnes).

Package for Cotton

At last the Union Government seems to have waken up to the realities of the cotton situation where the industry is unable to meet the increased demand for textiles due to shortage of cotton. The crisis has been particularly acute in that record imports are being arranged to shore up the industry. In this context, it is heartening to learn of the Central Government's decision to launch an intensive area development programme for boosting cotton production. Nine districts spread over nine growing States will come under the package scheme, the area covered rising from 5.8 lakh acres this year to 13.5 lakh acres in three years. The scheme, estimated to cost Rs. 5 to 6 crores in first year, aims at increasing cotton output by 4 to 5 lakh bales in the first year. The programme envisages the enlisting of special staff to popularise the use of improved farm practices among growers in the selected areas and supply of various inputs like fertilizers, pesticides, high-yielding seeds at a concessional rates. Plant protection will receive special emphasis. Production of extra long staple cotton will also be given greater attention. Besides the package scheme, the Government is evolving a massive plan to increase cotton output. While new areas will be brought under cotton where irrigation facilities can be extended, the industry will also be asked to take a more active role in the programme.

The need for a breakthrough in cotton was emphasised by Dr. M. S. Swaminathan, Director of Indian Agricultural Research Institute, recently. He said India had one of the lowest yields per hectare though it rose from 87 kg. in 1950 to 123 kg. in 1970. The shortage of cotton became more and more acute as total production was stagnant around 5.8 million bales in 1965-70 while the spindleage increased from 14.6 million to 17.7 million in the same period. Dr. Swaminathan pointed out that Egypt produced 2.43 million bales from about 0.6 million hectares in 1968-69 while India raised 5.82 million bales from as much as 7.6 million hectares. This was due to the active help given by the Egyptian Government along with use of advanced techniques. He also attributed the low crop in India to the fact

that nearly 85 per cent of the crop is grown under rainfed conditions while low-yielding species accounted for two-thirds the acreage. The quality-wise break-up in increase in production of cotton planned for 1973-74 over the present level is roughly as follows: Coarse varieties (below count 17s) from 9 lakh to 13 lakh bales; lower medium (count 17s to 26s) from 7.2 lakh bales to 10 lakh bales and higher medium (26s to 35s) from 24.2 lakh to 37 lakh bales; fine (35s to 48s) and superfine (above 48s) from 12.5 lakh to 20 lakh bales. Total increase of Indian cotton from 52.9 lakh to 80 lakh bales.

Fall in Textile Exports

There has been a setback to exports of mill-made cotton textiles in the current year. This is attributed mainly to the shortage of cotton and the consequent increase in costs. While cotton piece-goods have barely maintained their previous year's earnings so far, there is a sharp fall in yarn exports. Total exports from April 1970 to the middle of February this year are lower at Rs. 97 crores against Rs. 101 crores in the same period in 1969-70 and it is quite unlikely that the target of Rs. 120 crores for this year may not be achieved. Exports of piecegoods dropped to 361.4 million sq. metres valued at Rs. 56.8 crores from 374.2 million sq. metres valued Rs. 57.8 crores in the respective 11 month periods while yarn exports declined steeply to Rs. 18.8 crores (21.2 million kg.) from Rs. 26.48 crores (35.9 million kg.) Apparels, however, fetched a larger sum of Rs. 5.95 crores (Rs. 4.86 crores) while earnings from hosiery dropped to Rs. 12.8 lakhs from Rs. 25.8 lakhs. Others earned Rs. 14.34 crores (Rs. 12 crores).

Pick-up in Engineering Exports

It is heartening that engineering exports which had struck a bad patch for quite some months till recently have picked up and in February this year shipments of engineering goods were as much as Rs. 12.60 crores against only Rs. 8.52 crores in February 1969. With this, the cumulative total earnings for the first 11 months of 1970-71 come to Rs. 100.69 crores against Rs. 89.34 crores in the corresponding period of 1969-70. It is hoped that exports for the whole year would be about Rs. 120 crores against Rs. 106 crores in 1969-70. Though this falls short of the target of Rs. 140 crores, the industry is confident of not only achieving the 1971-72 target of Rs. 165 crores but of making good the shortfall of 1970-71 as well provided the problems of raw materials and finance are solved. This confidence arises from the large number of enquiries from abroad, particularly from East European countries, for wagons.

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BUSINESS BRIEFS:

Positive Approach to Investment Needed

The Chairman of Industrial Credit and Investment Corporation of India Limited, Mr. G. L. Mehta, has drawn pointed attention in his statement to the shareholders for the latest year to the urgent need for stepping up private sector investment in industry. There is already a shortage of many consumer goods, non-ferrous metals, steel, paper and other products and the existing capacity except in the case of steel is being fully utilised and even exceeded in some cases. But the irony of the situation is that barring a few industries like tractors and automobile tyres, there has been no response from the private sector to take advantage of the shortages and invest in raising capacity for these goods by expansion or through new units. While the hesitation on the part of entrepreneurs may be partly due to the existence of idle capacity in particular directions (as in the case of intermediate goods and capital goods) and the lack of growth of industrial production Government's licensing policies have also contributed to the stagnation in fresh investments. Mr. Mehta has deplored the negative approach restricting the entry of large business houses in certain investment categories and has urged for positive inducements instead to the entrepreneurial categories which are sought to be encouraged. He has also pointed to the need for less administrative control of the economy as it has acquired enough control at the financing stage with the take-over of the major instruments of financial control.

The ICICI Chairman has at the same time reminded the private industrial sector of its obligations in the changed circumstances. Besides ensuring adequate supplies at reasonable prices, by controlling costs, there are other aspects of industrialisation like broadening of the industrial effort and research and development which need greater attention from industrialists. There are also wider issues like increasing employment opportunities and development of backward areas. Financial institutions like ICICI, IFC, and IDBI are already engaged in surveying the industrial potential of various States for identifying projects to develop local resources. Concessional finance is also being provided to start new industries in backward areas while the scope of extended 55 foreign currency loans of Rs. 5 lakhs and less in 1970 while loans for Rs. 47 lakhs were sanctioned to 22 printing presses. The new offices in Calcutta, and Madras should help the corporation extend its assistance

to a larger number of small entrepreneurs. At the sametime, ICICI is planning to enter new fields of activity like hire-purchase finance and housing finance besides guaranteeing payments on purchases made by clients on deferred credit terms. A small investment has been made in a hire-purchase company on an experimental basis while a housing finance corporation will be promoted in the near future. A financial management institute has been started in Madras with contributions from industrialists and from ICICI's own resources.

ICICI Operations in 1970

ICICI's operations in 1970 were on a larger scale. Sanctions of assistance for 90 projects totalled Rs. 43.35 crores. As there was withdrawal and non-utilisation of assistance sanctioned in the previous years for Rs. 9.21 crores net sanctions amounted to Rs. 34.14 crores against Rs. 30.02 crores in 1969. The gross sanctions include Rs. 14.52 crores by way of investment in equity and preference shares and debentures and Rs. 28.83 crores in foreign currency loans. Disbursements during the year were Rs. 27.96 crores. The corporation has found it necessary to seek fresh lines of credit in foreign currencies from Britain, West Germany and the World Bank due to the large demand for such loans. But there is no problem of rupee resources with the repayment of earlier loans and remunerative sales of holdings of industrial securities. Sale proceeds from securities amounted to Rs. 253.69 lakhs in 1970 against Rs. 169.83 lakhs in the previous year, the capital gains on these being Rs. 42.42 lakhs (Rs. 29.16 lakhs). There has also been an appreciation in the value of the holdings whose market value was much higher at Rs. 32.20 crores (Rs. 29.64 crores) against the book value of Rs. 29.93 crores (Rs. 28.84 crores). There are also sizable cash balances of Rs. 7.76 crores which should take care of the increased commitments the corporation may enter into in pursuance of its new policies.

With more effective use of funds ICICI has earned a larger profit of Rs. 303.18 lakhs, before taxation, against Rs. 294.32 lakhs in 1969. After providing Rs. 134.92 lakhs (Rs. 133.93 lakhs) for taxation, the transfer to general reserve is Rs. 105.57 lakhs (Rs. 30 lakhs) and reserve against doubtful debts Rs. 30 lakhs (Rs. 25 lakhs). Special reserve gets Rs. 43.50 lakhs (Rs. 44 lakhs). The dividend on equity capital has been raised

to 10 per cent taxable from 9 per cent taxable and will be paid out of general reserve absorbing Rs. 75 lakhs. The whole of the capital gains on sale of investments amounting to Rs. 33.39 lakhs (Rs. 20.09 lakhs), after taxation has been taken to capital reserve not available for dividend. The corporation proposes to issue right shares, by June in the ratio of one for three which will raise the equity capital to Rs. 10 crores. Reserves amount for Rs. 8.23 crores, including Rs. 1.73 crores of capital reserve, not available for dividend purposes.

Guest Keen Doubles

Guest Keen Williams Limited has staged a further smart recovery in 1971 following a big rise in demand for its products and reorganisation of its various divisions. The alloy steel division was perhaps helpful in ensuring adequate steel supplies to different plants. The turnover in the 52 weeks ended January 21971 increased by one-third to Rs. 42.56 crores from Rs. 32.03 crores in 1969. But with remunerative prices and greater efficiency of operations, the net profit, before depreciation and taxation, nearly trebled to Rs. 9.02 crores from Rs. 3.49 crores. The equity dividend has, therefore, been doubled to 16 per cent, taxable, requiring Rs. 1.01 crores (Rs. 50.5 lakhs). The sum set aside for depreciation is Rs. 1.22 crores (Rs. 1.28 crores) besides an additional provision under this head of Rs. 46.73 lakhs (Rs. 46.95 lakhs). Taxation claims as much as Rs. 4.43 crores (Rs. 84 lakhs). Of the balance taxation equalisation reserve gets Rs. 23.01 lakhs Rs. 19.45 lakhs) and development rebate reserve Rs. 3.25 lakhs (Rs. 32 lakhs). General reserve gets Rs. 1.65 crores (nil). A sum of Rs. 30.14 lakhs (Rs. 24.53) has been transferred to profit and loss account being provisions no longer required. G.K.W. shares have been a favourite in Calcutta for some time on hopes of a bonus issue following the excellent results in 1970 and the quotation is around Rs. 32.50.

Hind Lever Earns Less

Hindustan Lever Limited could not derive any benefit from a big rise in turnover in 1970 to Rs. 119.21 crores from Rs. 108.79 crores in 1969. There was higher output of various products and selling prices also were higher but owing to a steeper rise in working costs and control on vanaspati prices, the net profit, before taxation and before allowing for capital expenditure on scientific research declined to Rs. 5.35 crores from Rs. 6.16 crores in the previous year. The directors have however maintained the equity dividend on 14

per cent taxable, by announcing a final payment of 8 per cent, taxable. After providing for capital expenditure for research and taxation, the disposable profit is lower at Rs. 2.34 crores against Rs. 2.75 crores. The company stepped up its exports to Rs. 4.78 crores from Rs. 2.01 crores. Special stress was laid on exports of traditional items while shipments of synthetic detergents to Soviet Union totalled Rs. 21 lakhs. The research division has been developing new techniques for using non-traditional oils for soap making while arrangements are being made to conduct research on animal nutrition. The Tariff Commission's recommendation on more realistic prices for vanaspati is awaited.

Lakshmi Machine Works

Lakshmi Machine Works Ltd. has produced excellent working results for the year ended December 31, 1970. Though it was expected earlier that the working of the company would be quite satisfactory as sales of textile machinery were stated to have been brisk and there was only difficulty in meeting the increasing demand, the actual results have exceeded expectations. The directors have declared a final dividend of 6 per cent taxable making with a maiden interim of 4 per cent, a total of 10 per cent taxable. There has been a big rise in sales to Rs. 5.48 crores from Rs. 4.17 crores in 1969 while the net profit, before depreciation jumped to Rs. 153.34 lakhs from Rs. 94.20 lakhs. The ratio of gross profit to turnover is quite high at over 27 per cent. After providing Rs. 40.56 lakhs (Rs. 34.53 lakhs) there is a balance of Rs. 112.78 lakhs (Rs. 59.67 lakhs). There is no provision for taxation as in the previous year, but gratuity reserve gets Rs. 3.50 lakhs (nil) and general reserve Rs. 88.14 lakhs (nil). In the previous year, the disposable profit went to wipe out a debit balance of Rs. 58.78 lakhs brought in from earlier accounts. The interim dividend has already been paid while the final is to be distributed out of general reserve. The total dividend amount will be only Rs. 24.44 lakhs. A sum of Rs. 2.50 lakhs (nil) has been written off underwriting commission. Rs. 98,340 (nil) off brokerage expenses and Rs. 7.38 lakhs (nil) on account of debenture issue expenses while in 1969 preliminary expenses were written off for Rs. 46,735. The conservative dividend policy of the directors in perhaps due to the need for providing a large sum for development rebate which may be claimed when there are taxable profits. It is expected that there will be a further rise in sales and earnings in the current year. There has been a spurt in the quotation of Rs. 100 paid up share of the company from Rs. 130 to Rs. 145.

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Philips India

Philips India Limited has set a new record in 1970 in respect of sales and earnings. The turnover increased by nearly 25 per cent, during the year to Rs. 37.62 crores from Rs. 30.20 crores in 1969. The net profit before depreciation, also rose substantially to Rs. 7.82 crores from Rs. 6.18 crores in the previous year. A final dividend of 10 per cent taxable, is to be paid making with the interim already distributed, 20 per cent for the whole year against 23 per cent, taxable, previously. However, the quantum of dividend will be much higher at Rs. 1.10 crores against Rs. 84 lakhs, as the latest distribution is on a capital increased by a bonus issue in the ratio of one share for every two shares held. Depreciation claims Rs. 1.10 crores (Rs. 91 lakhs) while the provision for taxation is larger at Rs. 4.25 crores (Rs. 340 crores). Development rebate reserve gets Rs. 20 lakhs (same) and debenture redemption reserve Rs. 10 lakhs (same). There is at the same time a transfer of Rs. 3 lakhs (same) from development rebate reserve and Rs. 5 lakhs (nil) being provisions no longer required.

Aruna Sugars Pays Less

Aruna Sugars Limited could not overcome the adverse effects of a reduced recovery, low open market prices and high interest charges during the year ended September 30, 1970. While there was a drop in the quantity of cane crushed to 2.6 lakh tonnes from 2.69 lakh tonnes in the previous year, the output of sugar declined more sharply to 21,447 tonnes from 22,887 tonnes due to a fall in recovery to 8.24 per cent from 8.41 per cent. The net profit, before depreciation, and taxation was only Rs. 2.71 lakhs against Rs. 46.65 lakhs in 1968-69. After providing Rs. 10.13 lakhs (Rs. 19.25 lakhs) for depreciation there is a net loss of Rs. 7.42 lakhs which is to be adjusted by transferring Rs. 14.70 lakhs from various reserves. But the directors have decided only to cut the dividend on equity capital to 7½ per cent taxable from 15 per cent though there will be no proportionate reduction in dividend amount as a larger capital as raised by a right issue will be ranking for this purpose. The amount required will thus be Rs. 6.15 lakhs against Rs. 8.82 lakhs in the previous year. In 1968-69, general reserve got Rs. 5 lakhs, dividend equalisation reserve Rs. 6 lakhs and development rebate reserve Rs. 1.50 lakhs. The expanded facilities now being created are expected to be available from the beginning of the next season. To finance the new scheme, a loan of Rs. 25 lakhs has been secured from the Tamil Nadu Industrial Investment Corporation besides

Rs. 60 lakhs from a bank after repaying a loan of Rs. 7.50 lakhs taken from another bank.

Mysore Sugar Earns Less

In spite of a sizable increase in sugar output and better working of the distillery and acetic acid units, Mysore Sugar Company Limited could not prevent a big decline in its earnings during the year ended June 30, 1970. The sugar factory handled a much larger quantity of cane of 4.86 lakh tonnes against only 2.46 lakhs tonnes in 1968-69 while there was not a proportionate rise in sugar output which increased to 44,176 tonnes from 26,304 tonnes. There was a fall in recovery to 9.09 per cent from 10.69 per cent in the previous season. The distillery's output was higher at 87,633 hecto-litres while production of acetic acid improved to 2,030 tonnes from 983 tonnes. It is pointed out that the acetic acid unit can show a much better performance after the difficulties are overcome. Even with higher output in all divisions, the net profit, before depreciation and taxation, slumped to Rs. 66.08 lakhs from Rs. 103.34 lakhs in 1968-69. It was not possible to avoid accumulation of sugar stocks involving heavy interest charges while sales of both levy and open market sugar were not remunerative due to low prices. However, the directors have maintained the equity dividend at 20 per cent, taxable. The sum set aside for depreciation is Rs. 34.36 lakhs (Rs. 38.14 lakhs) and development rebate Rs. 1.58 lakhs (Rs. 38.77 lakhs). There is a small provision of Rs. 3,400 (nil) for taxation

The company is continuing its modernisation programme aimed at achieving an aggregate crushing capacity of 2,500 to 3,000 tonnes per day. The first phase will cost Rs. 3.20 crores and the second and final phase Rs. 1.40 crores. The old equipment have been sold for Rs. 15 lakhs to make room for new plant and machinery. The financial institutions have been approached for fresh aid to complete the new schemes.

Andhra Sugars

Andhra Sugars Limited has earned a smaller profit of Rs. 82.26 lakhs for the year ended September 30, 1970 against Rs. 115.30 lakhs in 1968-69, mainly due to the adverse working of the sugar division. In fact, it has been stated that the other activities of the company were quite profitable and were helpful in preventing a sharper decline in overall earnings. The distillery and chemical units operated more efficiently while the caustic soda-chlorine plant also contributed to the earnings. The turnover in superphosphate, though lower due to competition

from imports, is considered satisfactory. In spite of the lower earnings the directors have allocated a larger sum for dividend. Though the dividend rate has been cut to 9 per cent, taxable, from 12 per cent, taxable, in 1968-69 it is payable on a larger capital as raised by a four-for-five bonus issue and amounts to 16.2 per cent on the old capital. Besides, some portion of the distribution will be exempt from tax deduction at source. The provision for depreciation has been raised to Rs. 63.18 lakhs (Rs. 51.14 lakhs) (other details of appropriation have already been given). It is expected that the chemical units will show a further improvement in the current year. Meanwhile, new schemes are being considered. The capacity of caustic soda is proposed to be raised by 70 tonnes per day and for this purpose, arrangements are being made to import the required plant and machinery. The additional capacity is likely to be available from 1972-73. Another scheme relates to the manufacture of aspirin for which a letter of intent has been received and the company is trying to arrange the necessary technical collaboration. The project for making De Smet diffusers is awaiting Government approval.

India Sugars

India Sugars and Refineries Limited could earn only a nominal profit for the year ended September 30, 1970 against a net loss in 1968-69. Heavy interest charges and low average price for sugar again affected profit margins. There was also a decline in the recovery to 8.58 per cent from 9.06 per cent in the previous season. As a result sugar output was lower at 19,830 tonnes from 2.39 lakh tonnes of cane against 22,669 tonnes from 2.49 lakh tonnes of cane in 1968-69. But the output of rectified spirit improved to 37 lakh litres from 30 lakh litres. The net profit before depreciation amounted to Rs. 1.90 lakhs against a loss of Rs. 15.45 lakhs in the previous year. There is no provision for depreciation against Rs. 9.50 lakhs. General reserve has been credited with Rs. 1.40 lakhs (nil) while in 1968-69 there was a transfer of Rs. 24.67 lakhs from this reserve to adjust the debit balance of Rs. 24.95 lakhs. The equity dividend has again been omitted. In the current season, the brewery is expected to work more profitably while the recovery of sugar has been better. But in the absence of remunerative levy prices there may not be any big improvement in working results.

Another Bank Merger

Canara Bank Limited is the latest institution whose banking business was taken over by Government to announce its intention to merge with a wellknown industrial concern

Larsen and Toubro Limited. The latter is now engaged in an ambitious expansion and diversification programme and will find the compensation amount of Canara Bank Limited very useful in meeting fresh capital expenditure. Under the proposed merger scheme which has been approved by the Boards of directors of both companies, holders of 5 equity shares of Canara Bank Limited will receive 8 equity shares of L & T, 2 cumulative redeemable preference shares of Rs. 50 each carrying interest at 9.5 per cent, five 8 per cent convertible bonds of Rs. 22 each and one 3 per cent redeemable bond of Rs. 85 each. The convertible bonds can be exchanged for 5 L & T equity shares after five years in the ratio of one for one while the face value of the debentures, which are redeemable at par after 10 years, will be suitably adjusted after taking into account the actual amount handed over to L & T. It has been stated that the value of the equity shares, preference shares, convertible bonds and debentures allotted for every 5 bank shares will amount to Rs. 530 against the current market value of Rs. 282.50. There is also a provision for cash payment of Rs. 20 per bank share to those who opt out of the merger scheme. L & T may be getting a net sum of Rs. 3.05 crores (against the compensation of Rs. 3.60 crores) from Canara Bank Limited after tax liability and payment of dividends already declared by the latter.

Larsen and Toubro has now a paid up equity capital of Rs. 3.99 crores which will increase by Rs. 43.52 lakhs immediately after the merger and by another Rs. 27.20 lakhs later. The company proposes to start new companies for making sophisticated equipment. One company will take up the production of electronic equipment in collaboration with International Telephone and Telegraph Corporation of U.S. and another the fabrication of rubber processing machinery with the help of McNeil Corporation of U.S.A. A third company will manufacture harvesters and tractors in co-operation with Deere and Company, U.S. While the merger and expansion schemes will go to improve the growth prospects of the company, the company's present shareholders are eager to know if a larger dividend can be distributed for 1970-71. As there may be no bonus issues in the near future if the merger materialises and a larger capital will be ranking for dividend after the amalgamation it is thought likely that the directors may take a liberal attitude while deciding on the dividend for the current year. The chairman of the company disclosed at the extraordinary general meeting held recently that the turnover in the first 11 months ended February 28, 1971 was appreciably higher at Rs. 20.20 crores against Rs. 15.02 crores in

the corresponding period of 1969-70 and the turnover for the whole year might be Rs. 30 crores (Rs. 22 crores). The disposable profits in 1969-70 amounted to Rs. 70 lakhs, while the dividend of 10 per cent absorbed only Rs. 39.33 lakhs.

Ceat Tyres' Setback

A prolonged strike for 119 days has adversely affected the working results of Ceat Tyres of India Limited for the year 1970. Sales declined sharply to Rs. 17.51 crores from Rs. 23.09 crores in 1969 while the fall in the net profit before depreciation, and taxation, was more pronounced at Rs. 1,832 lakhs from Rs. 290.70 lakhs in the previous year. However, the directors have decided to maintain the dividend on equity capital at 11 per cent taxable, as they would appear to be confident of a sizable recovery in working results for the current year. Even otherwise, the disposable profit is adequate to maintain the dividend. The charge in respect of depreciation is Rs. 32.29 lakhs (Rs. 39.50 lakhs), and development rebate Rs. 5.08 lakhs (Rs. 4.39 lakhs) but provision for taxation is only Rs. 40.10 lakhs (Rs. 31.31 lakhs). There is no allocation to dividend equalisation reserve against Rs. 10 lakhs in 1969. The entire disposable profit of Rs. 40.10 lakhs has been transferred to general reserve. The Rs. 100 Ceat shares turned quiet after announcement of the results, with the quotation around Rs. 230 but later rallied to Rs. 242.

Martin Burn

There has been an improvement in the working of Martin Burn Limited in the year ended September 30, 1970 though the dividend on equity capital has been only maintained at 10 per cent, taxable. A final payment of 6 per cent is to be paid while the interim of 4 per cent has been distributed. The company's turnover increased by about 42 per cent, to Rs. 10.84 crores from Rs. 7.64 crores in 1968-69. The net profit, before depreciation and taxation, improved by 20 per cent to Rs. 72.86 lakhs from Rs. 60.17 lakhs. After providing Rs. 6.53 lakhs (Rs. 3.45 lakhs) for depreciation and Rs. 5,486 (Rs. 24,100) for development rebate, taxation claims Rs. 36.70 lakhs (Rs. 30 lakhs). The preference and equity dividends will be paid out of general reserve which gets Rs. 23.75 lakhs (Rs. 22.50 lakhs). The transfer to other reserves is Rs. 2.50 lakhs (nil).

Goodyear's Bonus Issue

The quotation of Goodyear India equity shares (Rs. 10 paid up) at one time zoomed to Rs. 62 from Rs. 54 following the decision of the directors to issue bonus shares in the sumptuous ratio of one for one. For this

purpose, it is proposed to capitalise Rs. 2.54 crores from reserves—Rs. 57 lakhs from share premium account and Rs. 1.97 crores out of general reserve. The company had earlier raised the equity dividend for 1970 to 47½ per cent from 17½ per cent in 1969, though the working results were adversely affected by a prolonged strike and there was a slump in profits. The performance in the current year will be quite satisfactory as there is no fear of shortage of raw materials while it is expected that there will be no serious labour trouble. The retiring Managing Director, Mr. R. E. O. Carey, has stated that the expansion scheme to raise capacity to 6 lakh tyres annually is being completed and it will be possible to produce 2,400 tyres daily after sometime. The cycle tyre unit with a capacity of a million is expected to be commissioned in the current year.

A.B.C. Pays More

Quite encouraging results have been reported by Associated Bearing Company Limited for the year ended December 31, 1970. The company's turnover increased by 60 per cent to Rs. 7.90 crores from Rs. 5.05 crores in 1969 while the net profit, before depreciation and taxation, rose even more impressively to Rs. 325.10 lakhs from Rs. 170.04 lakhs. But the dividend on equity capital has been raised only to 12½ per cent, from 10 per cent in 1969. There will be no tax deduction at source as the dividend will be paid out of tax exempt profits. Even the higher dividend will require only Rs. 50 lakhs (Rs. 40 lakhs). Depreciation claims Rs. 65.60 lakhs (Rs. 58.80 lakhs) and development rebate Rs. 25.28 lakhs (Rs. 66 lakhs) while it has become necessary to provide as much as Rs. 64 lakhs (nil). However, there is a much larger transfer of Rs. 170.93 lakhs (Rs. 34.67 lakhs) to general reserve. The dividend will be paid out of this reserve. Additionally, there is a transfer of Rs. 15.86 lakhs from exchange reserve to general reserve. The company's performance so far in the current year is stated to be quite encouraging and there may be a further improvement in earnings in 1971. The Rs. 100 paid-up shares are now quoting around Rs. 312 against Rs. 298 earlier.

THE SURE ANSWER

Mathematicians at Cambridge tried to forecast the result of a horse race by feeding all available information into an electronic computer. After much clicking, the computer, came up with the only certain piece of information it was able to evaluate—"the winner would be a horse".

—S. Rajat

Stewarts & Lloyds

The chairman of Stewarts and Lloyds of India Limited, Mr. S. L. Dass, has said in his statement sent to shareholders along with the balance-sheet that the two Calcutta works worked satisfactorily in 1969-70, though the execution of a substantial part of orders was delayed due to shortage of rolled sections. The Gairidipore works can keep a good portion of its capacity busy if Government promptly places its orders for grain storage structures and other rambler designs. A project for fabrication of alloy tubes at the Kidderpore works is under way and is likely to be completed by September this year. The restoration of power supply at Ambernath workshop and the extension of fabrication facilities at Madras should enable larger turnover and increased earnings in the current year. Pipework operations have come across stiff competition but the company hopes to get over this by its reputation for high quality work. Production in 1969-70 of manipulated and fabricated pipework increased to 2,579 tonnes from 1,861 tonnes in the previous year. Output of fabricated structures improved to 1,888 tonnes from 1,284 tonnes while 1,002 tonnes of pipework were fabricated in temporary workshops on erected sites. Sales rose by Rs. 58.49 lakhs to Rs. 3.79 crores while the net profit, before depreciation declined to Rs. 17.19 lakhs from Rs. 19.35 lakhs. The dividend of 10 per cent, taxable (same) will claim Rs. 7.97 lakhs out of general reserve which has been credited with Rs. 10.07 lakhs (Rs. 12.48 lakhs).

Mahindra & Mahindra

Mahindra & Mahindra Limited could report better results for 1969-70 because of an appreciable increase in the output of jeeps to 10,168 (9,116 Jeep Universals and 1052 forward control trucks) from 9,205 in 1968-69. Sales also improved to 10,008 units from 9,303. Large export orders from Yugoslavia, Ceylon and Indonesia are being executed but operations of the steel division were affected by the restriction on exports. However, there were larger imports and sales of alloy steels, which helped to increase the total turnover. Vehicle output in the first quarter of the current year has been 12½ per cent higher than in the corresponding period of last year while sales were still better by 21 per cent. These trends are expected to be maintained in the remaining months of the year. The electronics unit in Bombay is executing orders for the Defence Services while a new unit is proposed to be set up in Nasik for making professional grade electronic instruments. Negotiations are

being conducted with the Maharashtra State Industrial Corporation for concessional finance to implement the new scheme.

Bombay Dyeing Earns More

In spite of the critical raw material situation Bombay Dyeing and Manufacturing Company Limited was able to achieve a big increase in sales and earnings during 1970. The company has raised the total dividend on equity capital to 13 per cent, taxable, from 12 per cent, taxable, with the announcement of a final payment of 9 per cent. Perhaps higher selling prices and diversified pattern of production were responsible for the marked improvement in working results. Sales increased by 24 per cent to Rs. 26.93 crores from Rs. 21.69 crores in 1969 while the net profit before depreciation and taxation, improved by 55 per cent to Rs. 187.13 lakhs from Rs. 133.59 lakhs. Exports however declined during 1970 to Rs. 4.95 crores from Rs. 6.69 crores in 1969 due to stiff competition. While the outlook for exports remains bleak owing to increased cost of cotton, the emphasis on superfine and blended fabrics for the domestic market will ensure highly remunerative prices in the current and subsequent years. The provision for depreciation is Rs. 95.51 lakhs (Rs. 105.01 lakhs). After taking into account the profit on sale of land amounting to Rs. 7.80 lakhs (Rs. 16.89 lakhs), the pre-tax profit amounts to Rs. 99.65 lakhs (Rs. 49.87 lakhs). But taxation claims a much larger amount of Rs. 48 lakhs (Rs. 6.64 lakhs) while development rebate reserve gets only Rs. 10 lakhs (Rs. 23 lakhs). The transfer to general reserve is however larger a Rs. 27.20 lakhs (Rs. 5.80 lakhs), and the final dividend is to be paid out of this reserve.

K. V. Srinivasan Re-elected Regional Chairman of AIMO

At the Fifth Annual Meeting of the Tamil Nadu State Board of the All-India Manufacturers Organization held on March 24, Mr. K. V. Srinivasan was re-elected Chairman and Mr. R. M. Mehta and Mr. A. N. Srinivasa Rao Vice-Chairmen for 1971.

AGE DOESN'T WITHER

A British National Health Service claim form bears the notation—"No person may claim maternity grants while receiving old age pension".

—S. Rajat

Undecided Trend in Post-Poll Session

Stock markets have generally reacted favourably to the outcome of the mid-term elections to the Lok Sabha though the initial rally in prices immediately after the election results were known has failed to stay and there has been a slide down from the high levels which were seen till the middle of March. But the undertone continues to be fairly steady mainly due to the continued flow of encouraging working results, from the corporate sector. Shares of new companies have remained particularly strong as most of these have already entered the dividend paying stage or are about to do so in the coming year. The prospects of a non-Marxist government in West Bengal also had a steadying effect.

The earlier tears of an unstable government at the Centre have disappeared and it is now surmised that the ruling party which had to lean on Communists for its very survival in the previous Lok Sabha can afford to avoid extremist stances on economic issues. The accent on stability rather than on more socialism in Mrs. Gandhi's election campaign has also given rise to hopes of centrist policies though the ten point economic programme of the undivided Congress is still the charter by which the ruling party swears to maintain its socialist image. There have also been no changes in the incumbents of the major ministries in the new cabinet but the allocation of Finance again to Mr. Chavan has

Book Review:

A COMPENDIUM ON STEEL INDUSTRY

STATISTICS FOR IRON AND STEEL INDUSTRY IN INDIA 1970, published by Hindustan Steel Limited (Price. Rs. 28) is an attractive and a formidable document. Its usefulness for those who are engaged in the iron and steel industry and trade too obvious to call for special mention. The statistical tables given refer to all aspects of the industry with its several branches of production, the variety of raw materials consumed by the different producers of steel and the subsidiary industries which use the products as their raw material and the consumption of the different categories of these goods both in the internal and in our export markets.

While the ordinary student of our industrial development will be attracted to such a publication, he would also find the wealth of detail about output and consumption too technical to his taste. Nevertheless, the advantage of sizing up in broad outlines the progress of the iron and steel industry and the production of iron and steel goods and the manner and extent of its entry and advance in the export markets is sure to urge even the layman to a careful perusal of its varied contents. Those who can recall to mind the figures of iron and steel production furnished by the League of Nations in the pre-war period will not with feelings of genuine gratification, the fact that India has now gained a place in the world's steel map, albeit small at present, but with potentialities which the producers and consumers of steel will hardly overlook.

-PRS

campened marketmen's enthusiasm as Mr. Chavan has so far not been responsive to the representations for early resumption of forward trading in shares. But this should not be taken as a serious deterrent as even in the absence of clearing facilities share markets have managed to remain buoyant as the basic outlook for the industrial sector continues to be promising.

The Fourth Plan has run into deep waters and has lost its shape. Plan outlays are running short of annual targets, while the resources position has been made intractable by the sharp increase in non-plan expenditure of both the Central and State Governments. The gestures by many State Governments allowing liberal pay increases for their employees cannot but have a disastrous effect on State finances which are already in a perilous state. All the States which have presented their budgets for 1971-72 so far have reported sizable deficits. Hence, all eyes are on the Central budget in May. Before that there will be ample time for marketmen to know the new Government's other economic policies as they relate to its attitude to big business houses and licensing of new industries in the medium sector where special incentives may be necessary to attract new entrepreneurs. The next few months will therefore be crucial for the private corporate sector, and investors as the future growth of industry will depend on the new thinking the Government may bring to bear on its policies.

Meanwhile, company news has been quite pleasing. But for the setback suffered by almost all tyre units in 1970 due to labour trouble, working results in other cases have been encouraging. Lakshmi Machine Works has done extremely well in the latest year and has announced a maiden dividend of 10 per cent. Philips India has set new records for sales and earnings in 1970 and will be paying a larger amount to its shareholders (over 30 per cent as compared to 1969). Bombay Dyeing has earned more from its diversified production while Associated Bearing has already doubled its profit. Guest Keen Williams has benefited immensely from the reorganisation of its various divisions and has doubled the dividend to 16 per cent following a jump in earnings. Goodyear India has announced a one-for-one bonus issue besides deciding to pay a dividend of 47½ per cent for 1970 in spite of a slump in earnings due to a 4-month strike. Hindustan Lever has maintained the dividend at 14 per cent though the profit was lower even with a big rise in turnover. Canara Bank Limited has decided to merge with Larsen and Toubro which is entering into new lines with foreign collaboration. Standard Mills has earned more in 1970 on a larger turnover and has raised the distribution to 28 per cent gross from 25 per cent in 1969.



LESSONS OF SOVIET ECONOMIC REFORMS

The Soviet Prime Minister's report on the results of the Five Year Plans in Russia should be of considerable help to the Indian Prime Minister in clarifying to herself and her followers her second thoughts about the implementation of her revolutionary slogans. There have been, and still are, marked differences in objective conditions and Plan objectives between Russia and India, which our planners have been obliged by political pressure to ignore more or less completely. First and foremost is the problem of raising the general standard of living. Though Russia's smaller population might possibly have enabled her to avoid the ugly stain of long bread queues over long periods and other hardships of the earlier stages of Russian planning, her rulers decided to do all that was necessary for the defence and survival of the nation in a hostile world and preparation for a high rate of growth on the strength of heavy industries of sufficient quality, diversity and productive capacity. In India, even a moderate rise in living

standards of the masses was virtually impossible in the face of over-population and a high rate of population growth and the palpable inadequacies of national income and savings for investment. It is incontrovertible that, in these conditions, the accordance of a high priority in policies and plans to the standard of living or to social service expenditure would mean but poor gains in this respect against serious loss of ground in the matter of defence preparedness and establishment of heavy industries and savings for investment. What has happened is that, while heavy industries have been developed more or less satisfactorily, public dissatisfaction with the rise in prices and conditions of living persists and continues.

Russia, on the other hand, attained in a short period, because of a relative insensitivity to the hardships of life, a position of military invulnerability and even capacity for aggression and was able on the strength of her industrial

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base to turn her attention to the development of her agriculture and of her consumer goods industries. It is because of the successful pursuit of planning on these lines that Khrushchev was able to maintain his defiant attitude and to claim that Soviet Russia would soon level up with the United States in general standards of living. Mr. Kosygin is now able to claim the fulfilment of the tasks set by the party Congress in 1966. He is in a position to promise an abundance of consumer goods as well as a six-fold rise in sale of cars to the population at stable or lower prices. National income had increased by 41 per cent in the last five years, industrial output by 50 per cent and farm production by 21 per cent. In the last plan period, a total of

SIGNS OF SINO-AMERICAN FRATERNITY

It is tempting to read a great deal into the visit of an American table-tennis team into Communist China. Such contacts having been anathema to the Communists for two decades, the change can hardly be without significance. The temptation to regard it as a rapprochement which will lead on to even positive fraternalisation is hard to resist because it comes on top of ventures on both sides and fits in with the nexus of great power relations at the present time and its potential developments in the near future. But if we have to avoid the error of understanding as much as over-estimating the modification of the respective stances of the U.S. and China, we ought to distinguish between the more imponderable trends of world politics as they are dictated or shaped by basic geo-political factors and the tactical changes which can be made within a short range without affecting the broader strategy.

That Peking would like to lighten the stress on its old policy of infuriating the U.S. for various reasons can hardly be doubted. A mollified America is essential for Communist China worming its way into the U.S. The old tirades against the U.S. as the arch enemy of Communism ill accords with the diplomatic respectability which China has gained in recent times. The confrontation between the two super powers no longer fills the whole of the picture of international politics. Western Europe is not only coming into its own but is realistic enough to recognise Communist China as another aspirant to great power status.

11,350,000 flats had been built, an achievement which has not been equalled by any other nation. The next plan will be devoted to a rise in people's material and cultural levels, better upbringing of the rising generation, especially children and improvement of working and every day conditions for women, as also a further growth of defence capability. Mr. Kosygin is, however, realistic enough to confess that "in the sphere of economic competition between the two opposite social systems we still have a long and stubborn struggle ahead." But there is no mistaking the lessons that the Soviet experience holds out for those who are prepared to be reasonably selective in their socialist ideals and methods.

The rift between the two Communist powers has definitely widened. On the U.S. side, it has ploughed the sands of mere opposition to China too long to persist in such sterile negativism. It would be hard to keep Peking out of the U.N. any longer and there are advantages in bowing to the inevitable. If Taiwan is allowed to be an innocuous member of the General Assembly, Communist China may be allowed to take her place in the Security Council. The U.S. and China are alike in the need to draw nearer together in consideration of the relations of each of them towards Soviet Russia.

All these are valid conclusions from the developments that have occurred. Projection of current trends can also be indulged in so far as China's entry into the United Nations and improvement of China's trade relations with the West are concerned. But speculation beyond that point would be lacking in warrant. The old geopolitical theory based on the conflict between the coastal and the land powers has less application today. Air power is almost a decisive factor. Two land powers like Russia and China are, mentally at least, locked together in conflict. Soviet Russia and the U.S. are both equally powerful in land, sea and air. The European Union is well set for moving on from economic achievements to political aspirations. It is not only South East Asia, but the Indian Ocean that is alive with the activities of the great rival powers. In such a situation, it would be an advantage to have the U.N. embrace Communist China as well.

INDUSTRIAL ECONOMIST

East Bengal Events Affect Jute Industry

For the first time in the recent history an entirely unexpected situation has developed in the jute industry on account of the holocaust in East Pakistan. Indian jute mills have been experiencing some problem or other in the post-independence period, as areas growing jute were located in East Pakistan. Moreover, the rapid rise of a modern jute industry in East Pakistan proved a formidable competitor to the Indian industry. The non-availability of good quality of jute and the levy of heavy export duties by the Indian Government weakened the competitive ability of Indian mills.

Exporters Suffer Set-back

In the absence of a proper understanding between India and Pakistan for promoting the use of jute goods, world consumption has not been increasing at the desired rate. Any growth in the quantum of exports of jute goods from Pakistan has therefore been at the expense of India's share and in sacking goods particularly there has been a sharp set-back. The revival of world trade and increase in purchases by the USSR, the South-East Asian countries and others have, however, enabled Indian jute mills to prevent a net big decline in foreign exchange earnings from this source. This has been possible because a drop in exports of sacking goods to the traditional markets has been offset by larger exports of hessian goods, carpet backing and special varieties of light goods. Even now, foreign exchange earnings account for the largest slice of India's export over Rs. 250 crores annually.

In the past few years Indian mills which are mainly located on the banks of the river Hooghly in West Bengal have been going through some difficulty or other, as the output of gunnies has been fluctuating due to violent changes in the yield of the jute

crop, power shortages, labour trouble and delays in implementing the modernisation programme. Prior to the advent of the green revolution the output of jute varied in wide limits because of shifts in acreage between jute and paddy. With the internal consumption of gunnies increasing steadily, and the fairly large volume of exports, the industry needs a minimum of 75 lakh bales of different grades of jute annually. Happily, with a big increase in the output of rice and wheat and fairly stable prices for foodgrains, there has been some stabilisation of acreage under jute in the past three or four years. Even so, yields have been fluctuating because of adverse weather conditions or trouble in the jute growing areas. However it is possible to say that the yield has been stabilised around 65 lakh bales and given favourable weather conditions it can be easily 75 or 80 lakh bales.

It is rather unfortunate that the world's largest producer of golden fibre, East Pakistan should be in turmoil at a time when sowing operations for the new crop are usually undertaken. The operations of the jute industry in that region have also been seriously interrupted and the export trade in gunnies as well as in raw jute has come to a standstill. Reports from producers of jute goods in overseas countries who are dependent on supplies of Pakistani jute indicate that without a replenishment of stocks in the next three or four weeks, operations may have to be curtailed because sizeable quantities out of the current crop have still to be exported from East Pakistan.

It is unlikely that normalcy will return to Pakistan in the next few months. Jute output for 1971-72 may not be more than 40 lakh bales and there will be no exportable surplus. The jute mills too may not be in a

position to maintain production even at 50 per cent of rated capacity as labour will not be available and valuable time would have been lost, before any political or military settlement could be reached.

Prospects of a Record Output

The Indian jute industry has, however, a ray of hope. Fortunately, there is a prospect of sowing operations in West Bengal, Assam, Bihar and Orissa being carried out in a favourable atmosphere and the output of jute may constitute a record of 80 or 85 lakh bales. The industry may not have any difficulty in regard to the availability of jute from indigenous sources though there may be still difficulties in getting matching jute and producing quality goods. But it is quite likely that there will be smuggled import of jute from Pakistan, while restricted quantities can be secured from Thailand. The Central Government, however, will have to watch the situation carefully as new possibilities for developing exports in jute have emerged. Means of exporting limited quantities of jute to meet the needs of Dundee Mills in Scotland and units in western Europe should be evolved.

There will of course be a boom in export from Thailand and other countries, which are growing jute because Britain and Western Europe will be very keen to secure whatever supplies of raw materials could be had from these sources. The Indian industry will, however, have a definite advantage in the 1971-72 season as the crop prospects should be considered satisfactory. The profitability of operations may also be satisfactory as there has latterly been a sharp rise in prices and overseas consumers who were getting their requirements from Pakistan are now turning to Indian Mills.

INDUSTRIAL ECONOMIST

Need for Quantitative Credit Planning

The chairman of the State Bank of India has drawn pointed attention to the need for quantitative credit planning in the context of growing demand for funds and the non-availability of matching resources. The observations of Mr. Talwar, when he addressed members at the Annual Meeting of the Bank, should be considered thought-provoking. There is danger of rationing of credit if refinance facilities were unduly restricted by the Reserve Bank on the plea that inflationary pressures were being accentuated through unprecedented expansion of credit. The question is whether the new policy initiated by the Reserve Bank on the definite understanding that liberal credit finance should be available is inflationary in character and whether quantitative credit planning will be desirable or feasible. As Mr. Talwar has stated, the weaker sections of society have to be helped with liberal and cheap credit while there should be no interruption to the normal activities of industry and trade through credit restraint.

Large Scale Injection of Funds

It will be incorrect to expect that during a period of transition and the implementation of new policy, the banking system will be able to mobilise adequate resources for meeting all needs and complain at the same time with a higher statutory liquidity ratio. There has no doubt been a big increase in deposits in the past four years, but there has also been a bigger growth in advances with the result that borrowings of scheduled commercial banks, stood at the unprecedentedly high level of Rs. 442 crores on March 19, against only Rs. 267 crores in the corresponding week in 1970. The injection of funds at such a large scale into the economy to the creation of credit which is tantamount of deficit financing of a different type, should certainly call for caution when further

expansion of credit on similar lines has to take place.

So long as small loans to borrowers are properly applied and agricultural inputs are purchased by small farmers and raw materials by small entrepreneurs, there will be no accentuation of inflationary pressures. Besides, loans to priority sectors have accounted so far for only about 250 crores additionally and it should be said that there has been no net big increase in the requirements of industry and trade having regard to the higher level of industrial production and rise in prices. So long as there is no dearth of agricultural inputs, small loans to small farmers cannot be considered unhealthy. Industry and trade has to be fed properly as there is likely to be a big increase in production in the current year.

There will of course be a continuing growth in demand from new directions and the banking system can hope to meet this demand only if it can mobilise matching additional deposits. This development can be expected to take place only over a period of three or four year. What is needed therefore is the evolution of a machinery to find out how credit expansion in different directions has given rise to new problems and whether it had become necessary to regulate credit flows in the light of new developments.

Mr. Talwar was naturally worried about the restricted availability of refinance. While it was possible for the State Bank of India to overcome the difficulties in 1969 with the use of available resources, and a contraction in advances for procurement purposes, in 1970 there was an increase in advances on the latter account besides a bigger demand for funds from industry and trade. Thus total advances jumped to Rs. 1114.53 crores at the end of 1970 from Rs. 839.86 crores at the end of 1969. While deposits rose to only Rs. 1440.95 crores from the 1227.30

crores. This growth should be considered quite gratifying but not quite adequate to meet the new needs. While he scheduled commercial banks as a whole increased their borrowings from the Central banking institution by Rs. 210 crores in 1970, the State Bank of India accounted for as much as Rs. 184 crores out of the increase under this head. This is due to the fact that there have also be an increase in investments to Rs. 447.57 crores from Rs. 358.14 crores. The increase in advances alone was Rs. 274 crores against the increase in deposits by Rs. 214 crores. For the banking system as a whole, the excess of advances additionally granted over fresh additions to deposits was only Rs. 14 crores.

Harmful Effect of Credit Restriction

This clearly indicates that the State Bank of India's dynamic lending policy resulted in an extremely over-extended position by the end of last year. This led to a violent change in policy in the first 3 months of this year after the Reserve Bank decided to raise the Bank rate and curb also refinance facilities. This new policy was responsible for the absence of any significant net increase in advances of the State Bank of India in the first 2½ months of 1970 and even a slight decline in its borrowings from the Reserve Bank when other institutions had been adding to their borrowings and they were also compelled to increase their advances. Any attempt to restrict credit for legitimate and usual purposes when expanding credit in new directions can only have undesirable effects. There is no point in adopting half way measures when intelligent credit expansion can have an electrifying effect on the industrial and agricultural sectors. What is needed is selective quantitative credit control and not a blanket restriction of credit and undue caution may give rise to frustration.

INDUSTRIAL ECONOMIST

EEC's Generalised System of Preferences

A Marginal Gesture

At their recent meeting in Brussels, the Foreign Ministers of the European Common Market have decided to admit duty free into that market, with effect from July 1, 1971, certain exports from developing countries under the scheme of Generalised System of Preferences. The value of goods covered by the concession will be \$1,000 million (Rs. 750 crores) and there will be a further benefit amounting to \$30 million (Rs. 22.5 crores) to the developing regions through a reduction in the E.C.M. import tariff. The fact that this decision has been taken should augur well for the resolutions passed at the Second UNCTAD (World Trade Conference) towards easing the entry of goods into the markets of developed countries from the less prosperous.

The E.C.M. Foreign Ministers have clarified that, under their version of the trade liberalisation plan, they will restrict duty-free access to their 1968 imports from the developing world plus 5 per cent of their manufactured imports from other developed nations. Insofar as these trade benefits are to be shared by 91 developing countries, their money worth does not seem significant. If the 5 per cent margin for manufactures is applied, it should however, help countries like India to probe for custom in Western Europe for their non-traditionals. American commentators have said that the concessions now in the offing imply that "from July 1, chewinggum, for example, or corn-flakes made in South America as well as sewing machines, made in India will be granted more favourable treatment than identical U.S. exports." It is expected that the scheme will be extended at a later stage to marginal nations, Turkey, Spain and Portugal—as well as to politically sensitive countries—Taiwan, Cuba and Israel.

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A Member of 'Exception Clauses'

It should be disturbing for India to note, however, that the liberalisation programme has a number of built-in safeguards and exception clauses. All through the history of tariff reform since the constitution of the General Agreement on Tariffs and Trade for breaking the barriers to international trade, it has been, the routine custom that liberalisation and exceptions should go together, and the irony has always been that some of these exceptions make nonsense of the very scheme of tariff abolition. In the present E.E.C. plan, for instance, textiles, shoes and some petrochemical products are among its exceptions. India has reason to feel sore over this. So long, its exports of textiles to Western Europe had not been much. But if Britain joins the E.C.M., India will find its most important buyer for textiles inside that market operating a common external tariff against non-E.C.M. imports. At present, the 1939 Indo-British Cotton Textiles Agree-

WAITING TO SERVE....

Because of shortage of prison accommodation in Sweden, the number of prisoners convicted for minor offences have received polite letters from prison authorities saying, "we would be grateful if you could wait to serve your sentence, until we have room to service you."

MARATHON WASHING

A boy in Durham in California claims the world soap-using record. He washed himself for twenty continuous hours, using 30 bars of soap. He said he hoped to get a lot of publicity and be hired by some manufacturers.

—Rajath Mani

ment provides for Indian exports of these items duty free entry into British with a guaranteed scale of preference margins against other competitors. The agreement has been responsible for raising Indo-British trade in this field to account for over 25 per cent of Indian exports.

Possible Loss of British' Custom

Already Britain has moved for renegotiating the agreement with a view to enable it to impose a 15 per cent duty. The British argument has long since been familiar: Other countries have imposed tariff and non-tariff restrictions. Against this background, the maintenance of an open door by Britain will be tantamount to accepting vicarious responsibility for buying all the textiles which the developing countries cannot sell elsewhere. The fact that the E.C.M. has excluded textiles from the concessional 'group seems to vindicate the British case, more so because, for long the United States, whose import of textiles from abroad is a small portion of its domestic output, has found it necessary to revise import quotas downward on the count of domestic market disruption. The exporter in India is not consoled by the fact that all this is the result of the powerful domestic textile lobby in the U.S. He is worried by the manner in which developed nations are getting more bloc-minded and insular in their trading patterns, more so because recently a restrictionist tariff is on the anvil in the U.S. It is these actions, whether in conjunction with others or through individual volition, which have rendered the trade concessions of the developed countries suspect in the developing world. Choosing for concessions a list of exports which have either little prospect of growth or account only for a marginal proportion of the total export earnings of the developing nations concerned cannot any longer gull the developed world about the actual worth of the benefits offered or the nature of goodwill that is behind the offer.

Recasting Plan Priorities ---

Not many have taken care to assess the importance of the new budgetary trends that have emerged latterly and find out the impact of the green revolution on the generation of additional incomes and savings. No attempt has been made so far to find out the new forces that have been responsible for easy absorption of an output of food-grains which is higher by 18 million tonnes as compared to 1964-65. Even assuming that there has been an increase in the population by 15 per cent in the last 6 years, there cannot be a proportionate improvement in the intake of foodgrains unless there was adequate purchasing power in the lower income groups. Even so, the need cannot be more than 101 million tonnes on a liberal estimate and there should have been a slump in food prices by now. The estimates of an output of over 105 million tonnes in 1970-71 are correct. A decline in prices may probably take place after the rabi harvest begin to arrive into the marketing centres. There may not, however, be any sharp set-back in prices if farmers kept back stocks or there was large scale smuggling across the borders.

There may probably be a distinct disinflationary effect in 1971-72, if for the fifth season in succession there was an increase in food production and the new efforts to raise the yield of cash crops like raw cotton and oilseeds proved successful. There may also be a faster growth of industrial production. If these happy developments materialise, the third year of the Fourth Plan may not experience any difficulty in regard to the availability of physical or financial resources.

With an indication by Mr. Chavan that the outlay on Plan schemes in the first two years so far as the Centre is concerned may not be more than

Rs. 3,600 crores, the outlay on Plan schemes including that of States in 1969-71 would be only Rs. 5,000 crores. This would leave a balance of over Rs. 10,500 crores to be spent in three years which would mean that without a stepping up of outlay in 1971-74 to an average of Rs. 3,500 crores annually, the Plan target cannot be reached. This situation is rather funny as in the earlier Plan periods financial targets over-reached and there was a shortfall only in physical targets. On present indications, however, it would be a great achievement if aggregate expenditure could be raised to Rs. 2,800 crores.

Larger Assistance to States

Mr. Chavan may try to take advantage of the present situation by keeping ready some schemes which can be implemented if there were unutilised allocations. The States also may be given larger loan assistance where it is found that the construction of particular projects like Kalinadhi, Srisailem or Idikki can be hastened.

It will be possible to find additionally Rs. 300 crores without resorting to fresh taxation at the Centre because there is likely to be an increase in tax and non-tax revenues by at least Rs. 150 crores on the basis of existing taxation over the estimates recently presented. While with a faster growth of bank deposits and an increase in the resources of institutions like Life Insurance Corporation and Provident Fund, capital receipts can be higher by another Rs. 150 crores. It is needless to say that with a higher level of agricultural and industrial production there will be a faster growth of deposits.

Immediate attention has to be paid to a recasting of the Plan and re-

ordering of priorities so that the volume of investment can be increased. It is very necessary to take advantage of the new climate for promoting new forms of activity in the different sectors as additional production capacity will have to be created for meeting the growing needs of the economy. The existing shortages can be overcome to a great extent by using unutilised capacity, but after the saturation point had been reached, there may be a hold up of new schemes due to the lack of physical resources. It is here that the reconstituted Planning Commission will have to do a lot of thinking and formulate new schemes which will dovetail closely and intelligently the short-term and long-term needs. While the work on the three new steel plants will have to be hastened, much better results can be achieved. If after the three units of Hindustan Steel started functioning at near rated capacity, it was possible to execute new expansion schemes which will add to production significantly in a short period.

Formulation of Second Line of Schemes

What is imperative now is the formulation of a second line of schemes which will be supplementary to the existing projects and which can be implemented when it could be evaluated that larger allocations would be absorbed in particular sectors. It is not a question of core or non-core schemes which were visualised in earlier Plans when there was a paucity of resources. Supplementary schemes have now to be kept ready for filling gaps in expenditure allotments, when it becomes clear that there will be unutilised surpluses. If this new approach proves helpful and bottlenecks arose on account of a paucity of resources, then it may be decided to increase the quantum of deficit financing, taxation or borrow from the open market additionally. No useful purpose would be served by giving rise to fears about lack of resources when there is actually a "surfeit".

Glimpses....

By P. R. SRINIVAS

Both in her reply to the debate on the President's address to the Central Legislature and in her speeches at the A.I.C.C. session of the Ruling Congress, Mrs. Indira Gandhi has shown her awareness of the need for a change in the tone and tenor of the revolutionary slogans which secured for her such an overwhelming triumph at the polls. The change should augur well for the future of the nation, since it may be deemed to signify a new consciousness of the responsibilities of office instead the kind of opportunism which such a secure tenure of office for the next five years may induce in most people. It is this consciousness that prompts the Prime Minister to stress the importance of her colleagues in the Party as well as the Cabinet in recognising the scope for their earnest and sustained efforts to realise the social ideals for which the electorate has cast its votes in such a decisive manner. There is need for modulating the electoral promises in accordance with the practical conditions in which the Government has to function. Mrs. Gandhi is only too keenly aware of the lack of homogeneity in her following in the legislature, the presence on the one side of some who are lukewarm, to say the least of it, to the ideals held aloft by her and, on the other, of groups whose revolutionary ardour takes little account of practical limitations. Above all these political calculations, there is the simple fact that the national economy has both the potentiality for a big leap forward and the possibility of stagnation or setback which may have disastrous consequences. It is understandable, therefore, that the Prime Minister emphasises now that no unduly interpretation or relentless implementation of the Monopolies Act should be followed but that, subject to certain limitation, the large industrial houses should be allowed to expand while care is to be taken to ensure that

certain sections do not unreasonably exploit the other sections of society.

In the same spirit, the Prime Minister rules out the question of subsistence allowance for the unemployed which some sections have clamoured for, in utter disregard of our poor financial resources and the colossal dimensions of unemployment in this country.

If rumours are to be believed, the Prime Minister has got over the mood in which she first threw the gauntlet to the Syndicate and inflicted on the old guard a most humiliating defeat and is inclined to gather under her wing as many of the members of the old Congress as are now inclined to join her in the right spirit. Whether this is due to her search for balancing the weight of the extremists in her party or it is due to a genuine love of a rapprochement, it certainly augurs well for more level-headed policies being followed by the Centre.

Towards a Beautiful Madras

The passage of the Slum Areas (Improvement and Clearance) Bill is an important step towards the solution of a problem in which sanitation and public health, the aesthetic standards of urban areas and the well-being of the poorer classes are all equally involved. What was at the beginning an ordinance of questionable constitutional propriety is now being turned into an act of the State's Legislature. It is the result of the Government's recognition of the inadequacy of the State Housing Board, the necessity for continuous effort on a number of fronts and the importance of providing financial resources at each stage of the work in the future. The passage of a comprehensive legislation on the subject should not of course blind the newly constituted Slum Clearance Board to the colossal proportions of the task before it or the complexity of the tasks ahead. Credit must, no doubt, be given

to the Housing Board in respect of new construction, though there has been criticism about the flats being not quite suited to the needs and means of the classes concerned. But there are 600,000 slums in the City of Madras and the problems of acquisition, resettlement and construction cannot be solved merely by waving the big stick of statutory powers. The proposal to constitute a metropolitan area of 450 square miles is to be welcomed, since it will give the Slum Clearance Board ample room for adjustment of conflicting claims and facilitate the improvement of the city, its roads and streets, from an aesthetic point of view which is not to be viewed askance as prompting our indulgence in a costly luxury. Apart from the resources which the State Government can command on its own, there are facilities offered by the L.I.C. and the revolving fund of Rs. 200 crores set up by the Centre for such purposes.

A Crash Programme for Power Generation

The D.M.K. is apparently well placed for a good start in making good its electoral promises to the people at large. Unlike Mrs. Gandhi at the Centre, who is obliged to keep an eye on the reactions of her followers of either wing, Mr. Karunanidhi can rely on the support of a homogenous and overwhelming majority in the Assembly and can even afford to bid for the goodwill of the opposition groups. Besides the Slum Clearance Bill, the Government is giving statutory form to the ordinance establishing an Agricultural University in Coimbatore. The Agriculture Minister was in the happy position of being able to announce that the Centre has sanctioned a grant of Rs. 2 crores for the purpose. With such a grant, the University and its affiliated institutions should be able to give a fresh forward to its agricultural development. Though the gap between the State's idea of Plan outlay and those of the Centre still persists, the Government is planning to go forward with its programme

for increases in the economic generation of power. The statement of the Electricity Board anticipates an increase of Rs. 640 lakhs to Rs. 670.2 lakhs on its revenue and total expenses at the same level provide for allocations to depreciation and general reserve amounting Rs. 1,235 lakhs. Five new schemes costing Rs. 25 crores have been provided for, while ten other schemes, all of them hydro-electric, are being considered. The thermal station at Ennore is to be supplemented by two others of which one will be at Basin Bridge.

Need for a Coherent Opposition

The opposition parties are apparently getting over their crushing defeats at the polls. The old Congress has pledged itself to work within and outside the legislatures "for providing a

democratic and radical alternative to the ruling party." The committee has decided to convene the A.I.C.C. at Bombay on May 15 and 16 to secure the approval of the rank and file for a new organisational structure and a revised programme to fit the new role. In arriving at this decision, it is prompted mainly by the fact that it had secured 15.2 million votes in the general elections, which suggests that it has still a sufficiently large following in the country which it is its duty to strengthen and enlarge other parties might take similar steps. And it is a great help for such healthy developments that Mr. Madhu Limaye, the S.S.P. leader has testified to the essential fairness of the elections after his own personal scrutiny of the ballot papers and has declared the allegations about the use of invisible ink and

chemical treatment of the ballot papers as utterly baseless. Though many might feel baulked of a juicy sensation, it is well that these talks are laid at rest and the parties are induced to accept with grace the verdict of the people. How far these trends will help in the formation of a viable opposition which will serve the primary purpose of placing alternative policies before the public and educate the voter on their pros and cons and the merits of each issue, it is still difficult to say. The old Congress still continues to swear by "radical" policies, while the leftist parties in the opposition will continue to look ineffective or superfluous. The Jan Sangh and the Swatantra are yet to make their plans clear. The opposition parties should strive for a wide common ground among themselves.

Purposeful Role of State Planning Commissions

The announcement of Chief Minister Karunanidhi about the appointment of a State Planning Commission in the next three months and a directive for submission of its report before the end of the current financial year will be welcomed as a step in the right direction. Such commissions are corollary of separate State plans. And the idea of such plans was the natural result of the State ministers' anxiety to remain in the good books of the common people in their respective territories. There was also the desire to appear favourably in comparison with the neighbouring States. State plans had thus little to do with separatism.

This trend slowly gained in strength and reached a high point when the Chief Ministers and the National Development Council succeeded in getting the Central Government to cut down the Central projects and make block grants to the States on the basis of an agreed formula in regard to division of the amounts made available to the States for their plan outlay. Room for grievances about unfair treatment could not be avoided. And in the present conditions of demand for increased

autonomy in most of the States the tendency to make State plans more or less ambitious and include in them schemes which may not altogether fit in with the all-India Plan may be expected to continue.

A Wide Field with Good Prospects

All this, however, strengthens, rather than argue against the constitution of State Planning Commissions which the Central Planning Commission may well find a help, and not a hindrance to their work. So far as Tamil Nadu is concerned, such a Commission has become most desirable, and even necessary, because of the nature of the economic developments of recent years. Food production is definitely over the hump. Staple industries are fairly well established while the industrial complexes based on the refinery and on Tuticorin Port are in an intriguingly formative stage. Power generation and distribution have well-marked lines of further expansion, while rural electrification is in an advanced stage, particularly in comparison with most other States. At the same commercial crops call for planned

development. The industrial complexes cannot be expected and indeed, cannot be allowed to grow without the help of specific, well-conceived plans. There are also the schemes for creation of employment in the rural areas in which the Centre has evinced at least as keen an interest as the State Government. The policy of liberal bank advances to small scale industries, small farmers and the self-employed has been worked out by the nationalised banks and other agencies in concrete details. The aim of providing one earning member to each family is in these conditions quite as visionary as it might have seemed at first. Programmes for housing accommodation, which can be more hopefully attempted in the urban areas, can before long be taken to the villages. All these point to a wide field where the well-directed efforts of a State Planning Commission may produce good results. It would be necessary, however, that the Commission should work on scientific lines and give more attention to the systematic collection of relevant data before it begins to give shape to its schemes and prospects. —PRS

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THE CITY CORNER:

Symposium on Indian and American Trade Practices

An interesting symposium compared and contrasted the labour situations in the two democratic societies, India and the U.S.A. Three American labour specialists serving on the panel acquainted the participants drawn from Government, management and trade unions, with the Labour Law, practices and procedures obtaining in their country. An Indian panelist examined their relevance and validity in the Indian context.

Collective bargaining claimed the main attention of the panelists. The free collective bargaining in the U.S. does not permit Government interference, and all legislation is procedural in character fostering free bargaining. The impediments to introduction of free bargaining into the Indian set up, as listed in the symposium, were (1) weakness of the Indian unions militating against equality between the bargainers—management and the union; (2) multiplicity of unions engaged in keen competition in the political and non-union fields, (3) lack of dedicated union leadership, (4) the short-term and limited nature of the agreement as distinct from the American comprehensive labour contracts, and finally (5) not enough good faith in collective bargaining shown by Indian management.

The consensus at the end showed that with suitable modifications, some of the American practices could be applied in India.

The symposium, organised jointly by the Madras Management Association, Indian Institute of Personnel Management and the U.S.I.S., had the benefit of participation by American experts. Messrs. Oyden Fields, Pank Yager and James McFadden and the Tamil Nadu Labour Commissioner, M. M. Rajendran.

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Planning Commission for Tamil Nadu

A Planning Commission has begun functioning in Tamil Nadu under the Chairmanship of Chief Minister M. Karunanidhi.

Mr. Karunanidhi who announced the Commission's constitution to pressmen on April 6 said that it would make an assessment of the State's resources—material, capital and human—and formulate a plan for their most effective and balanced utilisation. A purely advisory body, it would make only recommendations and it was for the Government to implement or not implement them.

A press release said that Mr. E. P. Royappa, hitherto Chief Secretary to Government, had been appointed Deputy Chairman (functioning head) of the Commission. It also said that the Commission would have full-time and part-time members, a Secretary and a Deputy Secretary who would be named later.

The release which spelt out the Commission's objectives points out that it would be a great help to Government in its implementation policies, to promote people's welfare ensuring social economic and political justice. The policy of Government to establish an economic system where there would be no concentration of economic wealth and means of production to the common detriment, would be particularly taken note of by the Commission in formulating programmes.

Tamil Nadu Collectors Confer

The District Collectors of Tamil Nadu discussed during a one-day conference a number of proposals to implement the scheme for rural employment sponsored by the Centre.

The Central project envisages an assistance of Rs. 12.5 lakhs a year re-

curing (besides a non-recurring sum to start the scheme) for providing jobs to 1000 persons in each of the districts (except Madras) fetching Rs. 100 a month per person.

The Collectors acquainted the Chief Minister, who presided, with the scope and conditions obtaining in their respective areas. They also explained some draft proposals of employment.

Mr. Karunanidhi stressed the need for choosing such employment schemes as would confer permanent benefits on the population of the area.

The Chief Minister later explained to pressmen that his Government had represented the Centre that this scheme would provide employment only to 15,000 people. In view of the State's backwardness compared to many other areas in the country, he had pleaded for greater allocation under this from the Centre.

ISI Code on National Building

A national building code has been released by the Indian Standards Institution. One of the main aims of the code is to unify the existing bye-laws of various municipalities and corporations and the provisions in the handbooks of Central and State government departments.

The ISI Director-General, Mr. S. K. Sen commended the code to the municipal bodies in Tamil Nadu at a conference in Madras attended by representatives of Government and local bodies. He suggested the setting up of a cell in the P.W.D. and said such a cell would facilitate continuous exchange of views between the code users and the code maker, the ISI. The code, he said, had a direct bearing on the work of the professional engineers, architects and would be of great help to them in their day-to-day work.

A Bee in the Bonnet

Going round the All India Small Industries Exhibition now on show here, one finds ample evidence of the rapid growth of this sector in recent years. Starting almost from a scratch in 1954, the number of registered small scale units stands today in the vicinity of two lakhs, besides an equally impressive number of un-registered units. President Giri, who inaugurated the exhibition on April 2 rightly drew attention to the employment potential of this sector. In the registered units alone, some 31 lakh people are employed. This Exhibition has been organised in connection with the Second Afro-Asian Conference on Small Scale Industries to be held in New Delhi in the third week of this month. Thirty-two countries are to participate in this conference. International agencies like ILO, ECAFE and UNIDO are also taking part. The UNIDO seminar on financing small industry in Asia is also being held now at Delhi.

The vast array of exhibits in the Small Scale Industries show includes TV production, precision machines, engineering goods, drugs and pharmaceuticals, textiles, plastics, ancillary items and a wide range of consumer goods. Fourteen State Governments and through them some 2000 small scale entrepreneurs are taking part in the exhibition.

Delhi is the largest single centre of small scale industries in the country. According to a census taken in 1969, there were 25,232 industrial units functioning in Delhi. Total capital investment is estimated at Rs. 129 crores. In 1968, the small scale units in Delhi produced goods worth Rs. 280 crores. Almost all the small units have come up and have flourished after the Plan era.

Machine 'Ka Pani'

Walking along the crowded market streets of Delhi, I have often mused over the lot of the small trader. Mobilising his few rupees together, he invests them in one consumer goods or the other and hopes to sell them at profit and eke out his livelihood. With summer on at every street corner in Delhi you notice a boy or a man telling *Machine Ka Pani* (cold water) at 3 paise per glass. The demand for cold water is such in these dog days, I thought that in this seasonal business a section of the 'have-nots' will be making sizable chips. Despite protests from within, I ventured to taste this *Machine Ka Pani*. Glass in hand, I asked the 'Pani-Wallah' about the income he would make, with all pent-up jealousy. He told me he got some Rs. 10 or so daily from selling water. My envy grew. "Good business", I remarked. But, with a grunt he revealed that he is being paid Rs. 50 per month by the owner of that water trolley. He made it clear how by investing in a trolley of that kind, man can earn by other's labour a sum of not less than Rs. 200 a month: Well, money makes money. That too easily!

The Travel Dome

Cali-Cloth people have a direct appeal in their sales endeavour. Take for instance their Travelling Dome which carries fashion from one place to another. Their fashion is now in Delhi with a bang, what with daily fashion parades and display and sales right in the middle of Connaught Place. The Travelling Dome reminds one of the cinerama show of the Americans. It is only a revival of the practice that was in vogue in the company some 10 years ago. The cost of this show is estimated at three or four

lakh rupees. But the sales per day at the Travelling Dome exceeds Rs. 15,000. Cali Cloth exports stood at Rs. 77.55 lakhs in 1969. It has gone in excess of Rs. 3 crores in 1970. An impressive record indeed!

Raising Delhi's Plan Outlay

While addressing the budget session of Delhi Metropolitan Council, Lt. Governor A. N. Jha indicated that Delhi's Fourth Plan outlay would increase from Rs. 155.6 crores to Rs. 162.6 crores. Besides, the Planning Commission had accepted in principle that the additional resources raised in Delhi would be added to this outlay. Further, two thirds of the increase in the Small Savings collected in a particular year would also be made available for Delhi's Plan. Mr. Jha hoped that development work, especially for the benefit of weaker sections, would be accelerated in Delhi during next year.

Conference Galore

New Delhi will host the III Asian International Trade Fair. This will be sponsored by the Indian Government with the support of U.N. agencies. The fair will be held next year in November-December. The First Asian World Trade Fair was held at Bangkok in 1966. The Second was at Tehran in 1969.

—Venkatesh

POPULATION EXPLOSION

Two thousand persons had to be turned away from a symposium arranged by the University of California at Berkley. The subject of the symposium was 'Population Explosion'.

FRAGILE PARCEL

In California, an American was puzzled when he received by mail order post two crash helmets for use while riding motor cycle. The package contained the words in big letters FRAGILE.

—Rajaih

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Forecasting Agricultural Prosperity with a Difference

Though in great humility Dr. Norman E. Borlaug had stated in his Coromandel Lecture that "ten fingers and one very mediocre brain cannot accomplish what has been accomplished in increasing world wheat production," it can hardly be gainsaid that the amber revolution has been the result of his singular initiative and innovation ability. When in 1943 he went to Mexico to assist its government find a more efficient technology for wheat production and when later in 1960 he was asked by the Food and Agriculture Organisation to make a survey of wheat production needs from Morocco as far as India, he became convinced that it was a task for two decades. What was more intriguing was the diversity of climatic conditions and disparities in the competence of the appropriate technological base. But insofar as Indian and Mexican conditions were comparable and India had besides a reliable team of agricultural scientists, the problem got narrowed to identifying techniques which could multiply yields manifold and then demonstrating them in as many of the farms as possible. Dr. Borlaug was aware that "the farmer who has lived close to starvation will not risk the change for an increase in production of a 5 per cent or 10 per cent. If you can demonstrate, that, on his own land, it is possible to double, triple or quadruple the productivity of his plot and if the government policy is such that it will make it possible for him to apply this from an economic standpoint, he will move as has been so vividly demonstrated by the farmers in India." Moreover, the moment policy makers realise the role of agriculture as a tool of economic development the chances are that the inter-industry balance between agriculture and industry (and therefore, between town and country) will get to be redressed as should in countries whose mainstay is farming.

Easy to Sin by Pessimism

It is gratifying to record that, since the problems of agricultural development have been studied more closely than ever during the past 25 years, the Second Development Decade may be regarded as having commenced under very good auspices so far as the developing countries are concerned. It is easy to overlay their failures. As the F.A.O. annual review records, many facts can be marshalled to support such a view. In per caput terms, there has been little increase in food production in the developing countries taken as a whole. Their food imports have risen steeply and their previous net export of cereals has turned into a large net import. Even so, there has been only limited improvement in food consumption and nutrition and rising food prices have been a source of inflation in many countries, or have necessitated stringent controls. Although food imports have been obtained on concessional terms, there has been an implicit reduction in the ability to import other goods. This has been made all the more serious by the decline in their agricultural export earnings. More-

over, many developing countries are still unable to cope with major harvest failures. It is easy to sin by pessimism.

Yet a look at the record production growth suggests that not all has been failure. Total agricultural production of developing countries has expanded over the past two decades by 2.9 per cent. The F.A.O. observes in this connection: "This has been a creditable performance both historically (no other period is known when such a rapid growth of agricultural production was shown by any large number of countries) and in comparison with developed countries, whose agricultural production rose no faster!" All this apart from the encouraging performance of the fishery and forestry sectors. Fish catch has, it is reported, increased by 9 per cent per annum between 1948 and 1969. Output of high value forest products such as plywood, pulp and newsprint has increased by 9, 16 and 18 per cent respectively in the same period. The rub in the overall picture lies in the uneven performance as between individual countries and in the same countries over time. "While production increased rapidly in the

GUIDELINES FOR COMMERCIAL BANKS

Commercial Banks in Madras as elsewhere have received a set of guidelines from the Reserve Bank of India governing special credit schemes with particular reference to employment potential. The guidelines have been prepared on the basis of the Thakkar Committee report.

The guidelines call for delegation of authority to branch agents "coupled with adequate control over the exercise of such discussion by them" in order to make these special schemes a success.

The Reserve Bank communication stresses that the availability of guarantee cover under the credit-guarantee corporation's scheme of

comprehensive credit insurance (coming into force from April 1) should not mean any dilution of standards in appraising loan proposals, nor should it mean that assistance should be restricted to the classes of borrowers or to the limits of amounts for which guarantee facilities are available under the scheme. The assistance should be need-based consistent with the economic viability of the proposition to be financed.

Attention of commercial banks has been drawn to the need for mobilising deposits more vigorously so that they may be able to deploy sufficient money for small enterprises and self-employment ventures.

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recovery period immediately after the Second World War and has done so again with the recovery from widespread bad harvests of 1965 and 1966, there was a long period in between when the overall progress," according to the F.A.O., "was extremely slow."

Small for the Sake of Mere Smallness

Imputing all these reservations in their calculations, F.A.O. experts have made what are described as medium-term forecasts for cereals. Taking 1969 as the base when for all the food importers in the developing world, aggregate cereal production was 24 per cent above the 1964-66 average, they comment that even in 1973 none of these countries will become net exporters. So far as India is concerned, the experts feel that, by 1973, it will become virtually self-sufficient in food. By the same period, Pakistan will be able to meet domestically 95 per cent of its food requirements. So far as Indian aspirations are concerned, major difficulties centre round the implementation of rice packages. The essence of the strategy followed in India has been the adoption of a local

improved variety of rice which, because it requires an intermediate level of technology requiring less cost, less risk and labour discipline than the new high yielding varieties is assimilable by a wide base of small holdings. In fact the hue and cry raised on ideological grounds against large holdings has been written into the agricultural policy of the Government to the extent of going in for small farms for the sake of their mere smallness. And pilot projects are already under way for organising small farmers' development agencies in chosen blocks with a view to inducing small farmers to take to modernised agriculture. But the trouble is that this programme requires relatively more in the line of an integrated set of incentives, institutions and services.

It is possible to deduce many of the constraints which require to be tackled for assuring a green revolution. First there is the major ecological constraint that most of the known, high-yielding rice varieties are not ideally suited to the irregular rainfall or the flooding of the main monsoonal sowing. And although the present

varieties can grow ideally under the controlled irrigation of the dry season, the latter in some places is too short for a second crop to be had from the existing varieties. As regards possible institutional constraints, the majority of countries not excluding India have now introduced diverse production incentives and institutional support measures. These are characterised by high internal prices and purchasing arrangements for rice, together with the supply of necessary inputs (if required under subsidies) such as fertilizer and pesticide. The main headache is that the cost of inputs being what it is, the agricultural support price has to be high enough to make the investment worthwhile. It is part of the uncertainties of agricultural pricing that the quarrel over procurement prices is sought to be viewed with the vagueness of Sir Roger De Coverley that much can be said on both sides, the two sides being the consuming public or consuming industry and the growers. This is not to glide over the fact that implementation of price guarantees for basic foods has generally been found to be more difficult than for commercial crops such as cotton or sugarcane. While the commercial crops are grown in well-defined areas and by a limited number of farmers, a large proportion of cereal farmers live too far from official purchasing points to take advantage of the guaranteed price. In fine, the basic agricultural question in developing countries is not whether there will be prosperity. On the contrary, there will be an abundance of it. But the real question is about the price that will have to be paid for it, without assuming off hand that price control or price support will creak through administrative rigidity as well as listlessness. On this, the last has not been said precisely because the price is made to favour growers or consumers as per compartmentalised, short-term decisions. This basic weakness of price strategy cannot bide any further delay in its rectification.

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Indian Leaf Tobacco Development Company Gets FICCI Award

The Federation of Indian Chambers of Commerce and Industry (FICCI) has given an award to Indian Leaf Tobacco Development Company Limited for corporate initiative in agriculture. The award was recently presented by Prime Minister Mrs. Indira Gandhi to Mr. A. N. Haksar, Chairman of ILTDC at the 44th annual session of FICCI. Indian Leaf Tobacco Development Co., is the sister concern and tobacco supplier of India Tobacco Co. Ltd.

News has also been received that ITC has recently concluded an agreement with the Sudanese Tobacco Corporation for the export to Sudan of manufactured cut tobacco, printed material to manufacture cigarette packets and tipping material for cigarette. These Indian products, which have never been exported out of India before, are worth over Rs. 50 lakhs in value. This is the second substantial export order obtained by ITC in recent months, the first being one for the export of cigarettes to Russia valued at Rs. 1 crore.

It may be recalled that Indian Leaf Tobacco Development Company Ltd. was awarded the Government of India's certificate of merit for outstanding export performance during 1966-68 for having earned foreign exchange on exports of unmanufactured tobacco to the tune of Rs. 15 crores.

The development of ITC and ILTDC

makes interesting reading. In India, tobacco was imported by the Portuguese into Goa before the end of the 15th century from where it made its way to Akbar's imperial court. Painting and manuscripts of the 15th and 17th centuries testify to the prevalence of the smoking habits in the royal courts of Rajput and Mughal India. But no tobacco suitable for cigarette was available then in India.



Mass production of Cigarettes at Bangalore Factory

Experiments in Tobacco Manufacturing

Tobacco suitable for manufacture of cigarettes was not grown in India until ITC (the then Imperial Tobacco Company Ltd.) started experiments in

tobacco manufacturing in 1906. The company was responsible for the formation of the Indian Leaf Tobacco Development Company Ltd., which is its sister concern and leaf supplier. In 1920 both the companies introduced the virginia Flue cured variety, started its cultivation and then developed its growing by independent farmers for domestic use and export purposes. ITC's first exports were made in 1933.

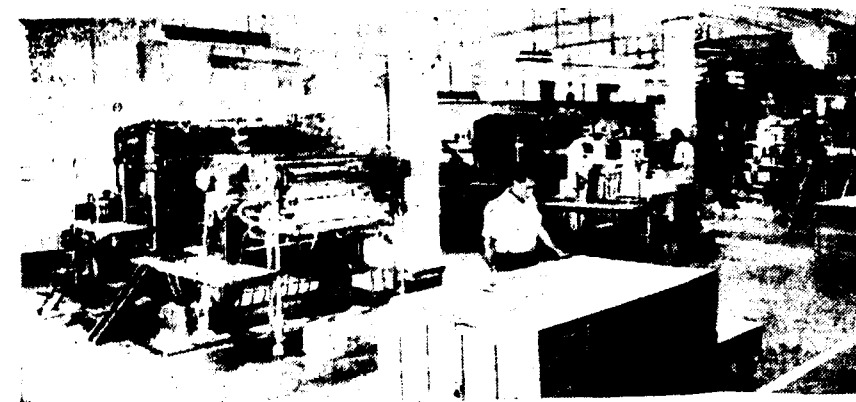
India Tobacco Company was the first to start manufacture of cigarettes in India. Its first factory was started in Monghyr in 1906. This was followed by four more factories—Bangalore in 1912, Saharanpur in 1928, Calcutta in 1934 and Bombay in 1942. A printing factory at Tiruvottiyur, near Madras, was established in 1949. This factory manufacturing a wide range of cartons and labels for the cigarette industry is considered to be one of the most modern printing establishments in the East.

Large Investments on Research and Development

ITC and its sister concern ILTDC have invested largely in research and development. Extensive research facilities and laboratories are maintained in Calcutta and Rajahmundry. These are manned by highly qualified scientists and agronomists. The research establishment at Rajahmundry assists the farmer with expert advice on



ILTDC's Tobacco Farm at Rajahmundry



A view of the Litho Printing Department at Tondiarpet

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3

OF CABBAGES AND KINGS

An Exposure to Ultra-modern Writing

Modern poems, like modern girls, reveal much more than what they are clothed in. *Walrus* is simply fascinated with the types of experiments done with them (poems, of course!) in France and elsewhere. For anybody with a penchant for the curious, a rich fare awaits in the field. The lettrism of Isidore Isou, the dadaism of Tzara, the *merz-poems* of Kurt Schwitter and *poesie Concrete, Cinctique, spatiale, phonetique* or *physiologique* are but some of the fashionable names of experimentation which is bound to titillate, if not elevate, people with the temperament of *Walrus*. For those who would like the cadence of crisp, cooing sounds *Walrus* produces below a few lines from *Hurlyburlyric rock*, a super pop poem by Francois Dufrene which begins with an incantation:

"(Cantale Cant Carto, Onion Oxonian)
Hoof!
diet diary diarrhea
Dulles, Dulles and Dolly daily shoes
Neither nose, tongues nor noise eyes use
Bamboozle Zula benzoline

Ooze hullabaloo benzoin
Crambo bowling limbo Boing
Wing Wing swing swine swan swan wink
wink

Quick quick queen queen king king aching.
Another piece by Heri Chopin on *Writing a theoretical article* concludes as follows:

"Ah
doing a theoretical a tea-oretical a toreaucic article I can't write a theoretical article I've done too many the best thing is to write a theoretical article to stop the writing of theoretical articles that's the job and I'd rather have a glass of wine than t.t. theoretical tea."

Such exposure to ultra-modern writing on the part of *Walrus* had its deleterious side effect which made him compose the following lines last midnight after a tortured sleep:

"Indra Thantra Swatantra
Dharma is Marma
Nidhi? Madhi? Vidhi?
Fix sex with kicks"

—Walrus.

cultivation and curing of tobacco by innovating new strains and types of tobacco required for domestic use and exports, developing pesticides, providing pure seeds, giving interest free cash loans and making available fertilizer on credit.

It is interesting to note that facilities are provided for training the employees of both the companies. ITC's Technical Training Centre at Bangalore provides systematic and formal technical training to qualified personnel. Similarly, ICTDC's training school in Huhsur in Mysore State teaches skills required to grow Flue Cured Virginia tobacco not only to its employees but

also to Government personnel. The labour-management relationship is quite cordial in both the companies. ITC and ILTDC firmly believe in collective bargaining as a means to achieve healthy industrial relations. They actively encourage the growth of trade unionism in India and are among the first few companies in the country to start long-term agreements with their unions. It is gladdening to note that in ITC, bonus is linked to productivity. This goes a long way in increasing the rate of production besides keeping the employees contented.

ITC and ILTDC provide employ-

ment to 12,000 people and as tobacco is a seasonal crop, to 23,000 additional workers during the tobacco season.

Increasing Indian Capital

ITC is an Indian company which has overseas shareholding. But the company voluntarily increased the share of Indian capital to over 25 per cent and has made a commitment to increase it still further to 40 per cent within the plan period. To-day there are over 21,000 investors from the general public in India have made original cash investments of over Rs. 6 crores.

I BELIEVE:

Sociological Pressures in Urban Areas

From the time Gandhiji raised in his own way the cry "back to villages", down through the two decades of planning, the sociological picture of the urban areas has had a rich element of artificiality imputed to it. It was conveniently assumed that much of the social tension in urban areas is a defect of quality, a weakness inherent in the body politic of the city as representing an overt or open fight for living space and working opportunity.

Much of the fallacy in this approach has been aggravated by the application of exotic comparisons. The Toynbee picture of a World City arising through the overlapping expansion of urban areas all along the Atlantic seaboard of North America is a speculation of the possible and not of the probable. In any case the picture loses its validity in contemporary India where the urban pockets are tiny specks on a vast rural canvas. It is of course true that the scope for expansion in respect of the four metropolitan areas is not as unlimited now as it appeared to be a decade ago; but that is not to say that it is too limited by any contemporary tests of population migration, development of industrial belts

and growth of urban service sectors. If despite all this, there is still some frenzied talk about the explosive urban problem, it should be because of universalising particular stresses revealed in certain sensitive sectors.

It is complained that multi-storied buildings aggravate traffic problems. It once stressed that the office-goers escaping from their multi-storey perches will make for such overcrowding at every bus stop that no transport service, whatever be its peak-hour fleet strength, can ever manage. What is overlooked here is what is happening before our very eyes now. It is common knowledge that the replacements for city transport fleet are already insufficient, yet now routes have been opened or taken over from private operators. The wait at the stop has, no doubt, got longer but can it be pretended that the breakdown point has been reached? In the same way, the traffic potential of the city's arteries is still large enough to service the "pour from a few more sky-scrapers."

Lack of Love for Rural Retreat

What is peculiar to the Indian situation, which poverty alone cannot ac-

count for, is lack of love for a rural retreat unlike as in the West. Historians will vouch for the fact that the preference for a rural retreat developed in the West even when the towns were not as congested as they are now, that is long before people developed frayed tempers. It behoves the Government to induce a love for retreat in India so that housing colonies in the suburban areas are habited not only by the richer sections. There have been marginal aberrations insofar as, in certain suburbs, slums spill over into the rural retreats preserving very much their urban form and content. This is an indication that town planning in urban areas requires quicker supplementation in rural areas as well. It used to be said that the Englishmen's home was his castle. It would be better if Indian homes, high and low, became so not through the "Civilised necessity of ever-closed front doors" but because of really greater *lebensraum*. When the peace of the home is enhanced in this fashion, political speeches will be listened to as a recreation and will not be used as inducements to break skulls all around.

—Horace

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Agricultural Season at Thanjavur

By S. VISWANATHAN

Thanjavur District has been taken as one of the few districts taken in the country for the intensive agriculture district programme. The programme has been in operation in the district since 1960.

Over this period great strides have been taken in increasing agricultural output. The success of the programme in this district has contributed to a considerable extent to the comfortable surplus in the agriculture production of the State.

Over the decade the labour has become more prosperous. He earns better, eats better, affords education to his children and in all, leads a better life. A decade ago his average income levels were in the region of Rs. 1-50 to Rs. 2 per day. Even this was restricted to the agricultural season which worked out to less than 100 days in a year. Today on an average, an agriculture labour gets Rs. 3 during normal sowing, seedling and other operations and Rs. 6 per day during harvest. Thanks to the programme of increasing the number of crops to three in a major portion of this district and to that of better fertilizer application, insecticides spraying and the like the opportunities towards fuller employment have increased manifold. It is gathered that the areas where three crops are sown, an agriculture labourer is assured of employment for nearly 310 days a year which compares very favourably with that of an industrial worker.

Peculiarity of Thanjavur

The whole of Thanjavur District to a width of 60 miles is a vast table land with just 120 feet difference in altitude. There are two monsoons, the one extending from June to September-October and the other from November

to January. For centuries the sowing used to start with June. Harvest of this crop is naturally made before the onset of the next monsoon in October. Thus the period of maximum sun (April to June) and the rain is not made proper use. As pointed out by Mr. A. Venkataraman, Joint Director of Agriculture, stationed at Thanjavur, if only agricultural operations could be advanced by a month, harvest can be performed without fear of the onset of monsoon. They could also be saved from the cyclone havoc normally experienced during November. With this end in view the Government has recently decided to sink 2,500 filter point wells in Thanjavur district. The Agriculture Refinance Corporation has sanctioned Rs. 1 crore for sinking 2,500 such wells in Thanjavur district. This scheme will help to raise *Kuruvai* nurseries in May itself, in advance of the release of water from Mettur and provide supplementary irrigational

facilities. On a crash basis the State Government is planning to sink 1,000 of the 2,500 filter point before June 1971 and the rest before June 1972. Each filter point well is estimated to cost Rs. 4,000 including the cost of materials, electric motor pumpset and the pump sheds.

Changing the Old Practice

This programme will be changing the age old agricultural practice in the district of depending solely on monsoons for raising the traditional single or two crops of paddy. As pointed out by Mr. Venkataraman, water management appears to be the number one problem. If only this is assured, he is confident of raising three crops in the entire district which can fully meet the demand of entire State for rice.

Certain interesting experiments are being carried to raise cotton as a third



IR. 22—Sustaining the Green Revolution

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crop in some tracts. Even jute growing is attempted in some areas.

Thanks to the package programme, the soil conditions of the entire district has been fully analysed. IR-8 crop taking 135 days is found to be too long for *Kuruvai*. The Rice Research Station at Aduthurai which developed the ADT-27 which became highly popular with the farmers has also introduced another successful paddy variety *Karuna* which takes 115 days. The yield is also high ranging from 2 to 2.5 tonnes per acre. Though IR-8 yields are occasionally higher—it ranges from 1.5 to 3.5 tonnes per acre, because of the longer duration it takes it has not been found possible to fit it within the frame work of water availability.

Problem of Water Management

Water management more than water heavy releases from Mettur contribute availability is the problem so far as Thanjavur district was concerned. The copious rains concentrated at mixed points of time and the corresponding heavy releases from Mettur contribute to too much stagnation. The flat bed-type of the entire table of the district has contributed to a very difficult drainage problem. If only the available water could be stored and used, three other districts of Thanjavur's dimension could be fully irrigated, said Mr. Venkataraman. They have worked out a scheme estimated to cost Rs. 49 crores to modernise the water system and another Rs. 10 crores scheme for building roads. The assistance of the World Bank is sought for this purpose.

In recent years it has been possible to stabilise production at higher levels. The district is highly fertilizer-conscious. They are also reconciled to spending on crop protection measures. But unfortunately the procurement machinery is not very effective. Poor roads and the lack of collection and

storage centres compel the farmers to dispose of the produce all simultaneously. The result: Not very remunerative prices for the farmer. Mr. Venkataraman has suggested the building of storage and collection centres at number of points which alone get fair price to the farmer.

The agriculture department has developed a number of Seed Farm and also State approved farms for experimentation with new practices. The reception appears to be very good. In

the Experimental State Farm at Kattuthottam near Thanjavur, exotic varieties pest control measures and water management techniques are experimented apart. The Indian Council of Agricultural Research is also helping in this regard.

The average return on paddy is in the region of Rs. 500 per acre. Cotton cultivation, if clicks, can assure a return from sugarcane is also higher. Thus rice is not found to be sufficiently remunerative.

A PIONEER PROGRAMME

The Intensive Agricultural District Programme popularly known as the 'Package Programme' sponsored in Thanjavur district aims at developing a package of agricultural practices most suited to the tract and popularising them among the farmers rapidly through various extension education techniques and also at making available to the farmers the necessary inputs for adopting the package of improved practices at the right time with in their easy reach.

The State departments of Agriculture, Co-operation and Rural Development are mainly responsible for implementing this pioneer programme of providing package of scientific services and agricultural supplies. They are assisted in their endeavour of other departments like irrigation, revenue and non-official institutions like co-operatives and panchayats.

The Extension Organisation in this district has been staffed intensive to meet the special needs of the programme. The Agricultural Department is headed by a Joint Director of Agriculture and he is assisted by a team of subject matter specialists consisting of an agronomist, farm management specialist, plant protection specialist, information officer, training officer, seed specialist, agricultural engineers, soil chemist and water management specialist.

There is one Rice Research Station at Aduthurai, within Thanjavur district, which continuously works on problems connected with the rice culture in the Delta.

A Soil Testing Laboratory, capable of analysing 45,000 soil samples in a year, is functioning in the district. At present, this laboratory is concentrating its attention on preparation of village fertility maps by analysing representative soil samples for every five acre unit.

A Tractor Workshop has been located in the District at Tiruvarur as part of the project to promote mechanized cultivation. It affords servicing facilities to private tractor owners, and to design, new implements and machines suited to Thanjavur conditions.

To tap the underground water and make it available for irrigation, a special cell headed by an Agricultural Engineer with necessary operating staff, is functioning in the district.

From Traditional to Modern

As a result of the I.A.D.P. activities, high yielding varieties have spread to more than 75 per cent of the delta. The nitrogenous fertilisers consumption has increased six fold. The use of pesticides has also increased considerably. As a result of all these, the total production of paddy in this delta has registered a substantial increase. But above all these material changes, what is considered as the most significant contribution of I.A.D.P. to Thanjavur district is the change in the outlook of the farming community. The Thanjavur farmer, once considered as highly traditional in outlook, is no longer so; but is quite willing to try and accept new ideas and practices.

Government Introduces Credit Guarantee Scheme

After long cogitation, the Central Government has thought it advisable to introduce a comprehensive credit guarantee scheme so that the stability of the banking system was not affected and at the same small loans could be granted without undue restraint to small borrowers engaged in agricultural and transport operation and those in the retail trade and small business. From the beginning, it was quite clear that some form of credit guarantee should be instituted, as in the early stages bad debts were bound to be incurred by the banks because of the lack of proper care when extending new loans or the misapplication of resources or abuses. It has however been emphasised by leading bankers that except where some new experiments did not succeed to the extent anticipated, and adjustments had to be affected, there is every prospect of loan repayments coming in steadily and the small borrowers appreciating advantage of cheap and regular credit.

A Silent Revolution

There have no doubt been complaints against corruption and abuse of facilities available for taking loans for priority purposes. But these complaints have been exaggerated and in the initial stages the ignorance of the borrowers of the procedures involved had been responsible for some exploitation and diversion of funds. But judging by the larger offtake for fertilisers, pumpsets, tractors, agricultural implements and other items, there is every reason to believe that bank credit is being properly applied and a silent revolution is taking place in the countryside and in the small industries sector. The transport services also have been rapidly developed

and the vigorous expansion of credit for these purposes will be highly beneficial so long as there is no dearth of the required inputs.

It will be, however, ensuring the proper use of funds if simultaneously with the guaranteeing of these loans by the newly formed Credit Corporation of India, the lenders could also issue a system of credit cards, which will compel the use of loaned funds for the intended purposes. There will have to be inspection squads in the rural side and for small industrial units so that they can go round and find out how their borrowers are faring and to what extent the loans proving to be helpful in boosting production. It is necessary to think on these lines without delay, as the banking system, co-operative societies, state financial corporations and land mortgage banks may be handling large amounts in the coming years and it may ultimately turn out that with increasing monetisation of the economy and the displacement of the money-lenders, agricultural credit alone might account for more than 400 crores annually, which is the estimate of present needs.

It has been disclosed in Parliament by Mr. Y. B. Chavan, Union Finance Minister, that between June 1969 and November 1970, the amount of outstanding loans on account of direct finance to farmers excluding plantations increased to Rs. 197.73 crores from Rs. 38.02 crores, those granted for road transport operations to Rs. 35.32 crores from 6.69 crores and those for retail trade and small business to Rs. 73.43 crores from 19.22 crores. It will be seen from these figures that there has been a spectacular growth in these credits. Thus advances under these categories rose by Rs. 243 crores with agriculture accounting for Rs. 159

crores. These details relate only to 14 nationalised Banks, which account for about 60 per cent of total advances of scheduled commercial banks. Since priority credit took away 50 per cent of fresh advances, it is reasonable to presume that about Rs. 400 crores pumped into these three sectors in 1970, on account of the scheduled commercial banks alone. This figure may go up to even Rs. 500 crores in the current year as the growth in all advances of scheduled commercial banks may be as much as Rs. 1000 crores.

A Remarkable Picture

This is a truly remarkable picture and even if there were bad debts for 1½ per cent, which is unlikely, the amounts unrecoverable may not be more than Rs. 6 crores in a year. Against this the Credit Guarantee Corporation will be receiving even in the first year premiums of 7 to 8 crores from Banks alone. It may have to act more briskly than the Deposit Insurance Corporation as it will be dealing with a larger number of institutions and for different purposes. It has now been stated that the premium of ½ per cent per annum will have to be paid in advance in forwarding instalments and institutions concerned will have to ensure all outstanding advances and not merely new advances. Even though the scheme is to be optional, in the first instance, it can be expected that all major banks and other institutions will participate in this scheme and make it a success. If banks are now protected against 75 per cent of the losses that might be incurred, and there is a growing volume of business, the Reserve Bank must help the lenders to create suitable machinery and make such changes as are considered necessary for ensuring proper application of scarce resources.

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COMMODITIES:

More Cotton and Oil from U.S.

The agreement signed with the U.S. on April 1 for the supply of 1.57 million tonnes of wheat, 2.5 lakh bales of cotton and 75,000 tonnes of vegetable oil under PL 480 will be welcomed as timely. The value of the commodity aid is Rs. 112.5 crores. While the wheat import will go to help achieve the target of 5 millions tonnes of buffer stocks the availability of the other two items should ease the critical supply situation in the country in these commodities and help atleast arrest the rising price trend if not bring it down. With a short crop, the gap in supply of cotton and its demand is over 16 lakh bales and the Government has been making serious efforts to locate sources for supply of this magnitude. This however includes staple fibre which is much cheaper than cotton and for which there are ready sources in Western Europe. The present agreement on cotton imports is only formal as the U.S. Government has been authorising India to import some of the cotton over the past few months in response to the latter's requests. In the case of edible oil in spite of a larger oilseed crop, prices have remained firmly high due to increased demand for individual case (as for vanaspati manufacture) and for direct consumption as cooking medium.

NEW LICENSES

There has been a surge in applications for industrial licences since the beginning of 1970, indicating an improved investment climate. It has been pointed out by the Minister for Industrial Development, Mr. Moinul Haque Chowdhury in Rajya Sabha recently that the liberal issue of licenses in the middle sector without rigid capacity considerations, along with the raising of the exemption limit to Rs. one crore, has led to considerable encouragement of medium and small entrepreneurs. The number of applications in 1970 totalled over 3,033 (including 807 applications for carrying on business) against 1420 applications received in 1969 and 1000 applications in 1968. Of these, 1248 were for establishments of new undertakings and 378 for substantial expansion. The number of licences issued was 364 and letters of intent 430. It is significant that out of these only 20 licenses (including one "carrying on business" licence) and 22 letters of intent were issued to firms belonging to larger industrial houses. In all, 319 letters of intent were issued for "setting up" of new industrial undertakings and for effecting substantial ex-

pansion. In the first quarter of the current year, 59 licences were issued which compares with 57 and 47 in the corresponding periods of 1969 and 1970. They were for other than carrying on business. Four of the latest batch were issued to larger business houses. As regards pending licences applications from the 20 bigger undertakings 119 applications were pending disposal as at February end. Of these, 22 relate to the period upto the end of 1969, 71 to 1970 and 27 to the first two months of 1971.

Tyre Supply : Position Eases

The shortage of tyres (of particular sizes and rayon tyres) experienced in November-December last year due to the accumulated effect of prolonged labour strike or go-glow in most of the producing units has eased considerably since the beginning of the year and as the Chairman of Madras Rubber Factory recently told the company shareholders that the position has changed into one of supply meeting demand with the factories now fully in operation. The tyre companies have at the same time taken concerted efforts to ensure equitable distribution at approved prices. It is stated that the supply position would have been even better but for the interruption to production in a leading unit in North India due to power shortage. It has been explained by a spokesman of the Automatic Tyre Industry of India that the acute shortage in the retail market in the second half of last year was created by stagnant output (4 million tyres for the whole year, same as in 1969) and the preference given to vehicle and tractor poducers to enable them maintain full production. Supplies to vehicle units were actually higher in 1970 or 2.09 lakh tyres against 1.87 lakh in 1969 while tractor units got 70,000 tyres against 55,600 in the previous year. Exports also shot up, earnings jumping to Rs. 5.15 crores from Rs. 3.69 crores. If only there are no disruptions to operations, output for 1971 can go upto 4.3 million.

Guarantee for Small Loans

The scheme of credit Guarantee Corporation of India for loans to small borrowers in the priority and neglected sectors has come into force from April 1. Under the scheme, the corporation will provide cover on a specified basis for loans extended by scheduled commercial banks to transport

operators, traders in fertilizers and other goods, professional and self employed persons, owners of business enterprises and farmers engaged in cultivation and allied farm activities. It will reimburse to the banks 75 per cent of the loan amounts which are treated as bad or doubtful debts and the balance will have to be borne by the lending institution. A guarantee fee of $\frac{1}{2}$ per cent will be charted on amounts outstanding on account of eligible facilities. Suitable safeguards have been provided to ensure proper use of the facilities under the scheme. The corporations guarantee in automatic and in bulk to all banks concerned in respect of the eligible categories of borrowers and will cover unsecured and other facilities also. It is, however, not in substitution of securities wherever they are available and can be expected to be furnished in normal course.

There are certain quantitative limits for cover in various categories. In the case of transport operators individuals or associations of not more than six can take loan to finance the cost of vehicle on the road upto Rs. 50,000. Similarly the guarantee is available for loans to individuals firms or co-operatives selling fertilizers around whose turnover does not exceed Rs. 2 lakhs. For traders in other goods, the turnover limit is Rs. one lakh. Loans to doctors owing clinics or nursing homes should not exceed Rs. one lakh to engineering consultants and architects Rs. 50,000 and other professional and self-employed persons Rs. 20,000 for eligibility under the scheme. So also, the original cost price of equipment used for business by individuals or Firms should be less than Rs. 50,000. In the case of farmers, the loan amount should not exceed Rs. 1,000 for financing seasonal operations and Rs. 5,900 for financing reclamation or improvement of land or construction of wells, purchase of pumpsets and other equipments.

Alcohol Prices

The Central Government has accepted the recommendation of the Tariff commission for fixing a single uniform price for ex-distillery prices of industrial alcohol, based on a weighted average price with other additions like transportation charges. It has also agreed to the suggestion that the ceiling on molasses transport charges should be reduced to Rs. 100 per kilo litre from Feb. 1 from Rs. 150 allowed earlier. Absolute alcohol will be priced 10 per cent higher than that 20 per cent of molasses production to be released for free sale and an amendment to the molasses control order has been notified. There is also an extra element of Rs. 6 per kilolitre of alcohol for being used for construction of storage facilities.

BUSINESS BRIEFS:

New Government Move Worries Cotton Mills

The working results of almost all the cotton textile mills, both spinning and composite, announced so far for the latest year reveal that the industry managed to increase its turnover and also earn appreciably higher profits as compared to 1969 which was itself a fairly satisfactory year. The latest performance must be assessed particularly against the high cost of cotton and chemicals and it speaks for the resilience of the mill industry to absorb the higher cost to a significant extent. But the improved profitability has been mainly due to higher selling prices for uncontrolled varieties including blended fabrics while the modernisation and renovation of existing machinery have also helped reduce costs. The diversification and modernisation schemes are being implemented by established companies on a continuing basis as may be evidenced by the brisk off-take of textile machinery produced indigenously. But many Chairmen have expressed serious concern over the future outlook of the industry. Since the beginning of 1970, cotton prices are stated to have gone up by over 70 per cent and the position in this regard has become more acute in the current year. A poor crop and uncertain imports will spell a crisis for many units in the closing months of this cotton season (July-September) besides eroding their profit margins considerably. The industry's repeated pleas for an upward revision of prices for controlled categories have gone in vain, and many mills are stated to have increased the proportion of uncontrolled varieties in their production even at the risk of penalty to make up for the uneconomic cost of cotton.

But the decision of the Government to increase the penalty for non producing coarse cloth upto the capacity stipulated for it and to raise the quota for coarse cloth production for each mill will make difficult even this manoeuvre. Under the latest decision the penalty is being raised from 6 paise per metre to 25 paise for any shortfall in output of coarse and medium cloth while the quota is to be increased from the present 25 per cent to 40 or 50 per cent of capacity for each mill. The Government has also decided not to allow any price rise for controlled cloth till the Bureau of Industrial Costs and Production completes its study and submits its recommendations. This may take another 9 to 10 months. Meanwhile, consumers will have to face a shortage of these varieties and

possibly higher prices both for these and superior varieties.

Kasturbhai Group

The Kasturbhai group of mills has reported improved working during 1970. Five of the seven mills have earned larger profits on higher turnover. Obviously the emphasis on high-priced varieties has been helpful in improving profit margins. Arvind Mills Limited has maintained the equity dividend at 24 per cent, taxable. The bonus issue in the ratio of one for three has not been approved by the Controller of Capital Issues and a fresh application has been made. The new shares if issued will rank for dividend from this year. Ashoka Mills Limited has raised the distribution to 21 per cent (including a bonus of 3 per cent) from 18 per cent in 1969. The third company Arvind Mills Limited is also paying more, the distribution being 21 per cent (including a bonus of 3 per cent) against 18 per cent while Saraspur Mills Limited will be maintaining the dividend of 18 per cent on a capital increased by a one-for-three bonus issue. Ahmedabad New Cotton Mills Limited will also be repeating the dividend of 18 per cent while Raipur Manufacturing Company Limited will be paying the same quantum of dividend, by declaring a dividend of 16 per cent on a capital increased by a one-for-two bonus issue against 24 per cent in 1969. Nutan Mills Limited will be distributing a bonus of 6 per cent besides maintaining the dividend at 12 per cent.

Arvind Mills has earned a larger profit of Rs. 194.91 lakhs (Rs. 159.74 lakhs) on a turnover of Rs. 9 crores (Rs. 8.15 crores). The provisions include Rs. 41.87 lakhs (Rs. 46.98 lakhs) for depreciation, Rs. 7 lakhs (Rs. 14.50 lakhs) for development rebate and Rs. 71 lakhs (Rs. 44 lakhs) for taxation. The transfer to general reserve is Rs. 66.20 lakhs (Rs. 54.25 lakhs) and general reserve Rs. 8.80 lakhs (nil). The dividend will absorb Rs. 36 lakhs (same) from general reserve No. 1.

Sales of Ashoka Mills jumped to Rs. 6.98 crores from Rs. 5.80 crores and the net profit to Rs. 64.83 lakhs from Rs. 46.74 lakhs in 1969. Depreciation claims Rs. 22.25 lakhs (Rs. 25.90 lakhs), development rebate Rs. 5.50 lakhs (Rs. 10 lakhs) and taxation Rs. 17.50 lakhs (Rs. 4.75 lakhs). Transfer to general reserve No. 1 is Rs. 12.10 lakhs (Rs. 6 lakhs) and to general reserve No. 2 Rs. 7.40 lakhs

(nil). The dividend will absorb Rs. 10.50 lakhs (Rs. 9 lakhs) from reserve No. 1.

Aruna Mills increased its sales to Rs. 4.94 crores from Rs. 4.25 crores and the net profit to Rs. 65.44 lakhs from Rs. 59.23 lakhs in 1969. The charge in respect of depreciation is Rs. 17.74 lakhs (Rs. 22.74 lakhs) development rebate Rs. 5.75 lakhs (Rs. 7 lakhs) and taxation Rs. 19 lakhs (Rs. 16 lakhs). General reserve No. 1 gets Rs. 15.70 lakhs (Rs. 13.40 lakhs) and general reserve No. 2 Rs. 7.20 lakhs (nil). The dividend will absorb Rs. 10.50 lakhs (Rs. 9 lakhs)

Saraspur Mills has earned a slightly lower profit of Rs. 48.70 lakhs (Rs. 50.84 lakhs) though sales were better at Rs. 4.47 crores (Rs. 4.27 crores) in 1969. The provisions include Rs. 17.43 lakhs (Rs. 22.43 lakhs) for depreciation and Rs. 17 lakhs (nil) for taxation. After wiping out a loss of Rs. 3.34 lakhs, the transfer to general reserve No. 1 is Rs. 3.80 lakhs (nil) and general reserve No. 1 Rs. 5.10 lakhs (nil). The dividend will require Rs. 7.20 lakhs (Rs. 5.40 lakhs).

Ahmedabad New Cotton Mills increased its sales to Rs. 4.76 crores from Rs. 3.90 crores in 1969 and the net profit to Rs. 44.05 lakhs from Rs. 43.34 lakhs. Depreciation claims Rs. 16.68 lakhs (Rs. 18.57 lakhs), development rebate Rs. 5.50 lakhs (Rs. 4.25 lakhs) and taxation Rs. 10 lakhs (Rs. 5.25 lakhs). The transfer to general reserve No. 2 is Rs. 3.90 lakhs (nil) and debenture redemption reserve Rs. 2.50 lakhs (same). The equity dividend will absorb Rs. 5.34 lakhs (same) from reserves.

Raipur Manufacturing Company also earned a larger profit of Rs. 65.93 lakhs (Rs. 51.38 lakhs) on a higher turnover of Rs. 4.43 crores (Rs. 3.53 crores). After setting aside Rs. 20.65 lakhs (Rs. 25.96 lakhs) for depreciation, Rs. 5.25 lakhs (Rs. 2 lakhs) for development rebate and Rs 17 lakhs (Rs. 12.50 lakhs) for taxation, the transfer to general reserve No. 1 is Rs. 17 lakhs (Rs. 10.90 lakhs) and general reserve No. 2 Rs. 7.60 lakhs (nil).

Nutan Mills has also been able to raise its sales to Rs. 3.33 crores from Rs. 3.17 crores but the net profit was lower at Rs. 32.62 lakhs (Rs. 37.41 lakhs). The provisions include Rs. 11.35 lakhs (Rs. 14.09 lakhs) for depreciation Rs. 10 lakhs (nil) for development rebate and Rs. 60,000 (nil) for taxation. After wiping out the loss of Rs. 6.78 lakhs brought in, the transfer to general reserve is Rs. 3.20 lakhs and general reserve No. 1 Rs. 60,000. The equity dividend will claim Rs. 5.40 lakhs (Rs. 3.60 lakhs).

Standard Mills Pays More

Standard Mills Company Limited has benefited from the improved working of the textile unit and higher output of the chemical division. Total turnover improved to

Rs. 27.68 crores in 1970 from Rs. 24.56 crores in 1969 with the net profit, before depreciation, and taxation, higher at Rs. 379.39 lakhs against Rs. 328.23 lakhs. The equity dividend has been raised to 28 per cent gross from 25 per cent (including a jubilee bonus of 5 per cent) in 1969. Even the higher distribution is covered nearly $3\frac{1}{2}$ times by disposable profits. Depreciation claims Rs. 153.35 lakhs (Rs. 141.39 lakhs) and development rebate Rs. 23.85 lakhs (Rs. 21.05 lakhs) while there is a provision of Rs. 38.25 lakhs (nil) for taxation. The balance of Rs. 163.94 lakhs (Rs. 165.80 lakhs) has been transferred to general reserve. The dividend will be paid out of this reserve, requiring Rs. 49.17 lakhs (Rs. 43.90 lakhs).

Binny Omits Dividend

The experience of Binny Limited is rather disappointing in 1970. This was due to adverse working of the cotton textile mill in Madras due to labour trouble which affected productivity. Even the interim report had indicated that a steep rise in cotton prices and labour trouble were affecting profitability. The directors have been obliged to skip the dividend. The net profit, before depreciation, was only Rs. 11.59 lakhs against Rs. 175 lakhs in 1969. In the absence of a co-operative attitude of workers, the improved facilities created under the modernisation and renovation schemes could not perhaps be put to effective use. The sum set aside for depreciation is Rs. 122.98 lakhs (Rs. 114.04 lakhs) while development rebate claims Rs. 31.05 lakhs (Rs. 67.28 lakhs). After providing for these, there is a debit balance of Rs. 142.44 lakhs against Rs. 6.32 lakhs. Last year, debenture redemption reserve got Rs. 3 lakhs. Only the preference dividend is to be paid while an equity dividend of 6 per cent was paid on the last occasion requiring Rs. 40.80 lakhs. But it was necessary then to withdraw Rs. 51.70 lakhs from general reserve for paying the equity and preference dividends. After transferring Rs. 2.58 lakhs from reserves, a debit balance of Rs. 142.41 lakhs has been carried forward.

Trichinopoly Mills

Trichinopoly Mills Limited has raised its dividend on equity capital for 1970 to 15 per cent taxable from $12\frac{1}{2}$ per cent taxable in 1969 following a big rise in the net profit, before taxation and after depreciation, to Rs. 9.93 lakhs from Rs. 4.86 lakhs in spite of costlier cotton as selling prices for yarn were quite remunerative. There is a provision of Rs. 2.82 lakhs (nil), for taxation while development rebate claims Rs. 2.52 lakhs

(Rs. 2.12 lakhs). General reserve gets Rs. 2.35 lakhs against Rs. 95,852 for dividend equalisation reserve in 1969. The equity dividend will require Rs. 2.10 lakhs (Rs. 1.75 lakhs).

WIMCO Earns More

Western India Match Company Limited has reported improved earnings for 1970 following an increase in output of matches by 15,000 cases with the same capacity. Production of paper however, declined to 5,581 tonnes from 6,284 tonnes in 1969 and of potassium chlorate to 5,066 tonnes from 5,180 tonnes. Despatches of salt to outside consumers were also lower at 20,433 tonnes against 40,194 tonnes. But the larger output of matches offset the fall in other products, and there was an improvement in the net profit, before depreciation and taxation, to Rs. 223.56 lakhs from Rs. 217.75 lakhs. The dividend on equity capital has been maintained at 12 per cent taxable but the quantum involved is more at Rs. 59.40 lakhs (Rs. 49.50 lakhs) as it is payable on a capital increased by capitalising Rs. 82.5 lakhs out of reserves. The claim in respect of depreciation is Rs. 33.55 lakhs (Rs. 32.55 lakhs) and development rebate Rs. 4.35 lakhs (Rs. 4.51 lakhs). The provision for taxation has been increased to Rs. 112.37 lakhs (Rs. 106.30 lakhs) while general reserve is credited with Rs. 73.29 lakhs (Rs. 74.39 lakhs). The dividend is to be paid out of this reserve.

Herdillia Chemicals

Shareholders of Herdillia Chemicals Limited will welcome the improved working results for 1970. Obviously, with no great difficulty in getting its raw materials from indigenous sources and an assured market for its various petrochemical products, it was possible to utilise the existing facilities more fully. But a maiden dividend will have to wait for more propitious times as there is still a large debit-balance and arrears of development rebate also remain to be claimed. The current year's working is expected to be more satisfactory and it may even be possible to wipe out the accumulated loss completely. Sales and other income rose sharply to Rs. 741.65 lakhs from Rs. 533.38 lakhs in 1969 while earnings before depreciation jumped to Rs. 167.25 lakhs from Rs. 73.16 lakhs. After providing for depreciation Rs. 104.31 lakhs (Rs. 103.89 lakhs), there is a surplus of Rs. 62.94 lakhs against a loss of Rs. 30.73 lakhs earlier. The surplus has gone to reduce the debit balance brought in from the previous accounts of Rs. 169.58 lakhs to Rs. 106.62 lakhs. The Rs. 10 shares of Herdillia are quoting around Rs. 17.25 in Bombay.

Southern Trawling

Southern Trawling Company Limited came on the market recently for raising capital for Rs. 11 lakhs in equity shares of Rs. 100 each. The company had been promoted to undertake finishing and processing of marine products mainly for export. It will be acquiring a fleet of 10 medium-sized trawlers and operating them from Mangalore on the West Coast. A factory will be set up near Mangalore for freezing shrimps and other marine products. The first batch of trawlers will be afloat by July this year. Already the company has commenced its activities with the help of other factories and exported frozen shrimps worth \$ 50,000. The project will cost about Rs. 38 lakhs. The issued capital will be Rs. 20 lakhs of which directors and friends have subscribed Rs. 5 lakhs and the Mysore State Industrial Investment and Development Corporation Rs. 4 lakhs. The Mysore State Financial Corporation will be extending a substantial medium-term loan (Rs. 20 lakhs) while the balance will be obtained from other sources. As the promoters have vast experience in the line it is expected that the company will operate on a highly remunerative basis within a short time. The Managing Director, Mr. V. A. Kurien has indicated that they hoped to declare a maiden dividend of 10 per cent in two years. The turnover in the first year is expected to be Rs. 65 lakhs and the profit Rs. 10 lakhs before taxation. Mr. B. C. Mody, a director, has disclosed that a similar project is being taken up by the promoters in collaboration with the Gujarat Government. The new company would be floated in the next two or three months on the same lines as Southern Trawlings. The response to Southern Trawlings public issue has been quite encouraging as there is already an unofficial premium of Rs. 9 on the shares.

Usha Martin Black

Usha Martin Black Wire Ropes Limited has reported excellent working results in 1970. There has been a more than doubling of the net profit, before depreciation, to Rs. 87.76 lakhs from Rs. 42.64 lakhs in 1969. The dividend on equity capital has been raised to 10 per cent taxable from 5 per cent while an additional 5 per cent is to be distributed as bonus to celebrate the completion of a decade of working. After setting aside Rs. 17.18 lakhs (Rs. 16.52 lakhs) for depreciation and Rs. 24.70 lakhs (nil) for development rebate, the transfer to general reserve is Rs. 47.64 lakhs (Rs. 6.25 lakhs) after writing back Rs. 1.75 lakhs (Rs. 11,254) from reserves. There is no liability for taxation as in the previous year. The dividend will be paid out of general reserve and will absorb Rs. 8.88 lakhs (Rs. 2.98 lakhs).

INDUSTRIAL ECONOMIST

Tube Investments Pays More

Tube Investment of India Limited has decided to increase the dividend on equity capital for the 17 months ended December 31, 1970 to 15 per cent taxable, from 10 per cent taxable for the previous 12 months. A final payment of 8 per cent taxable is to be made while the interim dividend has already been distributed. The company was able to improve its production and sales in the latest accounting period when turnover rose more than proportionately to Rs. 18.57 crores from Rs. 11.63 crores in 1968-69 in spite of disruption to production in some divisions due to shortage of steel and other raw materials. The net profit, before depreciation and taxation, also was significantly higher at Rs. 216.98 lakhs against Rs. 127.64 lakhs in the previous 12 months period. Depreciation claims a larger sum of Rs. 72.23 lakhs (Rs. 45.51 lakhs) and development rebate Rs. 10.56 lakhs (Rs. 5.05 lakhs). There is also an additional allocation of Rs. 2.49 lakhs (nil) under this head in respect of earlier years. There is a transfer of Rs. 5.21 lakhs (nil) to debenture redemption reserve and Rs. 13.65 lakhs (Rs. 13.25 lakhs) to general reserve. The total dividend amount required is Rs. 56.25 lakhs (Rs. 37.50 lakhs).

Madras Rubber

The chairman of Madras Rubber Factory Limited, Mr. K. M. Cherian, has held out hopes of much better results for the current year. He told the annual meeting recently that the experience in the first five months ended February 28, had been quite satisfactory and if the same trend continued the results for the whole year would be better than in 1969-70. The cycle tyre unit, which commenced production from March 1 will be raising its output gradually while the brake chamber diaphragm, a new line of the company, is undergoing field tests. The full benefit of the expanded capacity for automobile tyres from the installation of balancing equipment last year will also be available this year and if there is no labour trouble, production of tyres must show a sizable increase. Work on the expansion scheme to raise capacity to 6.1 million tyres is also proceeding apace. Part of the equipment has been shipped and the whole scheme is scheduled to be completed by the end of 1972. Mr. Cherian has called for a helpful Government policy in regard to exports. The ban on export of nylon tyres to U.A.R. also needs to be lifted if the export markets already built up are to be sustained. M.R.F.'s exports of tyres in 1969-70 totalled Rs. 58 lakhs in spite of stiff international competition.

INDUSTRIAL ECONOMIST

Avery India Repeats

Avery India Limited has done better in 1970 though the directors have only maintained the dividend on equity capital at 13.8 per cent. Sales improved during the year to Rs. 4.05 crores from Rs. 3.44 crores in 1969 but other income declined to Rs. 7.88 lakhs from Rs. 11.07 lakhs. The net profit, after depreciation and before taxation, raised to Rs. 1.10 crores from Rs. 93.45 lakhs. After providing Rs. 73.34 lakhs (Rs. 61.58 lakhs) for taxation and development rebate, the surplus is higher at Rs. 36.93 lakhs (Rs. 31.87 lakhs).

Roneo-Vickers

Roneo-Vickers India Limited, a wholly-owned subsidiary of Roneo Limited of U.K., will be affording an opportunity to Indian investors to participate in its capital. The company at its Faridabad factory near Delhi is now manufacturing franking machines, steel furniture and other office equipment. There are plans to diversify the lines of production by taking up the manufacture of Roneo duplicators which had been imported till 1961. The present paid-up capital is Rs. 29.26 lakhs in equity shares of which shares worth Rs. 29.25 lakhs are held by the British parent company for considerations other than cash. It is proposed to issue fresh capital for Rs. 15.74 lakhs in equity shares of Rs. 10 each at par. Of this 7,390 shares will be reserved for the U.K. company's cash subscription while the balance of 1.5 lakh shares will be offered to the public. The company is on a pro-earning basis and paid a dividend of 10 per cent taxable for the year ended November 30, 1970.

Union Carbide

Union Carbide India Limited has been continuously expanding and diversifying its facilities which have helped to increase sales and earnings steadily. The shareholders have also benefited from the issue of right and bonus-shares at frequent intervals. There is however some difficulty in getting the Government's approval for new schemes like the project for taking up the production of hard facing and wear-resistant products and the expansion of carbon electrodes capacity. Licences for these two are yet to be received. The new electrolytic manganese plant is also unable to work at rated capacity due to difficulty in getting graphite anodes within the country. The company incurred a capital expenditure of Rs. 3.44 crores in 1970 against Rs. 2.38 crores in 1969. The authorised capital is being raised to Rs. 30 crores from Rs. 15 crores by the creation of 15 million shares of Rs. 10 each. This may be an indication about a fresh bonus issue or a right issue.

K.I.C. Raises Dividend

Krishna Industrial Corporation Limited has earned a large profit of Rs. 4.80 lakhs for the year ended September 30, 1970, before taxation, against Rs. 64,364 in 1968-69. The dividend on equity capital has been raised to 10 per cent taxable from 6 per cent taxable previously. Development rebate claims Rs. 31,000 (nil) and general reserve is credited with Rs. 1.75 lakhs (nil). The transfer to dividend reserve is Rs. 2.64 lakhs (Rs. 1.59 lakhs). Last year, there was a withdrawal of Rs. 1.30 lakhs from general reserve to complete the appropriations.

Sylvania & Laxman Impresses

Sylvania and Laxman Limited, a new company engaged in the manufacture of various kinds of electric lamps and accessories for some years now, has been able to wipe out its debit balance and announce maiden equity dividend of 6 per cent gross for the year ended September 30, 1970. The dividend is not liable to tax deduction at source. The company's turnover improved appreciably to Rs. 2.62 crores from Rs. 7.75 crores in 1968-69 while the net profit, before depreciation, rose even more impressively to Rs. 39.41 lakhs from Rs. 14.41 lakhs. After providing Rs. 7.84 lakhs (Rs. 6.84 lakhs) for depreciation and Rs. 18,215 (Rs. 52,589) for development rebate, the debit balance of Rs. 20.30 lakhs has been wiped out. Even then it has been possible to declare a dividend and still carry forward Rs. 4.99 lakhs. The company is implementing new schemes for making fluorescent powder, coils and lead-in-wires. Trial runs are being conducted in the lead-in-wires plant while the coiling equipment is getting ready. Equipment for producing mercury vapour lamps have also been ordered from foreign suppliers. There are also proposals to take up the manufacture of high voltage lamps, small lamps, auto lamps, telephone switch board lamps, G.L.S. lamps, tungsten filament (coils) and lead-in-wire electrodes for which a letter of intent has been received. The Industrial Credit and Investment Corporation has given a loan in foreign currency for \$ 289,000 (Rs. 21.07 lakhs) for importing plant and equipment needed. The Industrial Finance Corporation will be lending Rs. 30 lakhs in rupees of which Rs. 3 lakhs can be converted into equity shares at a premium of Re. 1 per share in the fourth and fifth years from the date of complete disbursement of the loan. The new schemes for manufacture of raw materials will reduce on imports and facilities uninterrupted expansion in the coming years. Even now glass shells and tubes are being supplied to other manufacturers.

Mysore Sugars

Mysore Sugar Company Limited is raising fresh capital for meeting part of the expenditure on its new schemes to expand its crushing capacity and also modernise and renovate existing machinery. It had been indicated recently that the capital needs for this purpose may come to Rs. 3.2 crores. The Chairman of the company has told the shareholders that the decision to raise fresh capital was necessitated by the difficulty in getting bank finance. It is now proposed to capitalise reserves subject to Government sanction and issue bonus shares in the ratio of one share for every shares held. After the bonus issue, right shares will be issued in the proportion of one for two at a premium of Rs. 2 per share. As a result of the bonus and right issues, the paid-up equity capital will be doubled to Rs. 108 lakhs. To facilitate the increase in paid-up capital is being raised to Rs. 2 crores. It is also proposed to mobilise additional funds for Rs. 50 lakhs through deposits.

Garware Nylon

The directors of Garware Nylons had a difficult problem in deciding on the allotment of equity shares offered to the public recently. The issue was oversubscribed more than 82 times. It must be mentioned that special care has been taken to ensure sufficient weightage to small applicants. Under the allotment scheme, lots are to be drawn in respect of applications upto 1950 shares while a graded firm allotment has been adopted for requests above this number. The company received over Rs. 22 crores in application money. Six out of 100 applicants for 50 shares, 7 out of 100 for 100 shares, 8 out of 100 for 150 shares, 10 out of 100 for 200 shares, 28 out of 100 for 500 to 950 shares and one out of two for 1000 to 1950 shares will get 25 shares each. For those who applied for 2000 and above, the allotment will be 25 shares for 2000 shares, 50 for 3000 to 5950 shares, 75 for 6000 to 6950, 100 for 7000 to 12450, 150 for 12500 to 14950 and so on. Those who applied for one lakh shares will get 1000 shares, and 2 lakhs—2000 shares.

National Organic Chemical

With a substantial improvement in production of various petrochemicals and not much difficulty in marketing them at attractive prices, National Organic Chemical Industries Limited was able to report vastly improved working results for 1970. There has been a further improvement in output put in the first three months of the current year in spite of a shut-down of all plants for four weeks for complete overhaul and for a short period in March 1971 can be expected to show a larger

turnover and earnings which will help to reduce the debit balance substantially. In 1970 sales jumped to Rs. 23.52 crores from Rs. 15.95 crores in 1969 while the net profit, before depreciation, rose sharply to Rs. 524.28 lakhs from Rs. 196.79 lakhs. This is encouraging in view of the increase in working expenses on account of higher prices for naphtha, and drums and enhanced duty on fuel. There was also need to provide as much as Rs. 332.82 lakhs (Rs. 329.65 lakhs) for depreciation due to the large capital outlay on plant and machinery, after transferring Rs. 3.78 lakhs (Rs. 82.08 lakhs) to capital expenditure. There is thus a disposable profit of Rs. 191.46 lakhs against a loss to Rs. 281.37 lakhs. There is also a large sum to be claimed towards development rebate when there are taxable profits. NOCIL'S Rs. 100 shares are quoting around Rs. 245 as it is hoped that the company will start paying dividend in the next one or two years.

Electric Construction

Electric Construction and Equipment Company Limited has done extremely well in 1969-70 with a substantial increase in sales and profit. The directors have declared a final dividend of 10 per cent taxable on equity capital making with the interim a total of 20 per cent taxable. There was no payment last year but a bonus issue was proposed in lieu of dividend. This was turned down by the Controller of Capital Issue under the new guidelines and the company is taking up the matter again with the CCI. During the year ended October 31, 1970, sales rose by 50 per cent to Rs. 9.56 crores from Rs. 6.35 crores in 1968-69 while there was a more than doubling of the net profit, before depreciation and taxation, to Rs. 126.35 lakhs from Rs. 57.75 lakhs in the previous year. Depreciation claims Rs. 26.07 lakhs (Rs. 26.49 lakhs) and development rebate Rs. 3 lakhs (Rs. 7.50 lakhs). The provision for taxation is much higher at Rs. 42 lakhs (Rs. 3.50 lakhs) while general reserve gets Rs. 41.81 lakhs (Rs. 25.05 lakhs). The interim dividend has already been distributed and the final is to be paid out of general reserve.

East India Hotels

The public issue by East India Hotels of the Oberoi group of \$5,47,333 equity shares made sometime back was oversubscribed by nearly four times. The director's have in consultation with the Calcutta Stock Exchange tried to satisfy as many applicants as possible. According to the allotment scheme, all those who applied for the minimum of 50 shares will get 25 shares while applicants for 100-200 shares will get 50 shares, for 250-300 shares 75 shares, for 400-750 shares 100 shares and for 880-1000 shares 200 shares. Above this, 250 shares will be allotted to ap-

plicants for 1,050-1500 shares 300 shares for 1,550-1,800, 500 for 2000-3000, 600 for 3,350-6,250, and so on. Those who applied for 50,000 shares will get 2,800 shares.

Anil Starch

Anil Starch Products Limited could not avoid a big fall in earnings in 1970 even with a higher turnover due to stiff competition and higher working expenses. Sales improved slightly to Rs. 7.47 crores from Rs. 7.16 crores but the net profit, before depreciation and taxation, declined sharply to Rs. 22.42 lakhs from Rs. 59.32 lakhs in 1969. It was not possible to provide for depreciation amounting to Rs. 30.21 lakhs (Rs. 28.98 lakhs) and the debit balance of Rs. 7.79 lakhs has been adjusted with a transfer of Rs. 4.48 lakhs excess provisions no longer required, and Rs. 3.12 lakhs from development rebate reserve. The equity dividend has been halved to 10 per cent taxable and the equity and preference dividends will be paid out of general reserve. Last year, taxation claimed Rs. 9.97 lakhs while development rebate reserve got Rs. 2.85 lakhs and general reserve Rs. 17.27 lakhs. The earlier proposals for issuing honour shares in the ratio of one for three, is being received and the controller of Capital Issues, who rejected the proposal on the ground that more than two such issue cannot be allowed within five years, has been approached for capitalising Rs. 25 lakhs out of reserves.

Atul Products Pays Same

Atul Products Limited has maintained the ordinary dividend for 1970 at 14 per cent taxable though its working results were considerably better as compared to 1969. With a pick-up in demand for its products the expanded facilities could be effectively utilised and there was a significant rise in turnover to Rs. 14.77 crores from Rs. 12.17 crores. The net profit, before depreciation and taxation, also jumped to Rs. 261.76 lakhs from Rs. 197.26 lakhs in the previous year. After setting aside Rs. 106 lakhs (Rs. 103.05 lakhs) for depreciation and Rs. 36.60 lakhs (Rs. 45 lakhs) for development rebate and providing Rs. 25.50 lakhs (nil) for taxation the transfer to general reserve is as much as Rs. 95.99 lakhs (Rs. 52.77 lakhs). The equity dividend, which will be paid out of general reserve, will require Rs. 57.40 lakhs (Rs. 56.12 lakhs) and is well covered.

Borax Morarji Repeats

Borax Morarji Company Limited has maintained the equity dividend for 1970 at 15 per cent, taxable, despite a set back in working results. There was a drop in turnover to Rs. 1.66 crores from Rs. 1.91 crores in 1969 while the net profit before deprecia-

tion and taxation, declined to Rs. 27.46 lakhs from Rs. 34.89 lakhs. The charge in respect of depreciation is higher at Rs. 4.23 lakhs (Rs. 3.66 lakhs) and taxation claims Rs. 13.60 lakhs (Rs. 16 lakhs). After transferring Rs. 64,761 (Rs. 16,000) to development rebate reserve, the balance of Rs. 8.98 lakhs (Rs. 15.07 lakhs) has been taken to general reserve. The equity dividend will be paid out of this reserve absorbing Rs. 6 lakhs (same).

Vulcan Laval

Vulcan Laval Limited has earned a much larger profit in 1970 following an increase in the turnover to Rs. 3.25 crores from Rs. 2.76 lakhs in 1969. The net profit, before depreciation and taxation, has risen to Rs. 34.45 lakhs from Rs. 23.63 lakhs. A dividend of 6 per cent, taxable, has been declared for the first time since the company offered its equity shares for public subscription in the middle of 1969. The provision for depreciation is Rs. 12.64 lakhs (Rs. 8.34 lakhs). There may be a further increase in turnover and earnings in the current year. The company has plans to widen the range of its products.

American Express

American Express Company has earned record profits for 1970 and the directors have raised the last quarterly dividend to 35 cents per share from 30 cents paid over the previous four quarters. The Chairman and Chief Executive Officer Mr. Howard L. Clark told the Board of Directors recently that the consolidated net earnings rose to \$85.2 million from \$74.5 million in 1969, an increase of over 14 per cent. Consolidated earnings from operations showed a 25.2 per cent rise to \$72.1 million. Total revenue income was up to \$1,310 million from \$1,170 million while consolidated assets rose to \$4,660 million from \$4,150 million at the end of 1969. Sales of travellers cheques worldwide set new records and exceeded forecasts by a comfortable margin. Outstanding cheques at the end of the year were higher at \$827 million against \$757 million a year ago. There was also a substantial rise in card membership to over 3.5 million card holders and in charge volume. Operating earnings of property and casualty insurance subsidiaries showed a 42.5 per cent improvement due to better underwriting results. Net premium income increased by 6.2 per cent to \$807 million while net investment income before taxation improved more than proportionately by 19.7 per cent to a new high of \$55.9 million. The American Express International Banking Corporation continued its growth at a satisfactory rate, total overseas deposits and credit balances exceeding \$900 million and discounts rising to \$564 million. The American Express Reservation Inc., which has

become a leading hotel, motel, car rental and computer reservation service, however incurred also loss due to high start-up expenses. The 2.30 preferred shares will get the regular payment of 57½ per cent dividend and the 1.50 preferred 37½ per cent.

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time in India, High Voltage Contactors require for starting large motors in paper mills, rubber plants, mining industry and large auxiliary drives for power houses.

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STOCK MARKET:

Economic Uncertainties to the Fore

The principal stock markets have displayed subdued sentiment after the flutter immediately following the election results in the middle of March and values of both erstwhile forward scrips and cash shares have retreated from the high levels touched in March and were ruling weak till the second week of April. Turnover also has been very poor as operators as well as investors became aware of the various economic uncertainties that have come to the fore in the wake of the Ruling Congress victory at the polls. The Railway and Central budgets will dominate the thinking of marketmen in the weeks ahead till the budget proposals are known.

It is now feared that fresh heavy taxation cannot be avoided in the May budget as the Finance Minister has left a wide gap in resources of Rs. 240 crores and taxation in the past few years has averaged Rs. 100 crores. As Mr. Chavan has indicated that there may be an upward revision of the annual Plan outlay in May, it is on the cards that fresh imposts will be quite heavy and may again fall on commodities to a major extent. Thus the private corporate sector may feel less alarmed about the budget and

the pronouncement by various Government spokesmen including the Prime Minister would seem to assure private industry that it will have an useful role to play and can bank on Government's confined solicitude where it does not conflict with the ruling party's stand on particular issues. The licensing apparatus would also seem to have well geared to dispose of pending applications. But the Foreign Trade Minister's remarks that the take-over of import trade would continue to cover almost the entire trade has given rise to genuine misgivings if the Government would adopt a realistic attitude in carrying out its economic programmes. Ceiling on urban property is only one of the radical measures contemplated. The crack-down on the textile industry imposing a stiffer penalty for non-production of coarse cloth upto the specified capacity and even raising the quota for this unremunerative category from 25 to 45 per cent along with the refusal to grant any interim price increase for controlled categories have not only affected the future outlook of this biggest industry but has also made other industries with similar pricing problems depressed.

Corporate news has been on the whole very satisfactory. Many cotton mills have sold more and earned more and maintained or increased the quantum of dividend for the latest year. The Kasturbhai group, Bombay Dyeing, Standard Mills, Madura Mills and others have done well but are uncertain about the prospects for the current year due to the high cotton prices. Wimco will be paying a larger sum to its shareholders following an improvement in earnings. Delhi Cloth and General Mills Company Limited (D.C.M.) has got the sanction for its four-for-five bonus issue by capitalising Rs. 7.73 crores from reserves. The company's working so far this year is also reported to be very encouraging. But Binny Limited has shipped the dividend as the cotton textile unit's working was affected by low productivity of labour. Phillips Carbon Black has maintained the dividend at 15 per cent for 1970 and Kamani Engineering Corporation has declared a payment of 9 per cent. Tube Investments has earned a larger profit and raised the dividend for the 17 months ended December 31, 1971. Mysore Sugar has announced a bonus-cum-right issue. National Organic Chemical Industries (NOCIL) has reported a much improved working in 1970 and output and earnings in 1971 are expected to be even higher, though a maiden dividend will have to wait for some more time. Atul Products has also earned much more but has only repeated the previous payment of 14 per cent for 1970.

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CEMENT INDUSTRY



CEMENT INDUSTRY RECORDS IMPRESSIVE PROGRESS

The cement industry recorded the most impressive progress in regard to the creation of additional capacity by over 1.5 million tonnes in 1970 through the completion of many expansion schemes of existing units and the commissioning of new units in the public and private sectors. The efforts made in the past few years to bring about a dispersal of the industry and an increase in capacity in the deficit areas have been fruitful. Three new units came into being in Assam, Rajasthan and Madhya Pradesh, one in the public sector, and two in the private sec-

tor. Another unit also came into being in the public sector in Tamil Nadu with the State Government making a debut in this field. The share of the public sector, however, is still very small and it should be said that the spectacular progress recorded by the industry since the partial decontrol decision was taken sometime back has been mostly on account of the established units. Among Associated Cement Companies, India Cements, Birla Jute, Kesoram Industries, Chettinad Cement Corporation, Digvijay Cement and a few others, over 4 mil-

lion tonnes of new capacity has been created and the capitalisation per tonne has been kept at a level which is much lower than what would be incurred now by any new unit.

Need for Greater Borrowing

Immediately after the revision of prices and the policy of partial decontrol in 1967, it was felt that the industry would be able to generate adequate internal resources and it would be possible for old and new units to embark on ambitious schemes. But

PRICE MOVEMENT

The following are the closing quotations for selected scrips on March 15 and April 5:

Madras			Bombay			Calcutta		
	Mar. 15	Apl. 6		Mar. 15	Apl. 6		Mar. 15	Apl. 6
India Cements	5.64	5.70	Tata Steel	102.00	101.00	Indian Iron	11.25	11.15
Mettur Chemical	12.40	12.25	Telco	234.00	236.00	Hind Motor	12.50	13.10
Dalmia Cement	14.60	14.60	Century	876.50	855.50	Birla Jute	20.70	21.70
Madura Mills	17.75	18.50	National Rayon	541.00	516.00	Guest Keen	31.80	32.80
S.I. Viscose	172.00	171.00	Tata Chemical	30.00	29.75	Indian Alum.	38.15	37.95
Ashok Leyland	6.37	6.45	Larsen & Toubro	21.64	24.00	Dunlop	37.70	38.25
Indian Overseas Bank	170.00	169.00	Century Enka	358.75	345.00	Orient Paper	38.40	38.50
Madras Aluminium	182.00	178.00	Ceat Tyres	242.50	248.75	Zuari	15.19	15.19
E.I.D. Parry	14.60	13.60	United Carbon	430.00	400.00	Avery India	14.25	13.75
Lakshmi Machine	135.00	142.00	MICO	455.00	442.50	Goodyear	54.75	56.75
Binny	80.00	77.50	Hardillia	17.60	17.12	Union Carbide	29.62	31.82
Seshasayee Paper	13.75	13.65	NOCIL	247.00	241.00	India Carbon	31.37	32.25

STURDY BASE FOR INDUSTRIAL PAGE... WITH

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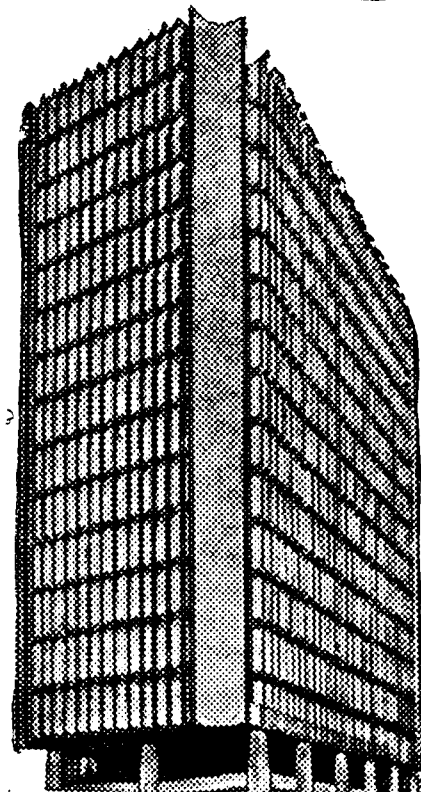
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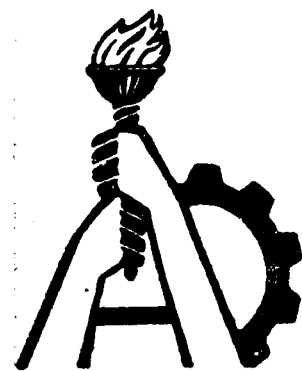
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INDUSTRIAL ECONOMIST

only the established units formulated new schemes to be implemented in two stages. It was, however, found before long that the anticipated accretion to internal resources could not take place and there was also an unexpected increase in the cost of new plant and machinery. It became necessary for A.C.C., India Cements and others to borrow to a greater extent from financial institutions than earlier estimated and with the uncertainty about the continuance of the system for pooling freight rates and the delays in revising retention prices, it was felt that a cautious policy would have to be adopted in regard to the execution of new schemes

Dispersing Development....

In fact, in the absence of a liberal pricing policy, A.C.C. is having second thoughts about new schemes while India Cements may proceed with the installation of two new kilns having a capacity of 4 lakh tonnes annually only if it became clear that there will be no difficulty in transporting cement from surplus areas in the South to deficit areas in the North. Alternatively, if conditions were more propitious, new units might be set-up in Maharashtra or other areas which had no freight disadvantage from the point of view of consumer centres. It is now generally recognised that there will have to be further expansion only in Rajasthan, Uttar Pradesh, Madhya Pradesh and Bihar as these are the re-

gions which have a deficit in regard to their requirements of cement. In Rajasthan additional capacity has been created in a big way with the exploitation of existing limestone deposits. There are good reserves in Madhya Pradesh, but these are located in inaccessible areas and rapid development cannot take place without creating the required transport facilities. Besides, it will have to be examined whether there will be need for conserving available limestone deposits for feeding the steel plants that are already in operation and those that would come up. With the limitations imposed by the availability of limestone deposits in convenient areas, a conscious effort has been made to bring about a more broad-based and dispersed development. Associated Cement Companies particularly has done commendable work in this regard. Besides increasing its capacity for producing portland cement in many of its units in North Indian States, blast-furnace slag is also being used on a large scale for being intergrinded with portland cement.

In 1970 there was an increase in the rated capacity of all units to 16.26 million tonnes from 14.77 tonnes in 1969. But the output of clinker rose to only 12.60 million tonnes from 11.71 million tonnes because of the difficulty in moving cement. This will be evident from the fact that the cement production rose by only 4.1 lakh tonnes to 13.54 million tonnes. There was thus an accumulation of clinker stocks. A.C.C. accounted for nearly half of the

SIEMENS BAGS CONTRACT TO ELECTRIFY CEMENT PLANT AT KUFA

The little town of Kufa situated on the banks of the river Euphrates in South Iraq has been chosen for the site of a 700-tonnes-per-day wet process cement plant. This will give an industrial boost to this region which till now has been essentially agricultural.

The contract for the entire job on a turn-key basis—except for the civil engineering construction, has been given to Associated Cement Companies Limited. This is especi-

ally commendable because this, Rs. 3.7 crores, contract was won in the face of international competition.

Siemens India has been entrusted with the complete electrification of the plant which includes the supply of H.T. and L.T. switchgear, transformers, instrument and control panels, H.T. and L.T. cables—as well as the erection, commissioning and engineering for the whole scheme.

The Jaipur Udyog (Nigeria) Limited

This is a wholly owned subsidiary of The Jaipur Udyog Ltd. It has obtained the Management Agency of the Government-owned cement plant at Ukpilla in the mid-Western State of Nigeria with annual capacity of 1,50,000 tonnes. A team of Indian experts of the Company is already in Nigeria and it is hoped to commission this cement plant very shortly. This venture of exporting cement technical know-how is the first of its kind in the Indian cement industry.

additional capacity in the past year, its total rising to 6.57 million tonnes from 5.88 million tonnes. But there was only a modest increase in the output of clinker to 4.47 million tonnes from 4.28 million tonnes and even a less pronounced increase in cement production to 5.17 million tonnes from 5.07 million tonnes.

It had been earlier expected that production will have to be raised to 18 million tonnes by 1973-74. This, is however, unlikely as it was only 13.54 million tonnes in 1970. There may, at best, be further expansion of capacity to 18-19 million tonnes and even if the industry operated quite efficiently, availability may not be more than 17 million tonnes at the outside limit. If it is argued that currently despatches can be increased by one million tonnes without railway bottleneck, the industry may meet a difficult situation by the end of the Plan by a careful rationalisation of movement and effective use of its capacity. Thereafter, however, serious shortages may emerge if there was no definite policy and apart from the schemes of the Cement Corporation of India, the units in the private sector too were helped to forge ahead. It should be realised that the cement industry will have more important role to play in the new order that is now being proposed and it will be idle to expect that the growth in cement production will be equal to the increase in consumption over a period without adequate profitability and planning. —Meenam

CEMENT SUPPLEMENT

23

NEED FOR FIRM PRICE POLICY

An anomalous state of affairs exists in the cement industry. Manufacturers in the southern region are experiencing considerable difficulties in utilising their capacities fully and raising production even when there is a large demand for this building material in the North West Region where the open market prices are much higher than the controlled rates. This is because the Government has been unable to formulate a clear-cut price policy and provide the equalisation fund with the necessary resources for pooling freight expenses. The Railways also have not been able to allot the required wagons for the movement of cement from the southern region to Punjab, Haryana, Himachal Pradesh, Uttar Pradesh and even West Bengal.

Cement producers in Tamil Nadu, Andhra Pradesh and Mysore parti-

cularly are worried about the absence of efforts for meeting the growing demand for cement with a rationalisation of the movement of railway wagons and the prompt payment to the select units concerned towards the extra freight charges incurred by them in transporting cement to consuming centres in distant regions. The Government is, no doubt, in an awkward situation as vexatious litigation has been going on for the past three years and it has not yet been possible to take a definite decision about how retention prices should be paid to the old and new entrants. A uniform price of Rs. 100 per tonne is now being paid to all cement units. Only a marginal increase in prices has been effected to off-set the increase in production costs and freight charges and hence the amount credited to the freight pool is not adequate for

compensating the producers for the additional expenses incurred by them towards freight charges.

Movement Restrictions Affect Production

If only cement could be moved freely to different parts of the country, there can be an increase in consumption by over 5 lakh tonnes annually and even 1 million tonnes under favourable circumstances. With the prospect of a larger Plan outlay in 1971-72 and greater emphasis on the construction of residential houses, there is bound to be a big improvement in the demand for cement in the coming months. It is roughly estimated that the cement units in Tamil Nadu, Mysore and Andhra Pradesh, which have an aggregate capacity of

6 million tonnes among them are utilising only less than 80 per cent of the rated capacity. This would mean that more than a million tonnes of output is being lost either due to labour trouble, operating inefficiency or the difficulty in transporting cement by rail over long distances.

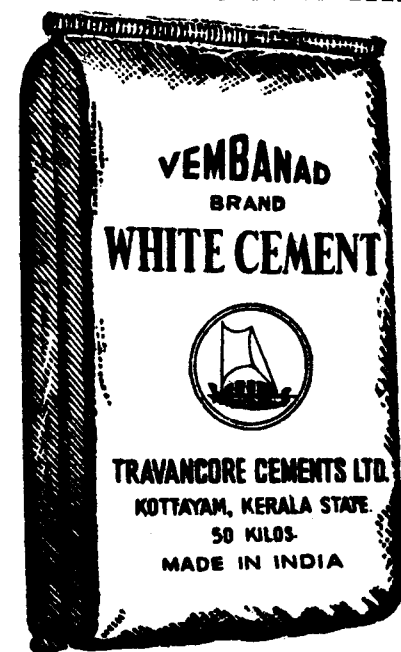
Delayed Disbursements

There will be a big increase in demand in the current year with a boom in the construction of houses, road building programmes and implementation of irrigation and power projects. Luckily, the industry has got the required capacity at the present moment and output can be stepped up on the required scale for the next one or two

years. But an impossible situation will arise in the remaining three quarters of 1971 if there was no advance planning and the Government did not also take a decision about the reimbursement of the additional expenses incurred by cement users on account of freight charges. There is already a complaint that the amounts due from the Government on this account are outstanding for a long time and the ways and means position of many cement units have been considerably strained because of these outstandings raising capital expenditure on new projects and accumulation of stocks.

Government should anticipate the difficulties that will arise in the coming

years and formulate price policies in a realistic manner and also make arrangements for transporting cement from the surplus to the deficit regions. Without intelligent anticipation serious shortages may emerge after two or three years. This is because the cement units have completed the expansion schemes formulated some time back and are prepared to embark on fresh schemes. There is no longer any controversy about how the industries should be developed as it is recognised that new capacity should be created in deficit regions to the maximum extent possible. Undue anxiety for dispersed development should not retard natural growth and the emergence of needless shortages. (FOC)



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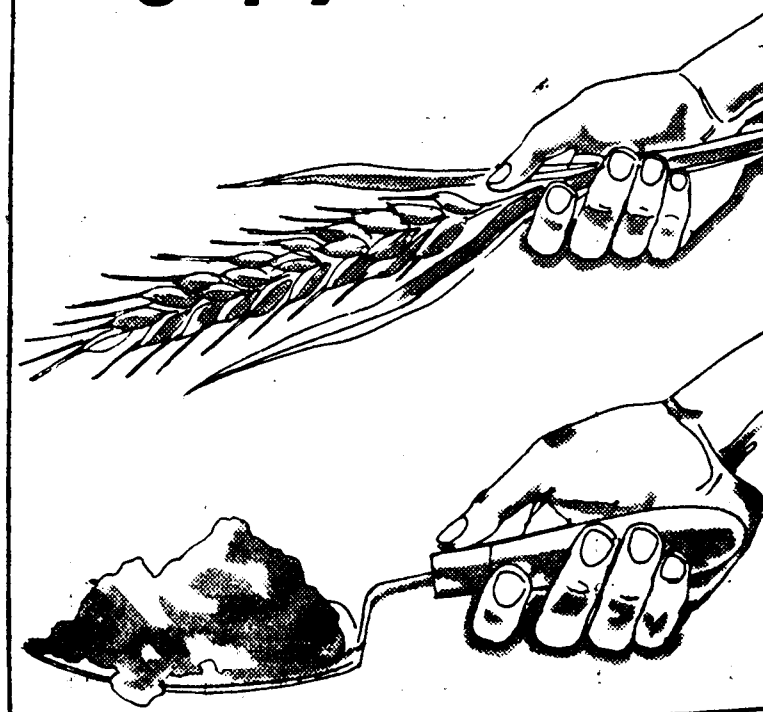


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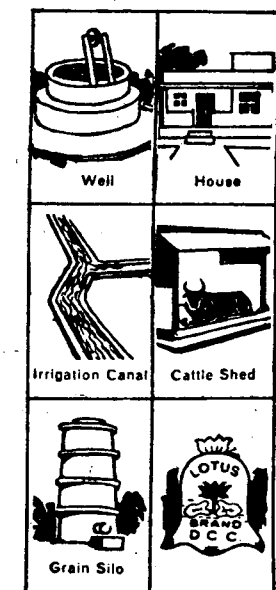
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TREND OF CEMENT PRODUCTION

1969-70

Sl. No.	Name of Member	Rated capacity	Cement ground Performance during 1970	% age of cement production to capacity Col. 4 × 100 Col. 3	Rated capacity	Performance during 1969 Cement ground Col. 7 × 100	% of cement production to capacity Col. 6 × 100 Col. 8
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	The Associated Cement Cos. Ltd.	65,67,540	51,73,601	78.7	58,81,828	50,65,385	86.1
2.	The Andhra Cement Co. Ltd.	2,34,750	1,88,793	80.4	1,89,000	1,92,153	101.6
3.	The K.C.P. Ltd.	2,54,000	2,03,713	80.2	2,54,000	1,76,023	69.3
4.	Kesoram Cement	2,00,000	2,47,120	123.5	2,21,000	1,65,408	74.8
5.	Panyam Cements & Min. Ind. Ltd.	3,78,000	3,13,455	82.9	3,78,000	3,43,318	90.8
6.	Bagalkot Udyog Ltd.	2,52,000	2,18,355	86.6	1,98,000	2,01,385	101.7
7.	Mysore Cements Ltd.	4,10,670	3,86,607	94.1	4,00,000	3,02,667	75.6
8.	Mysore Iron & Steel Ltd.	88,965	81,446	91.5	89,000	82,723	92.9
9.	The Travancore Cements Ltd.	50,800	47,198	92.9	50,800	52,241	102.8
10.	Chettinad Cement Corporation Ltd.	2,33,330	2,00,407	85.9	2,00,000	1,92,662	96.3
11.	Dalmia Cement (Bharat) Ltd.	4,67,040	5,03,539	107.8	4,67,040	5,24,122	112.2
12.	India Cements Ltd., Talaiyuthu	8,13,000	6,59,551	81.1	6,29,546	5,13,902	81.6
13.	The India Cements Ltd., Sankaridrug	4,00,000	4,28,159	107.0	4,00,000	4,84,431	121.1
14.	Madras Cements Ltd.	1,90,000	2,00,900	105.7	1,90,000	1,91,700	100.8
15.	Tamilnadu Cements	1,83,330	36,722	20.0	—	—	—
16.	Ashoka Cement Ltd.	2,00,000	1,64,167	82.0	2,00,000	1,61,762	80.8
17.	Assam Cements Ltd.	82,500	54,900	66.5	—	—	—
18.	The Birla Jute Mfg. Co. Ltd., Satna Cement Works	5,55,000	5,93,366	106.9	5,55,000	5,91,659	106.6
19.	Chittargarh Cement Works	2,00,000	2,34,594	117.2	2,00,000	2,45,434	122.7
20.	The Cement Corpn. of India Ltd. Mandar	80,600	49,623	61.5	—	—	—
21.	Dalmia Dadri Cement Ltd.	1,93,200	2,14,138	110.8	1,93,200	2,08,020	107.6
22.	The Hindustan Sugar Mills Ltd.	1,68,215	76,127	45.2	—	—	—
23.	The Industrial Devp. Corpn. of Orissa Ltd	4,00,000	2,43,057	60.7	4,00,000	2,01,780	50.4
24.	The Jaipur Udyog Ltd.	10,22,000	7,80,087	76.3	10,22,000	8,87,194	86.8
25.	Kalyanpur Lime & Cement Works Ltd.	3,50,000	2,62,426	74.9	3,50,000	2,62,731	75.0
26.	Orissa Cement Ltd.	4,01,000	3,83,555	95.6	4,01,000	4,53,669	113.1
27.	Rohtas Industries Ltd.	3,15,000	3,14,680	99.8	3,15,000	3,09,514	98.2
28.	Saurashtra Cement & Chem. Ind. Ltd.	5,13,665	4,00,409	77.9	5,33,000	4,49,020	84.2
29.	Shree Digvijay Cement Co. Ltd.	8,40,000	7,37,844	87.8	8,40,000	6,76,071	80.4
30.	Sone Valley Portland Cement Co., Ltd.	2,15,000	1,44,026	66.9	2,15,000	1,95,359	90.8
Total		1,62,59,605	1,35,42,565	83.2	1,47,72,414	1,31,30,333	88.8

SIZABLE CEMENT CAPACITY IN SOUTH

Abundant availability of the main raw material, namely, limestone, has conferred a natural advantage on the development of the cement industry in the southern region. The operation of a freight pool system has also

enabled the cement units in the region to market without difficulty their surplus production, after meeting the regional requirements, in the deficit areas of North India and even export increasing quantities to neighbouring

countries like Ceylon. The units in the southern region comprising Tamil Nadu, Andhra Pradesh, Mysore and Kerala account for about 40 per cent of the country's cement capacity and this proportion would have been much

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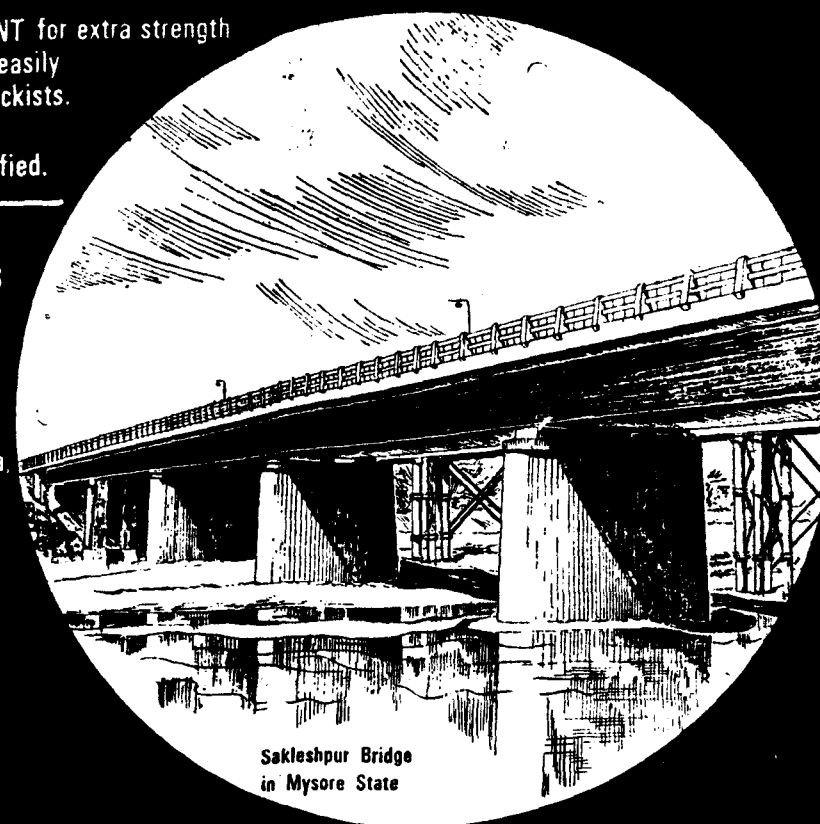
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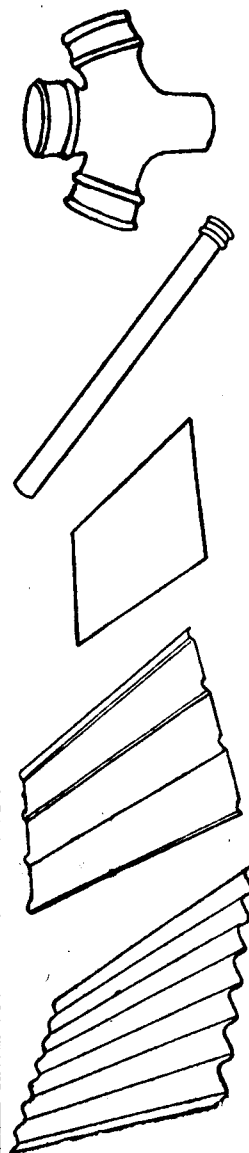
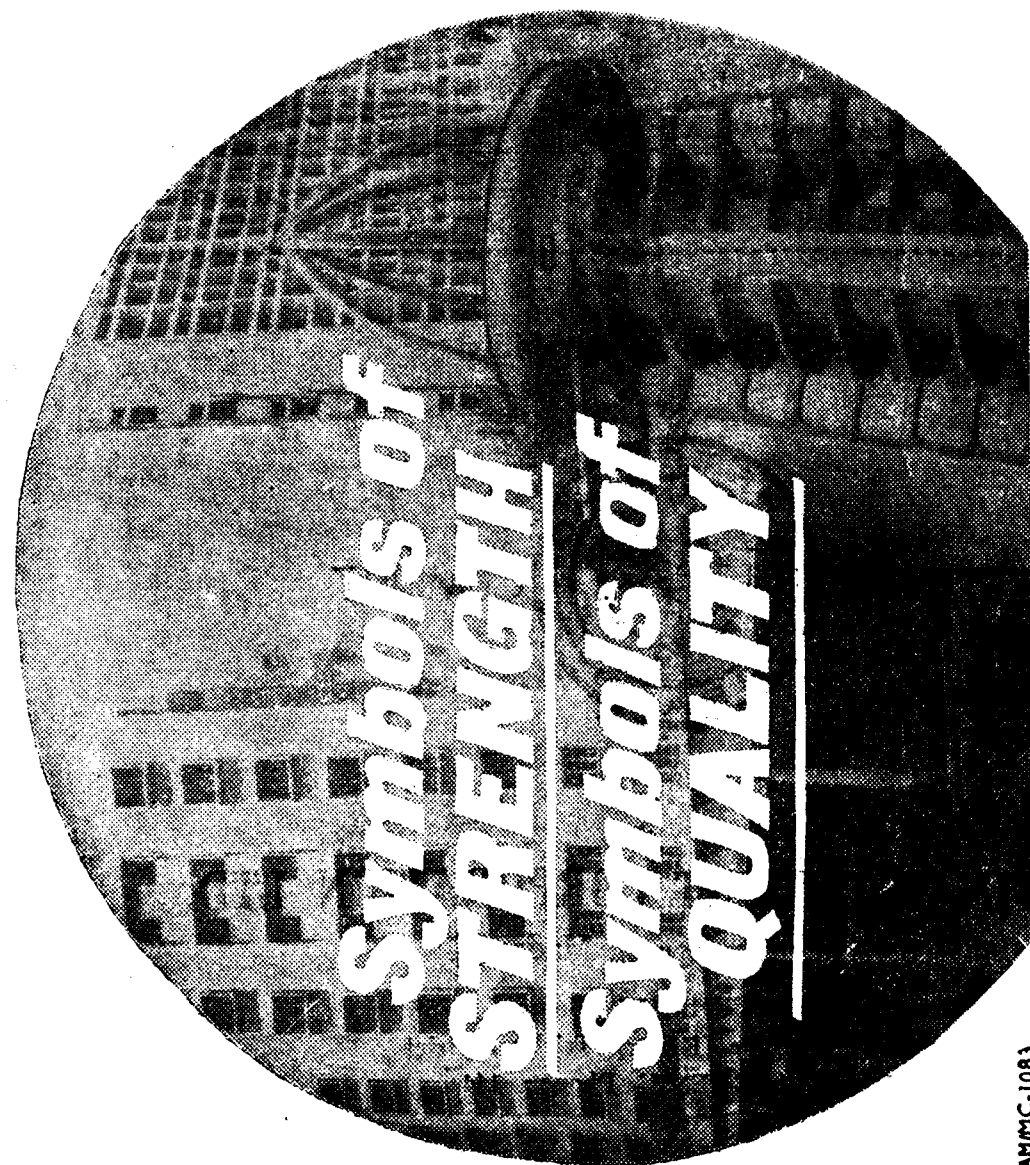
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refractory requirements of steel units is being expanded to 72,000 tonnes from 36,000 tonnes. Dalmia Cement has also been deriving considerable benefit from its cashew exports.

Associated Cement Companies Limited has four of its units in the South-Madukkarai in Tamil Nadu, Shahabad and Mancherial in Andhra Pradesh and a new unit at Wadi in Mysore State. The Madukkarai unit which had a capacity of 2.82 lakh tonnes will be able to increase its output to 4 lakh tonnes a year with the installation of a kiln shifted from the group's Patiala unit. The Wadi unit has also completed its expansion and has at present a capacity of 4 lakh tonnes. The Shahabad Heavy Engineering unit manufactures cement and other industrial machinery. A.C.C. is also setting up two granulated fertilizer units at Krishna and Sevalia with 50,000 tonnes capacity.

A New Comer Operates Profitably

Madras Cements Limited, a new-comer, has its factory at Thulukkappatti in Ramanathapuram district. Though the capacity is only 2 lakh tonnes, the company has been operating on a fairly profitable basis as its output has been kept at a high level. Production of cement in 1969-70 actually exceeded capacity at 210 lakh tonnes though

clinker production was only 1.85 lakh tonnes as there were accumulated stocks of the latter. There is a proposal to switch over to the dry process from wet process and at the same time raise the effective capacity by two-thirds by modernising the existing machinery.

Chettinad Cement Corporation has also been able to utilise the capacity of its Karur unit effectively in 1969-70, with output exceeding the rated capacity of 2 lakh tonnes. The profitability of operations will improve distinctly in the current year (1971-72) as the second kiln with a capacity of 2 lakh tonnes will be in operation for the whole year.

The first unit of Tamilnad Cements at Alangulam, a State-owned undertaking, with a capacity of 2 lakh tonnes, went into production in February last year. The second unit of similar capacity will be adding to the company's production substantially with current year (1971-72).

Impressive Performance

But the most impressive performance has been by Mysore Cements, which after the change in management a few years back, has been put on a sound footing and has started earning sizable profits and paying attractive dividends. The factory in Ammasandra

in Tumkur District of Mysore State has a capacity of 4 lakh tonnes. The use of dry process for making cement has been highly profitable. There is a scheme to put up a new unit in a deficit area like Madhya Pradesh. An application has been made to the Madhya Pradesh Government for a mining lease as adequate limestone deposits have been located near Itarsi.

Bagalkot Cements also in Mysore State has been able to achieve improved production after affecting major repairs and rehabilitation of its plant. It has taken up an expansion scheme which will raise its capacity to 4.3 lakh tonnes of cement including blast furnace slag cement from the present 2.5 lakh tonnes and production will go upto 5 lakh tonnes after switch over to dry process, now being done.

Mysore Iron and Steel, a State-owned company, has also a small cement unit with a capacity of 90,000 tonnes. There is also the unit of Cement Corporation of India coming up in the State, with a capacity of 2 lakh tonnes.

The only cement plant in Kerala is the small-sized unit of Travancore Cements near Kottayam with a capacity of 50,000 tonnes of white cement. The company has no expansion plans.

Besides the A.C.C. unit at Mancherial and Shahabad, there are four units in Andhra Pradesh. The plant of Panyam Cements and Mineral Industries in Kurnool district had some difficulty last year in utilising its expanded capacity of 3.6 lakh tonnes due to acute shortage of water and serious teething trouble with the new kiln.

Andhra Cement's unit at Vijayawada and K.C.P.'s Macherla factory have not been able to utilise their capacity of 2.3 lakh and 2.5 lakh tonnes fully and their output has been around 1.90 lakh tonnes each. Kesoram Industries has also commissioned its factory in Telengana. The first kiln has already started contributing to the company's turnover. The second kiln with another 2 lakh tonnes capacity is being installed and may be ready shortly.



View of Mysore Cements Ltd. factory near Ammasandra (Tumkur Dist., Mysore State)

THE DEVELOPING DALA COMPLEX

By P. KUMAR

The Geological Survey of India found out the existence of limestone quarries in Mirzapur district, U.P. in 1961-62. There is already cement factory at Churk, which draws its essential raw materials from the mines of Ghurma. The Geological Survey of India suggested to the Government of Uttar Pradesh two places for the establishment of a cement factory viz., Dehradun and Dala. The idea of Dehradun had to be dropped because of paucity of industrial power. The choice fell on Dala because of availability of raw materials, power, water and labour. The Government of U.P. decided in 1964 to take up the work of construction in three phases.

Limestone quarries are situated at Kajarhat, about a mile away from Dala. The limestone resources are expected to be sufficient to meet the require-

ments of the factory for about 100 years. The local limestone is of a superior quality. For the present, two hillocks are being blasted simultaneously to ensure proper blending. The life of these hillocks is estimated to be 15 years.

The plant was supplied, after global tenders, by Messrs. F. L. C. (Five Lille Cail) Company of France, in collaboration with Messrs. International Equipment Corporation, New Delhi. The F.L.C. Co. also sent four French Engineers to look after the work of lay out. The work is nearing completion and the production of cement is likely to start, after inauguration, very soon.

The entire project is to be completed in three phases. In the first phase, the expenditure will be Rs. 11.4 crores

and the rated capacity will be 1,200 metric tonnes (i.e., about 24,000 bags) of cement per day. In the second phase, the total expenditure will increase to Rs. 19.4 crores and the rated capacity will expand to 2,400 metric tonnes of cement per day. In the third phase, the total amount spent will increase to 25 crores and the rated capacity will be expanded to 3,600 metric tonnes of cement per day. It is remarkable that the daily production capacity of the Churk cement factory is 28,000 metric tonnes per day. This expenditure relates only to the factory. After completion of the first phase, the factory is likely to employ about 1,000 whole-time skilled and unskilled workers. On completion of the three phases, the factory is likely to provide permanent employment to about 2,000 workers.



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BREAKTHROUGH IN EXPORT FRONT

The achievement of a growth rate of 8.5 per cent in exports in 1970-71 against 4.8 per cent in 1969-70 under extremely difficult circumstances has given rise to confident expectations in Government circles that the Plan target of 7 per cent for growth in exports for the Fourth Plan can be fulfilled. The recovery in the latter half of 1970-71 has come about in an unexpected manner as upto November last year there was no indication that the ground lost in the earlier months would be regained. Actually in April-September 1970 exports were lower by Rs. 20 crores as compared to the corresponding period in 1969, the value of exports for the previous six month period being Rs. 799.11 crores. The earlier shortfall was of course due to a prolonged strike at the Calcutta port which by itself accounted for a drop in the value of exports by Rs. 40 crores. The clearing of the accumulated stocks of tea and gunnies after August and an increase in exports of engineering goods and iron ore along with other items actually enabled the country to have a favourable balance of trade of Rs. 25 crores in the last quarter of 1970. The level of exports for December 1970 at over Rs. 151 crores actually constituted a new record, and with maintenance of the upward trend, in the first three months of this year, it is now estimated that total exports for 1970-71 will be Rs. 1530 crores, against Rs. 1413 crores in 1969-70. According to provisional figures, exports in the eleven months ended February 1970 amounted to Rs. 1395 crores and it is estimated that in March exports would be at least Rs. 135 crores. The total is thus expected to be Rs. 1530 crores giving an increase of around 8.5 per cent. This would mean that in October-March of 1970-71, exports rose by Rs. 137 crores compared to the same period in 1969-70.

There were larger exports of iron ore, engineering goods, chemicals and plastic products, ready-made garments and hosiery goods. There was actually a decline in value of exports of gunnies. This clearly indicates that non-traditional exports have been helpful in boosting value. It has also been indicated that the unit prices for tea and engineering goods were encouraging. There was a revival in demand for tea in the international market while with the increase in world steel prices, engineering goods could be sold more remuneratively.

What is however more interesting is the demand for non-traditional products in the Middle East, African and Asian countries. Though it is stated that there was a decline in exports to USA, UK and West European countries, Japan and Australia did a much larger volume of business while there was an expansion of the trade with the East European countries. In the absence of full data relating to the direction of trade, it is difficult to say whether there was a significant increase in the quantum of free foreign exchange earnings; but even after allowing for a larger trade on rupee payment basis there should have been larger free foreign exchange earnings. As there is an unsatisfied demand for engineering products and Indian firms and technical experts can execute turn-key projects in African countries and South East Asia, there is scope for increasing exports under these heads by even Rs. 50 crores in 1971-72. What is needed is easier availability of steel and non-ferrous metals so that exports of machinery and electrical equipment can be increased.

The outlook for 1971-72 can, therefore, be viewed with optimism though in order to overcome the slack of the first year of the plan period, an increase in exports of over

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10 per cent will have to be achieved. This would mean, on a larger base, a more strenuous effort as additional exports will have to be for Rs. 153 crores, against Rs. 117 crores in 1970-71. Engineering goods, iron ore, chemicals and other items can probably account for Rs. 100 crores. It is possible to fulfil export targets indicated above with larger exports of gunnies, tea and coffee. Tea exports have

GUIDELINES FOR FINANCIAL CORPORATIONS

The Union Cabinet has, after prolonged consideration, decided to issue broad guidelines to the statutory financial corporations about how loans should be converted into equities when fresh assistance is given to industrial units in the private sector. There can certainly be no objection to the issue of convertible debentures or stipulations for converting specified proportions of new loans into equities, but the feeling somehow gained ground that the Government is trying to exploit its monopolistic position to its advantage and before long there would be a dominant ownership of shareholdings in the industrial units and there can also be interference with day-to-day management of all major companies. Hitherto the policy of the Life Insurance Corporation and other lending institutions has been to refrain from participating actually in the management of industrial units, in which they were vitally interested. But the opinion in Government circles is in favour of active participation and deriving the best advantage out of the investment that has already been made in prominent industrial units.

With the nationalisation of banks and the control by Government of a large proportion of newly created savings in incomes through the Life Insurance Corporation and other statutory institutions, the Government will necessarily have to provide a large part of the borrowed funds, of bigger industrial units. And so long as there is heavy incidence of direct taxation, borrowings in the form of debentures, medium term loans and deferred credits will constitute a huge proportion of total capital employed. In fact, with the capital cost of paper mills, aluminium units, petro-chemicals, fertilizer and other units being high, there is anxiety to have large borrowings. In the case of a new big venture which will be raising its resources shortly, the debt equity ratio will be even higher than 2:1. There will necessarily be foreign credits and rupee loans coming from Government owned sources.

As the broad guidelines fail to lay down specific procedures, it has to be only stated that the statutory corporations comprising the Life Insurance Corporation, the Unit Trust of India, the Industrial Development Bank, the Industrial Credit and Investment Corporation and the Industrial Finance Corporation may not insist on conversion of new loans where the amounts did not exceed Rs. 25 lakhs. Where the loans range between Rs. 25 and Rs. 50

been looking up while coffee exports can be raised easily as a result of a bumper crop. It is necessary to boost internal production of steel, aluminium and other industrial raw materials. The improved climate in the international market can be advantageously exploited if only there was a growth in industrial production also by over 10 per cent in 1971-72 against only about 6 per cent in 1970-71.

lakhs, discretionary powers have been given while there will be compulsion to convert at least a small proportion of new loans if they were above Rs. 50 lakhs.

It has not been clarified whether the Government-owned corporations will be entitled to convert any portion of debentures of industrial units even where the debt equity ratio was less than 1:1. Also where debentures were offered will the public be entitled to similar conversion terms or will they be available only for the privileged lenders?

These doubts still persist and there will be preparedness on the part of industrial borrowers to seek the assistance of the statutory corporations only if it is known that borrowing from these sources will not be costly, ultimately.

There is also no rational approach to the question of the premium for conversion as it is being fixed at a very low level when the market quotation is very high. This insistence has created complications, and the foreign collaborators are insisting that their share in the equity capital should not be affected by the conversion of new loans into equities and if these loans had to be taken there should be a corresponding issue of equity shares at a suitable premium which will help the foreign collaborators to avoid a decline in their ownership of the equity capital.

While thinking on what should be the extent of foreign participation in equity capital is undergoing fundamental changes, it is necessary to allay misgivings of industrial borrowers as further development should not be hampered. In the light of experience acceptable procedures can be evolved though it will be advisable to adopt in the earlier stages a cautious approach. The objective should be to ensure a reasonable return on investment over a period and convert only small proportions of loans into equities without affecting the rights of existing shareholders.

On the question of management also the institutional lenders have a right to be represented on the boards of directors and there should be interference with the working of industrial units only if things went wrong. There should be no attempt to seek special privileges or unfair advantages and the guidelines would have served their purpose only if they succeeded in fostering fresh industrial development in the private sector and proved helpful in enlarging the base of the capital market.

Another Successful Year for A.D.B.

The Asian Development Bank can take credit for raising the volume of its development assistance to \$ 384 million in 1970 from \$ 41.6 million in 1968. The Bank has a soft loan window in its special funds and loans made therefrom have aggregated to \$ 55.70 million against \$ 22.0 million in 1969. It may be recalled that the first loan of the A.D.B. was made in January 1968. The concessional loans in the last year (1970) were availed of by Afghanistan, Cambodia, Indonesia, Laos, Malaysia, Nepal, Singapore and the Republic of Vietnam. The A.D.B. is only seeking to function as the World Bank in miniature in the South East Asian region. Like the World Bank, the A.D.B. has been diversifying its activities and enlarging the proportion of concessional loans in its aggregates of developmental assistance and has been soliciting the support of richer nations in the form of contributions, on a triennial basis, to its Special Funds which are a counterpart of the World Bank's soft loan window, the International Development Association, which operates on the basis of such three year subscriptions.

Increase in Lending Rate

The A.D.B.'s latest annual report records for instance, that "the most significant policy development in the Bank's operations in 1970 was the increase in its regular lending rate from 6½ per cent to 7½ per cent, effective from 28th May." The reasons adduced for the increase are that the yields on long term bonds have gone up by one per cent everywhere, that the costs of two bond issues for 1969 and 1970 were higher than the old lending rate and other international banks like the World Bank, the Inter-American Development Bank and the European Investment Bank had al-

ready raised their lending rates. What is more, the maintenance of a lower rate has led to a tapering off to an insignificant amount the participations in early maturities of loans by bankers in the United States, Europe and Japan. The A.D.B. has made clear that while its new lending rate will apply to all loans approved after May 28, 1970, "in the case of loans to development banks approved prior to that date, it had been agreed that they would be charged the rate prevailing at the time the amount of a subloan was credited to their accounts." However, with the decision to increase the Bank's rate of interest, an offer was made to them of a fixed lending rate of 6½ per cent on the uncommitted portion of their loans and it is reported that development banks have availed of the offer.

The loans advanced this year are assisting a wide spectrum of developmental projects in a large number of countries. The Bank is providing \$ 6.1 million in two loans to Ceylon in respect of the Colombo Port Tanker Berth Project and the tea factory modernisation scheme. The harbour is to be deepened to take tankers up to 60,000 dwt. and a dredger and tugboat are also to be provided. The tea loan is the second such offered to Ceylon and will be used in the construction of factories, installation of machinery and provision of electric power, etc., The A.D.B. is assisting likewise Malaysia's Besut agricultural development project, Nepal's jute development programme and Pakistan's rice milling project and cotton spinning milling project. The list is well nigh endless.

Pre-Investment Surveys

The A.D.B. has also been assisting in making pre-investment surveys. It is completing a regional transport

survey covering Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and the Republic of Vietnam. At the request of the Fourth Ministerial Conference for Economic Development of South East Asia, it has made a policy-oriented study of the economy of the region in the 'seventies. It has on hand a study to ascertain the training facilities currently available to development banks and to examine the possibilities for improvement in this respect. In March 1969, the A.D.B. approved a financial contribution of \$ 300,000 to support the establishment and operation of the proposed Asian Vegetable Research and Development Centre in response to a request from the Government of the Republic of China on behalf of seven participating countries. What is more, the Bank is obtaining from the World Bank and the developed nations such technical help as is warranted by their rich experience in technology. For the first time, the Bank participated with other lenders in 1970 in financing Indonesia's Pusri fertilizer plant. The Bank assisted in the appraisal of the project and shared in the financing, on concessional terms, jointly with the International Development Association, the United States and Japan.

What is crucial so far as India is concerned is the role that she should play in A.D.B.'s developmental activities. It is common knowledge that so far India has kept itself aloof from regional politics as had been on the anvil of recent conferences of other South East Asian countries. The aloofness has created a situation in which India is seemingly turned closer towards Africa and West Asia. The disadvantage of this trend consists in the more viable custom that South East Asia can offer for Indian expertise and goods especially because some of these economies are more sophisticated than those of West Asia or Africa. It is time India woke up to this reality and acted as befits the situation and in accordance with its long term responsibilities of a large Asian nation. —S.R.

Encouraging Trends in Foreign Trade

Recent trends in foreign trade have been quite encouraging and the Union Minister for Trade, Mr. L. N. Mishra is fortunate in being able to enunciate a policy which has ensured continuity of imports of raw materials and components on a liberal scale. But for the strength imparted to the balance of payments position by the improvement in the food situation, and an increase in invisible exports, an extremely difficult situation would have arisen by now with diminishing foreign aid. In spite of larger imports, the deficit for 1970-71 may not be more than Rs. 120 crores against Rs. 157 crores for 1969-70. The deficit for the last financial year would have been even much lower had it not been for the serious shortfall in the output of raw cotton and steel.

It is needless to emphasise the importance of eliminating the weaknesses in the agricultural economy and making the best use of the existing industrial capacity. The fertilizer industry is still functioning inefficiently and imports are still sizable. A balance between exports and imports can be achieved even with a big increase in raw materials and components required for the electrical goods manufacturing industries, tractors and others. The target for growth in exports of 10 per cent can be reached if only Mr. Mohan Kumaramangalam can revitalise the working of Hindustan Steel and other public units and with the availability of large quantities of steel, aluminium and other non-ferrous metals and exports of non-traditional items can be increased. At the same time, on the import front, it should be possible to reduce the outlay on raw cotton, oilseeds and fertilisers which may account for a saving of easily Rs. 100 crores.

Liberal Import Policy

Mr. Mishra is conscious of the need for helping industrial units to secure

their requirements of raw materials and components and the import policy recently announced is the most liberal conceived so far. With the efforts that are likely to be made for disposing of expeditiously applications for imports and the new facilities that will be given to exporting houses, small industries and weak units, there is bound to be a fuller use of industrial capacity in many directions. Mr. Mishra has, however, taken care not to hurt established industries by liberal policy because the process of import substitution is to be carried one step further by the banning of imports of as many as 174 items. The petro-chemical, industries particularly are coming into their own and there are many spheres in which imports can be displaced in a big way. While the mistakes committed immediately after the devaluation of the rupee by flooding imports should be avoided, care should be taken at the same time to prevent the emergence of scarcities. As inflationary pressures can be checked with a better use of existing capacity and an increase in supplies of critical items, it should be the objective of the Government to administer the foreign trade policy in such way as it does not merely meet the marginal needs of export oriented industries but brings about a situation in which unit cost can be reduced with a larger output. This will result in the pricing of the export trade on a more healthy basis and eliminate the complaint voiced in some corners that the exports of some items are causing heavy losses because the Government is not alive to the need for stepping up production of these items.

70% of Import Trade Thro' Govt.

As a result of the latest decision, Government agencies will be canalising through themselves additionally 52 items taking the total to 112 items and it is estimated that by March next

year nearly 70 per cent of the import trade will be handled by many State agencies. Apart from imports of food-grains edible oils and raw cotton, raw cashew, steels of different kinds, intermediates, non-ferrous metals, raw silk and various other items will be imported on a bulk basis. The objective is to derive the benefit for the country of cheaper buying and the leakage of foreign exchange that is reported to be taking place. But the misuse of licences and the inflation of the value of exports might be exaggerated, as in foreign trade relations there are some practices which are difficult to be eradicated. What is needed is competitive buying and efficient selling and the freeing of controls wherever possible. Probably it is difficult to imagine relaxation of foreign exchange controls liberally in the foreseeable future, as there will have to be restricted expenditure on imports in some directions. There will have to be either a quantitative restriction of imports or the levy of heavy revenue duties, which have a restrictive effect.

Unless something is devised by which there can be parallel buying and selling by public sector and private sector agencies, the abuses on either side cannot be prevented. The developments in the last few years clearly show that the techniques of the developed countries have been so perfected that even with the slightest suggestion of shortages, prizes have been wriggled up, by international cartels. This happened in the case of sulphur some time back and aluminium and steel last year. The Government has to be very careful in assuming new responsibilities and it should not hesitate to take advantage of the experience in expertise of important industrial consumers and established importers when taking important decisions. Foreign trade policy must be fashioned not merely at sectionally stimulating exports but for building up an industrial base which will become more integrated. It will be possible to pay for imports through exports in increasing volume.

ECAFE's Concern for Social Justice

This year's session of the Economic Commission for Asia and the Far East at Manila met at the commencement of the Second Development Decade. That explains the predominant stress in the latest annual survey of the ECAFE on the achievements of the 'sixties which comprised the First Development Decade and the prospects for the 'seventies, the ensuing Second Development Decade. The developing economies of the South Asian and South East Asian region represent a mosaic of diverse aspirations and fulfilments. Some of them have been implementing an economic planning programme oriented to the mixed economy pattern in order to ensure a smooth transition from a stagnant past to a dynamic future. The ECAFE developing region, being dominated by India, the progress achieved and the promises ahead of this country have been specially noticed in the annual survey.

The United Nations General Assembly, it may be recalled, in its declaration for the First Development Decade, called on "both developed and developing countries to accelerate progress towards self-sustaining growth of the economy of the individual nations and their social advancement so as to attain in each underdeveloped country a substantial increase in the rate of growth, with each country setting its own target, taking as the objective a minimum annual rate of growth of aggregate national income of 5 per cent at the end of the Decade." It is comforting to record that in the world as a whole, this target has been achieved. There were, however, marked differences in that the growth rate for individual areas has been as: Middle East: 6.5 per cent; Latin America: 4.9 per cent; ECAFE region: 4.4 per cent and Africa: 4.2 per cent.

It is this difference that compels an analysis of actual results so far as the ECAFE's developing region is con-

cerned. The survey notes that, among the right features, the breakthrough in agriculture in a number of developing countries, the financing of development through a larger proportion than usual of domestic resources, the continuance of industrialisation in a manner that improved sectoral viability, the strengthening of the basic infrastructure and the improved competence of administrations for planning and pushing through diverse developmental programmes deserve special mention. The disappointments were the stagnation of per capita income growth at an annual 2 per cent because of increase in population, the stagnation in foreign aid when the demand and capacity for its utilisation had both increased and the accentuation of inequalities.

Limited Benefits

Even the breakthrough in agriculture has been confined to holdings of rich farmers which had good quality soil and assured irrigation facilities. Insofar as improved packages have covered only a segment of even these, the benefits of the agricultural breakthrough should be deemed to be very limited.

When the prosperity of agriculture which was the mainstay of the economy had not percolated to the majority, there could be little social betterment. In the sphere of social expenditure, housing has had a meagre deal. The ECAFE survey cites reports of a nearly 50 per cent increase in the housing shortage, adding that the slum population of Calcutta accounts for half the city's total population. In public health and sanitation, though there has been a considerable advance in the eradication of certain diseases which were previously mass killers, the progress in respect of general medical services and health care has, however, been slow and uneven. Only 11 per cent of the population in

developing regions had protected water supply.

The major worry is about jobs. According to the survey, estimates made for seven Asian countries gave unemployment rates ranging from 5 to 12 per cent and showed that the incidence of under-employment varied between 7.5 and 37 per cent. And unemployment incidence was most severe among the educated youth. Herein lies the seed of social discontent which has all along been nurtured by growing disparities in income and wealth. Much depends on how the unemployment and education problems are solved and inequalities contained within less incendiary limits.

There has been of late considerable awareness in India of deficiencies in education and the aim should be to translate this awareness into action more expeditiously than ever. Without this reform, it will be difficult to prevent universities from manufacturing, as now, prospective clerks of various tiers.

Basically, however, the revival of the economy hinges on the right economic policies being pursued. It is the contention of the ECAFE survey that there is no room for the belief that an increase in inequalities is inevitable before the take-off stage. Hence it calls for land reforms and other social welfare legislation. It sees great concentration of economic power in the industrial sector calling for the vigorous application of anti-monopoly and restrictive trade practices legislation. It considers progressive income taxes as having been robbed of their teeth by excessive concessions in respect of savings and investment. It deems excessive resort to credit creation for financing development as having accentuated income inequalities in a number of countries through unleashing inflationary pressures, while absence of scientific manpower planning has inhibited the creation of job opportunities in the dimension necessary to nutigate the qualities.

—R.S.

Glimpses

By P. R. SRINIVAS

A Great Moral Victory

The developments relating to East Bengal's bid for independence have in every respect followed a ding-dong course which despite the balance in favour of Bangla Desh, makes it difficult to appraise the position or foresee the trends with any accuracy. To those who thought that the "rebels" in East Bengal had no chance against the military might of West Pakistan, the manner in which Sheikh Mujibur Rahman and his followers have been able to hold their ground and even inflict reverses on Pakistan's armed forces would, no doubt, be a welcome surprise. But whether, in the event of indefinite continuance of armed hostilities, Bangla Desh would be able to secure a military triumph is subject to more or less the same doubt as at the beginning. The declaration of independent Bangla Desh, the maintenance of a Mukti Fouj and the assumption of all the formalities and panoply of a duly constituted Government, while the West Pakistan army continues to massacre unarmed civilian population, must in themselves be reckoned a great moral victory.

There is no doubt that the fight put up by the people of East Bengal has had its effect in mollifying the rigidity of the pose of legality which the Western powers thought it proper and wise to adopt in relation to the uprising in East Bengal. It is also possible that, once Russia has stepped down from the fence, the U.S., Britain and the other nations would be inclined to follow the same course, though in more furtive ways. American opinion is shocked, for the first time, at the gross abuse of U.S. arms and ammunition by Pakistan and recognises the bearing which their instrumentality in the massacre of its own citizens in East Bengal has on its attitude

of aloofness on grounds of non-interference in internal affairs. While a war of attrition, with organised commando activity, is still a possibility, more successes for the "rebel" forces, now heart-searchings in the foreign Ministries of European powers and imminent collapse of Pakistan's national economy, particularly in respect of foreign exchange, point to some swift moves comparable to Soviet Russia's action in the war over the Suez Canal. India, in the meanwhile has her hands full with Pakistan's mounting charges against India and the diplomatic situation created by the Pak. Deputy High Commission in Calcutta declaring its allegiance to the Democratic Republic of Bangla Desh and proceeding to function as such. After ignoring the "silent" group for some time, the Government of Pakistan has appointed a new Deputy High Commissioner and asked for the Calcutta premises of the office to be handed over to the new incumbent. The Indian Government has taken the position that, while it will accept the change in the Deputy High Commissionership, it must consider the eviction of its present occupants an "internal affair" of Pakistan. Well might the Indian Foreign Minister say to the Pakistan Ministry "I thank thee, Jew, for teaching me that word!"

Regional Self-reliance and Intra-regional Co-operation

Mr. Ferdinand Marcos, the Philippines President of this year's session of the ECAFE has only slightly reduced the traditional emphasis on the necessity of foreign aid for the economic development of the countries of the region. And what is more, he is inclined to harp on the old theme about the gap between the richer and poorer nations which, he added, is not likely

to close in the foreseeable future. The gap is, one may be sure, gauged on the per capita income of the various countries estimated by the accepted statistical methods. But comparisons with the wealth and ways of life of the Western countries are pointless since, for one thing, their standards are impossible to attain in the countries of this region and for another, they are neither necessary nor, perhaps, even desirable. The well-being of the people, from the subjective and the objective angles rather than the per capita consumption of all the costly gadgets of labour-scarce countries of the West, should be the goal of economic policies of the developing countries. And such well-being is not difficult to achieve, if the traditional lines of thought are abandoned in favour of new ones.

The habit of regarding large scale foreign aid as the indispensable means of securing development apparently dies hard. Mr. Marcos attributes the virtual certainty of the gap perpetuating itself to what he calls "the trial of poverty", namely, the onerous terms of foreign aid, inclusive of the tying of loans, the persistence of barriers to trade with the advanced industrial nations and the growing need for international resources for the development of the ECAFE countries while the relevant facts are incontrovertible, it is time that the countries of this region put more stress on self-reliance than trade or aid from the Western nations, if only because there is little gained by persisting in the old attitude. The donors are bound to consider the advantages and disadvantages of proffering aid to the developing countries. The promptings of enlightened self-interest will not be exaggerated, if they are not ignored altogether. Tied loans only signify the anxiety to secure some incidental advantages for industry and trade at home. Trade barriers are not going to be lowered to lever up industry abroad. While some help from abroad may be expected in spite of all this, too much reliance should not be put

on trade or aid from countries outside the region. Fortunately, self-reliance is not the same irritatingly empty platitude that it was even a decade and a half ago. While the economies of

most countries of the region are by no means complementary, the presence of Japan, an advanced industrial nation in the region and the industrial development of India open up new vistas

of intra-regional co-operation which increase vastly the effectiveness of regional self-reliance. It is heartening to find that Mr. Marcos calling on the ECAFE to marshal its resources

Constraints on a Dominant Sector

Both the Prime Minister and Mr. D. C. Kothari were quite cautious not to tread on sore toes while addressing the recent annual session in New Delhi of the Federation of Indian Chambers of Commerce and Industry. The Prime Minister was of the view that whatever growth is achieved by the economy has to come through whatever competence and drive which the private sector reflected. This was because, according to her, 85 per cent of the economy was in that sector. This arithmetic may appear startling at first sight. For, one would recall to his mind how the Railways and public sector corporations are accounting almost for a 50 per cent share. Perhaps if the Railways were excluded and the aggregates included only other public sector enterprises and 20,000 or more private sector units, the ratio could work out between the private sector and the public sector to be as 2:1. If the Prime Minister's calculation represents the correct position, it could only be by including the farm sector where private entrepreneurship is the order of the day.

Legacy of the Second World War

The quarrel is not, however, certainly over the shares of the two sectors. For what is imperative is to know who should contribute how much. On this the Prime Minister seems to have taken the stand that, since private enterprise dominates the economy, its failure to live upto the goals set in the Plan would justify the encroachment of the State into that field. It is in this context that Mr.

Kothari has highlighted some familiar constraints on private entrepreneurship. Prime position in this regard should be given to the system of Government regulation of industry. It is nobody's case that, in the second half of the century, there should be pristine *laissez-faire*. Indeed the world has travelled so far away from it and, in the ruling circumstances of its sophisticated living, it cannot breathe without a high degree of statism roped in for delivering social good. But the point is whether the controls currently imposed on Indian industry are devised aright towards this end. The major part of these controls is a legacy of the Second World War. There have been progressive additions to them ever since. The process has gone on so irrationally that there is a multiplicity of controls which, apart from their being a paradise for lawyers, hit the nose at every turn. Indeed as Mr. Kothari put it, the entrepreneur is "unable to do any creative activity without stumbling across some rigid rule or other."

Another problem on which there has been considerable regional interest is the degree of fiscal or other autonomy that the regions should have. In his address, Mr. Kothari has suggested that the various States can be allocated a certain amount of foreign exchange as also certain powers of licensing so that such decentralisation would ensure speedier disposal of applications and quicker establishment and expansion of industries. There can be no surer way to confusion than this. Indeed as the Prime Minister

cautioned, "we have a national market and the allocation of foreign exchange must be fitted into an overall scheme of national priorities." Those who have been observing the implementation of planning decisions at the grass-roots will concede that lapses have been the result not of deficiency of fiscal power but of the willingness to push through at the requisite speed the programmes that fall within regional jurisdiction. In any case the external reserves of the nation are not so abundant and the case against centralisation so strong as to merit the type of autonomy which the outgoing president of the FICCI has called for.

Setting up Export-Import Bank

The other issues touched upon at the inaugural session related to industrial relations and exports. On the former, there will be general agreement with the suggestion of Mr. Kothari that there should be some closer link than now between wage increase and productivity. The formula for this cannot be universal, though certain general principles in this regard can be identified. But the point is that the unions, employers and the Government should begin a dialogue on this question as early as possible so that the machinery of production is not put in the reverse gear because of disturbed industrial peace. As for exports, Mr. Kothari has asked for the setting up of an Export-Import Bank which can have tie up arrangements with the World Bank so that a scheme of refinancing export credits by the World Bank itself or by the Central Banks of developed countries can be evolved. The Government, for reasons best known to itself, has so far been unreceptive to this idea. —PRS

S.T.C. Moves Ahead

The State Trading Corporation has maintained steady improvement in its foreign trade business. Its exports were around Rs. 70 crores in 1970-71 against Rs. 55.10 crores in 1969-70 while its imports stood at Rs. 140 crores against Rs. 102.60 crores in the same period. Domestic business (internal trade transactions) accounted for Rs. 5 crores in 1970-71 against Rs. 5.40 crores in the previous year, thus raising the total volume of S.T.C. business to Rs. 215 crores in 1970-71 against Rs. 163.10 crores in 1969-70. According to S.T.C.'s estimates, the trade figure for 1971-72 will be Rs. 270.80 crores composed of exports worth Rs. 90 crores, imports Rs. 175 crores and internal trade Rs. 5.80 crores. Thus while exports rose by 27 per cent and imports by 37 per cent in 1970-71, the corresponding growth rate will be respectively 28 per cent and 25 per cent in 1971-72. Exports now account for half the value of imports. Gross trading profit in 1970-71 was Rs. 16.54 crores (Rs. 16.75 crores in 1969-70). The S.T.C. Chairman, Mr. P. Tandon has stated that the Corporation's developmental export losses at Rs. 5.5 crores in 1970-71 were above last year's Rs. 1.8 crores and that next year the losses would be cut back to Rs. 1.7 crores. Profit estimated for next year is Rs. 13.71 crores which is expected to be exceeded in actual practice.

Costs-Sales Ratio Encouraging

As an administrative organisation, great interest attaches to the costs-sales ratio. Details provided in this respect are encouraging. The ratio of total costs to sales was 2.4 per cent in the current year and is budgeted to go down to 1.9 per cent next year. In money terms total costs in 1970-71 were Rs. 5.1 crores against Rs. 4.5 crores last year. The rise was due to in-

crease in wages, new office accommodation for headquarters unit in New Delhi, opening of new foreign offices and higher insurance and interest charges. It is expected that total costs including all overheads, warehousing interest charges, etc., will go up very little to Rs. 5.2 crores and that the virtually stationary trend in costs in recent years will be repeated. What is important is that the special virtue of a stationary trend inheres a progressive increase in business turnover vis-a-vis that stability. Though there can be no denying of the improvement in the sales competence of the S.T.C., it can hardly be overlooked that the S.T.C.'s special position as a monopolistic trading agency (which is further reinforced by the pressures of ideological stances in favour of public sector units) has conferred certain special advantages which, according to knowledgeable critics, are yet to be adequately reflected in its price-policies.

Among the sales items, S.T.C. has done particularly well in respect of its agricultural products. Exports of these have increased to Rs. 13.5 crores against Rs. 10.98 crores in 1969-70 while the figure for imports is Rs. 57 crores for 1970-71 against Rs. 45.6 crores in 1969-70. The S.T.C. Chairman has clarified in this connection that the Corporation's main business relates to sugar, rice and pulses in which international traditions are excessively competitive. In order to offset any unfavourable results on this score, the S.T.C. is planning to take up business in new lines comprising fruits, flowers, vegetables, processed foods, herbs, timber, tea and coffee where it can effectively utilise its marketing skills. In sugar, S.T.C. loses heavily because the international price is very much lower than internal price and the loss is offset through premium imports. While rice exports fared well, those of

pulses had not been good enough. It is reported that the Corporation has sold fruits, vegetables, oranges and onion to Singapore, that mango sales abroad have doubled and that rose exports this year will remain a holding operation until the two-lakh new plants begin to flower next season.

Slackening Export Efforts

The wagon deal being what it is, there is little surprise that the Railway Equipment Division did not manage to export actually anything during the year, but enough is in gestation to show results next year. Its search for new orders gathered momentum and a contract for 3,600 wagons, the largest ever, was won in Yugoslavia. The Engineering Division's export pace has slackened and it will improve provided steel becomes easily available. It may be recalled that the export turnover of this Division in 1968-69 was only Rs. 0.83 crores. It was pushed to Rs. 8.92 crores in 1969-70 and is likely to be Rs. 9.50 crores now, the restraint being shortage of steel billets. Export of textile machinery for the S.T.C. turnkey contract with the United Arab Republic was maintained and new contracts were signed. A variety of new goods—power cables, alloy conductors and aluminium extrusions—were also begun to be exported. Of great significance in this regard is the contract for supplying steel castings to the United Kingdom. An important development has been the setting up of a turnkey department in this Division to organise consortia of manufacturers for quoting in international tenders. Such contracts are being probed for in respect of heavy and light engineering goods.

In respect of chemicals, it may be recalled that the formation of Minerals and Metal Trading Corporation has transferred to it fertilizer imports from the S.T.C. The latter is now trading in chemicals worth Rs. 25 crores against Rs. 12.62 crores. Sales of

cement in the Middle East, our natural market, have picked up to 340,000 tonnes from 115,000 tonnes last year. Because of this year's sugar surplus, exports of molasses and alcohol were revived through selling 135,000 tonnes of molasses and 13,000 tonnes of alcohol. In salt, Japan, our principal buyer, did not buy at all because of adverse freight. This will reduce exports to 400,000 tonnes from 600,000 tonnes. The position is being retrieved through developing new markets in Taiwan and South Korea. The U.S.S.R. began buying Indian synthetic detergents through the S.T.C. after a lapse of 3 years. Some non-traditional

exports of drugs and pharmaceuticals have also been developed.

In respect of raw materials, the import policy for 1970-71 providing for the canalisation of these imports through the IRMAC (Industrial Raw Materials Assistance Centre) seeks to distribute them through the S.T.C. off-the-shelf at competitive prices. This IRMAC is to develop later as an indenting house. It was given certain advance licences under free foreign exchange, rupee, AID and credit sources. Certain items like tool and alloy steels, graphite electrodes, hot rolled sheets in coils and cold rolled and cold

annealed sheets and several chemicals like nitro cellulose cotton, phthalic anhydride, sodium cyanide, etc., were identified for import in consultation with industry. Contracts concluded were Rs. 4.16 crores, while sales by IRMAC were Rs. 2 crores. In leatherware, exports of shoes at 1.5 million pairs fetched Rs. 6 crores in 1970-71 against 1 million pairs fetching Rs. 3.97 crores. Russia is the principal buyer. Exports of shoe uppers to the United States faced bottlenecks, the main problem being the long freight lead. Once jumbo jets begin operating and these exports are airlifted, this difficulty will disappear.

—S.R. en
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Kiltan and Kavarath, anti-submarines for frigates. INS Ambala, mother she to be submarines with sophisticated y be a shop facilities is the only one vernment kind in India.

Pressmen paid their visit tonous the naval vessels. Vice-Admiral rvice Krishnan, Flag Officer, Commanding, it in-chief, Eastern Naval Command, said is India would ere long have its own facilities of build ship submarines while frigates were already under construction in Mazagon docks in Bombay.

Making Meenambakkam Jumbo-Worthy

A parallel taxiing track for a length of 8,000 feet is to be constructed at the Meenambakkam airport to supplement the existing 10,000 feet long runway. The Rs. 1.5 crore project has been undertaken to make this airport jumbo-worthy. Also, the parallel track would reduce the occupancy time and enable clearance of aircraft to the apron near the terminal building immediately after touch-down.

Mr. C. R. Rao, Joint Director-General of Civil Aviation, was in Madras recently to inspect land acquisition near the Meenambakkam airport for the purpose.

—V.M.

THE CITY CORNER:

Inter-city Express Trains

Fast inter-city express trains connecting Madras with important Southern cities will be a reality soon. Already two such trains are being operated between Madras and Bangalore (Brindavan Express) and Madras and Madurai (Pandyan Express) by the Southern Railway.

The Railway's General Manager, Mr. P. C. Mathew at a Railway Week meeting said that the inter-city east express trains would be in operation as soon as rolling stock and diesel locomotives were available.

He also announced that the Railway had increased its revenue earnings by Rs. 10 crores during the year 1970-71 and the current year is likely to show an increase in earnings of Rs. 20 crores.

More Powers for Centre . . .

An important Minister of the Central Cabinet has given his comments on the frequently voiced demand of the DMK for more powers for the State. Mr. Mohan Kumaramangalam, a constitutional lawyer of eminence,

emphasised the need for the Centre to retain with it important powers to discharge its responsibilities to the people in its own sphere. The Minister for Steel and Heavy Engineering told a city meeting recently that it was not in the larger interests of the country to talk vaguely for more powers for the States. Instead, any such demand should be strictly within the limits of suggestions of patriotic jurists who have given their considered thought to the subject. As far as Tamil Nadu was concerned, it was good that a committee under the Chairmanship of former Chief Justice Rajamannar had been constituted to study the question of Centre-State relations in depth. He would plead with the DMK leadership to await the Rajamannar Committee's recommendations.

Naval Vessels Visit City

Four naval vessels visited the Madras harbour recently. Anchored for three days at the south quay were I.N.S. Ambala, a submarine depot ship, Brahmaputra, anti-aircraft frigate,

Consequences of Credit Curbs

The Reserve Bank's expectations about an improvement in the money market with the imposition of credit curbs have not materialised. The basic contradictions in its credit policy should be realised if orderly conditions are to prevail in the money market. Instead of recognising the inherent difficulties in the situation, unimaginative restrictions on the grant of advances to industry and trade continued resulting in a discouragement of business and productive effort on the one side, and again aggravated inflationary pressures on the other. The Union Finance Minister, Mr. Y. B. Chavan, had admitted in Parliament that the sugar and textile industries are suffering greatly on account of the denial of full credit and the reduction in limits for textile units particularly has thrown the operations of this major industry out of gear. It has now been recognised adequately that the increase in prices of raw cotton which has taken place on account of the actions of the Maharashtra Government and the unexpected shortfall in output has necessitated larger bank advances even with the holding of smaller stocks. Likewise, finished goods have a greater value and the expected increase in margins imposed by banks have resulted in serious hardship for the borrowers and many mills have been obliged to pay penal rates because of their inability to comply with the new margin regulations. It is anticipated that greater difficulties will be experienced by these units in the coming weeks as imported cotton will be received in large quantities and there will also be a slackening demand for cotton yarn during the slack season.

Predicament of Sugar Mills

The sugar mills have been blamed

for not making payments against cane purchases promptly and it was disclosed in Parliament that the arrears for the current season alone amounted to over Rs. 54 crores. With the heavy carry over from the last season, mills have added their stocks by over 7 lakh tonnes in the current season. It is expected that when the peak level is reached by the end of this month to 35 lakh tonnes, it will be higher by 4 lakh tonnes as compared to the stocks at the end of the same month in 1970. Though it was clear that stocks had to be maintained at a higher level and levy prices too had been raised in many zones, banks were refusing to revise limits, simply because they had to borrow from the Reserve Bank at penal rates and the monetary authorities did not agree to provide refinance against sugar advances. It is only now that instructions have been issued to scheduled commercial banks for increasing advances by Rs. 23 crores over the peak level of last year in the hope perhaps that this increase will have to be purely temporary. For, after stocks touch the peak level of 35 lakh tonnes at the end of April there will be no further rise in production in May. Thereafter, there will be a regular decline until by the end of September stocks will be only marginally higher at 22 or 23 lakh tonnes. The sugar mills cannot therefore be blamed for not making payments to cane growers promptly especially as losses are being incurred on current sales.

The credit situation, however, will not improve until the slack season of next year as there will have to be fresh advances for procurement purposes in the next three months while there is a glamour for small loans from borrowers in the priority sectors.

If these have to be extended on the scale of 1970, nearly 50 per cent of fresh advances might be absorbed in this manner compelling banks to borrow from the Central Bank institutions against the refinance facilities. If these are not made in an ample measure, there will have to be either curtailment of credit to new borrowers or a reduction in the assistance to industry and trade.

It is now clear that the policy of overloading will have to be continued for one or two years. If the Reserve Bank is afraid to disclose large scale deficit financing, through refinance facilities, there will have to be deficit financing on Government account for procurement purposes. For, the load on the Banking system has become severe because of the locking up of advances for over Rs. 150 crores in food grains and for over Rs. 160 crores in additional sugar stocks. The banking system must be able to manage the new situation with some difficulty and the whole situation will be corrected by the end of 1972.

MICROWAVE TO COVER 30 PER CENT OF RAIL ROUTE

As part of their modernisation programme, Indian Railways will bring 30 per cent of the total route kilometreage of over 59,000 under the Microwave Radio Relay system by the end of the Fourth Plan. This advanced system of communications has already been commissioned over 4,169 kilometres, including Madras-Vijayawada, Madras-Mysore-Hubli-Gutakal and Olavakkod-Madurai-Tiruchirapalli, sections of Southern and South Central Railways, where it forms the largest single integrated microwave network in the developing countries of Asia. Microwave schemes covering an additional 10,700 route kilometres are now in progress. Another 2,700 route kilometres will be taken up during the Fourth Plan.

INDUSTRIAL ECONOMIST

I BELIEVE:

Distressing Apathy Towards Services

I believe that the recently published assessment by the Union Public Service Commission of the results of the I.A.S. and allied services examination of 1968 reveals a disturbing trend in the approach of our young men to careers. It is nobody's case that because a number of bright young men have swayed away from Government jobs, there should be something wrong with them. In fact time and again the curriculum in our universities has been blamed for being capable of rolling off clerks rather than intellectuals and in that sense they have been fulfilling the expectations of Lord Macaulay who introduced the nucleus of such a curriculum far back. The rub lies on the contrary in that the decision of students has nothing to do with such a choice as would expectedly belie Macaulay's hopes. The details of the U.P.S.C. assessment will make this amply clear.

The Commission points out, for instance, the decrease in the proportion of first class candidates both in the total of their own group and in the overall aggregate. What is interesting is that second class graduates have scored over first classes. This will justify an examination of the very principle of classification. For all practical purposes the subjects taken being of the post-graduate standard and the papers set being of that model, the second classes could not have outdistanced the first classes except if it be either many of the second classes missed their first because of the many factors affecting their competence at the hall or they had compensating increased ability at the oral rather than the written examination. Cases are

INDUSTRIAL ECONOMIST

counted for this situation. The position is unlikely to improve in the future when UPSC examinations will be held in all the fourteen languages on the schedule, with the definite possibility of students in Hindi-speaking areas scoring better over all the rest.

common of bright boys getting nervous or tongue-tied at the interview while students of very average capability have shown greater resourcefulness and been more quick-witted. At best this is all a shrewd guess. Perhaps in future assessments, the U.P.S.C. will offer better clarification on this point.

Deterioration in Standards

What is more disturbing is the finding of the Commission that the products of certain universities were found unequal to the challenge facing them. The Commission had taken for its analysis 15 universities which had accounted for at least 100 candidates each. Of these the success ratio of Allahabad and Calcutta was very near the overall success ratio. On the other hand, the success ratio of Andhra, Bihar, Ranchi, Agra, Gauhati, Madras, Rajasthan and Utkal was below the overall score. The performance of the first divisioners from the 15 universities also varied. Annamalai, Gujarat, Jabalpur, Jadavpur, Jodhpur, Kurukshetra and Punjab sent up two or more first divisioners but none of them qualified at the U.P.S.C. examination. Among the 12 universities whose second divisioners scored better than their first divisioners, we find Andhra, Sri Venkateswara, Madras, Osmania and Calcutta. While the position in respect of other universities may not be very clear to one writing from the south, none can gainsay his conclusion that the Madras University which used to be in the limelight, has to fare badly because of the deterioration in standards. The fervour for introducing the regional language has in part ac-

What saddens even more is the comment of the UPSC that many of our university youth are either ignorant about the existence of these Central Services Examination or they do not wish to compete. It is difficult to believe that in the current age, when youth is so alert about its interests, there could be any such ignorance. It could only be that our young men are just not interested. The reasons for such unwillingness deserve to be probed. Basically there may be a reluctance against taking Government jobs. Both the comparatively lower remuneration and the monotonous conditions of bureaucratic service could have been deterrents. If so, it is not a calamity, because career is made not on considerations of mere security of tenure but on the basis of the scope available for displaying initiative and for staying on as an intellectual for as much time as possible on the job. But the point is that painting such a rosy picture may after all be erroneous.

Tendency to Rebel

Of late there is a tendency among our young men to rebel against established values both as the result of an imparted influence as compared with activity. It can only be hoped that such mental lassitude, with all its attendant frustrations, has not yet encompassed any but a minority of our youth. In any case, social psychologists will have to be on the watch to warn the body politic of any large-scale deterioration, so that much of the avoidable evil can easily be nipped in the bud.

—Horace

Jute Industry Poised for Progress

The Central Government has to decide correctly on the steps to be taken to help the Indian jute industry to take advantage of the new opportunities available to it for boosting the country's foreign exchange earnings. It is indeed a tragedy that East Bengal, which is the largest producer of raw jute of good quality, should be in turmoil and the output of raw jute as well as gunny should be affected seriously. Jute is a seasonal crop and if it is not sown over large areas, the output is bound to be seriously affected in 1971-72. As 70 lakh bales of jute are produced every year and half of it exported, it will not be surprising if there was a steep fall in the yield of the crop because sowings are completed usually in March and April and new crop supplies begin to be received even in August. The availability of this natural fibre from East Bengal would be confined only to the stocks already on hand and the quantity that might still be procured.

Need to Step up Production

From the manner in which the raw jute market has been behaving, there is reason to believe that immediately there is no shortage of supplies. This may appear rather strange as May, June, July, August are usually lean months and only stocks on hand will be used for carrying on operations. Happily, the current crop in India proved to be satisfactory while it is likely that large quantities have been smuggled across the borders from East Bengal. This is perhaps the reason why raw jute prices have not risen appreciably after the initial spurt. It should be said that there has been actually a rise in prices by only ten to 15 per cent in the off season even with the confusion in East Bengal and the earlier anxiety shown by overseas

buyers to get their requirements. There has obviously been a large influx of supplies of jute and immediately the problem of jute mills is to step up production.

The representatives of the Central government and jute mills have been holding discussions regarding the stepping up of the output of hessian and special varieties particularly and the arrangements to be concluded for enabling mills to operate on a three shift basis on all days. There are some inherent difficulties in achieving balanced production as the earlier phase of modernisation concentrated mainly on the replacement of spinning machinery. Also on account of the high cost of new equipment, it was considered desirable to install only half the number of spindles that were sought to be replaced and use them on intensive basis. Subsequently broad looms for producing carpet backing cloth and special varieties were installed with the result that there will be a problem of finding adequate spinning capacity and for changing the pattern of production in a manner which will offset the slump in demand for carpet backing cloth experienced some time back.

There may probably be some favourable factors on account of absence of serious competition from Pakistan temporarily. It would be possible to decide on remunerative changes in the pattern of production after studying the pattern of exports from Pakistan. While overseas consumers may prefer to eat into their stocks and evade further development before deciding to place large orders with Indian mills, it would be reasonable to assume that higher average prices could be secured in 1971-72 on Indian exports and a larger volume of production can be

easily marketed especially as internal demand has been rising.

Record Foreign Exchange Earnings

Even if there was an end to hostilities in East Bengal in the next few months, it is unlikely that jute mills in that region would be able to function normally before the end of the year and stocks of jute will be available to feed them on the required scale. On the other hand, with satisfactory prices at the time of sowings in important growing areas in North-East India and widespread rains, it is likely that the output of jute will exceed easily 75 lakh bales in 1971-72 and with the availability of clandestine East Bengal jute for at least 25 lakh bales, the industries should be in a position to step up its output by at least 30 per cent. If exports could be increased by 15 per cent at more remunerative prices, foreign exchange earnings in 1971-72 can easily exceed Rs. 300 crores. There need not also be an undesirable rise in prices for goods intended for internal consumption.

The jute industry is in a position to raise its output substantially and market it without difficulty. These improved prospects have been responsible for livelier trading in jute shares in Calcutta Stock Market. It is only to be hoped that with the improved political situation in West Bengal, there will be no serious interruption to production due to labour intransigence. Prompt arrangements will of course have to be made for overcoming power shortage by maximising generation with the existing capacity and purchasing power from Orissa and Bihar if need be. Any new opportunity should be utilised for putting back the jute industry on its feet and creating conditions in which the exports of gunnies will continue to fetch sizable foreign exchange earnings through exports besides making it worthwhile also for investors in jute shares.

Meeting the Cotton Crisis

A shortfall of five lakh bales in the output of raw cotton in 1970-71 resulted in an exaggerated rise in prices which cannot be justified in any sense and the industry and consumers are being exploited on the score that the cotton grower should be given a fair deal. While it must be argued that the farmer has not benefited to any great extent by the jumps in prices and the trade is culpable, there are reasons to believe that the cotton growers have benefited substantially as the rise in prices came about much earlier than the marketing of the current crop. If it is borne in mind that in one year, prices have risen by 50 per cent even after a drop from the peak levels, and cotton prices have doubled in a three year period, the cotton grower is certainly much better off than his counterpart raising other cash crops. Even granting that considerable damage was suffered by the crop in Vidarbha, the yield will still be 53 lakh bales against the previous season's output of 57 lakh bales and the earlier estimate of 60 lakh bales. Assuming that the average price realised on sales was higher by 40 per cent, cotton growers would still be 30 per cent more than in the previous season even after allowing the trade to make substantial gains.

It is quite likely that the present artificial levels would disappear the next season when the output becomes normal, though it would be difficult to bring them down to reasonable levels without careful planning for bringing in imports. Also the new crop will not arrive in volume before December and no clear indications of the size of the crop for 1971-72 will be available before November. It is, therefore, improper to compel the industry to produce larger quantities of control-

led varieties of cloth or levy a higher penalty for non-compliance, as proposed by Mr. L. N. Misra, Union Minister for Foreign Trade, unless a proper scheme was evolved for manufacturing controlled varieties of cloth on the basis of adequate availability of imported cotton specially for this purpose.

Need for Massive Import

The Indian Cotton Mills Federation has been repeatedly emphasising the need for the relative imports of at least 16 lakh bales for overcoming the deficit in cotton availability and maintaining production at satisfactory levels. When imports have not been arriving on a large scale and prices for indigenous cotton may rise further after May, the industry will be compelled to increase the prices further for uncontrolled varieties which might meet with consumer resistance if there was attempt to increase the quota for controlled variety. Even now it has been calculated that the higher penalty alone will involve a loss of Rs. 30 crores in a year while it will be much more, if the quota was increased to 40 or 50 per cent, as suggested.

The move of U.S.S.R. for supplying raw cotton in order to be processed into cloth is intended to ensure exports of Indian goods at reasonable prices and mills may be agreeable to handle the orders on the basis of fixed margins for profits. But it will be difficult to pursue a similar course for manufacturing controlled varieties unless the Government agreed to allocate additional quantities of cotton and took over the output of controlled varieties themselves. Even here, the difficulty lies in different units

having different patterns of cotton and also in not having any large unused capacity. With heavy losses being sustained now with the use of high priced cotton it is apprehended that the experience in the current year may be extremely disappointing. The encouraging results for 1970 were mainly due to the availability of low priced stocks.

The Government should, therefore, examine carefully the whole situation before arriving at different decisions. The ruling prices for raw cotton are entirely unjustified and the farmer should be helped to improve his income through higher yield and not higher prices. The income derived by him in 1969-70 was quite reasonable and the yield per acre could be raised easily by 50 per cent in the rainfed areas and nearly doubled in the irrigation areas. Cotton textiles must be available at reasonable prices without choking the mill producer. It will be possible to control the price situation only with arrangements which will ensure a sustained growth in production with adequate availability of raw materials from indigenous sources.

PRODUCTION OF CHEMICAL INDUSTRY IN 1970

For India's chemical industry, 1970 was a year of accelerated growth. Statistics compiled indicate a rise of 15 to 25 per cent in the production of synthetic fibres, plastics chemicals and resins and petro-chemicals. The output of ethyl alcohol was up by 7.2 per cent over the preceding year. Also, 33 important petro-chemical items were being produced in 1970 as against only three in 1960. In 1970, the output of most of the antibiotics, sulpha drugs and vitamins went up in varying degrees. The production of Tetracyclines was more than doubled and that of most commonly-used sulpha drugs increased by 15.7 per cent.

Need for Massive Power Generation

A fascinating but almost unbelievable picture of the power needs of the country by 2,000 KW has been presented by Dr. K. L. Rao, Union Minister for Irrigation and Power, when he addressed the Indian Institute of Engineers (London) in Bombay on the occasion of the centenary celebration. From the present level of power generating capacity of 16 million KW there will have to be, according to the estimates of the Central Water and Power Commission, 200 million KW by the end of the century. This will indeed be a stupendous achievement and may be considered almost impossible of attainment but Dr. K. L. Rao has pointed out that this can be done through a process of redoubling capacity every decade and even if the proposed capacity was created the per capita consumption will be only 1,000 units by 2,000 A.D., which is the world average just now. This will however mean a 12-fold increase in consumption from the existing level.

Need for Nuclear Power Stations

The attainment of this target will call for heavy reliance on nuclear power stations as it is estimated that even with the full exploitation of the hydel potential only 80 million KW of capacity can be created. Coal-based thermal stations will account for 60 million KW. The balance of capacity of 60 million KW will have to be accounted for by nuclear power plants. Dr. Rao has even stated that serious problem of coal supplies will arise by the middle of next century and the country's reserves of fossil fuel which are fairly large, would have been exhausted.

By 1980-81 a target of 52 million KW of capacity will have to be reached, which will be shared to the extent of 14 million KW by the northern region, 13 million KW each by the western region and southern region, 11 million KW by the north east region

and 1 million KW by the north western region. This would indicate that there will be more or less uniform development all over the country though there may be regional disparities in consumption. There will have to be integrated regional development for power generation and transmission culminating ultimately in the creation of an All India grid. It will also be necessary to take steps to reduce generating and distribution costs as electricity charges have been rising and the electro chemical and other industries are handicapped unduly on account of heavy fuel costs.

Installing Big Generating Sets

Big generating sets will necessarily have to be installed and there is already a keen awareness of the importance of this aspect of the problem. Not long ago, 50 KW sets were considered large and thermal generation at Neyveli station in Tamil Nadu was considered quite economical but at Ennore Thermal Plant 110 MW sets will be installed after the first two 60 MW units, while at Kalpakkam the generating sets will have a capacity of 200 MW each. It is even now being examined whether a 400 MW set can be installed at Kalpakkam or in another centre so that the cost of generation can be considerably minimised.

The absence of uniform loads at all the distribution centres have been responsible for heavy transmission losses in Tamil Nadu. These are now being overcome to a great extent by strengthening the grid and creating a larger number of sub-stations so that high-volt transmission can be attempted over longer distances and losses eliminated as far as possible.

The Central Water and Power Commission is already reported to have formulated plans for the current decade and it is hoped that instead of the present five year cyclical planning,

there will be longer perspective planning. This will facilitate the construction of big hydel projects in a region on a staggered basis, while thermal capacity is created simultaneously to firm up power availability. The western and northern regions must be formulating their own plans and there will probably be greater emphasis on hydel development in the northern region. The scope for exporting large quantities of power from Nepal which has huge water falls resources but cannot utilise them to its own advantage will have to be explored. In the western region there will probably have to be greater emphasis on thermal generation though some new hydel schemes can be implemented. In North-East India it will be easy to lay emphasis on coal-based large-sized thermal units for utilising the huge reserves of low grade coal. There can of course be new hydel projects. It may probably be advantageous to give priority to thermal schemes.

In the southern region according to the estimates of the Central Water and Power Commission there will have to be an increase in generation capacity to 13 million KW from around 42 million KW. At present Tamil Nadu is accounting for nearly 50 per cent of this capacity. It is expected that there will be an increase in generating capacity to 5.5 million KW by 1973-74. There will have to be vigorous planning for doubling this capacity to 11 million KW by 1978-79; if this is done the target of 13 million KW fixed by CPWC to be reached in 1980-81 may not be difficult. The task of gaining the initial momentum will however require liberal allocation of resources and considerable advance planning since what has been achieved over a long period will have to be packed in the fifth plan. Even for locating the projects, considerable investigation will be needed as there will have to be a balance between hydel and thermal and nuclear power.

The Idikki and Kalinathi projects will obviously have to be accorded the highest priority as between these two projects, the first in Kerala and second in Mysore, additional capacity for at least 1.5 million KW can be created at comparatively low capital cost. The Hogenekal project on the Cauvery will also have to be executed on a joint basis between Tamil Nadu and Mysore as for its part this scheme will add to the grid by at least another 800 MW. The remaining hydel potential of Kerala and Mysore will also have to be tapped, as there are huge water power resources. In Andhra Pradesh the Srisailem Project may be made to yield a larger capacity. There can also be intelligent exploitation of the irrigation waters of the Nagarjunasagar Project on the Krishna River and the Kochampad and other schemes on the Godavari. These will be helpful in augmenting capacity by 1 million KW.

But hydel projects alone may not be able to add more than 5 million KW in 1974-79. The new schemes however will have a long gestation period in some cases and there will have to be creation of thermal capacity in a big way in Andhra Pradesh and Tamil Nadu. This can be done at Kothagudem and Ramagundam while the opening of a second mine cut at Neyveli is inescapable. In that event, the old proposal of the Tamil Nadu Electricity Board for creating a super thermal station with an ultimate capacity of 1 million KW can be revived. There may of course be new thermal stations at Tuticorin and elsewhere based on coal, but it may be found that nuclear power generation would be cheaper than power generated on imported coal. With huge hydel capacities in Kerala and Mysore and balanced power development in Tamil Nadu and Andhra Pradesh the re-

gional grid can be closely integrated and it will be possible to operate the different power stations on integrated basis.

Need to Form Southern Grid

There is no escape, as Mr. Karunanidhi, Chief Minister of Tamil Nadu pointed out when he inaugurated the first two generating sets at the Ennore thermal station from forming a southern grid which will be capable of pumping large blocks of power in either direction under the control of a central agency with statutory powers. There will also have to be a pooling of rates and uniform charges for all classes of consumers so that there is no distortion in industrial development on account of disparity in electricity charges.

Air-India as Joint Stock Company

Air India wants to get itself converted into a joint stock company like the commercial and industrial undertakings in the public sector. This would enable the Corporation to acquire a high degree of flexibility in its structure, operations, management, ability to change its organisation, methods and procedures in keeping with the needs of the changing world. An industrial or commercial enterprise, particularly with air transport, badly needs this flexibility, the Corporation points out.

The Corporation feels handicapped, at least in some respects, by the rigidity of the rules governing the Air Corporation Act. Flexibility is, of course, what the Corporation needs urgently in the context of its paradoxical

1969-70 record—increased revenue but diminished profit.

In 1969-70, the Corporation's utilisation of capacity, volume of traffic, volume of cargo, overall load factor and revenue recorded increases of 13.9 per cent, 21.6 per cent, 17.7 per cent, 3.9 per cent and 11 per cent respectively. But its operating surplus shrunk by 10.8 per cent. The quantum of 1969-70 operating surplus was 2.5 million sterling.

A Strange Paradox

A thirteen per cent spiralling of costs, a worldwide phenomenon, is the explanation to this paradox. Fuel and wages formed the bulk of the Corporation's costs. Air India is an age-

ing fleet of Boeing 707-s. Their maintenance and overhaul were additional burdens on the Corporation.

This disturbing trend of downward profits despite rising revenues does not seem to have the prospect of reversal in 1970-71 also. In fact, the prospects for the financial year 1970-71 (now ending) is likely to be worse than 1969-70.

This much about the past. But 1971-72 promises to be the most critical. Air India intends to spend 43.6 million sterling to press into service three or four Boeing 747-s and enhance its capacity by 150 per cent.

Air India itself is well aware of the remedies for the prevalent malady—raising employee productivity, the highest possible rate of equipment utilisation and a relentless pursuit of economies wherever possible."

(UNI)

Energy from Ennore . . .

By 1972 all the 57,000 villages in Tamil Nadu would be electrified thanks to the efforts of the Government in implementing vigorously rural electrification schemes. To achieve this and to promote industrial and agricultural development, the Tamil Nadu Government desired the establishment of more thermal or nuclear power plants as the hydel resources had already been tapped.

Mr. Karunanidhi, Chief Minister of Tamil Nadu, while formally inaugurating the Ennore Thermal Power Station near Madras, a State Government venture, built at a cost of Rs. 75 crores. The Chief Minister outlined the need for a southern power grid and a uniform electricity tariff for industrial and agricultural use in the region. He sounded optimistic that the Centre would give due consideration to his suggestion and take steps to implement it.

Mr. Karunanidhi observed that Tamil Nadu had made "rapid strides" in the field of power. Under rural electrification, as many as 18,000 villages had been electrified during the last four years.



Chief Minister Karunanidhi is seen formally inaugurating the Ennore Thermal Project

The Tamil Nadu Government has been allotting sizable quantities in its budget allocation for power developments. With the result that the State has the highest per capita consumption for power among all the States in the country. The State has the highest per capita consumption of 120 unit for all States in the country. Naturally its investments had proved to be sound one for prosperity. The result can be gleaned from the fact that the best transmission network taking power to every nook and corner of the State can be seen in this State. Out of 15 lakhs pump sets energised in the country, over a third are in Tamil Nadu which has contributed in a rich measure to the transformation from a marginally deficit food position to comfortably surplus one in the last four years.

The installed capacity in Tamil Nadu as on March 31, 1971 was 1365 MW. This is supplemented by 600 MW from Neyveli. During the Fourth Plan an additional fresh capacity to the extent of 1235 MW is planned to be added.

Plea for Common Power Tariff

The Industries Minister, Mr. S. Madhavan, releasing a souvenir brought out by the Electricity Board on the occasion, echoed the Chief Minister's demand for a common power tariff for the whole of the Southern States. Uniformity in power tariff, the Industries Minister noted, was inevitable in the context of the industrialists' demand for reduction of power rates in the State. He assured the State Government was alive to the demand.

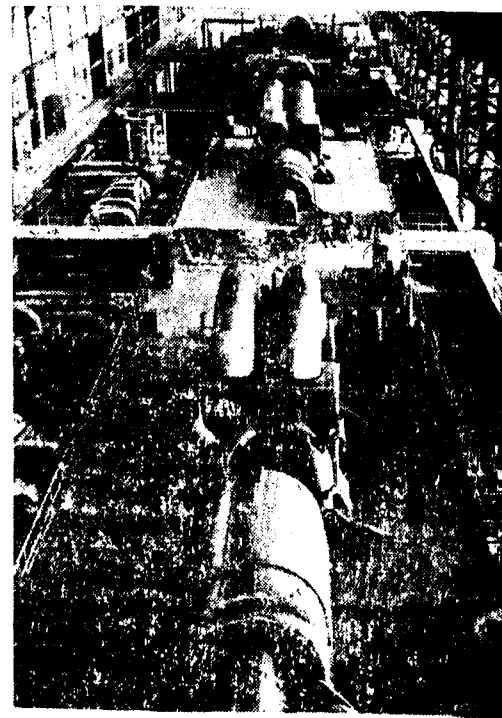
Mr. O. P. Raman, Minister for Electricity who presided, shared the Chief Minister's view that there was little scope for the exploitation of hydel power. He disclosed the Government was pleading for a second

thermal station at Neyveli, a third unit at Kalpakkam and a nuclear station at Tuticorin.

Mr. N. V. Natarajan, Labour Minister, unveiled the foundation slab for a 8-bed hospital for the project employees. According to the Labour Minister, the project, started about four years back, had provided employment for 3000 workers, office staff and engineers. The Minister felt proud over the sound industrial relations that have been built up between the officers in charge of the project and the employees.

Earlier, Mr. C. G. Rangabashyam, Chairman of the Tamil Nadu Electricity Board, welcomed the gathering. Mr. A. Subramaniam, Chief Engineer, proposed a vote of thanks.

The thermal plant will generate 450 MW of power. Only two 60 MW units were commissioned on that day, and another two units of 110 MW each to be commissioned later will constitute the first phase of the programme. A fifth and final unit of 110 MW will be set up in the second phase. Work on this project was started in November 1964. —R.S.



The impressive row of generators in the Power House

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COMMODITIES:

Coffee Crop Sets up All-time Record

Thanks to very favourable weather conditions, the coffee crop for 1970-71 will set up an all time record. It has been announced by the Coffee Board that receipts of the current crop into the coffee pool so far have already exceeded even the revised crop estimate of 82,000 tonnes at 85,000 tonnes and it is expected that another 15,000 to 25,000 tonnes would be received in the remaining period of the current season. This would mean a total crop of over one lakh tonnes for the whole season against only 62,000 tonnes in the previous season and the earlier record of over 78,000 tonnes in 1966-67. The pressure of supplies of such a magnitude has already been felt on internal prices and the consumer has started getting his requirements at more reasonable prices after a long time. Already there has been a slump in pool auction prices in recent weeks and dealers have been staying away expecting a further fall in prices. While the Coffee Board has resumed sales of coffee beans through its depots since the beginning of the year, the trade also has been handling a larger volume. But the heavy pool receipts have posed a problem to the Coffee Board in effecting prompt payment to the growers as it was not prepared for such glut conditions. The larger growers get an initial payment of Rs. 2 per point and the small growers Rs. 3 per point. This is much less than what they got in the last season. The Board has already reached the sanctioned credit limits for its operations which were fixed on the basis of a crop of not more than 80,000 tonnes. In the altered circumstances, it has been obliged to seek fresh assistance from the Central Government besides arranging with some pool agents for payments to growers out of their own resources pending reimbursement by the Board. The situation is expected to improve with fresh credit facilities and progressive disposal of the coffee from the pool in the coming weeks. The Board has however taken care to meet the full needs of small growers to avoid hardship to them. Coffee estates will be deriving considerable benefit from a much higher crop in the latest year and any fall in prices realised will be offset by the sharp reduction in unit costs.

The Coffee Board should have no big problem in deciding on a liberal quota from the current crop for the internal market which has been steadily growing and can absorb easily 42,000 to 45,000 tonnes in a year. At the same time enough coffee can

be spared for export to both quota and non-quota countries. But even allowing for an internal release of 45,000 tonnes and export sales of 40,000 tonnes, the industry would be burdened with a surplus of 20 to 25,000 tonnes. It may be necessary for the Coffee Board to arrange for buffer stock with a view to preventing any slump in prices. This will also be helpful in the next season particularly as the next crop is expected to have been affected by lack of blossom showers in the growing areas.

Cotton Mills Avert Crisis

Cotton mill circles are heaving a sigh of relief that the Centre would not go ahead with its earlier decision to raise the quota for coarse and medium varieties of controlled cloth from the present 25 per cent to 40 to 50 per cent of the production of each mill and also increase the penalty for any shortfall from this quota from 6 paise to 25 paise per metre. The Government has taken a realistic stand and given time to the industry to carry out its assurance to reserve not less than 25 per cent of its capacity for producing controlled cloth and not allow any mill to circumvent this obligation by paying the prescribed penalty. A high level committee has been decided to be set up to work out the details of a scheme to step up the production of medium and coarse varieties of cloth. The Government's action in the wake of the revelation that output of controlled cloth gradually declined from the statutory level of 25 per cent fixed in May 1968 to 13.3 per cent in the last quarter of 1969-70 and only 1.1 per cent in January-March 1971. No doubt the industry's inability to stick to the quotas arose from the fantastic rise in prices for indigenous cotton of lower counts and the Government's refusal to allow a price increase for controlled cloth.

Disastrous Impact

The impact of earlier decision of the Union Government to increase the penalty for non-fulfilment of quota regulations in respect of production of coarse and other controlled varieties and also double the quota on the mill industry would have been disastrous. Rough estimates place the loss from these steps for the whole industry at over Rs. 100 crores, though a part of this loss can be made good by higher prices on uncontrolled

cloth. It is pointed out that since the controlled prices were fixed in April 1967, the cost of cotton which formed only 50 per cent of the selling price, has more than doubled while wages, stores, interest charges, overheads, etc. have risen by 20 per cent over the 1967 levels. Thus, the total cost of producing Rs. 100 worth of controlled cloth is now Rs. 160 to Rs. 170 involving a loss of 35 to 40 per cent. Taking the average ex-mill price fixed as Rs. 1.25 per metre, the loss per metre is 75 to 87 paise. The total mill cloth output is taken as 4,200 million metres and allowing for export production, the quota for production of controlled varieties at 40 per cent can be easily 1,500 million metres. The loss on this at the current ex-mill prices, it is pointed out, will be over Rs. 125 crores. While mills managed to cut their losses on coarse varieties by producing less than the 25 per cent quota as the penalty was only 6 paise per metre, this will be made difficult if the penalty is raised to 25 paise and the quota to 40 per cent. It is felt the whole situation could have been avoided by allowing a suitable increase in ex-mill prices for coarse cloth to absorb the increased cost of indigenous cotton.

S.T.C. to Buy More Rubber

In response to representations from rubber growers in Kerala, particularly the small growers, the Union Government has directed the State Trading Corporation to purchase sufficient quantities in order to stabilise the price. The Rubber Growers Association had pointed to the Foreign Trade Minister, that production in the first 10 months of the current season was 66,176 tonnes of which the S.T.C. could buy only a little over 6,000 tonnes while the bigger estates had directly sold 12,500 tonnes to manufacturers. The balance was being sold at an average price of Rs. 460 per quintal against the notified price of Rs. 520. The association urged that the S.T.C. should immediately buy at least 10,000 tonnes as a buffer stock and release it only after the open market price had improved to the notified minimum level.

Procurement Price for Wheat

In an effort to protect the farmers' interests and due to stiff opposition from State governments in the main wheat growing areas

to any cut in farm prices, the Union Government has decided to maintain the procurement price for wheat for 1971-72. The Agricultural Prices Commission had again suggested a reduction in the government purchase prices as it thought that the improved productivity of wheat should be reflected in cheaper prices for the consumer and the burden of subsidy to the Government should be lightened. But the State Chief Ministers took the stand that any cut in prices would act as a disincentive to the farmers and in fact most of them wanted a rise in procurement rates. The Centre has however decided that procurement prices of all varieties of wheat other than the indigenous red variety would continue to be Rs. 76 per quintal. The State Government would fix the prices for indigenous red variety in consultation with the Centre but it will be at least Rs. 2 less than the price for standard variety. The Union Government at the same time decided not to change the issue price of Rs. 78 per quintal though with an increasing indigenous content due to reduced imports, the public distribution

system has involved a larger subsidy. When imports completely cease next year, as indicated by the Food Minister, the pool price will be equal to the indigenous price and unless the issue price is raised or the procurement price reduced, the subsidy element will be quite substantial.

The Government has, however, accepted the Commission's recommendation to raise the procurement target for wheat in 1971-72 to 4 million tonnes from 3.2 million tonnes in 1970-71. The Food Minister also assured the growers that arrangement would be made to move all stocks lying in the open before June end. The Deputy Food Minister indicated that the Centre's subsidy in 1971-72 would amount to Rs. 35 crores which included a sum of Rs. 25 crores required to build up and maintain buffer stocks as suggested by the APC. With larger availability in the open market, the off-take from the public distribution system has been going down and total stocks of grains with the Central and State Governments have increased to 5.8 million tonnes. This is a

comfortable level exceeding the targeted buffer stock level of 5 million tonnes.

Kerala Rubber Marketing Federation

The Kerala State Co-operative Rubber Marketing Federation, with its Head Office registered at Cochin, will soon start functioning.

It will have an authorised share capital of Rs. 1 crore consisting of one lakh shares. Its membership would be open to the State Government, the Rubber Board and Societies engaged in rubber marketing in Kerala. Associate membership will be available to marketing societies outside Kerala. They could avail of the facilities offered by the Federation, but would not have the power to vote.

The Rubber Board has resolved to provide Rs. 5 lakhs towards share capital and Rs. 10 lakhs for working capital during 1970-71 and Rs. 10 lakhs towards share capital and Rs. 15 lakhs for working capital during 1971-72.—(UNI)

growers and arrears of cane cess and purchase tax to the State Government. The association has expressed the fear that if the situation is allowed to continue, many mills will have to suspend operations and even close down in some cases.

It has therefore been suggested that besides a realistic cane pricing policy, levy prices for sugar should be revised upward. The cane price of Rs. 7.37 per quintal must be linked to a minimum recovery of 8.5 per cent instead of the present 9.4 per cent, with a premium of 8.7 paise for every rise of 0.1 per cent in recovery above 8.5 per cent. This would eliminate variations in sugar prices in different zones in the country by equalising raw material costs. The association has also urged the removal of differential duties on levy and open market sugar and fixing a realistic tariff value. Also the building of a sizable buffer stock by Government would help stabilise the industry's finances. The State Government can also reduce substantially the cane cess and purchase tax if not abolish them.

INDUSTRIAL ECONOMIST

BUSINESS BRIEFS:

Urgent Need for Fresh Aluminium Capacity

Aluminium producers in the country have been having a good time for some years now and the quick expansion of capacity by almost all the manufacturers of virgin metal aided by Government's policy of maximum substitution of copper by aluminium to save on foreign exchange has enabled the industry to market its increasing output on an assured basis at remunerative prices. But for the setback two years ago when there was a slackening of internal off-take due to cut-back on power outlays by various State governments, the growth of the industry would have been more impressive. Selling prices also are much higher than two years ago when large exports helped the units to avoid a slump in internal prices.

The bigger units, Hindustan Aluminium and Indian Aluminium have had no problem of utilising their expanded capacities—the former's 80,000 tonnes and the latter's 72,000 tonnes—effectively and deriving the full benefit of capacity production. What is more significant is that both of them are proceeding with their next stage of expansion to be in a position to meet the surging demand in the next few years. The demand is expected to rise at an accelerated rate if the industry's efforts to popularise the use of aluminium in construction, transport and packing bear fruit. The power sector of course will continue to provide a major outlet. Madras Aluminium is also raising its capacity to 18,000 tonnes in the first phase from 12,000 tonnes and the expanded capacity is expected to be available by the middle of the next year.

Aluminium Corporation however has had some labour problem which came in the way of good use of its capacity but the position has improved since 1969. The company has a proposal to set up a new unit in Orissa with a capacity of 30,000 tonnes. All the producers are expected to show a further rise in turnover and earnings for 1970. The outlook for the industry is promising which accounts for the high premium at which aluminium shares are quoting.

Consumption of aluminium is estimated to have risen to 1.78 lakh tonnes in 1970 from 1.40 lakh tonnes in 1969 and it was necessary to ban exports to meet the increasing internal demand. Progress of schemes in the public sector has been tardy and it is suggested that the existing plants should be enabled to expand their capacity still further to avert critical shortages and also to reduce working costs. The latter have tended to rise continuously in recent years

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due to higher power costs and costlier chemicals and stores. The industry is awaiting the recommendations of the expert group which has gone into the cost structure of the industry and will be suggesting fair selling prices for aluminium and its products. The main producers will also be creating fabricating facilities to improve their profitability.

Indian Aluminium

The availability of all the three new potlines at Belgaum helped Indian Aluminium Company Limited to increase its output of virgin metal in 1970 to 61,665 tonnes from 41,561 tonnes. With the aluminium plant at Belgaum gradually raising its production, there may be no difficulty in maximising the output of the Belgaum smelter which has a capacity of 30,000 tonnes. There was, however, only a small increase in the output of semi-fabricated products, to 22,737 tonnes from 20,378 tonnes in 1969. Of the total output of virgin metal, the Belgaum unit accounted for 27,210 tonnes (1,128 tonnes) while the Alupuram smelter set a new record at 18,257 tonnes. But the Hirakud smelter produced only 16,196 tonnes against 22,576 tonnes due to prolonged strike early in the year. The total turnover increased by only one-third to Rs. 35.40 crores from Rs. 26.43 crores in 1969 as the demand for aluminium paste and powder was slack. The net profit, before depreciation and taxation, also improved by only 14 per cent owing to start-up expenses at Belgaum smelter. The provision for depreciation is Rs. 290.21 lakhs (Rs. 187.95 lakhs) while there is no allocation for taxation against Rs. 59 lakhs previously. The company has applied for permission to capitalise Rs. 601.79 lakhs out of reserves—Rs. 124.91 lakhs from capital reserve and Rs. 475.88 lakhs from general reserve and issue bonus shares in the proportion of one share for every two shares held. After the bonus issue, the paid-up equity capital will rise to Rs. 18.02 crores.

The directors of Indian Aluminium have expressed concern over the rising costs of production. The Orissa government has raised the electricity charges besides levying a coal surcharge. The company is contesting the action of the Kerala Electricity Board in increasing the tariff rates for the Alupuram smelter. It has been stated that the fourth potline at Belgaum with a capacity of 10,000 tonnes which will be ready by this year-end will cost only Rs. 4 crores as all the allied facilities creat-

ed in the first phase can be used for raising output by one-third.

HINDALCO Pays More

Hindustan Aluminium Corporation Limited has stepped up the dividend and equity capital for 1970 to 12½ per cent from 10 per cent in 1969 following a further sharp rise in sales and earnings. The company has also decided to capitalise a part of its sizable reserves and issue bonus shares in the proportion of one share for every four shares held. The consent of the Controller of the Capital Issues is expected to be received shortly. Production of virgin metal rose again to 78,191 tonnes during the year from 72,231 tonnes in 1969 while there was also a larger output of products and alumina. Gross sales crossed the Rs. 50 crores mark and amounted to Rs. 50.68 crores against Rs. 41.33 crores, showing a 22 per cent increase. This was partly due to higher selling prices. Net sales, however, increased only to Rs. 39.82 crores from Rs. 34.27 crores due to the heavy incidence of excise duties. The net profit, before depreciation, increased more sharply by 34 per cent to Rs. 13.57 crores from Rs. 10.11 crores in 1969. The provision for depreciation is Rs. 381.66 lakhs (Rs. 364.56 lakhs) and development rebate Rs. 33 lakhs (Rs. 400 lakhs). A sum of Rs. 243.33 lakhs (nil) has been transferred to reserve for contingencies. The surplus profit of as much as Rs. 6.99 crores against Rs. 2.46 crores has been taken to general reserve. Even the enhanced equity dividend will require only Rs. 100.40 lakhs (Rs. 80.32 lakhs) while preference dividend will need Rs. 45.73 lakhs. Both will be paid out of general reserve. The equity dividend is covered by seven times by disposable profits. The plough-back out of current earnings is thus as much as Rs. 12.57 crores and will help in executing the expansion scheme without much dependence on external rupee sources.

The company is implementing a fresh expansion scheme in two stages to raise the capacity to 1.2 lakh tonnes from the present 80,000 tonnes. It expects to increase the capacity to 1 lakh tonnes by the middle of 1972 and to 1.2 lakh tonnes by the end of 1973. The expansion is estimated to cost Rs. 40 crores. Besides this, an application has been made to Government for expanding the fabrication capacity at a cost of Rs. 8 crores. Mr. D. P. Mandelia, Special Adviser to the company has stated that the new schemes will be financed by internal resources and borrowings. Hindalco's work-

Plight of Tamil Nadu Sugar Units

The Tamil Nadu branch of the South Indian Sugar Mills Association has pinpointed the special disabilities of the industry in the State due to the low recovery from cane and its high cost, differential duties on levy and open market sugar and uneconomic levy prices. In a brochure, the association has analysed the factors going to inflate the cost of manufacture. It has been pointed out that the factories in Tamil Nadu are losing on an average Rs. 13.60 on every bag of levy sugar based on an average cane price of Rs. 94.35 per quintal (recovery taken as 7.8 per cent) and including interest charges of Rs. 9 per quintal. The loss on sale of free sugar is even more, because the 37.5 per cent duty is based on a tariff value higher than the actual realisation, and actually works out to 42 per cent. As regards cane price, it is stated that cane accounts for 70 per cent of the total cost of sugar, and recovery in

Tamil Nadu has never reached, the base figure of 9.4 per cent to which the minimum cane price of Rs. 7.37 per quintal is linked. Apart from denying the grower any incentive to cultivate better cane, levy sugar also costs more in Tamil Nadu. It is now Rs. 169.24 against only Rs. 147 in Maharashtra.

Locking-up of Funds

Sugar mills in this State also face the problem of accumulation of stocks much more than their counterparts in other States. Levy allotments to Kerala and northern States are not lifted, because of the high prices. At the end of the 1969-70 season, Tamil Nadu factories were saddled with stocks upto 55 per cent of the total production (against 34 per cent in Maharashtra). This locking-up of funds in stocks has made it difficult to meet interest charges, payments to

ing in the current year so far has been satisfactory though it has been necessary to restrict production due to power cuts in U.P. The company's subsidiary power company has not been able to step up generation of electricity due to difficulty over coal supplies.

Century Excels Again

Market expectations of further growth in sales and earnings of Century Spinning and Manufacturing Co. Limited for 1970 have been fulfilled. The directors of the company have announced a higher final dividend of 29 per cent taxable against 25 per cent taxable in 1969 making, with the interim, a total of 45 per cent for the whole year against 40 per cent previously. The higher dividend has been greeted with a sharp rise in Century's quotation to Rs. 885. Gross sales have risen sharply to Rs. 52.62 crores from Rs. 48.39 crores in 1969 while the net profit, before depreciation and taxation, increased more than proportionately to Rs. 14.85 crores from Rs. 12.51 crores. After setting aside Rs. 288.61 lakhs (Rs. 339.52 lakhs) for depreciation and Rs. 706 lakhs (Rs. 450 lakhs) for taxation, the transfer to development rebate reserve is Rs. 16 lakhs (Rs. 43 lakhs) and Rs. 307.73 lakhs (Rs. 265.37 lakhs) to general reserve. Dividend equalisation reserve gets Rs. 110 lakhs (Rs. 100 lakhs). The interim dividend absorbed Rs. 56.73 lakhs (Rs. 53.23 lakhs) while the final dividend requiring Rs. 102.92 lakhs (Rs. 88.72 lakhs) will be paid out of dividend equalisation reserve. The total dividend is thus covered nearly three times. The gross block has gone up to Rs. 41.01 crores from Rs. 39.60 crores in 1969 but net block has dropped to Rs. 13.30 crores from Rs. 14.70 crores. The company's cement plant at Raipur with a capacity of 800 tonnes per day is scheduled to go into production by the end of 1972 while the rayon wood pulp project in U.P. is awaiting Government clearance.

Polyolefins Impresses

A larger output and a higher proportion of its off-take by the remunerative internal market has enabled Polyolefin Industries Limited to report pleasing results for 1970. In spite of a shutdown of the plant for two months early in the year and interruption to production due to shortage of raw materials, the output of high density polyethylene increased to 18,100 tonnes from 17,000 tonnes in 1969. At the same time, internal sales jumped to 13,000 tonnes from 8,000 tonnes while exports declined to 4,700 tonnes from 10,295 tonnes in 1969. With the result, the turnover was appreciably higher at Rs. 9.75 crores against Rs. 7.03 crores. The attractive internal prices for a larger volume was

reflected in a jump in the net profit before depreciation, to Rs. 1.71 crores from Rs. 88 lakhs. After setting aside Rs. 74 lakhs (Rs. 71.56 lakhs) for depreciation, the accumulated losses have been reduced to Rs. 55 lakhs from Rs. 1.52 crores. As the existing capacity can be more fully utilised and internal sales will increase further, earnings for the current year are expected to improve further. This would enable payment of a maiden dividend after wiping out the remaining losses though there will be a large sum to be claimed towards development rebate when there are taxable profits later. Meanwhile, the company's application for raising its capacity to 30,000 tonnes is still pending with the Government. This expansion, if sanctioned, can be implemented with the company's own internal resources.

CAFI's New Issue

The expansion scheme of Chemicals and Fibres of India Limited to raise the polyester fibre capacity to 6,100 tonnes would seem to have been sanctioned as the company has announced its decision to raise fresh capital by way of issue of right shares and new shares to the public. The Government has agreed to the offer of 1.78 lakhs equity shares of Rs. 10 each to the existing Indian shareholders at a premium of Rs. 15 per share in the ratio of 10 new shares for every 109 shares held. Fractional shares in the denomination of one-tenth of a share will be issued after rounding off entitlement. Any shares which are not taken up by the Indian shareholders will be offered for public subscription along with 2.67 lakh shares at a premium of Rs. 15 per share.

TOMCO's Sales Up

Sales and other income of Tata Oil Mills Company Limited have exceeded the Rs. 50 crores mark (at Rs. 50.25 crores) for the year ended March 31, 1971. This is an increase of 27.5 per cent over the previous year's figure. Export sales also have risen to over Rs. 2 crores from Rs. 1.84 crores in 1969-70 with larger shipments of frozen shrimp. Good progress has also been made in setting up joint ventures abroad. It is stated that the company's sales have doubled in the past three years. Earnings for 1970-71 are understood to have been encouraging. It may be recalled that the company made a right issue recently in the ratio of one for two.

Tata Textile Group

All the three mills of the Tata Textile Group have reported improved working results for 1970. Two of them have raised the distribution on equity capital while the third

has returned to the dividend list after a number of years. Ahmedabad Advance Mills Limited and Svadeshi Mills Limited have increased the dividend to 12 per cent from 9 per cent taxable in 1969 while Tata Mills Limited has resumed payment of dividend with a distribution of 6 per cent. Ahmedabad Advance was able to nearly double its earnings following a large turnover. The company also proposes to raise fresh capital for Rs. 21 lakhs by way of a right issue at par in the ratio of one-for-five.

Mahindra Ugine's Maiden

Mahindra Ugine Steel Company Limited, which manufactures a wide range of alloy and special steels, has reported excellent results and it has been possible for the directors to declare a maiden dividend of 7 per cent gross on equity capital for 1970, though the plant went into full production only two years ago. There was no difficulty in using the capacity effectively while blooms secured from outside sources were also rolled. Sales in 1970 jumped to Rs. 8.25 crores from Rs. 4.93 crores in 1969 while there was a more than trebling of the net profit, before depreciation to Rs. 260.44 lakhs from Rs. 81.62 lakhs. Depreciation and development rebate together claim Rs. 165.93 lakhs while the provision in the previous year for depreciation alone was Rs. 42.97 lakhs. Out of the balance, a loss of Rs. 35.15 lakhs brought in from the previous accounts has been wiped out and preliminary expenses written off for Rs. 6.87 lakhs. Arrears of preference dividends absorb Rs. 23.82 lakhs. The capacity is being raised to 24,000 tonnes by installing balancing equipment while Government permission has been sought for a substantial expansion on an integrated basis. The turnover in the first quarter of this year has amounted to Rs. 2.47 crores and it is quite likely total turnover for 1971 may exceed Rs. 10 crores, with a further sharp rise in earnings. The equity also can be raised substantially as the latest distribution of 7 per cent required only Rs. 22 lakhs. Musco's Rs. 10 paid-up shares are quoting high around Rs. 22.

Amar Dye-Chem.

Amar Dye-Chem Limited had the benefit of its expanded facilities during 1970 and, with no problem of shortage of raw materials, could increase its turnover by over 50 per cent to Rs. 10.11 crores from Rs. 6.71 crores in 1969. There was also an improved profit margin as the net profit, before depreciation and taxation, almost doubled to Rs. 237.53 lakhs from Rs. 127.67 lakhs. The dividend has been raised to 14 per cent, taxable, from 10 per cent, previously, with the announcement of a final payment of 8 per cent. The amount

required will be even larger as the 1970 dividend is on a capital increased by a one-for-ten bonus issue. Even then the amount is only Rs. 20.32 lakhs (Rs. 13.20 lakhs) against a disposable profit of as much as Rs. 63.14 lakhs (Rs. 32.52 lakhs). The claim in respect of depreciation is Rs. 75.81 lakhs (Rs. 50.75 lakhs) and development rebate Rs. 20.08 lakhs (4.90 lakhs) the provision for taxation is doubled to Rs. 78.50 lakhs (Rs. 39.50 lakhs) while transfer to general reserve is Rs. 54.78 lakhs (Rs. 25.45 lakhs). The final dividend is to be paid out of this reserve.

I.O.B.'s Interim

Indian Overseas Bank has declared an interim dividend of 7 per cent taxable for 1971. The interim payment of 5 per cent made for 1970 is also to be the final. The latest distribution will be made out of the additional compensation of Rs. 10 lakhs received in return for the transfer to the Central Government of assets of the Malaysian branches. Against the original compensation amount of Rs. 2.50 crores, one-third was received last June. The second instalment is due this June. A further payment is likely for this year out of the earnings for the first six months even if the merger with Travancore Rayons is effected according to the earlier schedule. There may how- of products while the performance of the various formalities. Shareholders of Indian Bank and United Commercial Bank can also hope to benefit by a similar transfer of their Malaysian branches to the new Government agency.

Bayer (India)

The Chairman of Bayer (India) Limited, Mr. B. M. Ghia, has expressed the hope that the company would show an even more impressive performance in 1971. The outlook for all the company's major divisions is quite favourable. The rubber chemical division is expected to fare better as there has been a pick-up in rubber consumption. A letter of intent has been received for expanding the capacity of this division and for the manufacture of some new products. The pesticides division has diversified its range of product while the performance of the pharmaceuticals division has been satisfactory. The company also expects to receive a licence to set up a plant for the manufacture of toluene diisocyanate (TDI), the basic raw material for polyurethanes.

Kamani Engineering

With better use of capacity and execution of large export orders, Kamani Engineering Corporation Limited was able to do more than double its turnover in the year ended

September 30, 1970 to Rs. 17.13 crores from Rs. 8.12 crores in 1968-69. (The company recently got the FICCI award for export performance for 1970). There was also a sizable profit before depreciation, of Rs. 40.63 lakhs against a loss of Rs. 11.07 lakhs in the previous year. The charge in respect of depreciation is Rs. 14.99 lakhs (Rs. 13.10 lakhs). The equity dividend has been raised to 9 per cent taxable from 6 per cent taxable. The company's steel rolling mill in Jaipur with a capacity of 20,000 tonnes per annum is expected to go into production shortly while the existing lines are being diversified to improve profitability. The company's export earnings in the current year are likely to increase to Rs. 15 crores. Recently it got a turn-key order from Thailand worth Rs. 3 crores for supply and erection of transmission towers and allied equipment.

Phillips Carbon Black

Phillips Carbon Black Limited has maintained the equity dividend for the year ended November 30, 1970 at 15 per cent taxable but the payment is on a higher capital as raised by a bonus issue in the proportion of one share for every ten shares held, the amount required being Rs. 30.94 lakhs against Rs. 28.13 lakhs in 1968-69. The company's sales dropped slightly to Rs. 3.55 crores from Rs. 3.62 crores due to shortage of raw materials and slack demand at the beginning of last year. The net profit, before depreciation and taxation, also declined to Rs. 105.04 lakhs from Rs. 117.24 lakhs in 1968-69. After setting aside Rs. 17.77 lakhs (Rs. 20.44 lakhs) for depreciation and Rs. 49 lakhs (Rs. 47.25 lakhs) for taxation, the transfer to development rebate reserve is Rs. 20,000 (Rs. 5.10 lakhs).

Sirsilk Skips Again

While rayon and nylon producers have been earning increasing profits due to better demand and higher prices for their products, acetate rayon units have been faced with a reduced off-take and lower prices. Sirsilk Limited has reported a lower turnover and even a loss for the year ended September 30, 1970. Production had to be restricted to 1934 tonnes against 2,036 tonnes in 1968-69. Sales declined to Rs. 3.90 crores from Rs. 4.53 crores while there was a loss of Rs. 21.49 lakhs before depreciation against profit of Rs. 27.96 lakhs in the previous year. There is no provision for depreciation against Rs. 28.96 lakhs. Arrears of depreciation amount to Rs. 2.40 crores and of preference dividend Rs. 1.93 crores. A debit balance of Rs. 11.36 lakhs after using all reserves is carried forward. The arrears of preference dividend will be higher if adjustments were

to be made according to the Preference Share (Regulation of Dividend) Act, 1960. It has been pointed out by the directors that excise duty on cellulose acetate will have to be reduced to improve profitability.

J. K. Chemicals

J. K. Chemicals Limited has raised the dividend for the 18 months ended December 31, 1970 to 15 per cent, taxable, on an equity capital increased by a two-for-three bonus issue. The payment for the previous 12 months on the old capital was 12 per cent, taxable. The amount required for the latest dividend will therefore be substantially higher at Rs. 11.37 lakhs against Rs. 5.90 lakhs in 1968-69. The generous distribution policy has been occasioned by a jump in the net profit, before depreciation and taxation, to Rs. 242.48 lakhs from Rs. 74.43 lakhs previously. The sum set aside for depreciation is Rs. 45.20 lakhs (Rs. 33.03 lakhs) while taxation claims as much as Rs. 132.30 lakhs (Rs. 11 lakhs). Development rebate reserve gets Rs. 3.65 lakhs (Rs. 5.90 lakhs) and general reserve a much larger sum of Rs. 61.53 lakhs (Rs. 24.81 lakhs). The equity dividend will be paid out of general reserve and is covered over five times. The company's Rs. 100 shares are quoting around Rs. 300. The company has received permission to enter the shipping business provided a new company is promoted with J.K. Chemicals, along with connected undertakings and associates contributing not more than 40 per cent of the capital.

Sandvik Asia's Bonus Issue

The directors of Sandvik Asia Limited have declared a proportionate higher dividend on equity capital of 12 per cent taxable for the nine months ended December 31, 1970. There was a similar payment for the previous twelve months in 1969-70. There will also be a bonus issue in the ratio of one-for-five, subject to Government approval.

CEAT Tyres

CEAT Tyres of India Limited has made good progress with its expansion programme for raising the capacity to 6.5 lakhs tyres and tubes. Installation of machinery is expected to be completed by the end of 1971. The company is setting up a cycle tyre plant at Nasik which is expected to go on stream by the second half of 1972. Exports in 1970 rose to Rs. 83 lakhs from Rs. 54 lakhs in 1969. If there is no disruption of production due to labour trouble (unlike last year closed) there can be a jump in production, especially as the new facilities will be partly available. CEAT shares are ruling firm around Rs. 255.

Dunlop India

Dunlop India Limited had no problem of maintaining production of its various products in 1970 at a high level as demand for nearly all its products was in excess of capacity. Tyre production at the Sahaganj unit in West Bengal was almost the same as in 1969. With the exception of cycle tyres whose production was affected by labour trouble, the output of industrial products was satisfactory but that of cycle rims suffered severely due to shortage of steel rim strip. Though import of strip has been permitted, there has been no improvement in supplies and there may be further interruption to the production programme. The Ambattur unit however was able to raise its output due to partial completion of the expansion scheme which will be finished in 1971 and fully effective in 1972. Tube production commenced in Ambattur in 1970 while the cycle rim plant there will commence operations this year. The company incurred a capital expenditure of Rs. 3.20 crores in 1970 against Rs. 2.44 crores in 1969. Besides, commitments for capital expenditure at the end of last year amounted to Rs. 5.67 crores. The expenditure in 1970 included the implementation of the expansion of capacity by 135,600 tyres and 124,800 tubes. The commitments also include those against the further expansion of capacity by 2.5 lakh tyres and tubes and a capital goods licence for the manufacture of an additional 1.5 million cycle rims at Ambattur and also for the replacement of old equipment at the Sahaganj factory.

The foreign exchange requirements for the expansion schemes are being provided by the Government of India out of credit from U.K., West Germany and France and loans from the British parent company. A major part of the Rupee finance will be found from internal sources and only about Rs. 2.1 crores will be raised through an issue of 15 lakhs equity shares of Rs. 10 each at a premium of Rs. 4 per share in the ratio of three-for-twenty, subject to the consent of the Controller of Capital Issues. The parent company will be providing Rs. 1.04 crores in pursuance of this issue which will be set off against the sterling loans provided by it.

An application has also been made for permission to set up a factory in Goa with a capacity of 3 lakh tyres and tubes. The Chairman of the company Mr. R. G. S. Nairn has stated that some land has already been purchased and expressed the hope that the application would be favourably considered in view of Dunlop's creditable export performance and good record of supplies to Defence services and vehicle manufacturers. Exports in 1970 exceeded Rs. 3 crores and accounted for 48 per cent of total

exports by the industry. There is also a proposal to make steel cord conveyor belting used in mining and expansion of capacity for conventional rubber conveyor belting and fan and vee belts. The letters of intent for golf and tennis balls are still under negotiation with the Government.

Tube Investments

The improved performance of Tube Investments of India Limited in 1969-70 despite shortage of steel was due to higher selling prices and execution of outside orders to maximise capacity utilisation of various sections. The tubes, metal sections and cold rolled product units could not achieve planned production levels and it was even necessary to regulate or stop production on some occasions. The metal sections contributed to the company's earnings for the first time in several years while tube exports were sizable. The cycle division however had to face reduced profitability due to increased cost of steel, nickel and other items. There were also losses on cycle exports. Both the subsidiaries—T.I. Diamond Chains and T.I. Miller Limited fared better, particularly the former whose industrial and cycle chains were in good demand. T.I. Diamond's expansion scheme is awaiting clearance but meanwhile the cost has been revised upward to Rs. 66 lakhs from Rs. 44 lakhs previously. A part of the finance will be raised through a right issue.

There is also a proposal to increase the Indian participation in the share capital of Tube Investments by an offer of 25,000 equity shares this year and 8,125 shares next year by Tube Investments of U.K. to the existing Indian shareholders after consulting the Central government. This will reduce the proportion of the parent company's holding to 52.5 per cent from the present 60 per cent. The sale will be made on a concessional basis through an agent of the British collaborators and it is stated the Indian shareholders will be getting one share for every six shares held, excluding fractional entitlements of less than half a share. An announcement of the sale offer is expected to be made shortly. Meanwhile, the company has made arrangements to raise additional resources for Rs. 1 crore through private placing of debentures carrying interest at 8½ per cent, taxable.

Hercules Insurance

The directors of Hercules Insurance Co. Limited have proposed to capitalise a portion of the reserves and issue bonus shares in the proportion of one share for every five shares held, subject to sanction by the Controller of Capital Issues. The new shares will not rank for dividend out of the earnings for 1970.

Syndicate Bank

Syndicate Bank has announced a final dividend of 10 per cent taxable, for 1970 making with the interim a total of 20 per cent taxable.

Philips India

Philips India Limited has been able to achieve a rise of nearly 25 per cent in its turnover for 1970 to Rs. 37.68 crores from Rs. 30.21 crores in 1969. All the product lines contributed to the improved sales of which radios, light products, and components for other lamp manufacturers were prominent. There was an appreciable growth in sales of telecommunications equipment and welding electrodes. There was greater emphasis on diversification into new lines like sophisticated professional and scientific equipment. Exports also showed a 40 per cent improvement to Rs. one crore and it is pointed out that these can be further raised if the company's suggestions for a cent per cent export-orientated scheme for manufacture of carbon resistors and other proposals are accepted by Government. The pre-tax profit improved further to Rs. 6.72 crores from Rs. 5.27 crores in 1969. A total dividend of 20 per cent has been declared on a capital increased by a one-for-two bonus issue against 23 per cent on old capital in 1969 (already reported).

As regards production, the Kalwa plant near Bombay maintained its full capacity production of incandescent and fluorescent lamps as also lamp components. The new plant for glass tube making was commissioned during the year while production of 1000 watt quartz burners for mercury vapour lamps was begun for the first time in the country. The production of light fittings was, however, hampered to some extent by shortage of steel, acrylics and other raw materials. The company has received letters of intent for manufacture of high wattage mercury vapour lamps, and other special lamps besides expansion of capacity of burners. These projects are now being implemented. The demand for welding electrodes could not be met fully because of acute shortage of raw materials and delayed issue of import licences.

The Poona electronic components factory completed its expansion project during the year while letters of intent have been obtained for expanding the capacity for a number of components. But no progress has been made in this regard as the stipulation on stringent export obligation is still being discussed with Government. The Calcutta and Poona radio division maintained their output at full capacity while a new factory set up at the Pimpri industrial estate in Poona commenced production towards the end of 1970. The telecommunication factory

at Calcutta has been effecting deliveries of fully transistorised portable transceivers to Government and further orders are being obtained for these and other products. Production of electronic measuring instruments and public address systems also remained satisfactory at the Bombay factory where the manufacture of an advanced type of portable oscilloscope and pulse generator was undertaken during the year.

New Plans

The Calcutta factory has also started producing record players this year after some delay over receipt of import licence for certain equipment. Arrangements are also being made to commence manufacture of tape-recorders on the basis of a letter of intent. Production of this item at Pimpri originally scheduled to begin in 1972, may be delayed due to certain additional conditions imposed by Government. An application has also been made for production of TV sets and once a licence is obtained, assembly of TV receivers can be started at the Pimpri factory with the least delay.

Goodyear India

The setback in working results of Goodyear India Limited during 1970 was due to a labour slow-down for about six months at the Ballabgarh tyre factory which adversely affected production. There was also an increase in the statutory price for natural rubber in September last while other manufacturing costs also increased. But it has not been explained in the director's report why they decided to increase the dividend on equity capital to as much as 47½ per cent from only 17½ per cent in 1969 especially as it is necessary to utilise a part of the accumulated reserves to complete the payment to shareholders. The company's exports in 1970 totalled Rs. 74 lakhs. It is proposed to capitalise reserves for Rs. 2.54 crores—Rs. 57 lakhs from share premium account and Rs. 1.97 crores from general reserve for issuing bonus shares in the ratio of one-for-one. At the end of 1970 reserves amounted to Rs. 5.71 crores (of which share premium was Rs. 59.77 lakhs and general reserve Rs. 3.91 crores). But the final dividend which will require Rs. 44.42 lakhs is yet to be paid out of the general reserve. The paid-up equity capital amounted to Rs. 2.54 crores. The expansion of automobile tyre capacity to 6 lakh sets and the establishment of a bicycle tyre plant with 2 million capacity have been delayed due to late arrival of both imported and indigenous machinery. It is now expected that both facilities will go into operation before June this year. Fresh capital expenditure incurred in 1970 was Rs. 5.42 crores (Rs. 1.02 crores).

INDUSTRIAL ECONOMIST

The Managing Director M. Parks Chrestman, has, however, explained to shareholders that the directors proposed the higher dividend and capitalisation of reserves as the company's current plans do not call for major outlays in the near future, during which time the expanded auto and cycle tyre facilities would provide additional ability to generate capital. Mr. Chrestman has taken a cautious view of the outlook for the current year. Though tyre production will be doubled from July this year with easier power supplies and labour cooperation, disposable profits may be affected by higher interest and depreciation charges. Other costs of manufacture are also rising continuously. The plan to instal facilities for making aero tyres is making good progress. The capital goods import licence for equipment has been received but there are some formalities to be completed before orders can be placed.

Glaxo Bhavan

A nutrition centre "Glaxo Bhavan" constructed from a donation of Rs. 50,000 from Glaxo Laboratories (India) Limited to the Andhra Mahila Sabha was opened by Mrs. Saraswathibai Giri, wife of President Giri, at the Andhra Mahila Sabha College campus in Osmania University at Hyderabad on April 6. The President was also present. Mrs. Durgabhai Deshmukh, President of the Sabha, welcomed the distinguished guests. The Centre will provide facilities for nutrition education and training and marks the beginning of the Sabha's Statewide campaign to improve nutritional standards of the community. Glaxo is a leader in the milk food industry apart from its production of a wide range of pharmaceuticals and fine chemicals. The Aligarh unit of the company turns out baby food and has a modern dairy there. The drug unit is situated at Thana, near Bombay. Glaxo has been continuously expanding and diversifying its production to include basic chemicals for oral contraceptives besides those for vitamins.

Siemens India

Siemens India Limited which recently issued fresh equity capital for Rs. 1-20 crores, has already a paid-up capital of Rs. 1-20 crores of which shares worth Rs. 61.20 lakhs (51 per cent) are held by directors of the Indian company and others. Of the new issue, Rs. 60 lakhs are being allotted to the foreign holding company and only the balance was offered to the public. Thus, after allotment of the new shares, the Indian participations in the capital will be 49.5 per cent and not 25 per cent as stated in our March 1 issue before the prospectus of the company was published.

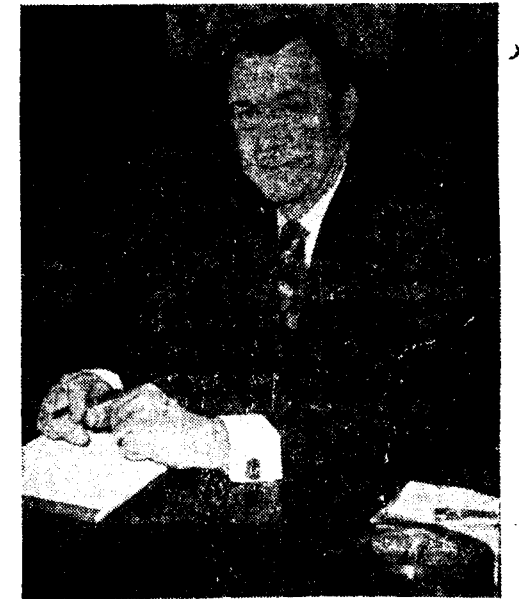
A. L. Taylor Elected President of IACC

Mr. A. L. Taylor, who has done pioneering work in the introduction of computers in India, was elected President of the Indo-American Chamber of Commerce for the current year. He succeeds Mr. S. L. Kirloskar.

An Australian, Mr. Taylor, who is General Manager of IBM for the India Region is currently busy drawing up plans to facilitate trade between India and the U.S., particularly to help India overcome the technological gap.

Earlier this year, the IACC organized a seminar on 'The Role of Shipping in Indo-American Trade, Issues and Challenges' at Bombay. The IACC also arranges series of lectures by eminent people to focus attention on India's economic development in the context of world economic situation.

The second annual general meeting of the IACC also intalled presidents of its four Regional Councils. They are: Dr. B. V. Bhoota (West India), Mr. Paul A. White (East India), Mr. K. M. Mammen Mappillai (South India) and Mr. Ranauq Singh (North India).



Mr. A. L. TAYLOR
President, IACC

During last year the IACC established a Visitor's Centre in New Delhi. Since one of the main difficulties American businessmen wishing to work with India experience is their total lack of knowledge of establishing contacts with government and industry circles, it is hoped that the Visitor's Centre can bridge this gap.

STOCK MARKET:

Corporate News Boosts Sentiment

With election uncertainties over, stock markets have resumed their buoyancy. Most scrips in the cleared and cash sections have firmed up considerably since the middle of April and gains have been significant in most of the active counters. A continued flow of gratifying working results from the private corporate sector and a further improvement in earnings held out by company chairmen along with a shortage of wanted scrips have helped the bull operators to push prices up.

Even cotton textile shares have shown no weakness as the performance of the industry in 1970 has been encouraging and there is a feeling that the Government's effort to secure adequate imports of cotton would help to tide over any critical situation in the coming lean months of the season. But the high prices that may continue for the remaining months may affect the profit margins considerably, particularly as the industry has undertaken to maintain the quota for production of coarse and medium varieties of controlled cloth at 25 per cent of the capacity. The scope for getting over this obligation by paying the penalty for any shortfall would thus be appreciably reduced. The increased earnings of many mills in 1970 were mainly due to the diversion of capacity from unremunerative controlled categories to highly profitable finer varieties.

The main prop for the market, as stated earlier, has been good corporate news. Many companies have reported larger sales and improved earnings. Dividends in most cases have been either maintained on increased capital or raised on the old capital. Century Spinning and Weaving has increased the payment to its equity shareholders for 1970 by increasing the dividend to 45

per cent from 40 per cent in 1969. The Tata group of textile mills has fared better in the latest year and two of the companies—Ahmedabad Advance and Svadeshi—have raised the distribution, while Tata Mills has been able to resume its dividend after a number of years. Century Enka, Elpro International and Mahindra Ugine have declared maiden dividends in a short period after commencing production. Tube Investments has managed to increase its profit despite shortage of raw materials. The existing Indian shareholders will benefit by the proposal of the British collaborators to offer part of their holdings to them. Pfizer and Sandoz are paying more on their equity capital for the last year while Philips Carbon Black is maintaining the payment at 15 per cent for 1969-70 on a higher capital as raised by a bonus issue. Kamani Engineering has raised its dividend as also Modella Woollen on improved working. Amar Dye-Chem has increased the distribution from 10 to 14 per cent on higher capital. Chemicals and Fibres of India has at last announced its decision to raise fresh capital by issuing new shares to the existing shareholders as also to the public at a premium. Hindustan Aluminium has reported excellent results for 1970, though it will be raising the dividend only modestly to 12½ per cent from 10 per cent in 1969 but there will be a bonus issue in the ratio of one-for-four. The company is also proceeding with its next phase of expansion. Indian Aluminium also will be immediately increasing its capacity by 10,000 tonnes. Indian Copper has earned more and is paying more to shareholders. Indian Overseas Bank will be paying an interim of 7 per cent for 1971 while Syndicate Bank has announced a final dividend of 10 per

cent for 1970 making a total of 20 per cent. Hercules Insurance has proposed a one-for-five bonus issue and Sandvik Asia also in the same ratio. The latter has also declared a dividend of 12 per cent for nine months against a similar percentage for the previous 12-month period. National Organic Chemicals and Polyolefins have started deriving considerable benefit from their integrated activities and will be reaching the dividend-paying stage in the next one or two years. The ad hoc price increase allowed to car manufacturers pending disposal of their case in the Supreme Court has had a salutary effect on auto shares.

Apart from these pleasing news, marketmen have also reason to take a more constructive view of the outlook for the economy. The licensing authorities would seem to be adopting a more helpful attitude as may be seen from the spate of new licences for expansion and setting up of new units. Letters of intent have also been generously issued to enable the respective companies to proceed with their plans to arrange for collaborators or secure funds. The improved climate has also attracted a number of foreign business teams which have already offered to extend technical and financial assistance in particular fields of production. The export effort is also bearing fruit and it has been reported that 1970-71 would see a growth rate of 8.5 per cent. Though the civil war in East Bengal is posing certain problems like rehabilitation of the lakhs of refugees, there has been an incidental benefit to West Bengal's jute industry which now finds itself in the embarrassing position of carrying out orders on Pakistani mills from foreign buyers. Jute shares have been particularly active in the past few weeks and sizable gains have been noted in many scrips. In the south, coffee estates have harvested an all-time crop which may be 40 per cent higher than the previous best crop. Naturally this will be reflected in higher earnings for many companies.



TAKE-OVER OF GENERAL INSURANCE

The promulgation of an ordinance by the President of India empowering the takeover of the management of all general insurance companies, Indian and foreign, could not have come as a surprise. It had been repeatedly asserted by political leaders that nationalisation of general insurance was on the agenda and it was only a question of when the measures would be initiated. Indeed, it was claimed in knowledgeable circles that the arrangements had been finalised and the Union Finance Ministry was ready to tackle the job. The actual move, however, came somewhat as a surprise as it was not clear earlier whether, as in the case of banks, there would be selective nationalisation and whether the ownership of assets and liabilities would be taken over forthwith.

The Government, however, has chosen to adopt a cautious policy. Only the management of all companies has been taken over with the payment of interim compensation while a Bill is to be introduced in Parliament in the next session which will indicate how the insurers will be compensated for the transfer of ownership. The change-over, however, has been effected smoothly and from May 13 the custodians appointed by the Government are in charge of the administration of these companies and the intention would seem to be to examine closely the accounts of all companies for determining the compensation for assets transferred to the Government.

The opinion expressed in some quarters that the compensation paid to the erstwhile banks is on the high side and that there should be a more careful assessment of the quantum of compensation is not correct. The Government has greatly benefited by the nationalisation of major banks and the deal has been conducted on a cheap basis. This will be evident from the satisfactory results of

most banks for 1970 in spite of heavy expenditure incurred on the opening of new branches and the big increase in the salary bill following the revision of emoluments to all classes of employees.

The public sector must be geared up to manage a type of business which has to maintain the quality of service and look after millions of customers. More than three million policies have been issued already for all classes of insured after studying their special requirements and the volume of business is likely to increase by leaps and bounds. There is also a sizable Government element in this field with some units in the public sector accounting for 35 per cent of total business. The premium income of all insurers is not more than Rs. 131 crores and their gross assets are only about Rs. 240 crores. The quantum of net assets which will determine the basis of compensation will be much less. The number of employees of all companies is only 25,000. It is difficult to visualise the total compensation but it may not be more than Rs. 30 crores. Even here the extent of compensation will be accounted for by the first ten companies which account for nearly 70 per cent of the business.

The management of general insurance companies has been taken over ostensibly with the idea of scrutinising closely the accounts of all companies of 1970 which will be published shortly. But the valuation of assets need not take a long time as with every month that passes by many policies will mature and it will be possible to determine, except for marine risks, to what extent statutory reserves will cover outstanding risks. Expert opinion is that departmental reserves will have a surplus after meeting all claims. The aggregate market value of all investments should be in excess of the book value. The Government should not delay therefore the valuation of assets for fixing

PRICE MOVEMENTS
The following were the closing rates for selected scrips on April 5 and 23:

Madras			Bombay			Calcutta		
	Apr. 5	Apr. 23		Apr. 5	Apr. 23		Apr. 5	Apr. 23
India Cement	5.70	5.70	Tata Steel	101.00	103.25	Indian Iron	11.40	12.30
Mettur Chem.	12.25	12.30	Telco	234.00	245.00	Hind Motors	13.15	13.05
Ashok Leyland	6.45	6.50	Century	851.50	886.00	Birla Jute	21.70	23.25
S.I. Viscose	171.00	171.00	National Rayon	514.00	522.00	Dunlop India	38.05	39.25
Madura Mills	18.62	18.65	Tata Chem.	29.75	29.50	Guest Keen	32.90	36.90
Tr. Rayons	20.40	21.00	MICO	445.00	456.25	Indian Copper	4.00	4.16
E.I.D. Parry	13.60	13.87	United Carbon	405.00	422.50	Zuari	15.19	16.44
Madras Alum.	178.00	182.00	NOCIL	241.00	239.00	CAFI	43.50	48.50
Madras Rubber	19.50	19.55	Polyolefins	254.00	246.00	Hind Aluminium	36.12	39.06
Binny	77.50	69.00	Ceat Tyres	248.75	257.50	Goodyear	56.75	56.87
Indian Overseas	169.50	171.00	Mahindra Ugine	18.56	21.88	Philips India	40.00	39.50
Tube Investments	140.00	151.00	Gujarat Fert.	303.75	315.00	Union Carbide	32.12	32.37

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the compensation. Though the ownership of shareholdings is concentrated in many cases, there are quite a few institutions in which there is considerable public interest.

What is more important, however, is the introduction of machinery which will be in a position to foster the growth of general insurance business. There will be automation in the volume of fire, accident and miscellaneous insurance and there should be no room for complaint that the quality of service has deteriorated. Also, care should be taken when evolving new schemes for crop insurance

CRUCIAL BUDGET IN THE OFFING

The Central Budget for 1971-72 due to be presented to Parliament on May 28 promises to be radical in many respects though the finances, particularly of the Centre, are in good shape. There has of course been some complication on account of the heavy influx of refugees from East Bengal and the heavy expenditure of Rs. 75 crores on East Bengal refugees will compel Mr. Y. B. Chavan to think in terms of raising large sums through indirect and direct taxes. It would be advisable to take a long term view and spread the impact of the exceptional expenditure on refugees over a five year period. The problem of raising resources will have to be viewed constructively and fresh taxes should be levied only for financing expenditure which is not entirely productive but which is covered by the scope of the Fourth Plan. There may, of course, have to be heavier expenditure on Defence, preparing the nation to meet any eventuality.

Mr. Chavan is in a position to manoeuvre skilfully and formulate new schemes for financing plan projects. With more vigorous institutionalisation of savings and a better balance between revenue and expenditure, Mr. Chavan can easily find Rs. 200 to Rs. 300 crores for financing plan and non-plan expenditure. It will not be surprising if the overall budget deficit for 1970-71 was nominal and the actual revenues were considerably in excess of budget estimates. It is of course true that there has been a serious shortfall in plan expenditure and difficulties may be experienced if the tempo of implementation of Plan schemes increased. But there will also be scope for raising additional revenues even with the existing taxation besides mobilising larger amounts through open market loans, deposits of Banks and Post Offices and an intensification of the Small Savings Campaign.

The Central Budget for 1971-72 need not therefore be harsh; but the question is whether Mr. Chavan can avoid being radical for its own sake because of the compulsion to implement some of the points in the election manifesto. There will surely have to be heavier wealth taxes on urban property and even on other forms of property. There may also be an attempt to give the impression that the higher incomes are being soaked with more severe taxation of capital gains and certain adjustments in the tax rates with rebates which will compel saving and investment in parti-

or cattle insurance as it is necessary to bear in mind that insurance has an element of cost and in a country of widely differing climatic and weather conditions and different fertility it will be difficult to administer crop insurance except on a regional basis. As an element of subsidy will be involved in the early stages, it would be advisable to initiate these schemes on a departmental basis. The Government should watch its steps before doing anything new or novel as it has to build up its reputation first as having the capability for managing properly public sector undertakings.

cular directions. There may also be an attempt to diffuse compulsorily ownership of share holdings in closely held companies besides compelling distribution of profits on a large scale. These measures, however, will not result in sizeable receipts and may not fetch more than Rs. 25 to Rs. 30 crores especially as any change in the rates of corporate taxation affecting public limited companies will retard further development.

But the main conundrum relates to the mobilisation of resources for giving succour to the States which are having an awkward financial position. The Central Government will have to come to the rescue of the States and it is here that Mr. Chavan will be in a dilemma. If the changes in the overdrafts of the State Governments from the Reserve Bank in the past year are any guide it is quite likely that the overall deficit of the State Governments in 1970-71 was as much as Rs. 250 crores, while that of the Central Government was probably only Rs. 50 crores. The question is how the States should be helped to overcome their difficulties and to what extent new taxes should be levied by the Centre and the States for wiping out deficits. In 1971-72 the overall deficit may again be Rs. 250 crores even with buoyancy of central revenues and the scope for an increase in the State's share of these revenues. The States will probably be asked to find Rs. 80 crores additionally through new taxes and borrowing and it should not be difficult to raise additionally Rs. 5 to Rs. 10 crores in each case. The Centre may be agreeable to levy indirect and direct taxes for augmenting the share of States by Rs. 80 crores. This will call for a tax effort of nearly Rs. 125 crores. The balance of Rs. 80 crores may be found through additional central assistance or credit from the institutions or both. The Centre, of course, will have to find for itself additionally Rs. 50 crores. This will lead to the conclusion that fresh taxation for Rs. 160 to Rs. 175 crores will be inevitable and this effort will be successful only if there were new and heavier indirect taxes. Since there will be no large deficit financing on Centre's account it will not cause any harm if there was deficit financing on account of States to the extent of Rs. 100 crores annually for two or three years. The forthcoming budget is therefore crucial in many respects and Mr. Chavan should give the correct lead when the economy is in good shape and is poised for a faster rate of growth with strategic doses of additional investment.

Not Just Yet Another Currency Crisis

The West European monetary crisis has been blamed on many things. The majority blame it on the Euro-dollars, the \$50 billions circulating in European markets and fleeing from one centre to another in quest of higher interest rates. Others point an accusing finger at the manner in which the United States has been managing its fiscal-monetary affairs, ostensibly placing a higher premium on the domestic situation unmindful of the consequences abroad of such domestic policy. Yet others would refer to the insular outlook of E.E.C. member countries, each of whom, according to them, will be burying its head in the sand like an ostrich in the mistaken belief that the crisis is a war concerning the Deutschmark alone. The rest seem to be firmly of the view that the exchange parities of all countries are in need of a reassessment and that the failure to do so has unleashed certain forces of instability which cannot be controlled except by a realignment of currency parities.

Each of these stances has an element of validity which will, in no case, admit of any exaggeration. The immediate crisis was, for instance, due to a massive switch of Euro-dollars for West German marks, the flood being estimated at around \$10 billion at one point. The very availability of this large volume of dollars which can easily be further drawn up to five times that figure introduces no doubt an element of uncertainty and therefore of a trend towards continuous imbalances. Unless there were other elements of trend like absence of control against switch, possibilities of continuous replenishment from abroad etc., the instability cannot predictably last too long. Further, to designate Euro-dollars as the villain of the piece without any redeeming features is to

overlook the contribution of this type of money towards the expansion of European investment and the consequent diversification and growth of European industry of varied lines. As Sir Leslie O'Brien, Governor of Reserve Bank put it, without Euro-dollars, the size of a really, free international money market so essential for European economies, will have shrunk out of existence. In any case, Euro-dollars being the medium through which the monetary malady had been transmitted, logic demands that there should be no confusion between the malady itself and the symptom or agency through which it surfaces.

The criticism of U.S. economic policy has likewise limited justification. The U.S. involvement in the Vietnam war has been responsible for an outflow of dollars and therefore for much of the deficit in the U.S. balance of payments. The winding up of U.S. commitments abroad under the Nixon doctrine (which seeks to transfer capabilities from actual U.S. presence and wholesale participation to the governments and the people of the concerned areas of U.S. influence) may no doubt reduce the deficit. But such reduction on the requisite scale may not come about immediately. What is worse, there has, on the contrary, been set in motion a further force for deficits in the form of the U.S. administration's pre-election, pro-boom increases in consumer spending which has a capacity for sucking in a larger volume of imports and throwing the payments balance in further deficit.

U. S. Answer Ingenious

The U.S. answer to this criticism has been ingenious and interesting. The expansionist policy which is intended to expand the volume of production and reduce unemployment

is intended to help rescue the growth in the U.S. economy halted by recession, and should help achieve long term equilibrium in the payments balance. U.S. officials have been pointing to the fact that the better price performance of the U.S. in recent months is expected to improve competitiveness in international trade and connect the payments deficit by keeping the domestic market preferred by the U.S. citizens to foreign markets. Besides, the goal being to build a stronger U.S. economy, there should automatically be as a result of this well-timed endeavour an inflow of investment and money (including dollars) from abroad. According to Mr. Paul A. Volcker, U.S. Under Secretary of the Treasury for Monetary Affairs, "the basic deficit in U.S. transactions with the rest of the world, after discounting temporary, reversible money flows, has been in the neighbourhood of 2,500 million dollars in recent years, an amount equal to about three per cent of our (U.S.) total trade and less than two per cent of our total external transactions. A deficit of that magnitude should certainly be manageable for a time. The size is not so great as to appear prohibitive in terms of achieving adjustment over a reasonable period." The difficulty with all these arguments is that their credibility is seriously impaired by the failure of U.S. economic measures, despite all the fanfare with which they had been announced from time to time, to bite as expected. Foreign suspicions and mental reservations in this respect have been registered by the fact that the co-existence of inflation with sectoral recession in the U.S. economy, has because of the increase in unemployment tilted the scales in favour of inflationary policies and therefore of deficits.

Fallacious Belief

Among the countries affected by U.S. dollar outflows, there has curiously been little consensus. The brisk recovery of the West German exports and the consequent export boom

coupled with political reservations between West Germany and France have kept the two countries in opposite, instead of as on the same benches during the deliberations of the E.E.C. This has resulted in the propagation of the fallacious belief that the problem is one between the dollar and the mark to be resolved as they choose and one that is of little concern to the other partners of the European community. Though this is not expressed outwardly, "the gettings-on" reveal ample evidence in this regard. Indeed if the members of the European Common Market are really serious about forging their much vaunted European monetary union with its own common currency unit, wisdom demands that they should pull together in one direction and not pull apart in diverse directions.

So far as West Germany is concerned, the decision to float the mark is not going to be very useful either in curbing speculation for a long time to come or for establishing the strength of that currency. Theoretically, floating exchange parities will be a device to test the relative worth of currencies in order to identify the guidelines for reassessing their parities. Insofar as the mark had been floated, there was little option in floating the Dutch guilder and the Belgian franc. What is disquieting is, however, the upward revaluation of the Swiss franc by 7 per cent and of the Austrian schilling by 5 per cent. All this cannot short circuit the fundamental problem. Indeed the floating exchange rates are temporary remedies which can at best tackle the symptoms rather than the disease. In the case of West Germany, the export boom has spent itself already. The West German ratio of wage increases to productivity having been the highest of all the industrialised countries, prices of all commodities have been rising fast. Germany's competitors have seen their chance in their more advantageous prices as is explained by the increase of imports into that country by 1.6 milliard marks in February 1971 as against the figure

for February 1970. If the rate of acceleration of inflation in Western Europe is as now larger than elsewhere, the floating rates of exchange could soon place most of the European currencies in the soup.

IMF. Guidance Inevitable

That is precisely why the school that believes in a realignment of currency parities under the guidance of the I.M.F. has the most convincing logic on its side. It has indeed been the sickening experience of the post-war period that decisions by nations to alter their exchange parities have been taken without consulting the I.M.F. and in the teeth of I.M.F. rules to the contrary. It is time that this recalcitrance which has done no good anybody stops. Indeed human limitations being what they are, there is

every need for the international community to get together under the auspices of the I.M.F. at intervals of twenty-five years precisely for re-examining currency parities and rectifying the overloaded importance that could have accrued to particular currencies.

So far as India is concerned, the floatation experiment will mean that Indian goods will earn fewer marks or francs or guilders as the case may be, while imports from the West will get costlier, as well as the foreign exchange value of external debt. This situation calls for a more vigorous export effort that will keep the annual export growth high enough to take in the slack in exchange earnings (because of these fortuitous circumstances) and to assure a pick up that should enable exports paying for imports.

Accelerating Bokaro's Pace of Constructions

The Government of India has decided to import from the Soviet Union 47,000 tonnes of refractories and 30,000 tonnes of structurals with a view to invigorating the pace of construction of Bokaro Steel Plant's first stage.

Though the plan for this 1.7 million tonne plant was inaugurated ten years ago, its construction work has been dragging on at snail's pace. The Steel Ministry now wants to complete the first stage by March 1973.

The present decision on the imports from Soviet Union is a departure from the original decision of importing only 4 per cent of refractories from the Soviet Union and acquiring the remaining 96 per cent from indigenous sources. For this project, India needs 212,000 tonnes of refractories. Indigenous refractory-manufactures have not been able to supply the required quantities. That is why India Government has increased the intended import-percentage of refractories from 4 per cent originally to 22 per cent now.

Captive Refractory Unit

The Government also wants to have a captive refractory unit either by building a new one or purchasing one from the private sector to meet the demands of the Bokaro project.

On March 1, 1971, the construction authorities had received only 134,000 tonnes of steel structurals as against a total requirement of 239,000 tonnes. Seventyfive thousand tonnes of these structurals have already been erected. More than two third of the structural work remains to be done. Hardly fifty per cent of the 275,000 tonnes of equipment-supplies required has been received until February 1971. Orders for seventytwo thousand tonnes of equipment-supplies were placed with the Heavy Engineering Corporation. But the HEC is yet to produce fifty thousand tonnes. The MAMC has supplied only 3,710 tonnes against the order of 10,000 tonnes. The private sector has yet to deliver more than 60,000 tonnes out of the 79,000 tonnes it had to supply. (UNI).

Invigorate the Planning Commission or Wind it Up

The Prime Minister has decided through the Presidential notification to make the Planning Commission a part of the Ministry of Planning. The fact that the Union Minister for Planning, Mr. C. Subramaniam will be the Deputy Chairman of the Planning Commission confirms that, despite all assertions to the contrary, official and otherwise, the Commission has coalesced with a Government department, losing its independent status. It is not that there had been in the past no merging: Mr. Gulzarilal Nanda and Mr. Asoka Mehta were both Ministers of Planning and Deputy Chairmen of the Planning Commission at the same time. It is not, however, accurate to assess the merger decision on the basis of mere precedent. The correct approach is to study the image of the Commission as conceived by its authors and as envisaged by the many study teams whose business it had been to clarify its role.

Composition by Young Men

Jawaharlal Nehru expected the Commission to consist of enthusiastic young men who would not be hide-bound by bureaucratic stances. Dr. Gadgil desired that its members, all of them, should be below 55 years of age. Both these expectations have not been realised. The intention had been originally to introduce youthful vigour, but for various reasons this had not been possible. What is sickening, however, is that the role of the Commission had itself been distorted in the process. For instance instead of being an advisory body, it had begun involving itself in executive decision-making. The most common criticism of the Commission is that "taking advantage of the Prime Minister's chairmanship, it has stepped into areas of executive authority of the Central and State Govern-

ments". This trend had been intensified by the general practice of departments of these governments getting their Plan projects cleared through the Commission. It is nobody's case that the Commission should have no links with the executive. On the contrary, the convention to have the Prime Minister as its chairman is intended to provide the essential link between this advisory body and the executive.

A Parallel Cabinet

The rub lies in making the Commission a parallel cabinet. So far as the role of the Commission as laid down by its rules is concerned, the additional link with the executive in the form of a Planning Minister-cum-Deputy Chairman would be unjustified. A study team of the Administrative Reforms Commission which examined this question, was of the view that there was no need for a Minister specifically in charge of Planning. Says the team: "It is impossible for us to envisage any person other than the Prime Minister or the Finance Minister to be able effectively to deal with matters relating to planning, to carry his points through and at the same time carry influence with the Commission." In fact, the A.R.C. felt that, except for the Prime Minister, who was necessarily the chairman, ministers should not be appointed as members of the Commission. The Deputy Chairman occupied a key position "as the main working link between the Central Cabinet and the State Chief Ministers on the one hand and the Planning Commission on the other". To fulfil this responsibility, he had to be one "who was not closely associated with the party ruling at the Centre but would at the same time command the confidence of most political parties including that in power at the Centre."

The present choice does not accord with these norms. Without disparagement to the acknowledged dynamism and competence of Mr. Subramaniam the fact remains that he is of the Ruling Congress and a Cabinet Minister in charge of Planning in addition. One cannot be too sure of how he will be able to deal with his other colleagues in his capacity as Deputy Chairman and how State Chief Ministers would react to his proposals or advice offered in that capacity. So long as the separate identity of the Commission as an advisory body, outside the Government, has been lost, there is little to choose between planning with the help of a departmentalised Commission and planning on their own by individual government departments subject to centralised direction. In fact the latter alternative would seem to be more honest and economical.

A Bureaucratic Set-up

When the position of the Deputy Chairman has itself been sinning against the norms set at the inception, little needs be said about that of the other members. In theory, these members should be chosen for their wide knowledge and experience in the fields of agriculture, industry and commerce, science and technology, economics, sociology and public administration. In the light of the changed status of the Commission, it is doubtful whether any from the elite in these fields could be easily drafted into the new bureaucratic set-up. It is a strange irony indeed that over the years, the Commission had been allowed to build up into a mammoth, only to be housed like a mammoth in a shelter, here, the Ministry of Planning. The solution lay not in departmentalising the Commission but in invigorating it, endowing it with greater amount of initiative and freedom.

—R.S.

Jumbos for Janata Travel

By S. VISWANATHAN

The system of chartered flights has revolutionised the concept of air travel. The group fares have become so economical that they have brought air travel within the reach of a much larger cross-section of people for whom air-travel remained for long an unaffordable luxury. Of course, the popularisation of this mode required a lot of ingenuity and an imaginative sales promotion tactics.

How one wishes that our scheduled airlines, particularly Indian Airlines is a little more imaginative in its approach and attempted creating a huge demand for air travel rather than being content with meeting whatever demand that is offered to it! IAC has been reporting heavy losses in its operation for quite some time now. That is largely due to what appears an insatiable work force, ranging from its pilots to the most ordinary of the ground staff. Whether it is lack of leadership or lack of coordinated policy or perhaps both that has contributed to a deterioration in the services and of course mounting costs of operation.

High Operating Load Factor

IAC has an enviable position of a high operating load factor. It consistently had a load factor of 90 per cent in its trunk routes served by the Caravelles. Even after the introduction of the Boeing 737 aircraft its load factor in trunk routes is over 75 per cent. Just contrast this with the plight of many international airlines who struggle hard even to maintain a 40 per cent average pay load. And despite all these the balance sheet is in the red.

Officials of Indian Airlines are never tired of arguing that the fare struc-

relative affluence of these countries whose per capita income is much higher than ours. Of course it is too tempting to resist the desire to convert their fares into rupees with the rate of exchange. If the officials of Indian Airlines want us, for example, to believe that the per mile air fare expressed in terms of rupees in U.K. is costlier than that in India, it exhibits only a propensity to camouflage. The minimum wage of an average industrial worker in the U.K. being in the region of £15 a week, which when expressed in terms of rupees, represents the annual income of an average villager in U.P. Unfortunately this type of arithmetical juggleries are often resorted to by our officialdom. Even the Railways indulge in this type of comparisons when they want to justify a fare increase.

Irresistible Urge to Fare-Hike

While one could not take exception to rational argument for fare increases

YET ANOTHER FARE-RISE?

Disturbing reports are received about the plans of IAC to increase the air fares by 15 per cent in about two months' time. It is gathered that the airlines has approached the Government some time ago for permission to revise the fare by 29 per cent to cover up the losses suffered by it during 1970-71 estimated around Rs. 5 crores. The Government, it appears, has agreed to a fare increase of 15 per cent.

IAC made a net profit of Rs. 2.28 crores during 1969-70. The loss of about Rs. 5 crores it is estimated to have incurred during last year was largely due to inefficient and inept tackling of a number of issues. There were many agitations by the different classes of workmen including pilots

and there was an unprecedented lock-out. There was also loss of three Fokker Friendship aircrafts and the suspension of services to Kabul. Is it justified to ask for a fare increase on the basis of losses suffered not so much due to external factors but with its own inefficient management arising largely due to indiscipline at the various levels of workers? It is gathered that IAC has increased the fare structure five times in the last ten years. As late as 1969 a steep increase of 15 per cent was effected. There was a subsequent increase during November 1969 of 8 per cent on trunk routes and 7 per cent on other routes except the eastern sector where it was 5 per cent.

based on operating costs worked out on the basis of efficient management, one certainly looks askance at the almost irresistible urge on the part of IAC to ask for frequent fare increases. One is inclined to believe that with every attempt at modernisation of operation, with the introduction of newer aircrafts with much larger carrying capacities certain economies would accrue to the Corporation which should be reflected in a better service to the passenger at more economical costs to him. The IAC should successfully negotiate with the Government not to burden it with other types of social costs, e.g. the need to maintain an occasional air service in a not-much-trafficked town by subsidies from the interests concerned or from the Government. In a number of towns where there is just one service per day or tri-weekly services exist, a whole retinue of airport officials has to be maintained, road transport facilities are to be provided and a host of other costs are involved. For example, there are four services a week between Delhi-Bhopal via Gwalior. The traffic offering may justify the maintenance of this service. But the need to incur expenses on a variety of such factors connected with the above contribute to high cost of operation and secondly to poor workload for the staff of these airports concerned. You have to employ people who may have work for about two hours a day during the arrival and take off of flights for four times a week. Two alternatives are possible in tackling such problems: The first is to think in terms of stimulating demand for air traffic to such levels that Indian Airlines can afford to run these services. Or the IAC should be content with operating economically its services on major routes with high density of traffic and parcel out these infrequent services to smaller private airlines who would in course of time create a very good demand for air traffic even from these centres. IAC can also think in terms of contracting out work such as transportation to and

from air terminals and even work pertaining to the maintenance of air port to effect some economies.

Largely Used by Ministers, Officials and Executives

The fact remains that the services of Indian Airlines are largely used by Ministers, M.Ps and Government officials who are paid ultimately by the Government or by company executives. There is an almost total absence of resort to air services by private individuals on personal account. This factor has contributed to a good deal of complacency on the part of the Indian Airlines who have remained content with accepting whatever traffic that is offered to them and who have

Unimaginative Time Schedules for Madras Passengers

Timings of the flights from Delhi to Madras and the return trip are about the more inconvenient ones that could be imagined. The scheduled departure from Delhi is 12-25 hours. With the regulation to check in an hour before departure and another hour required to reach the airport from the City make it necessary to pack off around 10 hrs. The arrival time in Madras is 15-05 hours. The clearing of the baggage takes anything from 30 to 45 minutes and one can reach home or office only around 16-30 hours. This does not take into consideration the delays in departure which are not infrequent. This means the whole day is more or less lost. Since air travel is largely resorted to by businessmen or high paid Government officials, the almost total loss of a day in office time inherent in this schedule appears to be most unimaginative. Some months back Indian Airlines came out with the slogan

acquired a habit of asking for fare increases whenever the complaint on continuing losses is made too loud.

During the recent lock-out of the IAC a number of enterprising travel agencies organised charter flights between important cities and got away with rich profits. This in spite of the fact that the fares collected by them were much higher than IA fares. One is surprised that Indian Airlines has seldom come out with such imaginative plans to attract traffic among the newer sections of people or in other words stimulate demand for air traffic. For example there is acute need for transport from Bombay, Delhi and Calcutta towards Madras during summer and return at the end of the vacation. The rush for rail travel is so great that a high premium is charged

that when viewed against the time it saves for its passengers compared to the railways or other modes of conveyance, air travel is really more economical. But schedules of the type referred to above make this claim just tall and meaningless.

Somehow this plight is reserved exclusively for flights to Madras alone. More convenient timings are available for passengers between Delhi and Bombay, Delhi-Calcutta and Bombay-Calcutta. Flights are available either in the morning or in the evening so that one is left with a good amount of time for office work after reaching the destination. It is the same even in regard to the tri-weekly flight from Madras to Bombay when the departure is 13-50 hours and arrival 15-40 hours. Madras-Calcutta flights are nonetheless convenient leaving at 14-10 hours and arriving at 16-20 hours.

—(S.V.)

on any class of ticket by travel agents and even by many unauthorised persons. Why not the Indian Airlines think in terms of a Jumbo flight chartered from Air India to take advantage of the heavy demand for traffic? As the rush is mostly to spend a good vacation at home much of the luxuries that are part of the *Maharaja service* can be dispensed with. The transport-weary traveller who need spend only about 150 minutes in the aircraft during its flight from Delhi to Madras hardly needs any food on flight and the whole tribe of air hostesses with their helpers and the connected catering service men both in ground and on board could be dispensed with for such flights. With an assured cent per cent load *sans* the huge expenses

these special flights would contribute to enormous economies in operating costs. At a rough estimate it might be possible to offer a single fare from Delhi to Madras at less than Rs. 200 (compared to Rs. 410 normally charged) which is comparable to the first class rail fare. To avoid the switch-over of passengers from normal flights the condition can be imposed that for these charter flights only return tickets would be given. If the time of starting and return would also be indicated in advance the scope for abuse from other types of passengers can be eliminated considerably. Several such flights could be announced between cities on the trunk routes so that passengers can have the choice of the onward and return flights.

The introduction of Jumbo services has contributed to huge increases in available capacity. Since the period for which the aircraft is required is for a short duration, with some adjustment it should be possible to arrange for a charter of these aircrafts.

Once people are accustomed to the advantage of air travel, demand will continually be stimulated which, in the long run, would help Indian Airlines expand its services at a much faster rate than is being thought of as possible now. Will the airlines think of such innovations and try to earn the minimum return on the huge investments made rather than being content with frequent strikes and fare-hikes?

Importing Crude Oil at Enhanced Prices

All the five coastal crude oil refineries in India have been importing crude oil at the increased prices, though India Government has not yet officially agreed to the new prices. Experts draw this inference from the recent statement of the Petroleum Ministry's spokesman that the private refineries had been granted additional foreign exchange in lieu of their future foreign exchange requirements.

In December 1970, when Iran increased the tax rates, the oil suppliers raised the price by about 7 cents per barrel. Again in January-February 1971, when the Persian Gulf Oil Companies and the International Oil Companies signed an agreement for increased oil prices, another enhancement of 27 cents was imposed. That means a total increase of 34 cents per barrel.

The elections in the country and the absence of a fullfledged Government came in the way of India taking a decision on this question and it hung in

the balance precariously. Meanwhile the oil refineries in India had to pay the new prices demanded.

Additional Prices for Crude Imports

A spokesman of the Cochin Refineries Ltd. has recently admitted that the company had been paying the additional 34 cents for its crude imports from the French company, CPF from February 1971. He said that the refinery was being given sufficient foreign exchange to maintain its throughout at 2.5 million tonnes a year. In other words, the company was being given foreign exchange to import crude at the increased rate of 1.60 dollars per barrel. The price before November 1970 was only 1.26 dollar per barrel.

The Madras Refineries is also known to be paying more for the crude it gets from the National Iranian Oil Company. In fact this refinery is paying two cents more than the increased price being paid by the other four coastal oil refineries. The three pri-

vate sector refineries are also paying the increased prices.

Meanwhile the Managing Director of Cochin Refineries, Mr. Glendale Betz, has made it clear recently that this refinery would not be able to process the Rustom crude obtained from India's offshore oil concessions in Iran. The refinery will have to be rebuilt if it is to process the Rustom crude, he said.

The refinery paid a dividend of Rs. 68.78 lakhs to India Government. This constitutes 18.5 per cent of India Government's 52.83 per cent investment in this rupees fifteen crore refinery. The other partners of this Refinery include Phillips Petroleum, the Kerala Government and the LIC.

Cochin Oil Refinery has been in commercial production for four years and has paid a total dividend of Rs. 4.24 crores during the last three years. The Central Government's share has been about Rs. 2.24 crores. (UNI).

Glimpses

By P. R. SRINIVAS

Poor Results from Land Reforms

The report of Mr. C. Badrinath, Director of Tenancy Records on the implementation of the Tamil Nadu Agricultural Lands Record of Tenancy Act throws invaluable light on the effects of land reforms on the economic conditions and prospects of the small agriculturists which the general public will find helpful and the Governments highly embarrassing. It is not surprising that there has been a contradiction of the reports that have appeared in the press. But a city set on a hill cannot be hidden. The fact that the ceiling Acts, with the consequent redistribution of land, the offer of documents assuring the rights and status of the tenant and even the quantum of help afforded by the co-operative society have all failed to make any favourable impact on the poverty of the classes concerned. Mr. Badrinath's report is based on a survey of conditions in Thanjavur district and before the latest reduction in the ceiling on land holdings, from 30 acres to 15 acres.

While one may make some allowances for the differences in the conditions before and after the preparation of Mr. Badrinath's report, the fact remains that, after the distribution of 15,000 acres of surplus land among 9648 landless persons, the number of pattadars rose by only 0.15 per cent and that nearly half the number of the recipients of additional land were in the rice-rich Thanjavur district. By the administration of the ceiling Acts, the Government have added only a half acre or 1½ acres to each of the large number of extremely small land holdings, while as much as 10 acres are needed for a tenant to meet his minimum commitments and 88.85 per cent of tenants in Thanjavur district have between a half and five acres of land to till. In these conditions, the tenant has little reason to set any value on the protection offered by the

Tenancy Records Act. He is indifferent to it and Mr. Badrinath is on good ground when he says that no grave consequences need be apprehended if the disposal of the remaining application for registration as tenants is abandoned, repeal or no repeal of the Act. What is even more important is the uncertainty in the mind of the tenant as to what he may have to pay for the additional land, the liability to lose the addition if he defaults on the payments which he is assuredly in no position to make.

Co-operative Societies Censured

The record of the co-operative societies has also come in for damaging comments from Mr. Badrinath. "Not a single tenant in six out of the ten villages in Nagapattinam received any assistance from a co-operative society. The average amount lent to an individual in one area is Rs. 792 and in Ukkarai village it is as low as Rs. 43. Harijan, it would appear prefer to work as farm labourers rather than tenants. In the light of these findings, Mr. Badrinath naturally recommends the appointment of a commission to enquire scientifically into the economic and social structure of rural Tamil Nadu. Mr. C. Subramaniam, too, has voiced a new scepticism about the value of further reduction of ceilings, on which Congress leaders both within the Governments and without have laid great stress in the past. It is time that the Governments, Central and State alike, realised that disappointments of the people can as surely turn them out of office as the electoral promises raised them to the pinnacle of power.

A Measure of Extremely Dubious Propriety . . .

The nationalisation of private forest lands which the Kerala Government has sought to effect by means of an ordinance after proroguing the Assembly is a measure of extremely dubious

propriety from every point of view. That no compensation is to be paid to the owners nor any land returned to them even within the ceiling limits are other features which will be condemned by the general public. It is also a matter for disquiet that the nationalisation of forest lands may be followed before long by the nationalisation of foreign plantations which has been hinted at by Mr. M. N. Govindan Nair, the CPI State Secretary.

The need to limit the purposes for which an ordinance may be resorted to by Government and not merely to limit its duration before legislation according to normal processes is being brought out more and more clearly in recent years, the nationalisation of banking being the most notable instance in this regard. It is also a matter for consideration whether nationalisation, particularly when compensation is denied to the owners, should not be made the sole prerogative of the Central Legislature and Executive, since no act of nationalisation by a State Government can be in the interest of the nation as a whole and may even be inspired by inter-regional anti-pathies.

Whatever that may be, the nationalisation of forest lands without compensation is defended by the Chief Minister on the ground that it is a measure of agricultural reforms which does not attract Article 13 of the Constitution. While the validity of this contention and the legality of the Government's action will no doubt be tested in the courts of law, there is no doubt that this measure of agricultural reforms is not in conformity with the principles of reconstruction of our agricultural organisation. It may be that forests are being denuded and that they need to be protected and improved. But the emphasis, so far as our land reforms are concerned, has been on the ownership of land by small holders. This principle, it would appear, would be respected only in the case of poachers who are said to have occupied a third of the forest land in Kerala State.

Admittedly, no thought has been given to the question of compensation of temple lands, though Kerala is noted as much for its religious devotees as for its God-less Communists. The worst feature of legislation by ordinance is that the public is denied the benefit of listening to the case which the opposition parties can make out against the measure. The presence of a large and regimented majority behind the Government make the views of the opposition parties more, and not less important for the average citizen.

Is Ganges - Cauvery Link a Reality?

The general public will warmly welcome the statement of Mr. A. P. Jain, that work on the Ganges-Cauvery link is worthwhile, though it is not possible to say when it will be made. But there must be some dissatisfaction about the undue caution behind the statement even when it is made by the Chairman of the Irrigation Commission. The realisation in full of the country's irrigation potentialities ought

to be the prime concern of the Commission, particularly because development within the limits and resources of each State has gone far enough and further progress is obstructed by inter-State disputes which are extremely regrettable from every point of view.

The Irrigation Commission, more than any other body, should look for schemes which will have the double benefit of resolving inter-State disputes and providing a sufficient supply of water for irrigation in all parts of the country. Whatever satisfaction we may feel about the progress of agricultural development in the last five years, we cannot afford to forget that self-sufficiency in food is at the best round the corner and that the position in regard to commercial crops and the dependence of large areas on the whimsical monsoons is a matter for concern. The water grid is a natural requirement and it will be recognised as such when the increase of the output of raw cotton, oil seeds and other crops, which has been relegated to second place because of the urgency

of increasing food production is taken up in all seriousness. The fact that Andhra Pradesh and Tamil Nadu are the only two States which so far have asked for the Ganges-Cauvery link should not create the false impression that they are the only possible beneficiaries of the project. It is true that the magnitude of the work and financial outlay involved is most forbidding. With science and socialism so closely wedded, no project which is technically feasible should be beyond the scope of practical achievement.

No Dilly-Dally Any More

Rome was not built in a day. Egypt has made a reality of the Aswan Dam. And one may say that Bhagiratha did not bring the waters of the Ganga to earth only to benefit a part of the vast land. After having talked about it for over half a century, it is time that we make a beginning, however small and humble. The initial spadework is time-consuming. The scale of future outlay is no reason for postponing it indefinitely.

rency declined and that of small coins and rupee coins went up. But in the two decades from 1951 to 1970, paper currency again picked up to touch levels of 84.9 per cent and 91.2 per cent while rupee coins fell from 9.5 per cent to 5.8 per cent and the small coins from 5.5 per cent to 3 per cent.

According to the Reserve Bank study, only the 100-rupee note has been steadily gaining popularity throughout and it formed 46.6 per cent of the issued currency in 1970. Two-rupee note was first introduced in 1943 and remained popular until 1947; but declined progressively thereafter. Five-rupee note progressively declined throughout the period from 18.3 per cent in 1939 to 7 per cent in 1970.

The ten-rupee note was most popular in 1939 and formed 39.3 per cent; but declined to 30.1 per cent in 1945. It rose again to 42.7 per cent in 1965, but fell again to 34.4 per cent in 1970.

—(UNI)

INDUSTRIAL ECONOMIST

I BELIEVE:

Fanciful Scheme to Elevate Hindi

I believe that the Government of India is steadily lending itself to be pressurised by the Hindi zealots to elevate that language as the only national medium quite oblivious of the guarantee given by Jawaharlal Nehru about the continuance of English so long as the non-Hindi States wanted such continuance. This thought is induced by the suggestion of the Government of India to the Union Public Service Commission for allowing the use of the regional media for its examinations. Ostensibly, this will appear like conferring equal status on all the regional languages but in its actual working it is likely to put a special premium on Hindi. The fanaticism of Hindi-speaking States seeking to obtain for Hindi such a special status is evident from the fact that the Government of one such State has sought to penalise those who continued to use English instead of Hindi for official purposes.

Even assuming that the desire is to confer equal status on all the regional languages, the unanswered question is how far such an experiment is likely to succeed. Obviously it is not mere difficulty in translation which can be managed if one were to overlook generously the harsh in the ear of some of these translations. Incidentally, the UPSC itself is not quite sure of the practicableness of the proposition because even in respect of the two general papers for which it has reluctantly agreed already to the use of the regional medium by the candidates taking the examination, the Commission has categorically stated that the question papers will be only in English. With such reservations against infeasibility of the regional media for examination purposes, on which many will see eye to eye with the UPSC rather than the Government of India, there will be little surprise if the Commission goes slow on the fanciful scheme now being forced on it by the Government.

INDUSTRIAL ECONOMIST

Implicit Confusion

The actual measures of the fancifulness of the scheme is in the confusion implicit in it. The ranking on which the usefulness of a competitive examination depends assumes a high degree of uniformity in the assessment of the performance of students at the examination. The hurdles in using the regional medium are in this sense mainly two: First, it will be difficult to get an examiner who is proficient in the particular subject and in the regional medium as well in order that the answers in that subject through that medium could be properly evaluated. Secondly, even if this difficulty is overcome—which will well nigh be impos-

INCOME-TAX PAYERS OVER THREE MILLION

Direct-tax collections in 1970-71 were Rs. 43 crores higher than in the previous year, according to official estimates. Income-tax, corporation tax, estate duty, gift tax and wealth tax have together yielded Rs. 854 crores as against Rs. 811 crores in 1969-70.

The number of income-tax payers crossed the 3 million mark. It went up from 29.10 lakhs at the beginning of 1970-71 to 30.36 lakhs at the end of February this year.

Of the total direct tax revenues, income-tax (including corporation tax) accounted for Rs. 828.33 crores—a rise of about Rs. 41.38 crores over the collections in 1969-70. This was attributed to better arrangements for tax collection made by the Income-tax Department.

During the year, outstanding gross income-tax demand (which includes demands not fallen due for payment, demands awaiting adjustment and demands covered by stay orders or instalment schemes) decreased by 11 per cent which had been going up by about 10 per cent for the past three years. From about Rs. 821.71 crores at the beginning of the year, the gross sum came down to about Rs. 730.90 by the end of 1970-71.—(UNI).

sible—how are the valuations in a medley of tongues to be adequately correlated for ensuring uniformity in ranking the diverse performance? The main limitation in using the regional medium is that ranks can be justly demarcated only in respect of answers in the same medium. It will be purely a matter of unsure guesses when any attempt is made to compare inter-regional performances merely on the basis of the marks scored.

The argument could be that the country should prepare from now on for a day when candidates appearing from various university areas will have equipped themselves only through the regional medium concerned. The fallacy of this assumption is twofold: First, all universities still use English and have been expressing their determination to provide for their students sufficient competence in that language. Secondly, the introduction of the regional medium at the lower levels of university education has only begun and vast numbers of students are taking instruction through English rather than through the regional medium. What is the justice in jeopardising the chances of these young men at the competitive examination in the process of securing the use of regional media through which at least only a minority of students will have received instruction? Above all so long as the country does not intend to become insular in its technical, scientific and other knowledge elementary wisdom demands that we should not close the only window to such knowledge, viz., English. Indeed these issues are rarely decided on the basis of cold logic especially in a nascent democracy where the urge to stand on its own legs could be pushed to the point of becoming first, a fetish, then an obsession and finally a prejudice. The only consolation is that, in a crisis, the Indian mind has been pragmatic. We can only hope that this pragmatism steps into its own as the powers-that-be and the general public get to know the inevitable shortcomings of linguistic fanaticism.

—Horace

Chequered Career of Paper Currency

Paper currency constituted 91.2 per cent of the total worth of money in circulation in India in the year ending March 1970—Rs. 4,248 crores. The proportion of the rupee coins was 5.8 per cent and small coins 3 per cent.

In 1939, the total money in currency was only Rs. 250 crores. That means, the quantum of money in currency has increased almost seventeen times in the past three decades.

The history of money-currency in India during this period is a chequered one of three alternating bouts of rise and fall. The quantum increased during 1939-1947, declined during 1948-1952 (with the exception of 1950) and climbed up again during 1953-1970.

The sharpest increase was in 1942—62 per cent. The increase was 50 per cent in 1941 and 41 per cent in 1943. The overall increase-average during

the eight-years period was 6 times that of 1939.

The decline of 8.1 per cent happened in 1948. With the exception of 2.7 per cent increase in 1950, there were declines ranging from 1.5 per cent to 8.1 per cent during the other four years of this period 1948-1952.

The seventeen-year period (1953-1970) thereafter was one of unretarded and continuous increase in the issued currency—the percentage ranging from 1.9 per cent in 1953 and 9.8 per cent in 1955.

Decline of Paper Currency

It was only 1939 that paper-money constituted the biggest bulk of 93.4 per cent of the total money in current. The percentage of rupee coins then was 6.5 and that of small coins 0.1. During the eight years after 1939, the proportion of paper-cur-

Tackling the Protein Hunger

The Union Planning Minister, Mr. Subramaniam, who attended the U.N. Nutrition panel meet in New York recently, has pinpointed the challenges confronting the world organisation and developing nations in tackling the protein hunger of developing countries, particularly of South Asia. As is common knowledge, malnutrition in many regions may be due not only to protein deficiency but might represent the cumulative end result of several factors such as diets deficient in calories, proteins, vitamins and other nutrients, disease, infection with worms, large and closely spaced families and inadequate purchasing power. In cereal based diets, the primary nutritional problem is insufficient calories intake. This is evidenced by a comparison of the position in this respect obtaining in the developed and developing countries. In developed countries, the daily consumption of calories is 3,150 and daily protein intake about 90 grams. In India, the corresponding figures are 1810 and 45.4 grams per day. What is to be noted is that these absolute figures conceal wide disparities and deficiencies in per capita consumption of the different sectors of the population.

Need for Nutritional Policies

It is heartening to note therefore that the green revolution in Asian countries bids fair to solve the deficiency of calories to a significant extent. As for the protein deficiency, much will depend on how wide and how soon packages for grain legumes, oil seeds, vegetables, fruit trees, feed and fodder crops are devised and im-

plemented. It is common knowledge that Indian farmers have been aware of the usefulness of the pulses crops both for restoring soil fertility and for providing a viable income source in areas of scanty rainfall which particularly require drought resistant varieties. The rub lies in that efforts in this direction are not consistent and continuous, as they should be. Mr. Subramaniam has warned that an increase of prosperity concentrated in one section of the population may be followed only by an increase in food consumption by the same people and that, although fortunately prosperity concentrated in one section of the population may be followed only by an increase in food consumption by the same people and that although fortunately prosperity does not seem to promote gluttony, there may be periods when rapid economic development in developing countries may worsen the plight of those at the bottom of the economic ladder. The need for sound national nutrition policies, therefore, is obvious.

This is more easily said than done. As Mr. Subramaniam points out the difficulties are numerous: First, there is the lack of adequate data to facilitate a system approach. The second difficulty is that most of the clinical signs of caloric-protein malnutrition worked out by the World Health Organisation are difficult of standardisation and quantitative expression. Deficiency rates vary between 4 and 52 per cent. There are doubts whether, in areas with rice or wheat as staple, there is any protein gap or whether all protein needs would be met if the normal calories require-

ments will be fully met. Thirdly, the achievement of nutritional goals would be difficult in the absence of any improvement in family incomes. This is of course a reiteration of the chain argument—nutrition levels are low because incomes are low and incomes are low because agricultural yields are low and these yields are low because the farmer has got the income to afford packages. Increased opportunities for productive employment are essential for generating the purchasing power necessary for adequate nutrition.

Global Strategy

In the circumstances, a global strategy for fighting malnutrition due to protein hunger can be indicated only in very broad outline. First, efforts should be made to improve both the production and productivity of conventional plant animal and fish resources of protein, to wage an effective war on waste and produce new source of protein such as genetically high quality cereals like high lysine maize, millets and tubers, and foods and beverages incorporating oilseed meals, leaf proteins, fish-protein concentrates single cell protein and fortified cereals. Secondly, much greater emphasis should be placed on improving the distribution and marketing of protein foods so as to assure a rise in consumption among the vulnerable sectors of the population. Thirdly, appropriate research and training facilities must be established to build or strengthen the necessary institutional framework and provide the requisite technical education and training for the personnel needed to handle these problems. Fourthly, suitable executive and coordinating agencies should be developed at the international and national levels for evolving precise action plans and for assuring the deployment of adequate financial and technical resources to ensure successful

What Price Bumper Wheat?

It has been a familiar experience over the years that the recommendations of the Agricultural Price Commission on procurement prices are generally coldshouldered by State Chief Ministers who are to implement them. The recommendations become consequently an academic exercise, devoid of practical moorings. For instance, take the latest A.P.C. report on wheat prices. The Commission desires a reduction in price between Rs. 2 and Rs. 6 for quintal for the different varieties and the Chief Ministers have negatived the same. This should induce an enquiry into the very logic of the A.P.C.'s recommendations.

Procurement Price

The Commission has based itself merely on the arithmetic of the situation. The season has been good like the three preceding ones, the harvests have been according to expectations and the granaries are bulging. If the procurement and issue prices of wheat are to be kept at the current year's level, it will involve a subsidy of Rs. 35 crores. It should be recalled in this connection that the food price is influenced by the proportions of indigenous to imported wheat. The latter being cheaper, any increase in the quantum of the costlier indigenous wheat (in the wake of a desire to reduce dependence on import when domestic supplies are abundant) will call for heavier subsidies to maintain the issue price unchanged. And if the wheat harvest is quite good, it stands to reason that prices should be allowed to find their proper level.

In strict theory again, the benefits of the green or amber revolution should help the farmers earn a larger turnover and not necessarily through a higher price. Again, so long as a higher price is sedulously maintained in the teeth of

an easing of supplies, it keeps farmers confined to cereals production, for, in the absence of a protective umbrella of higher prices, some of them will have changed over to the production of more profitable cash crops, like cotton and oilseeds. And to the extent this change-over is not there, some industrial raw materials tend to be in short supply which automatically affects adversely the production schedule of industries using those raw materials. (This may also explain the comment that part of the high price of edible oils could be blamed upon the larger spending power of the rural community *vis-a-vis* inadequate increases in oil seeds output).

Self-Sustaining Momentum

It is also important to remember that the A.P.C.'s case for reduction in wheat prices appears to rest squarely on the assumption that the breakthrough in wheat has been of such a dimension as to be capable of a self-sustaining momentum. Consequently it is argued that any decrease in price is unlikely to curb the tempo. The unanswered question is how low the wheat price should go to serve, as the A.P.C. imagines, as a gentle reminder to farmers to divert their attention towards other, more "price-worthy" crops.

There can be no denying the fact that the above arguments are quite logical. Their deficiency consists in eschewing from consideration a part of the realities of the regional situation. The major producer of wheat is Punjab. Under the scheme of procurement for the current year, about 4 million tonnes as against 3.6 million tonnes last year will require to be procured. Of the additional 4 lakh tonnes, 3 lakhs are to come from Punjab and that State will be furious if the procurement price is reduced. The grievances that Punjab has against the

Centre are so many that such a price reduction will be the last straw. It may be recalled that when last time a similar suggestion was made for a reduction in wheat price, the Punjab C.M. asked for payment in foreign exchange for the wheat supplied to the Centre which, *ipso facto*, displaced imports.

A.P.C.'s Bizarre View

The intriguing thing is that the A.P.C. views the nation as a single economic unit which has attained complementary viability in its parts which should be best maximised through policies which are less regional and more national. In actual practice, regional interests are pulling away in a different direction. Each State is interested first in self-sufficiency in order to avoid the humiliation or mortification as the case may be, which dependence on supplies from another State or States have involved in the past. Secondly, if a State is fortunate to have produced a surplus and is therefore placed at the giving end, it desires to have the highest feasible price under the circumstances. Those who have been watching the experiments in zones will not have failed to notice that inter regional reservations which had necessitated curbs on movements were a replica of the intra-regional fictions that had zoned off particular districts in the same State from others.

It is time that the price policy is attuned to these differential pressures. This is one point on which the A.P.C. had better act on the States' suggestion. The suggestion is that the A.P.C. recommendations should cover a longer period so as to facilitate long term adjustments in agricultural production. Conservative opinion may not countenance this on the ground that Indian farming has still not become a business from what it had been so far, namely a way of life. But the point is that the horizon is brighter now and the economy should not be caught unready when the sun rises.

Indian Sugar Industry in Doldrums

India's sugar industry appears to be crisis-ridden. At least 17 sugar mills in different States have suffered losses during 1970-71. All the six sugar units in Tamil Nadu ended the year with losses ranging from Rs. 33 lakhs to Rs. 41 lakhs. Six of the eight Uttar Pradesh units, three of the six Bihar units and two of the four Madhya Pradesh units have also incurred losses.

Sugar industry sources point out three main reasons: (1) Sugar recovery this season was lower than the last season's. Maharashtra was the lone exception. It just maintained the average sugar recovery level. (2) This season's crushing-period was shorter than the last season's. (3) Severe impact of the implementation of the second Wage Board award for the Sugar Industry. The rate of increase was Rs. 1.10 per quintal in Mysore, Rs. 5 in Rajasthan, Rs. 3.99 in Bihar and Rs. 2.05 in Uttar Pradesh.

As a remedy to this malady, the Indian Sugar Mills Association wants a higher levy price for sugar. They complain that the levy prices have not been reviewed for two seasons—the last and the current ones.

In his address at the 26th meeting of the Development Council for Sugar Industry, Mr. K. P. Mathrani, Union Food Secretary, gave a long list of suggestions, which include constructing modern plants with latest design-features, maintaining the equipment properly with the help of well-trained staff applying labour-rationalisation schemes in close consultation with the National Sugar Institute, Kanpur, encouraging cane-growers to adopt results of the latest research for bettering sugar-cane yields and sugar contents making economic utilisation of by-products of sugar industry like bagasse, molasses and press-mud and improving the fuel economy and spare surplus bagasse not only for pulp and paper industry but also for the manufacture of furfural, synthetic fibre and resins.

Mr. Mathrani wanted the State

Governments to implement quickly India Government's order permitting free sale of 20 per cent of the molasses produced by the sugar industry. He pointed out to the sugar industry another alternative use for molasses—manufacture of cattle feed and poultry feed out of it.

Mr. Mathrani said that India would

plead for increased export quota for Indian sugar at the forthcoming meeting of the International Sugar Organisation (ISO). This meeting is to review the International Sugar Agreement and the U.S. Sugar Act. India is a member of the ISO Executive.

India's sugar production this year will be 40 lakh tonnes. International consumption will be about 37 lakh tonnes.—(UNI).



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THE CITY CORNER:

Oil Search in Cauvery Basin to Continue

"There is no question of abandoning the Cauvery Basin Oil Project" says the Manager of the Project Mr. T. S. Balakrishnan. In the midst of reports that the quest for oil in the Cauvery basin had been futile and its scrapping was therefore under consideration, this must be welcome news.

According to Mr. Balakrishnan, the prospects of sinking oil in the basin could still be considered good although failure to strike oil in spite of 15 years drilling at the expense of crores of rupees baffles him. He frankly does not know why and when the geological setting was favourable to oil occurrence and standard subterranean conditions indicating existence of oil obtained in the Cauvery basin from Pondicherry in the north to Rameswaram in the south over a 50 mile wide track along the coast, oil should elude their efforts.

So far ten deep wells, five of them in the Karaikkal region and an equal number of structural wells were sunk. Deep drilling is to be started at Pandanallur, 20 miles from Kumbakonam, and equipment is being shifted there from Saliamangalam near Papanasam.

Changing Centre-State Ties

Prof. V. Shanmugasundaram, Professor of Economics, University of Madras, pleaded for encouragement of self-employment.

"Do Centre-State fiscal relations need a change?" This question was discussed at a seminar held under the auspices of the Graduates Guild. Mr. K. Santhanam, former Chairman of the Finance Commission felt that the Centre-State ties called for a change within the four corners of the Constitution. He was not against amendment of the Constitution if agreed changes in the Centre-State relations could not be otherwise brought about. What made him say this was that contrary to the views of

the founding fathers, now the net flow was not from the Centre to the States but was in the reverse direction. He suggested the writing-off of Central loans to States as according to him these loans were "fictitious" and could never be repaid by the States. As for grant of Central loans he would like a separate institution being set up by the Central Government, which like the World Bank, would approach the

Remarkable Growth of Japan's Economy

For fifty continuous months ending December 1969, Japan's economy had shown a steady upward swing surpassing the previous record of 42 months between 1958-1961.

The rate of growth during 1969 was 12.8 per cent (real).

In view of the overheating of the economy during the latter part of 1969, the Bank of Japan enforced a tight money policy with effect from September 1969 by raising the bank rate from 5.84 per cent to 6.25 per cent. It was the first time that the discount rate was raised to adjust domestic economy and not for the reason of balance of international payments.

Japan's overall balance of payment for 1969 registered a surplus of \$2,283 million and the foreign exchange reserves stood at \$3,496 million. The trade balance had a surplus of \$3,750 million with exports amounting to \$15,730 and imports \$11,980 million.

Over-production of rice is one of the major problems of Japanese agriculture. As against 14 million tonnes of rice produced annually, Japan's annual rice consumption has never exceeded 12 million tonnes. Even this level of rice consumption is fast receding because of the gradual shifting of the people from rice to bread, meat, fruits and vegetables. Therefore, Japan's rice surplus has been increasing annually. It amounted to 5.7 mil-

lion tonnes at the end of October 1969.

After hitting the all-time high of 14.25 million tonnes in 1967, rice production in Japan started levelling off. However it is estimated to have exceeded the 14 million mark in 1969 also.

Third Position in GNP
Japan's Gross National Product (GNP) in 1969 mounted to \$166,400 million, showing an increase of 17.3 per cent over the previous year. Japan holds the third position in GNP following United States and USSR. In 1969, Japan ranked 16th in per capita income which increased from \$1,222 in 1968 to \$1,289 in 1969.

Japan's mining and manufacturing production increased by 16.8 per cent in 1969 over the previous year. Industrial production which has been consistently rising since 1966, more than doubled in the past four years. Among the industrial groups electric machinery, general machinery and iron and steel showed particularly brisk production activity.

Indo-Japanese trade during 1969 amounted to \$416.98 million. Imports from India to Japan amounted to \$321.16 million and exports from Japan to India to \$95.82 million. Compared to the 1968, imports from India to Japan had gone up by 9.4 per cent. While exports from Japan to India had gone down by 31 per cent.

(UNI).

COMPANY MEETING



THE VIJAYA BANK LTD.

Regd. Office: Mangalore, Admn. Office: Race Course Road, Bangalore-1

STATEMENT BY THE CHAIRMAN SHRI MULKI SUNDER RAM SHETTY

The following is the statement given by the Chairman of the Vijaya Bank Ltd. at the 39th Annual General meeting of the shareholders of the Bank held at Mangalore on April 30, 1971:

Friends,

It is a pleasure and privilege for me today to welcome you to the 39th Annual General meeting of the Bank. We have added pleasure in meeting in the wake of our successful performance in the last year marked by an unprecedented growth in deposits and profits.

Although it is beyond me to prophesy the shape of things to come, we have every hope of keeping up the momentum of progress that we have now achieved. I take it that you have already read the Balance Sheet and Profit & Loss Account.

General Economy in 1970

Yet another year has been left behind, a year marked by uncertain conditions in the political and economic fields.

True, there was some economic revival consequent on increased agricultural production, but industrial production suffered. Shortage of raw materials like cotton and steel led to under-utilisation of the industrial capacity. Rise in the price level due to continued inflation kept up the cost of living. Political, economic and social unrest checked industrial activities in more than one State.

Although the year left behind was such, the banking industry continued to attract considerable public attention throughout the period, the role of bankers having assumed a larger dimension in recent years.

Banking System

In current thinking banking has been assigned a major responsibility for economic development. The mobilising of the community's savings is the traditional function of a bank. The channelling of such savings into selected priority sectors seeking development has now become the compelling function of banks in society.

Banks, both in the public as well as the private sector, have generally done well in the year 1970. The total deposits for all banks have reached Rs. 5,675 crores and the total advances Rs. 4,428 crores as on the last Friday of December, 1970. The average growth of deposits of the year was 16.4% as against 15.02% in 1969. The credit expansion was higher at 22.5% against 19% in 1969.

Branches of commercial banks crossed the 10,000 mark in 1970. At the end of the year, the number of offices of commercial banks was 11,184. Branch expansion touched a new height. Over 2,000 branches were opened by all the banks in 1970 as against 1,369 in the previous year. The average population served by a branch office in the country has declined to 52,000 in 1970 from 70,000 in 1968.

Demand for credit was on the increase. Deposit mobilisation being the only check



Shri MULKI SUNDER RAM SHETTY

against excessive demand for credit, banks were faced with the challenging task of mobilising further deposits. In banking, as a service industry, the marketing concept has come to stay. Based on psychological approaches to the needs of the community new techniques are being developed for accelerating deposit growth. Financing of the neglected sectors in the economy has come to be accepted by banks as an obligation and challenge.

The Reserve Bank kept up its helpful attitude and keen interest in the supervision and control of all banks.

Our Bank's Progress

We may take pride in our achievement when we see that notwithstanding unsettled conditions in the country the progress of our Bank has been phenomenal in 1970, our deposit growth being 47% as against the average increase of 16.4% for all the banks in the country. The increase in our deposits in the year 1969 was 42%. Deposits which stood at Rs. 18.71 crores at the end of the year 1969 increased to Rs. 27.52 crores as on 31-12-1970. Our advances rose from Rs. 13.01 crores in 1969 to Rs. 17.54 crores in 1970.

The credit deposit ratio of the Bank was on an average, 70.71% throughout the year. The advances to priority sectors like agriculture and small scale industries were well maintained. At the close of the year, our advance to agriculture was 12% and to small scale industries 19% of the total advances.

Our gross earnings for 1970 were Rs. 201.97 lakhs as against Rs. 142.52 lakhs in 1969. In spite of the payment of an additional wage bill of Rs. 6.14 lakhs to our staff consequent on the bipartite settlement, our net profit increased to Rs. 8.49 lakhs for 1970 from Rs. 4.60 lakhs for 1969. As a result, we have been able to step up our rate of dividend to 10% (subject to tax), for the year 1970 with the consent of the Reserve Bank of India.

We shifted our Administrative Office to Bangalore in November, 1969. Behind that simple statement lies a great achievement. In May last, we gave you the assurance that with our changed set-up and shifting to Bangalore, we might forge ahead in a big way. We are happy, that we have kept up our promise.

In 1970 we opened 12 branches at Ardi, Belgaum, Kalladka, Kukundoor, Mandarthi, Jeppu-Mangalore, Mani, Moodabettu, Nada, Poona, Sanoor and New Delhi. More branches were opened in the rural areas. The total number of branches stood at 126 on December 31, 1970.

Increase of Capital

To strengthen the capital base in line with the growth in deposits, we released in 1970 further shares of Rs. 20 lakhs for public subscription. Our shares were highly over-

subscribed. We are thankful for the immense support we have had from you in this direction. Almost the entire Authorised Capital of Rs. 50 lakhs has been subscribed and our Paid-up Capital now stands at Rs. 43.84 lakhs.

Outlook in the Current Year

The Banking Commission has not yet submitted its report. Changes both structural and functional may follow the publication of the long awaited report of the Commission. The situation has yet to settle down to a pattern.

The big banks after nationalisation offer greater competition to the private sector banks. A branch of a public sector bank is found in most parts of the country. With larger resources they are in a better position than the smaller banks to serve the public. In such circumstances the progress that our Bank has made in 1970 is remarkable. To keep it up is our problem. We have an uphill task.

The structure of interest rates has an important bearing on the gross income. Since January, 1971, the bank rate has been increased to 6% with consequential rise in the deposit rates. A larger portion of our total deposits is being held in interest bearing deposit accounts and so higher interest will have to be paid in 1971. Just as gross income is influenced considerably by the level of interest rates, the gross expenditure is mainly dependent on the trend of the wage bill. The continuing wage price spiral may

increase our outgoings and be a constant threat of erosion into our profits for 1971.

Staff and Training

The number of employees has increased from 1,160 in December, 1969 to about 1,462 in December, 1970. We had given out in our previous statements that the training of our staff has been engaging our attention. The shortage of trained personnel is a problem common to all banks. Most banks have their own training establishments. We have also started a Staff Training Institute from October, 1970, with an ambitious programme of making this Institute an organisation not only for staff training but also for management studies and research in due course. In addition, as in the previous years, we are deputing our officers to the Reserve Bank Training College for the various courses.

We have also made provision towards staff gratuity liability on a scientific basis. The present actuarial value of such liability has been determined and it has been decided to spread it over a period of five years. As a first step, the existing provision has been increased from Rs. 2 lakhs to Rs. 3,63,646 for the year 1970.

Board of Directors

At the last meeting of the Shareholders held on 23rd May, 1970, Shri K. P. Madhavan Nair ceased to be a Director. Shri D. Veerendra Heggade resigned from the

Board on 20-7-1970. We have at present 10 Directors on the Board.

I must mention here the unfailing goodwill and co-operation that I have had from my colleagues on the Board. To every one of them and to the members of the Local Advisory Committee, I am thankful for their valuable guidance.

Our Thanks

On my behalf and on behalf of the Directors, I record here my thanks to every member of the staff for his hard work and devotion to duty in the cause of the Bank's progress. I urge upon them to continue to do their best in the years ahead. The loyalty of our staff is our real strength.

My thanks are due to the Secretary, the Special Officer, the Deputy Secretaries and other senior officers of the Bank for the understanding and co-operation with which they have carried on the work throughout the year.

Finally, let me offer my sincere thanks to you as shareholders, to our depositors and other esteemed customers for the confidence reposed in me and my colleagues on the Board and for the continued goodwill and co-operation.

Your support is our strength.

Thank you.

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

WORLD BANK LOAN FOR HARYANA

A team of Haryana officials is now negotiating with the World Bank for a loan of Rs. 19 crores to be utilised for agricultural projects.

The State Government has drafted a Rs. 35 crore plan for boosting agricultural production.

Under this programme, the State Government wants to purchase 6,000 tractors and other agricultural implements from western countries and to sink 1,000 tubewells.

The State Government intends to spend Rs. 44 lakhs to introduce dry farming in the chronically dry areas of Mahindergarh and Hissar.

About Rs. 50 lakhs will be spent on small-scale schemes to give employment to landless and poor agriculturists.—(UNI).

INDUSTRIAL ECONOMIST

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INDIA'S TRADE DEFICIT REDUCED

India's trade deficit has narrowed down to the lowest mark for over a decade.

According to the Foreign Trade Secretary H. Lal, the trade gap for 1970-71 is expected to be only about Rs. 120 crores. The gap was Rs. 154 crores in 1969-70. In the mid 'sixties there was a gap of Rs. 1000 crores.

Imports during 1970-71 are estimated to have risen from Rs. 1567 crores in 1969-70 to Rs. 1650 crores in 1970-71. Exports have increased from Rs. 1413 crores to Rs. 1530 crores.

The fall in the import of foodgrains was the main cause for this advantageous position. Foodgrains import in 1970-71 is expected to be Rs. 100 crores less than in 1969-70.—(UNI)

GOVT'S PLAN TO DOUBLE BOKARO STEEL SUPPLIES

With the inauguration of work at the Bokaro Steel Project for the expansion of the production capacity from 1.7 million tonnes to 2.5 tonnes during the Fourth Plan period, the Union Steel Ministry has launched a crash programme for augmenting steel supplies.

The expansion, estimated to cost Rs. 50 crores, envisages installation of one more 100-tonne L.D. converter, one coke oven plant and other connected facilities. This will require 20,000 tonnes of equipment of which about 3,800 tonnes are to be imported from the Soviet Union.

The cost of the first stage, originally estimated at Rs. 671 crores, has now gone up to Rs. 760 crores.—(UNI).

An Export-oriented Import Policy

The new import policy for 1971-72 provides for canalisation of import of 51 more items through State agencies while liberalising imports for priority sectors. The additional 51 canalised items comprise mainly non-ferrous metals and some fibres and would mean State take-over of another Rs. 130 crores of import trade and that as a result canalised items would be 40 per cent higher than that of last year. The total number of items canalised will thus rise to 112 and account for 70 per cent of the total import trade of the country. The State Trading Corporation and the Minerals and Metals Trading Corporation will be arranging bulk imports of raw materials for sale to actual users and registered exporters. Sale prices of goods imported by State agencies will continue to be determined by the agencies themselves but preferential treatment will be given to exporting units in the matter of price.

The import of 170 more items has been banned and 67 items hitherto allowed to actual users without any restrictions will now be permitted on a restricted basis. For 23 items, the quota of established importers has been restricted. This would indicate the growing competence of indigenous units to effect import substitution. Some of the features of the new policy are that while the priority list of 59 industries remains unchanged, even non-priority units can get import licences on an annual basis. Priority units which were getting import replenishments on the basis of actual consumption, can also get imports on a six-monthly or annual basis. Priority units will also be able to claim import licences for spare parts automatically. Import requirements of priority industries in the small sector will be met with due regard to their assessed capacity. There are also provisions for issue of import licences liberally to small entrepreneurs, qualified engineers and doctors to encourage self-employment.

Facilities are also being provided to export houses to build buffer stock of imported raw materials that they may need for export houses have been expanded to manufacturing export houses under some conditions. Import facilities to registered exporters have also been further liberalised and apart from the existing facilities to replenish the import content of this exports from the most preferred sources of supply, imports may also be allowed in respect of raw materials (required for export production) which are not normally permitted for

import subject to certain limits.

Industrial units in the priority sector exporting 10 per cent or more of their production will be eligible to preferred sources of supply and facilities for expansion of export production. Units exporting over 25 per cent of their output will receive substantially greater preference. Such units in the exchange while units in the non-priority sector showing similar exports performance will be treated as priority units in the matter of preference in the priority list have been chosen for their export potential. These include bicycles and accessories, diesel engines, abrasives, storage and dry batteries, wire ropes, paints, varnishes etc. They will be liable to a cut in import licences if they fail to export 5 per cent of their production.

Basically, the new policy lays greater accent on liberalisation of imports for export-oriented industries while trying to encourage small units and new units in backward areas.

Cloth Subsidy

While the union Government has agreed not to go ahead with its proposed move to increase the quota for production of controlled cloth from 25 per cent to 50 per cent of the total output and also raise the penalty for many shortfalls from 6 paise to 25 paise per metre, the industry has undertaken to take immediate steps to restore the level of coarse varieties in their production to 25 per cent. This proportion had dropped to as low as a little over one per cent in the last quarter of 1970 as many mills had switched over the quota capacity to finer varieties by paying the nominal penalty for non-compliance with quota obligations. Now under Government pressure, the industry has evolved a scheme to subsidise the production of coarse and medium cloth which is expected to increase the output of these varieties from 12 million metres in the quarter ending July. This would be much short of the level of 25 per cent and the total subsidy amount for a year will be only Rs. 21 crores as it is proposed to raise Rs. 5.25 crores in the current quarter—Rs. 4.50 crores to be contributed by the industry and Rs. 75 lakhs from Government. While the Government contribution will

come from past penalties collected by the Textile commissioner for non-fulfilment of quota obligations, the industry will find Rs. 3.75 crores through a levy of Rs. 300 per bale on the balance quota of 1.25 lakh bales of PL 480 cotton yet to be released by Government and Rs. 75 lakhs by a levy of 12 paise on superfine, 12 paise on fine and 6 paise on higher medium varieties of cloth per agreeing to produce controlled cloth. It is claimed that this will allow the mills to break even at the present cost of production. This scheme will remain in force till the Bureau of Industrial Costs submits its finding on new prices for controlled cloth in the next three months. Thereafter a modified scheme may be adopted to compensate the mills for any loss on production of controlled cloth.

Industrial Output Trends

Industrial production slowed down in 1970 as compared to 1969. The average index of industrial production for last year at 179.9 showed a rise of only 4.5 per cent over the previous year's level whereas the growth in 1969 over 1968 was by 7.2 per cent to 172.2. Even in 1968, there was a rise of 6.1 per cent over the previous year. However, the trend of production indices in the last three months of last year at 177.7, 182.8 and 180.1 (base 1960=100) would indicate a pick-up in industrial activity which must have been sustained in the first quarter of this year. The improvement in the closing months of 1970 was mainly due to higher production from food, basic metals, machinery, transport equipment and mining industries.

Cashew Crisis

The cashew industry is in the throes of a serious crisis and over 220 of the 266 processing units in Kerala have closed down due to many factors which include irregular and inadequate supplies of imported raw nuts and a fall in overseas demand for kernels. Exports of cashew nut and cashew shell liquid fetch Rs. 50 to 60 crores annually and 90 per cent of the shipments take place from Kerala. About 85 per cent of the processing units are concentrated in Kerala, the balance

being spread over Tamil Nadu, Andhra Pradesh and other States. But the industry depends mostly on imported raw nuts from Tanzania and Mozambique as only one-third of the requirements comes from indigenous sources. Following complaints about bad quality of nuts, the State Trading Corporation has been handling all imports of raw nuts since October 1970 and the cashew corporation of India set up as its subsidiary has latterly been canalising the imports. But the processors are not satisfied with the purchases and distribution by STC. It is pointed out that in the last quarter of 1970 the STC could import only 7,000 tonnes against the normal quantity, of 50,000 tonnes and imports till April this year since STC took over have been only 62,000 tonnes whereas 1.66 lakh tonnes used to be imported by the same time under the previous arrangements. The price for raw nuts charged by STC is stated to be uneconomical for exporters of kernels. The entry of STC has also cost the country sizable foreign exchange due to fall in exports to the Soviet Union and the U.S. The manufacturers however face the charge that they have been thwarting all attempts at regulation of the industry by encouraging clandestine cottage units to process the nuts, thus lowering the quality of kernels. A major factor for this alleged malpractice is said to be the high cost of labour in the organised sector thanks to the State Government's fixation of minimum wages at high levels as compared to neighbouring States like Tamil Nadu and it is even feared that many of the units might shift to Tamil Nadu to take advantage of the lower wages.

Trade Gap at New Law

It is heartening to learn from the Foreign Trade Secretary, Mr. H. Lal, that the trade gap is expected to be narrowed considerably from Rs. 154 crores in 1969-70 to Rs. 120 crores in 1970-71 a new low in many years. The adverse trade balance in 1968-69 was as much as Rs. 809 crores. The marked improvement in the last two years has been brought about by a sharp decline in imports and a gradual increase in exports. But what is significant is that the earlier

gloom over hitting the export target of 7 per cent in the latest year, has been dispelled and it is now stated that exports in 1970-71 would amount to Rs. 1,531 crores, showing a rise of Rs. 118 crores of 8.5 per cent revised upward by as much as Rs. 53 crores, Rs. 18 crores for the first half of the year and Rs. 35 crores for the second half. But for this adjustment the increase would have been only 4.5 per cent. While traditional items like tea must have recovered some of their lost ground earlier, non-traditional items have been making an increasing contribution to total export earnings. It has been officially explained that the spurt in exports was due to the increased availability of imported raw materials. The trade gap of Rs. 120 crores would indicate that imports for 1970-71 were higher at Rs. 1,651 crores against Rs. 1,565 crores. The foreign Trade Ministry has indicated that the increase in exports can be more impressive in the current year and a 10 per cent growth rate target has been fixed. This optimism follows the confidence that jute exports will make a sizable additional contribution due to the setback to Pakistan's exports from the civil war in East Pakistan.

Foodgrains Output Exceeds 100 m.t.

Foodgrains production in India during 1969-70 was 99.5 million tonnes—the highest so far. (The figure is expected to have exceeded one hundred million tonnes in 1970-71). Area under foodgrains in 1969-70 rose from 99 million hectares to 123 million hectares. Area under high-yielding varieties increased from 1.9 million hectares in 1966-67 to 11 million hectares in 1969-70.

Fertiliser consumption went up to 18 million tonnes in 1968-69. A target of 53 million tonnes has been fixed for 1973-74.

Multiple cropping covered an area of 17.5 million hectares in 1969-70. It is expected to have exceeded 25 million hectares in 1970-71. (UNI).

Record Rice Production at 43 m.t.

India's 1971-72 rice production is expected to hit a record of 43 million tonnes beating all previous annual average by 13 million tonnes, according to Union Minister of State for Food A.P. Shinde.—(UNI).

WORLD SUGAR PRODUCTION DROPS

World's sugar production in 1970-71 is estimated to be 73,255,000 tonnes as against 73,808,000 in 1969-70—a decrease of 553,000 tonnes.

World's sugar consumption in 1969-70 was 72 million tonnes.

India's exportable quantity of sugar for 1970-71 was about 3.18 lakh tonnes. This was made up of (1) effective exportable quota of 237,500 tonnes fixed by the International Sugar Council and (2) India's exportable quota for the preferential markets of U.K. (25,400 tonnes) and the U.S. (67,783 tonnes).

Cuba & Australia Leading Exporters

The biggest sugar exporter is Cuba. Its effective export quota was 2,042,500 tonnes. Australia ranks second with its effective exportable quota of 1,045,000 tonnes.

Cuba's sugar production target for 1970-71 was 7 million tonnes. In 1969-70, the target was 10 million tonnes but actual production reached only 8.35 million tonnes.

Delay in crushing was stated to be the reason for the non-fulfilment of the target.

According to French Growers Federation, the sugar beet crop of 1970-71 was estimated at 17.2 million tonnes as against 17.6 million tonnes in the previous year. The average yield per hectare is put at 43 tonnes against 44 tonnes in the previous season. Production of white sugar in 1970-71 was estimated at 2.45 million tonnes as against 2.51 million in 1969-70. The decline in sugar production is said to be due to decline in average sugar content and delay in sowing by about 15 days.

According to the Japanese Ministry of Agriculture, cane sugar production in Japan for 1970-71 was estimated at 319,158 tonnes which is nearly the same as in the previous year. Cane is cultivated in the Nessi and Ryn Kyu Islands of Japan.

West Indies sugar production in 1970-71 was estimated at 1,119,402 tonnes.

In Colombia a larger number of cane fields situated in North Colombia were affected seriously by widespread floods. —(UNI).

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STOCK MARKET:

Budget-eve Uncertainties

The stock markets have turned a bit subdued during the first half of May after the bullish phase during which values had risen to new high levels. A tendency to book profit at the higher levels was in evidence as a result of which prices for many scrips in the erstwhile forward and cash lists receded. The lack of follow-up support reflected some caution on the part of operators though corporate news continued to be encouraging and investors were eagerly picking up promising shares at every fall. Uncertainties about the form and content of the Fourth Plan following the observation of Government spokesmen and speculation about the magnitude and manner of the likely tax effort in the regular central budget for 1971-72 to be presented on May 28 kept the markets in a state of subdued animation.

The presidents of eight stock exchanges have submitted a timely memorandum to the Finance Minister, Mr. Y. B. Chavan, seeking certain reliefs in the coming budget which would help receive the capital market and promote sustained activity in the stock market besides encouraging savings and investment. They have made a strong plea for rationalising the structure of personal and corporate taxation. While the maximum rate of tax on company income should be reduced to 50 per cent, there should be no differentiation for tax purposes between closely held companies and other public limited companies in which there is substantial public interest. It has also been pointed out that the incidence of all taxes on individual incomes should be limited to a ceiling of 75 per cent of the

total income to encourage flow of funds into the capital market. The deduction of tax at source on dividend income should at the same time be applicable only to incomes above Rs. 400 for each individual shareholder in a company. There will be no significant loss of revenue to Government as already dividend and other incomes upto Rs. 3,000 are exempt from tax.

But what is of more immediate importance to the stock markets is the suggestion for diverting larger funds to the capital market from the Life Insurance Corporation, Unit Trust of India and provident funds and trusts. While the L.I.C. can increase its investment in the corporate industrial sector to at least 30 per cent of its investible funds the Unit Trust of India could keep at least 50 per cent of its investment portfolio in equity shares. It has also been suggested that at least one-fifth of the provident funds and one-tenth of trust moneys should be permitted to be invested in industrial securities. These measures along with free trading in their holdings by the financial institutions would import considerable steadiness to the stock markets and prevent violent fluctuations in prices. But the shortage of good scrips for some time now calls for more imaginative measures to encourage the promotion of new companies under influential auspices. This would lift the present undue pressure on the small floating stocks and prevent exaggerated rise in prices for select scrips with no concern for yields.

The stock exchange chiefs have also called for liberal bank advances against all listed shares with a 20 per cent margin.

The new scheme of transferring shares to the lending banks where advances exceed Rs. 50,000 should be made less rigorous by raising the exemption limit to Rs. one lakh if it cannot be discontinued. While many of the above suggestions may not be given effect to under the new compulsion on the Government to find large resources to finance Plan Schemes, it is hoped that strategic reliefs to investors and companies can go a long way in boosting the morale of marketmen and ensuring sustained activity in stock markets.

The Government would also seem to be eager to keep up the tempo of industrial activity at a high pitch. The Minister for Industrial Development recently told the standing committee of the Central Advisory Council on Industries that the country was poised for a take-off after the recent recession and the domestic market was expanding while foreign entrepreneurs were now more keen to start joint ventures in view of the political stability in India. He called upon industry to utilise the favourable climate now prevailing and achieve accelerated industrial growth. He also assured that licensing procedures would not come in the way of quick sanctions to new projects. The monopoly provisions are also likely to be applied with due consideration for the primary objective—namely, rapid creation of new capacity where shortages are threatened.

Corporate news has been sustaining market sentiment. Indian Explosives and Chemicals and Fibres have done well in the first half of this year while Travancore Rayons has earned more in 1970 and has new schemes on hand. Hercules Insurance is paying more for 1970. Food specialities is also distributing more to its shareholders in spite of lower earnings. Camphor and Allied is maintaining the dividend on an increased capital.

PRICE MOVEMENTS

The following were the closing quotations for selected scrips on April 25 and May 10

Madras			Bombay			Calcutta		
	April 25	May 10		April 25	May 10		April 25	May 10
India Cements	5.70	5.73	Tata Ord.	103.25	103.75	Indian Iron	12.25	12.10
Mettur Chemical	12.30	12.45	Indian Iron	—	12.04	Hind Motor	13.05	12.85
S.I. Viscose	171.00	181.50	Telco	245.00	248.50	Birla Jute	23.45	23.35
Travancore Rayons	21.00	20.50	Century	886.00	892.00	Guest Keen	37.45	37.40
Madura Mills	18.65	18.87	National Rayon	522.00	525.00	Dunlop India	39.50	38.60
Ashok Leyland	6.50	6.53	MICO	456.25	472.50	Indian Alum.	38.00	38.60
Alum Industries	7.00	7.10	Gujarat Fertilizer	315.00	315.00	Alkali	30.37	31.62
Madras Alum.	182.00	181.50	Herdillia	17.12	17.44	CAFI	48.50	45xr
Tube Investments	151.00	148.00	Nagpal	16.36	16.76	Indian Explosives	27.19	29.75
E.I.D.—Parry	13.87	14.12	NOCIL	239.00	239.50	Zuari	16.62	17.12
Dalmia Cement	14.60	14.75	Polyolifins	246.00	244.00	Goodyear	56.87	57.31
Seshasayee Paper	13.65	14.30	Camphor	240.00	242.50	Union Carbide	33.06	33.25

BUSINESS BRIEFS:

Drug Units' Reduced Profit Margins

Published working results of pharmaceutical companies so far would seem to indicate that in spite of the confusion created by the Drug Prices Control order since the middle of last year and price reduction for many products, the industry may generally have got over a difficult phase without any marked impact on profit margins. While a larger turnover and change in pattern of production and increased output of baby foods, farm chemicals etc. along with higher prices for some products may have helped in checking a decline in profit it has been emphasised that the future growth of the industry and large outlay on research would be hampered if drug units are not allowed to make reasonable profits. A major problem now relates to the supply of required quantities of raw materials of the right quality at economic prices and at the right time. The President of the Organisation of Pharmaceutical Producers of India, Mr. B. S. Bhagat, last month told at the annual meeting that it was regrettable that when the industry was slowly returning to normality in operations, the Government should initiate action to examine the cost of 25 additional bulk drugs and to establish norms for calculating conversion costs. The report of the study group on small drug units has also created uncertainties. It would thus appear that the full effects of the price control order on the drug units' profits would be known only after a year of operation under the new prices—i.e. only at the end of this year. Whatever improvement is reported in working results by companies will therefore have to be taken as pertaining mainly to the first half of 1970 and due to increased production of item when prices were not affected by the price control order. The industry is also dissatisfied with the canalisation of the imported raw materials through the State Trading Corporation and Indian Drugs and Pharmaceuticals and is pleading for the restoration of issue of actual users' licences. Sandoz, Pfizer and Warner Hindustan have managed to improve upon their previous year's results but with reduced profitability on a larger turnover. The experience of other units is not expected to be different.

Sandoz (India)

Sandoz (India) Limited was able to increase its turnover for 1970 to Rs. 819.59

lakhs from Rs. 751.92 lakhs in 1969 mainly due to larger demand for agro-chemicals and dyestuffs. Sales of pharmaceuticals were stagnant. The net profit, before depreciation and taxation, improved to Rs. 125.38 lakhs from Rs. 112.90 lakhs and the equity dividend has been slightly raised to 11 per cent taxable from 10 per cent taxable. But the dividend will require only Rs. 16.50 lakhs (Rs. 15 lakhs). The claim in respect of depreciation is Rs. 24.34 lakhs (Rs. 26.26 lakhs) and development rebate Rs. 42.250 (Rs. 5 lakhs). The transfer to general reserve is Rs. 37.23 lakhs (Rs. 36.16 lakhs). The dividend will be paid out of this reserve and is amply covered. The expansion of capacity of the multi-purpose plant has been delayed by over arrangements for importing plant and machinery.

Chemo-Pharma Earns Less

Chemo Pharma Laboratories Limited has earned a slightly reduced profit of Rs. 10.33 lakhs in 1970 against Rs. 10.93 lakhs in 1969, though sales improved to Rs. 1.16 crores from Rs. 1.07 crores in the previous year. The directors have, however, maintained the equity dividend at 12 per cent, taxable. The sum set aside for depreciation is Rs. 3.32 lakhs (Rs. 2.59 lakhs) and development rebate Rs. 3.26 lakhs (Rs. 2. lakhs). The company's expansion programme is making satisfactory progress. The expansion of capacity to manufacture fine chemicals and setting up of the plant for production of urea formaldehyde moulding powder are expected to be completed early next year.

Tribeni Tissues

Tribeni Tissues Limited has declared a final dividend of 8 per cent taxable, for 1970 making a total of 15 per cent taxable. The final dividend is payable on the new shares which are now fully paid-up. The interim of 7 per cent has already been on the partly paid shares. A final payment of 7 per cent was paid in 1969 on the equity capital increased by a bonus issue and a public issue of 11.39 lakh shares in November 1969 at a premium of Rs. 4 per share and paid-up to the extent of Rs. 5 per share. An interim of 11 per cent was paid on the old capital of Rs. 2.60 crores at the time of new issue. The net profit for 1970 before taxation however declined to Rs. 115.16 lakhs from Rs. 136 lakhs in 1969.

A sum of Rs. 50.15 lakhs (Rs. 14.20 lakhs) has been provided for taxation since development rebate claims only Rs. 3.05 lakhs (Rs. 47.29 lakhs). After transferring Rs. 1.58 lakhs (Rs. 5.30 lakhs) from development rebate reserves, general reserve gets Rs. 37 lakhs (Rs. 24.64). The dividend amount will be Rs. 61.71 lakhs (Rs. 62.31 lakhs).

Southern Asbestos Pays More

Southern Asbestos Cements Limited has reported excellent results for 1970 thanks to an improved demand for its products. The output increased sharply to 26,703 tonnes from 17,888 tonnes in 1969 though there was need to revert to two shift working for short periods for lack of fibre. There has however been considerable improvement in this regard and efforts are being made to increase production, considerably. What is more pleasing to the shareholders is the directors' decision to increase the equity dividend to 15 per cent from the interim dividend of 6 per cent, taxable for 1969. The latest distribution will be subject to deduction of tax at source as it will be paid out of tax exempt profits. Sales during the year rose sharply to Rs. 152.48 lakhs from Rs. 113.96 lakhs in 1969 while the net profit before depreciation and taxation jumped to Rs. 27.37 lakhs from Rs. 11.94 lakhs. The provision for depreciation is Rs. 7.91 lakhs (Rs. 6.46 lakhs) and development rebate Rs. 3.21 lakhs (Rs. 3.97 lakhs). The reserve for new undertakings tax exempt profit is credited with Rs. 10.77 lakhs (nil). Taxation claims Rs. 3.07 lakhs (nil) while the transfer to general reserve is Rs. 2.35 lakhs (nil). The equity dividend requiring Rs. 3.75 lakhs (Rs. 1.50 lakhs) will be paid out of general reserve. Allowing for this, the plough-back out of current earnings is as much as Rs. 23.63 lakhs. The company is installing a bulk cement handling plant at a cost of Rs. 9 lakhs which will reduce packing charges considerably.

Orissa Cement Repeats

Orissa Cement Limited has earned a higher profit for 1970 before depreciation and taxation, to Rs. 279.59 lakhs from Rs. 247.75 lakhs in 1969. But the dividend is being maintained only at 12½ per cent taxable. After setting aside Rs. 40.94 lakhs (Rs. 36.13 lakhs) for depreciation and Rs. 8.22 lakhs (Rs. 4.67 lakhs) for development rebate, the provision for taxation is much more at Rs. 129 lakhs (Rs. 102 lakhs). Even then, the transfer to general reserve is as much as Rs. 76.5 lakhs (Rs. 77 lakhs) and dividends will be paid out of the latter reserve. There is however some disappointment at the absence of a bonus issue as there are considerable reserves which amounts to Rs. 3.01 crores at the end of

1969 against a paid up equity capital of Rs. 2.70 crores. With an addition of at least Rs. 76 crores, the directors can easily make an attractive bonus issue and still maintain the distribution on the increased capital.

S.I. Viscose Doubles

With an increase in output of stable fibre and larger dispatches of rayon grade pulp to other rayon producers thanks to the capacity production from this unit since July last year, South India Viscose Ltd. could raise its total turnover and earnings for 1970. The directors have decided to double the dividend on equity capital to 12 per cent, taxable. While production of rayon yarn was slightly less at 3,368 tonnes against 3,405 tonnes in 1969 that of profit, before depreciation and taxation, also jumped to Rs. 282.10 lakhs from Rs. 148.37 lakhs in the previous year. The earnings would have been even better but for the obligation under an industry wide agreement to sell over 50 per cent of the yarn to weavers and exporters of art silk fabrics at concessional prices. Under the revised agreement there may be some relief to the company in this regard. The provision for depreciation is as much as Rs. 168.66 lakhs (Rs. 111.58 lakhs). After some adjustments there is a transfer of Rs. 53.90 lakhs (Rs. 31.09 lakhs) to general reserve besides an allocation of Rs. 58.80 lakhs for payment of the equity dividend in the previous occasion the dividend was paid out of general reserve.

There may be further benefit from the 60-tonne pulp unit in the current year. The company's share to expand the stable fibre capacity from the present 10 tonnes to 50 tonnes a day, a part of which will be used for production of polynoc fibre is being examined. A letter of intent has been received for this purpose. In view of the larger availability of rayon grade pulp within this country, it has been represented that imports should be reduced. After publication of the results the company's Rs. 100 shares have firmed up and are ruling around Rs. 180.

Blue Star Repeats

Blue Star Engineering Company Limited has reported improved results for 1970 though the dividend on equity capital has been only maintained at 12 per cent taxable. There was a significant rise in turnover to Rs. 8.39 crores from Rs. 7.05 crores in 1969 while the net profit, before depreciation and taxation, improved to Rs. 30.56 lakhs from Rs. 22.12 lakhs. The sum set aside for depreciation is Rs. 3.88 lakhs (Rs. 2.94 lakhs) and development rebate Rs. 78,165 (Rs. 72,789). Taxation claims a larger amount of Rs. 15.10 lakhs (Rs. 10.60

lakhs) while general reserve gets Rs. 3.26 lakhs (Rs. one lakh). The equity dividend will also require a larger amount of Rs. 6.79 lakhs (Rs. 5.23 lakhs) due to a higher effective capital and the preference dividend Rs. 74,100 (Rs. 49,153).

Polson Cuts Dividend

Polson Limited has decided to cut the equity dividend for 1970 to 10 per cent taxable from 12½ per cent taxable in 1969 in spite of a slightly higher profit. The directors have been anxious to conserve all resources to finance new schemes. While the value of output increased to Rs. 2.65 crores from Rs. 2.20 crores in the previous year, sales improved to Rs. 2.47 crores from Rs. 2.37 crores. The net profit, before depreciation and taxation, improved to Rs. 16.08 lakhs from Rs. 15.29 lakhs. The provision for depreciation is Rs. 2.53 lakhs (Rs. 2.99 lakhs) and for taxation Rs. 7.70 lakhs (Rs. 6.87 lakhs). The transfer to development rebate reserve is Rs. 9,530 (Rs. 60,131) and general reserve Rs. 5.85 lakhs after some adjustments. The equity dividend requiring Rs. 3.60 lakhs (Rs. 4.50 lakhs) and preference dividend of Rs. 1.20 lakhs (same) will be paid out of general reserve. It is expected that production and earnings will show a further improvement in the current year following the recommissioning of the Digha Ghat factory and reorganisation of the sales network. The company is trying to get an industrial licence and other licences for the project to take up manufacture of high protein beverage.

Another Merger Scheme

Another top bank whose business was taken over by Government has announced its decision to merge with a major industrial undertaking. Under the proposed amalgamation of Bank of Baroda Limited with Tata Chemicals Limited shareholders of the former will get nine equity shares of Rs. 10 each and five debentures of Rs. 100 each of Tata Chemicals carrying interest at 8 per cent and maturing after 12 years, for every five equity shares held by them. The equity shares debentures will rank for dividend and interest from January 1, 1972. The new equity shares will also rank equally in all respects with the existing shares. There is also a cash option to those who do not want to take advantage of the merger who can receive Rs. 135 per share. It has been indicated that the return on the new equity shares and debentures of Tata Chemicals will exceed the dividend income to shareholders of Bank of Baroda before nationalisation. The scheme has been approved by the Boards of both companies. If the merger goes through, the paid-up capital of Tata Chemicals will go up by Rs. 90 lakhs.

The present equity capital including the proposed bonus shares is Rs. 5.18 crores. The additional loan capital will amount to Rs. 5 crores. Tata Chemicals will be getting under the scheme Rs. 8.40 crores subject to any liability towards taxation, depreciation in the value of investments, etc. The additional funds will be helpful in implementing the new schemes of Tata Chemicals. An attractive and unique feature of the merger proposal is its utter simplicity.

Dalmia Cement Pays Same

Dalmia Cement (Bharat) Limited has maintained the equity dividend for 1970 at 12½ per cent taxable. But the expectation in stock markets about a bonus issue announcement has not materialised. Though there are sizable reserves which amounted to Rs. 3.26 crores at the end of 1969 against a paid-up equity capital of Rs. 2.87 crores and the dividend is amply covered by disposable profits. There was, however, a decline in the company's net profit for 1970, before depreciation and taxation, to Rs. 182.12 lakhs from Rs. 211.95 lakhs. After setting aside Rs. 26.77 lakhs (Rs. 34.68 lakhs) for depreciation and Rs. 7.15 lakhs (Rs. 2.12 lakhs) for development rebate the provision for taxation is Rs. 74 lakhs (Rs. 93.50 lakhs). Taking credit for Rs. 1.70 lakhs (Rs. 4.14 lakhs) from development rebate reserve, the transfer to general reserve is Rs. 26.50 lakhs (Rs. 50 lakhs) and to dividend reserve Rs. 38.15 lakhs (Rs. 38.62 lakhs). In 1969, there was a transfer of Rs. 2.83 lakhs to development and rehabilitation reserve. The equity dividend will require Rs. 34.44 lakhs (same).

Finlay Group

All three companies in the Finlay Group of textile mills have declared higher dividends on equity capital for 1970. Finlay and Gold Mohur Mills are paying a dividend of 12 per cent taxable against 11 per cent in 1969 while Swan Mills has raised the distribution to 13 per cent from 12 per cent.

MALCO's Better Performance

A more remunerative pattern of production which included a larger output of intermediate products has enabled Madras Aluminium Company Limited to report much improved working results for 1970. Though there was a slight drop in production of virgin metal by 64 tonnes from the previous year to 13,154 tonnes against an expected increase by 1,000 tonnes, the next turnover rose to Rs. 6.69 crores from Rs. 6.08 crores in 1969. The shortfall in output was due to the difficulties in getting imported carbon lining materials owing to delays in issue of import licences and as a result many

furnaces had to remain idle during the year. There was also a sharp rise in manufacturing costs because of costlier raw materials besides shortage of many imported and indigenous materials. However, the net profit, before depreciation is appreciably higher at Rs. 276.52 lakhs against Rs. 229.86 lakhs in 1969. But the directors have only maintained the dividend on equity capital at 12 per cent, taxable due to their anxiety to conserve resources for financing the expansion schemes on hand. The claim in respect of depreciation is Rs. 113.35 lakhs (Rs. 110.59 lakhs) while the provision for development rebate is as much as Rs. 96 lakhs (nil). There is still a sum of over Rs. 4 crores to be claimed towards development rebate. In 1969, general reserve got Rs. 52 lakhs. The equity dividend will require Rs. 54 lakhs (same).

The expansion of aluminium capacity to 18,000 tonnes is making good progress. The company is arranging with the Industrial Development Bank of India and Medisbanca of Italy loans in rupees and foreign currency. It is likely that another potline may be commissioned by the end of this year or early next year whose full benefit will be derived in 1972. There may be no issue of fresh capital for expansion purposes as internal resources and loans can take care of the additional financial requirements for this purpose.

Rane Brake Lining Pays More

The directors of Rane Brake Linings Limited have made a generous gesture to the equity shareholders by raising the distribution for 1970 sharply to 15 per cent taxable from the maiden payment of 6 per cent in 1969. A final payment of 9 per cent is to be made while the interim has already been paid. The company's working results have shown a marked improvement. Though sales improved only slightly to Rs. 49.18 lakhs from Rs. 46.43 lakhs in 1969, there was a substantial increase in the net profit, before depreciation, to Rs. 19.07 lakhs from Rs. 14.44 lakhs. After providing Rs. 3.58 lakhs (Rs. 3.40 lakhs) for depreciation and Rs. 29,400 (Rs. 17,920) for development rebate the transfer to general reserve is Rs. 13.33 lakhs (nil). A sum of Rs. 48,965 (nil) has been written off preliminary expenses. In 1969, it was necessary to wipe out accumulated losses for Rs. 8.51 lakhs. The total dividend amount is only Rs. 3 lakhs and is covered over five times.

Binny Limited

The Chairman of Binny Limited has stated that the future profitability of the company would depend on improved working of the textile division, especially the Madras mills. This would involve a reduction of

the overwhelming dependence on coarse varieties which will continue to be unremunerative for some time to come in the absence of more realistic prices. The directors are therefore considering fresh investments to improve the product range, besides intensified marketing effort and further improvement in the proportion of direct to indirect labour. Binny Limited suffered a setback in 1970 mainly due to its Madras mills. High cost of cotton and low productivity of labour along with a change to less profitable patterns of output to minimise stock accumulation hit the textile unit. The Bangalore mills could not get an uninterrupted supply of wool in the second half of the year while the additional burden of excise duty from polyester blended fabrics from March eroded profit margin. However the two mills increased their production by 11.6 per cent over 1969 due to the working of additional loom shifts. During 1970, over 1000 new BAZ/BAZL looms and wide width processing machinery were installed and commissioned in Madras and Bangalore. However, it has not been possible to modernise fully the carding, spinning and yarn preparation departments and in the process to go finer. Wide width terene blended suitings introduced during the year were well received. Certain varieties of popular cotton suitings have also been converted into wide width. While the company's cotton textile exports increased by over 10 per cent as compared to 1969 the garments factory operated profitably. With the introduction of new styles and sales improved by 10.6 per cent to Rs. 141 crores. Of this exports accounted for Rs. 22.59 lakhs. There was also a substantial improvement in the working of the engineering works at Madras despite shortage of raw materials. With the installation of the electric furnace in the foundry completed in February this year, it will be possible to turn out more sophisticated castings. Good progress has also been made in the manufacture of Binny-Satake rice mills which have elicited interest of rice-millers from all parts of the country. The first mill installed in U.P. is said to be working satisfactorily. The ship repair department has also done well and a contract has been secured for survey of oil tankers of Madras Refineries. Though a licence to build small ships was secured by Glovanola-Binny Limited, a subsidiary, no significant progress has been made in this regard due to shortage of steel plate. The application for licence to make preserve vessels is still pending with the Government though there has been some manufacture of these products to the extent of 25 per cent by way of diversification. The company's results for 1970 were affected by a closure for three months following a strike. The handloom textile department maintained its growth in turnover and profits while

the engineering and agencies department increased its turnover by 50 per cent over 1969. The steamer and travel departments also made good progress but the stevedoring department's performance was affected by a fall in the import of foodgrains and fertilizers.

Indian Banks in Malaysia

The Malaysian Branches of three nationalised Indian Banks will merge into a single unit under a new name and operate as one of that country's domestic undertakings with two-thirds of its paid-up capital contributed locally. The new formula of the Indian Government is intended to satisfy Malaysian banking laws which prohibit State-owned foreign banks in the country. The three Indian banks—Indian Overseas, United Commercial and Indian will own 3.3 million Malaysian dollars of the 10 million dollars paid-up capital of the new bank which will offer the balance for public subscription. It may be recalled that the Government agreed to an additional compensation to Indian Overseas Bank Limited for taking over the assets of its Malaysian Branch which was not covered in the earlier compensation.

Gujarat Fertilizers Excels

It is heartening to find that a Joint Sector fertilizer company has been operating on a highly profitable basis within a reasonable period after the plant was commissioned. Gujarat State Fertilizers Company Limited has again done well during the year ended March 31, 1971 and the directors have decided to raise the dividend on equity capital to 12 per cent, taxable, from 8 per cent, taxable, for 1969-70 (maiden dividend). There was a further rise in sales during 1970-71 to Rs. 31.62 crores from Rs. 26.49 crores in the previous year, an improvement of about 20 per cent, while with more efficient working, the net profit, before depreciation, jumped by 58 per cent to Rs. 11.82 crores from Rs. 7.48 crores. The ratio of gross profit to sales at 37 per cent is indeed high for any industry particularly so for fertilizer units. The provision for depreciation is Rs. 5.32 crores (Rs. 4.96 crores) while development rebate claims Rs. 3.61 crores (nil). After some adjustments, general reserve is credited with Rs. 2.89 crores (Rs. 2.54 crores). The equity and preference dividends will be paid out of this reserve but the amount will be less than in 1969-70, though the latest ordinary dividend is much higher. This is because in the previous year, arrears of preference dividends along with the current payment regained as much as Rs. 108.53 lakhs and equity dividend Rs. 72 lakhs. For the latest year, equity dividend will claim Rs. 1.08 crores

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and preference dividend only Rs. 27.9 lakhs. It is noteworthy that out of the earnings of Rs. 11.82 crores, as much as Rs. 10.3 crores has been ploughed back. The company has new schemes on hand. The Rs. 100 paid-up shares of Gujarat Fertilizers have firmed up to Rs. 325 after release of the working results.

Bright Outlook for INDAL

Indian Aluminium Company Limited is in a position to increase its output of virgin metal by 25 per cent in 1971 with production of Belgaum Unit. The Chairman of the company Mr. H. V. R. Iengar has told the shareholders that sales in the first quarter of the current year continue to absorb all the metal produced and the plants are operating at a high level of efficiency. The fourth potline of 10,000 tonnes capacity at Belgaum will be going into operation by the beginning of next year. The earnings in the current year may also be more as there will be no high start-up expenses at Belgaum Unit as last year. Mr. Iengar has however stressed the need for quick expansion of capacity of existing units to meet the likely surge in demand in the coming years besides creating additional semi-fabrication facilities to convert any surplus ingots after meeting the demand of the conductor makers. At present primary producers cannot install semi-fabricating capacity more than half of their smelter productions. Indal's sheet mill at Talaja in Maharashtra is expected to be ready by the end of this year though all the proposed facilities will not be completed until next year. The new mill will substantially contribute to the company's earnings when in full production. It is pointed out however that against rising cost of raw materials; selling prices have been frozen at levels which are on average Rs. 250 lower than the per-tonne price that obtained at the end of 1966. Also, imported metal is being offered at about Rs. 1500 higher than Indal's price which only indicated the urgency of quick additions to indigenous production. It is hoped that in view of the uncertainty about the viability of future expansion schemes, the Government would provide some relief after receiving the report of the working group on the industry's cost structure and selling prices. The one-for-two bonus issue proposal of the company is awaiting sanction of the Controller of Capital Issue and when given effect, will bring the issued capital more in line with the true picture of the company's assets.

Texmaco Earns Profit

Textile Machinery Corporation Limited which had struck a bad patch for some

years has turned the corner. There has been a substantial improvement in its working in 1970 when there was a profit of Rs. 48.67 lakhs against a loss of Rs. 61.81 lakhs in 1969. Sales jumped to Rs. 14.15 crores from Rs. 8.74 crores and would have been much higher but for inadequate supply of matching steel which is a major raw material for its plant. Though internal demand for its product slackened, it was possible to raise production because of large export demand. The company has been foremost exporter in the engineering industry. The improved working results were also helped by a vast improvement in labour-management relations in the Calcutta unit.

Tata Chemicals—Bank of Baroda Ltd. Merger

A scheme of amalgamation of the Bank of Baroda Ltd. with Tata Chemicals Limited has been approved by the Boards of Directors of the two Companies, a joint press release by the two-companies said.

The scheme will be implemented after approval by the members of the two companies at a meeting to be called under the directions of the Bombay High Court.

Under the scheme of amalgamation, with effect from January 1, 1972, all the properties, rights, powers and liabilities of the Bank of Baroda will be transferred to and be vested in Tata Chemicals.

Under the terms of the proposed amalgamation, a holder of every five shares of the Bank of Baroda will receive nine ordinary shares of Rs. 10 each of Tata Chemicals and five 8 per cent debentures of Rs. 100 each of Tata Chemicals (secured by a floating charge and redeemable at part at the end of twelve years).

Those shareholders of the Bank of Baroda who do not wish to accept the scheme of amalgamation, will be entitled to opt for payment in cash at the rate of Rs. 135 per share of the bank on surrendering their shares.—(UNI).

Madura Mills

In the write-up on Madura Mills Company Limited in our issue dated March 15, 1971, it had been wrongly stated that the company has received letters of intent for an additional 100 industrial and 100 civil looms. The additional civil looms will be 400 in numbers and the printing error is regretted.

Borax Morarji Limited

The turnover of the company increased during 1970 to Rs. 1.91 crores from Rs. 1.66 crores in 1969, and not as reported in our issue dated April 15, 1971.

Malaysia-India Textile Mill

A rupees 4.95 crores Malaysia-India joint venture to produce synthetic textiles will begin work in July 1971. It would employ 1,000 workers when fully operated.

Local industrialists and the Industrial House of Birlas are the collaborators of this venture, which is situated 288 km from Kuala Lumpur.—(UNI)

First Sulphuric Acid Plant in India

The first sulphuric acid plant in India to work on the double absorption system is to be installed for the Gujarat State Fertilisers company by Larsen & Toubro.

The plant, with a capacity of 220 tonnes of acid per day, will utilise the latest technique in reducing the sulphur dioxide content in effluent gas. L & T will fabricate the plant to the design of Chemiebau G.m.b.H. of West Germany. The plant is expected to be ready within 26 months. It will produce 85 tonnes of sulphur dioxide and 85 tonnes of oleum. These two products will be utilised to produce caprolactum, a substance which is being imported at present to meet the requirement of the nylon industry.

Gujarat State Fertilisers Company's new Caprolactum Complex will have a capacity of 20,000 tonnes per year. It will also produce other by-products. When in full operation, the plant will save India foreign exchange worth Rs. 8 crores every year.—(UNI)

British Equipment for Indian Polyester Plant

India has placed orders worth 1,000,000 sterling for polyester fibre plant at Baroda with two British companies. Machinery and equipment worth 871,415 sterling have been purchased from Sim-Chem Ltd. of Stockport (Cheshire) by the Ahmedabad Manufacturing and Calico, Printing Company. This company is also spending 175,000 sterling on technical services provided by Imperial Chemical Industries Limited. Simon Carves India Ltd. will be responsible for the engineering side of the plant.

Qualified ICI personnel are providing assistance and services to put the plant into operation and will help with its testing and initial operation. The Plant is to manufacture cotton-type staple fibre of medium and high tenacity as well as filling fibre.



A MASSIVE EFFORT AT RESOURCE MOBILISATION

The Union Finance Minister Chavan has postulated for additional revenues through direct and indirect taxes for Rs. 285 crores in a full year. It was expected that additional taxation would be levied for at least Rs. 150 crores for generating employment in the rural areas and meeting the expenditure on account of a heavy influx of refugees from East Bengal into the adjoining four States. It was not, however, bargained that there would be such a crippling burden of taxation on all sections of society and an attempt to impose heavier customs and excise duties which will have an inflationary effect on the price structure. The increase in Wealth Tax rates on urban property and other forms of property had been generally expected as it formed part of the 10-point programme but after the steep rise in Wealth Tax rates in the last budget, it was felt that the further adjustments will be effected in two or three stages. It has been decided to levy a tax of eight per cent on all wealth above 15 per cent which, with the imposition of the new Income Tax surcharge of five per cent on personal incomes taking the total to 15 per cent and the increased burden of tax on capital gains will lead to disposal of property which might not be easily absorbed by other sections of society and the Government will probably end up as owners of such property on account of adjustments towards tax payments.

Taxing the wealthy heavily may have a devitalising effect on the economy in the transitionary phase and it would have been appropriate if the Government had taken to a strong middle course by giving fresh incentives for saving and investment. The egalitarian approach, however, has prevented the Finance Minister from assuming a softer attitude and there has been an increase in the surcharge on personal incomes and members of Hindu joint families from 10 per cent to 15 per cent which will yield a revenue of Rs. 70 crores additionally in a full year. Only last year the slab rates above Rs. 40,000 were readjusted and the incidence of taxation on incomes between Rs. 40,000 and above was made more regressive. With the latest surcharge, the maximum rate has been raised to 97.75 per cent on incomes in excess of Rs. 2 lakhs, and the actual burden of taxation on the upper-middle income groups will be felt more keenly because the concessions relating to long term savings have been made less attractive. While the Government has been anxious to give greater benefit to small savers by effecting a readjustment in the availability of rebate, in respect of savings upto Rs. 5,000 out of current incomes, the rebate has been reduced to 40 per cent from 50 per cent above this figure. There can be additional disposable savings only if there were capital gains. Even

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here the rate has been raised as only 50 per cent of long term gains accruing out of assets other than land and buildings will be exempted. But the advantage accruing to the middle income group out of capital gains may not be sizable and there will be an anomaly of the bigger owners being obliged to pay Wealth Tax also on capital gains with compulsory disposal of properties.

It would have been understandable if the private industrial corporate sector had been given some incentives especially as it had been complained that the burden of taxation was heavy particularly on the non-priority industries. But the priority industries will not be given the same privileged treatment as the exemption limit for determining chargeable profits has been reduced to five per cent from eight per cent while six industries, aluminium, cement, refractories, soda ash, motor vehicles and automobile ancillaries have been excluded from this list.

The net effect of these proposals is to raise the rate of tax to 52.65 per cent from 50.60 per cent on the priority industries and to 55 per cent from 50.60 per cent on those industries which have ceased to be classified as priority industries. This move was thoroughly unexpected and fears have been raised that there may be an attempt in the coming years to raise further the burden of corporate taxation.

With the levy of higher import duties and revised and new excise levies there is bound to be a further sharp rise in prices. It has also been hinted that steel prices may be raised because of higher freight rates. If the cumulative effect of all these developments is reflected in higher prices and inadequate resources, fresh industrial development in

the private sector may be seriously retarded. While direct taxes will fetch Rs. 57 crores in a full year, by no means a large slice having regard to the total size of the budget, the disincentive effect of these measures will have harmful social consequences.

As regards indirect taxes the net has been cast wide. The changes in import duties which will result in higher cost of machinery and industrial raw materials are not desirable as the revenue from the revised customs duties will be as much as Rs. 54 crores in a full year. The process of import substitution may be hastened to some extent but when there is already a big tax element on indigenous equipment it will not be desirable to create further difficulties in the way of industrial development. The excise duties have been raised on many articles but cigarettes, motor sparis and domestic appliances have come for special attention and the additional duty will be Rs. 145 crores in a full year. This may be very much more in actual practice as the Government usually underestimates yield from taxes. Some changes may be made in the levies when considering the Finance Bill but the relief may not amount to much.

The deficit of the Central Budget is a small fraction of the total and there is no use getting exercised over the signs of the overall deficit of Rs. 397 crores for 1971-72 because it is inflated and even if left uncovered may not have any disastrous consequences. This deficit has been reduced to Rs. 220 crores with a levy of new taxes for Rs. 177 crores to be realised in ten months of this year. It would be helping the cause of economic development if there was a pragmatic approach to socialistic objectives and it was recognised that distributive justice can be more effectively rendered if there was greater accent on raising industrial and agricultural production in all sectors.

PROMOTING NEITHER FINANCIAL TIDINESS NOR NATIONAL UNITY...

The Rajamannar Committee appointed by the Government of Tamil Nadu to enquire into the vexed problems of Centre-State relations has given its enquiry the widest possible scope without any attempt to circumscribe it in the light of the aims of the Constitution or the actual experience of its working in the last two decades and more. It would appear to be actuated more by the vague demand for the autonomy of the States than by the paramount need of the nation for a well-knit federation and a reasonably strong Union Government at the centre of it. The report is probably meant to be an answer to the criticism often heard in the late 'sixties that the State Governments, which have been clamouring for more powers, had

not come forward with any concrete suggestions. But the recommendations of the Rajamannar Committee which amount to a scrapping of many of the crucial provisions of the Constitution and a virtual abandonment of its basic principles are hardly an answer to such a criticism. Such radical changes as the Committee has suggested can be effected only with an unmistakable consensus of opinion in their favour in the country as a whole and all the important factors in the body politic, the Central and State Governments and legislatures, the different political parties, and the general public, not to speak of the large body of voters in the electoral rolls. It cannot be willed by only a single State Government manned by a party with a reputation for strong secessionist leanings in the past.

It is on the basis of an unbiased and critical appraisal of the experience of the past and an appreciation of the principal aims of the Constitution and the needs of the nation for strength and survival that the question of the revision of the relations between the Centre and the States should be attempted. Whether such appraisal and appreciation were attempted or not, there seems to be no trace of either in the recommendations of the Committee. A federal constitution may, no doubt, be conceived of in normal conditions as comprising a Centre in charge of currency, defence and external affairs and constituent units enjoying all the residuary powers. But in India, the danger of fissiparous forces, communal, regional or other, which was never absent in her long history of more than two millennia, has been found in recent years to be more formidable than ever. The emotional integration of the common people is almost despaired of, while aggression from without with overpowering military superiority is far from hypothetical. Unlike an individual, a nation cannot find in suicide an end to all its troubles. The paramount need of a poor people new to freedom is survival as an independent nation. It is extremely unfortunate that, either because of our ideal of non-violence, or because of an incredible naivete, our national leaders never impressed on the public mind the needs of survival in respect of military expenditure, unionist sentiment or mere law and order in all parts of this far-flung country. If they had placed foremost in the public eye the danger from our enemies instead of the sloppy sentiment of friendship for all and non-violence, there would have been no exaggerated ideas of the total resources available to the nation from which the States as much as the Centre would have to take only a share. Nor would there have been so much indifference to the problem of law and order when civil disorder masquerades in the name of a social ideology or the autonomy of a backward or some mildly chauvinistic section. There would have been, too, some concern for the strength of the national currency and the state of our foreign trade as the principal prop of it.

As matters stand, all these essentials of national survival have been pushed by the Committee far down in the order of priorities. In spite of the trouble the Kerala Government gave at the time of the Central Government employees' strike, and the fact that few State Governments have proved to be zealous guardians of law and order, the Rajamannar Committee recommends that the Central Reserve Police Force should not be deployed in any State except at the request of the State or with its consent. The recommendations in regard to the judiciary involving a reduction of the powers of the President and the jurisdic-

tion of the Supreme Court and an increase in the powers of the State legislatures suggest that they are inspired by a sentiment in favour of State autonomy rather than by the clear needs of the objective situation.

The objective needs may be more readily recognised in the economic and financial sphere. The scheme of financial devolution embodied in the Constitution was one inherited from the past when a clear demarcation of spheres as between the Centre and the States was recognised as an impossibility owing to the hiatus in economic development and the yields of the principal taxheads from the different provinces. But more important than the original scheme are the changes that have been effected in the constitution of the divisible pool and the respective shares of the Centre and the different States. There have also been such changes as additional excise duties in lieu of sales tax. The Centre has availed of surcharges on excise to meet its own needs and at one time laid the additional burdens on corporate taxation with a view to keep the States from claiming a share in the extra revenue. In all these, the Rajamannar Committee has leaned heavily in favour of the States. It asks that corporation tax, customs and export duties be thrown into the divisible pool. Surcharge on income-tax is to be merged with the basic tax and no new surcharge should be levied except with the consent of the majority of the States. It also wants subjects like price control, foodstuffs, edible oils, minor ports and the like to be transferred to the State list. The Centre's legislative powers over industries of national importance must also be reduced. An Inter-State Council consisting of all Chief Ministers with the Prime Minister as chairman and no other Union Minister in it, will under the proposals be a controlling force set over the Central Government but without similar restrictive effect on the State Governments.

It is clear that the whole scheme is subversive of the basic concepts and principles of the constitution. Just when planning has been decentralised and the principles on which Central assistance in the form of block grants should be made to the States have been established with all round agreement, the whole scheme is to be thrown into the melting pot. Much has been made of the smallness of the net loans to the States from the Centre. And what is the alternative? Are the States to have the power to create fiat money on their own? But the States have "de facto" a share of the Centre's power in this regard, through their persistence in keeping their overdrafts at high levels. The Rajamannar Committee has done little to promote either financial tidiness or strengthen national unity.

Economic Survey: An Expensive Superfluity?

By P. R. SRINIVAS

The purpose of the Economic Survey provided by the Government of India on the eve of the budget for the new year is not so much to acquaint public with the broad features of the economic situation as to provide the background against which the new fiscal proposals should be judged. The importance of the latter tends to increase when the principal indices of economic progress or well-being become available through other sources and are duly played up by the Press. For instance, it is no news to us that the food situation is even better than was expected in the wake of the unsatisfactory nature of the rabi crop, that in foodgrains, rice lags behind wheat and that commercial crops are even further back than foodgrains and have affected the production of cloth. We know, too, that industrial production rose by only 5 per cent as against the target rate of 8 to 10 per cent. Again, we want no ghost to tell us that the returns from a large number of undertakings in the public sector are "hardly commensurate with the investments made." Or even that these poor results have had no effect on the Government's devotion to the public sector. What is new, however, is the grudging concession that "a fair proportion" of the nation's savings "has to be left for deployment within the private sector itself." Among the objective facts of the present economic situation, the most heartening is that the growth rate of exports has exceeded the most sanguine expectations of an earlier stage and that the position of our foreign exchange reserves has, for the first time since the devaluation, ceased to be a matter of grave concern.

High Potentiality of Non-Traditional Exports

It is of some advantage to put to-

gether the principal facts and the salient features of the present position so as to conjure up a well-proportioned and comprehensive picture of the national economy which helps to perceive and direct future trends. In 1969-70 there was an overall increase in agricultural production of 6.5 per cent and the record for 1970-71 is also expected to be satisfactory. The improvement is not confined to foodgrains but is noticeable in pulses and oilseeds, particularly groundnuts, while jute and cotton production will be lower and sugar will not suffer a decline. The Centre's buffer stock of foodgrains at the end of March 1971 has increased by 1.8 million tonnes over the previous year. Industrial production in 1970 is expected to be at least 5 per cent over the previous year, while for the small sector the increase is estimated by the Reserve Bank at 11.2 per cent in 1969-70 against by 8.2 per cent in 1968-69. While jute textiles staged a marked recovery, cotton textiles have remained stagnant mainly because of the shortage of material. The increase in employment is, understandably, limited to 1.25 lakhs in 1969-70 in the private sector and 1.6 lakhs in the public sector. Industrial disputes have continued to take a heavy toll in man-days, the number for 1970 being estimated at 18.7 million against 19 million in 1969 and 17 million in each of the two previous years. The average level of wholesale prices was 5.6 per cent higher in 1970-71 than in 1969-70. It is difficult to say how much comfort we can take from the improvement in the first quarter of 1971 which must be against the background of the rise since November 1969 and in the light of the additions to costs which must follow the new tax proposals. Deficit financing

which has an obvious bearing on price trends is marginally higher at the Centre and lower in the States because of the advances from the Centre. At the same time, there has been an acceleration of the growth of money supply to the public, particularly in advances to the weaker sections of the public. One may feel heartened by growth rate of 8.5 per cent in exports and by the fact that for the first time since devaluation, India has been able to wipe out her short term indebtedness to the I.M.F. The potentialities of our non-traditional exports are unquestionably high and if they are realised the rupee should grow in strength, in spite of the fall in foreign aid which is now apprehended.

The reasoning behind the official view expressed in the Economic Survey that the investment climate is good seems indisciplined in the light of the admission that investment in new projects is only moderate, compared to the number of licences granted, a fact which should indicate some obstacle or other, to the flow of savings into the new enterprises for which official sanction has been obtained. The slowing down of the growth rate of industrial production, the leeway to be made up in the sphere of rice and the commercial crops, the lag in new investment, the rise in prices over which the Finance Minister has expressed concern and the new potentialities of our exports and our foreign exchange reserves are the principal facts brought out in the Economic Survey which ought to inform the fiscal and economic policies of the Government in the current year. The budget for 1971-72 bears no mark whatsoever of the Finance Minister's recognition of the facts and their bearing on the formulation of the budget proposals.

INDUSTRIAL ECONOMIST

Britain's Hour of Decision

From the same room from which De Gaulle used to announce his veto of British entry into the Common Market, President Pompidou has announced the success of his discussions with Mr. Heath, the British Prime Minister, in respect of Britain's proposed admission into the E.C.M. in January 1973. There have been virulent comments in the British Press and among the British public about the wisdom of such membership. For quite some months, most of the criticism revolved round the alleged inability of the E.C.M. Council to accommodate New Zealand's exports to Britain of dairy products on the same terms and conditions as now even after the inclusion of Britain into the Common Market. Rhetoric was not lacking to highlight how New Zealand blood was spilled in defence of France or French soil in the terrible months of mid-Second World War period. Rhetoric apart, the problem for New Zealand is that it is more than 1000 miles away on any side from any market of significance and is in effect like a solitary piece of land in an otherwise dreary, but huge pond that the Pacific represents. This is not to say that that country had banked complacently on British support to its claims: Its bales outside the British market have been raised from a negligible proportion to 36 per cent of the aggregate exports. Yet its economy cannot afford a wrench of the remaining 64 per cent. Hence it is that the alleged French willingness, expressed at the summit talks, to work out a formula that can meet New Zealand's position has been constructed as a significant sign of a shedding of reservations against England.

Even this has apparently had its price: According to reports, the French acquiescence in respect of the British proposal asking for special treatment for New Zealand's exports, has a quid

INDUSTRIAL ECONOMIST

pro quo in the explicit preparedness of Britain to let its sterling be shorn of its special role as a reserve currency. Though the exact details about this are not clear, the fact cannot be overlooked that this special role is still of such consequence that any alteration in it cannot easily be effected according to French whims alone and without consulting the members of the sterling area. Though total sterling reserves in London estimated at 6½ billion are a small fraction of E.E.C.'s massive exchange reserves, the settlement of residual claims in sterling which has grown over the years in developing Asian regions of the erstwhile British empire will inevitably require to be counted and cannot in any case be easy of dismissal out of court. Partly perhaps in realisation of this, the French seem to have softpedalled on their insistence on sterling's abrogation of its role as a reserve currency and have instead been asking for a ceiling on the quantum of sterling reserves accumulating in London.

The basic suspicion behind all these French moves has been clear: It is simply that the British sterling is the exposed side of the United States dollar when it (sterling) functions as the reserve currency. For reasons familiar to those who have knowledge about the politics of internal money, nothing initiates more than the reality and prospect of an otherwise weak currency being mistaken as keeping sound and fit merely because an unseen monetary power exercised from a remote area is supporting it unfailingly. That is why the continent describes Britain as the Trojan horse of the United States in Europe. It is particularly unfortunate that Europe should be attributing motives to the U.S. in fishing allegedly through Britain in Europe when the fact is that Europe had built up its prosperity through American in-

vestment. It is no doubt true that the Europe dollars, as hot money are a besetting European headache but it can hardly be denied that all of it had come in at some point or other in the form of some investment or other in which the Europeans were interested.

The more ticklish problem is how the British government is going to convince British Parliament of the wisdom of joining the E.C.M. The White Paper released by the former Labour Government had indicated that, after deducting what British will obtain by its E.C.M. membership, the net cost of such membership in terms of British balance of payments will be £1,100 million. The argument is that this will be more than offset in the long run by the gains in British productivity and exports which the opportunity of trading in a market of 250 million people in Europe represents. The masses have a curious way of demurely demanding jam today rather than tomorrow. And so far as today is concerned, the British public will find that the immediate return against heavy British contributions to the E.C.M.'s budget will be higher food prices, higher butter prices etc. and all that in the nature of a vicarious responsibility to subsidise inefficient French farmers. In the circumstances, there is likely to be little jam today, worse still a bad jam that the British farmers had not bargained for. Much depends, therefore, on how Mr. Heath counters emerging mental reservation of his countrymen on this score and also on how Mr. Wilson now in the Opposition, plays his cards in Parliament and outside.

INDUSTRIAL ECONOMIST

ANNUAL SUBSCRIPTION

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FOR THREE YEARS

Rs. 40/-

Pragmatic Approach to Railway Budget

A pragmatic approach has been adopted by the Union Railway Minister, Mr. K. Hanumanthayya, when he presented his first Budget for 1971-72 to mobilise additional resources for bridging the gap between revenue and expenditure. Passenger fares have been raised and third class travellers particularly will have to foot additionally Rs. 11.60 crores out of the new bill of Rs. 13.20 crores. The incidence of higher fares will however fall mostly on passengers for medium distances and care has been taken not to penalise short distance travel, and season-ticket holders while long distance travel will cost only slightly more. There can be no objection to these increases as it has been contended with some justification that coaching traffic is being subsidised by freight traffic and with increase in cost of amenities and materials, the passengers should not grudge the small increases that have now been effected. As regards freight rates, the additional bill will be Rs. 21.80 crores, coal alone accounting for Rs. 6.50 crores. Apart from coal, the movement of iron ore, manganese ore, fertilisers, cement, salt and many other bulk items would cost more because there has been upgrading in classifications. Foodgrains and iron ore for export from the Bailadilla and Kiriburu mines for export will of course be not subject to the revised freight rates. The revised classification will result in additional revenue of Rs. 13.70 crores. There is also to be an increase in the freight charges on finished articles like steel wire and other steel products, which will fetch an extra amount of Rs. 1.60 crores.

With the adjustments in passenger fares and freight rates it is proposed to secure additionally Rs. 35 crores in a full year. In 1971-72 however, the realisation will be only Rs. 26.25

crores as the changes in fares and freight rates will become effective only from July 1, 1971, and therefore leave an uncovered deficit of 6.87 crores which is proposed to be wiped out eventually by achieving economies and other means. The deficit prior to the new proposals will of course be unchanged at Rs. 33.12 crores.

Compulsion to Raise Fares

The conservatism shown by the Railway Board is understandable as it has borrowed heavily from the Government and utilised fully the credits to various funds for offsetting the uncovered losses of earlier years. Since the loans have to be repaid and adequate surpluses also created for financing plan expenditure, there was perhaps a certain compulsion to raise freight rates and fares. There has been a virtual explosion in passenger traffic and in spite of a phenomenal growth in passenger traffic by road, the railways will be called upon to introduce more trains and augment also train capacities. It will therefore be reasonable to assume that gross traffic receipts will be higher by at least Rs. 20 crores in the current year over the budget estimates and the Railway Minister could have contented himself with the adjustments in passenger fares and left the remaining gap uncovered.

The Railway Minister, however, has sought to give the impression that he has left off the users of railway services lightly and adopted the practice of leaving an uncovered deficit of Rs. 6.87 crores even when he was in a position to realise more revenues through higher levies. It is however overlooked that the increase in freight rates has been effected over and above the sizable increases effected last year and substantial benefit will be

derived out of these changes in 1972-73.

Increase in Originating Traffic

If only coal could be moved in larger quantities, there can be an increase in originating traffic by nearly 2 million tonnes. This will be helpful in securing for the railways additionally at least Rs. 6 crores. Again, at least half a million tonnes of cement can be consumed in the North Western region and North East India but the cement factories in the surplus areas are unable to meet the demand in the deficit regions because of an acute shortage of wagons and bottlenecks in the Central Railway. An increase in the consumption of cement by this quantity will mean an increase in traffic by over one million tonnes taking into account the consumption of raw materials and other items. Thirdly, the traffic in iron ore for export alone can be additionally 2 or 3 million tonnes but the shortage of wagons and operational difficulties had slowed down the growth in exports. As there will be favourable side effects as a result of a higher level of economic activity, there can be an increase in originating traffic much more than the growth assumed in the revised estimates.

How the losses on coaching and low-rated freight traffic are being incurred will have to be closely examined. It is no use saying that there has been no proportional increase in passenger fares or freight rates over a period having regard to increase in wholesale prices, the wage bill and the increase in the cost of raw materials which directly affect the railways. With modernisation and a larger volume of traffic unit cost can be reduced especially as the Railway Budget has assumed staggering proportions. A 10 per cent improvement in operating efficiency by itself will enable a saving of Rs. 75 crores and result in the wiping out of the deficit and leaving a surplus in the bargain.

A Needlessly Harsh Array of Imposts

The big overall deficit of Rs. 396.90 crores for 1971-72 even with a sizable increase in revenues to Rs. 3562.31 crores from Rs. 3391.43 crores in 1970-71 (revised) has been responsible for Mr. Chavan deciding to raise additional tax revenues for Rs. 177 crores in the current year after providing for a share of the States for Rs. 43 crores. But the fact has been overlooked that a needlessly heavy dose of taxation has been attempted as stated in the editorial to bridge a deficit which has been inflated. Besides, the revenues in a full year will be over Rs. 300 crores and if the objective was to leave the deficit uncovered to the extent of 1970-71, the tax effort should have been conceived less harshly. There should have been more of excise duties and less of direct taxes as many of the new proposals take effect only in the next assessment year.

Slight Revenue Deficit

Examining the estimates more closely it will be found that revenue expenditure has increased to Rs. 3586.86 crores in 1971-72 from Rs. 3193.29 crores in 1970-71 revised resulting in a revenue deficit of Rs. 24.55 crores against a surplus of Rs. 198.14 crores in the previous year. It is noteworthy that there has been no change in the revised estimates for 1970-71 presented to Parliament some time back even though Mr. Chavan has hastened to say that the revised overall deficit may be Rs. 270 crores. How this deficit swelled by Rs. 40 crores in two months when the Central Government had ample cash balances at its disposal has not been explained. It must, however, be said that usually expenditure is inflated in the revised estimates and the overall deficit increases in the process. Thus in 1969-70 the revised overall deficit was Rs. 290.11 crores against the budget deficit of Rs. 225 crores but the actual deficit proved to be only Rs. 45.53

BREAK-UP REVENUE FROM NEW BUDGET PROPOSALS FOR 1971-72
Revenue (Rs. Crores)

	in 1971-72	in Full Year
Direct Taxation:		
(1) Surcharge on Incomes Above Rs. 15,000	12.00	20.00
(2) Wealth Tax Charges	—	14.50
(3) From Reducing Tax holiday benefit for new units	10.00	14.00
(4) Contraction of Priorist List and cut in Tax exemption	6.00	8.00
Total (including Increased Surtax)	28.00	56.50
Indirect Taxation:		
(A) Customs		
Increase in Basic Import Duty	—	67.40
Loss due to Reduction in Duty	—	— 7.40
Increase in countervailing duties	—	+ 4.00
	54.00	64.00
(B) Excise Duties		
Motor Spirit	36.30	43.20
Solvents	4.90	5.05
Other Petroleum Products	9.00	10.50
Cigarettes	33.20	39.48
Textiles (Cotton Fabrics) (Addl. excise)	4.90	5.80
Glassware & China, etc.	3.15	4.40
Industrial Gases	1.60	1.90
Tractors	3.40	4.00
Maida	9.20	10.92
Cosmetics		1.02
Soap		1.62
Rubber Products		2.40
Readymade garments		2.50
Electric Bulbs etc.		1.25
Electric Metres		1.20
Motor Vehicle parts		1.60
Crown corks		1.60
Roller Bearings		2.20
Bolts, Nuts, etc.		2.50
Woollen Yarn		1.20
Wires & Cables		1.50
Wooltops		1.10
Others		11.40
Total		158.35
Relief		1.47
Net Revenue from Excise	131.94	156.88
Tax on Foreign Travel	7.00	8.40 (app.)
Total of all Levies of this Centre's share	220.94	285.78
States' share	177.37	
	42.57	

crores. There may be a similar occurrence in 1970-71.

This aspect of the budgetary position has been emphasised only to show that incorrect estimation of expenditure particularly has swelled the deficit for 1971-72 and compelled the Government to think in terms of levying additional taxation in a crippling manner. The increase in the revenue budget is, of course, developmental in character as the outlay on Plan schemes in the Central Sector has been raised to Rs. 1350 crores from Rs. 1195 crores. On Mr. Chavan's own admission Plan outlay will be higher by Rs. 300 crores as compared to 1970-71 as there was a significant shortfall due to the delayed implementation of the Bokaro steel project and the aluminium and copper projects. There was also a lag in expenditure in many other directions. With shortages of physical resources and inefficient management of many projects, it will indeed be a big job for utilising the additional allotment. There has also been an allocation of Rs. 50 crores outside the Plan for regenerating employment in the rural areas and another Rs. 35 crores for providing relief to educated unemployed. The States will get additional assistance for Rs. 74 crores and grants for Rs. 16 crores. The Plan will thus account for Rs. 465 crores which, if wisely used, will lead to activation of the economy in many directions.

Challenge to the Public Sector

This will, however, mean that there will have to be a higher level of output of steel, aluminium, non-ferrous metals, electrical equipment in the public and private sectors. Besides there will have to be greater efficiency in the public sector undertakings as heavy engineering equipment, machine tools, communications equipment and many other manufactured goods needed for implementing Plan schemes will have to be made available in larger quantities. Since the Bokaro pro-

CENTRAL BUDGET FOR 1971-72			
Revenue Budget		(in Rs. Crores)	
RECEIPTS			
	Budget 1970-71	Revised 1970-71	Budget 1971-72
Tax Revenue			
Customs Duties	.. 465.00	487.62	480.00
Union Excise Duties	.. 1812.75	1805.24	1951.17
Corporation & Income Tax	.. 778.75	825.00	875.00
Estate Duty	.. 7.50	7.00	7.00
Wealth Tax	.. 15.90	16.00	30.00
Other Tax & Duties	.. 52.13	56.64	59.95
Total	.. 3134.13	3197.50	4403.12
			+ 220.00*
Non-Tax Revenue			
Debt Services	.. 611.27	630.12	661.78
Currency & Mint	.. 98.07	99.36	124.23
Other non-tax Revenue	.. 190.41	219.88	223.50
Total	.. 899.75	949.36	1009.51
Total Gross Revenue	.. 4033.88	4146.86	4412.63
			+ 220.00*
Less State's Share			
Union Excise Duties	.. 388.42	390.04	422.85
Taxes on Income	.. 348.30	359.09	420.77
Estate Duty	.. 7.17	6.30	6.70
Total	.. 743.89	755.43	850.32
			+ 43.00*
Net Centre's Revenue	.. 3289.99	3391.43	3562.31
			+ 177.00*
REVENUE EXPENDITURE			
	Budget 1970-71	Revised 1970-71	Budget 1971-72
Civil Expenditure			
Collection of Taxes and Duties	.. 48.55	48.08	50.88
Debt Services	.. 597.48	603.91	648.39
Administrative Services	.. 189.70	200.93	236.61
Social and Developmental Services	.. 319.85	313.72	376.40
Multipurpose River Schemes, etc.	.. 14.56	15.17	20.43
Public Works, etc.	.. 42.63	39.80	42.71
Transport & Communications	.. 20.80	21.60	22.62
Currency & Mint	.. 26.00	26.92	28.35
Miscellaneous	.. 221.26	234.30	277.97
Contributions & Miscell Adjustments	.. 10.7.7	13.07	13.45
Extraordinary Items	.. 6.64	6.60	6.62
Total Civil Expenditure	.. 1498.24	1524.10	1724.45
Defence Expenditure (Net)	.. 1017.84	1039.89	1079.23
Grants-in-aid to States and Union Territories within Legislation	.. 636.10	629.30	783.20
Total	.. 3152.18	3193.29	3586.86
Surplus (+) Deficit (-)	.. + 137.81	+ 198.14	(-) 215.5
on Revenue Account	..		+ 177.00*

CAPITAL BUDGET			
RECEIPTS			
	Budget 1970-71	Revised 1970-71	Budget 1971-72
(1) Market Loan			
Gross Borrowings	455.00	427.59	500.00
Less Repayments	290.30	291.30	322.10
Net Borrowing	161.70	136.29	167.90
(2) External Aid (Other than P.L. 480)			
Gross Borrowings	600.00	550.00	540.00
Less Repayments	200.25	195.46	216.23
Net Borrowing	399.75	354.54	323.77
(3) P.L. 480 Aid			
Dollar Credits	84.00	81.37	114.37
Rupee Loans	55.00	50.00	12.00
P.L. 480 Deposits (Net)	12.27	(-) 9.59	(-) 13.04
Total	132.27	121.78	113.33
(4) Repayment of Loans & Advances	825.00	930.00	930.00
(5) Other Items (Net)			
(1) Small Savings	140.20	145.30	130.40
(2) Other Receipts	164.79	416.96	308.14
Total Capital Receipts	1823.71	2104.87	2023.54
DISBURSEMENTS			
	Budget 1970-71	Revised 1970-71	Budget 1971-72
A. Civil Expenditure			
(1) Social and Developmental Services	348.87	322.30	305.97
(2) Multipurpose River Schemes, etc.	71.25	59.40	58.20
(3) Public Works, etc.	92.64	79.85	100.46
(4) Transport & Communications	28.71	23.32	30.67
(5) Currency & Mint	12.03	184.28	9.05
(6) Miscellaneous	-29.15	14.88 (-)	13.43
Total Civil Expenditure	524.35	684.03	490.92
B. Post & Telegraphs	35.00	15.80	38.60
C. Railway Capital Outlay	150.00	126.10	151.00
D. Defence Capital Outlay	133.67	142.94	162.43
E. Loans & Advances:			
States & Union Territories	878.25	1039.49	966.30
Others	467.19	524.22	586.64
Total Loans & Advances	1345.44	1563.71	1552.94
Total Capital Disbursements	2188.46	2532.58	2395.89
Deficit on Capital Account	364.75	427.71	372.35
Overall Deficit	226.94	229.57	396.90
			(-) 177.00*
			+ 219.90

* Effect of Budget Proposals.

ject has not been able to make the desired progress on account of the failure of the Heavy Engineering Corporation and other indigenous units to adhere to delivery schedules and there has been gross underutilisation of capacity in other directions, the Finance Minister has thrown a challenge to the public sector to overcome its deficiencies by raising the plan outlay by nearly 25 per cent.

The impact of an increase in the tempo of Plan implementation will also be felt in the private sector if there was a further rise in agricultural production in the next season and larger developmental expenditure also led to a bigger demand for steel, electrical equipment and other durable goods. There will have to be an increase in the industrial production of private sectors. This will mean that the various units will have to be provided the necessary incentives apart from adequate supplies of raw materials and components. What is, however, necessary is to remember that a higher level of activity by itself would have led to a higher level of production which in turn would yield larger revenues, particularly under excise duties. If the industries functioned profitably at the same time, there will also be an increase in receipts from direct taxes. What is more important is the toning up of the economy and the enlargement of the tax base through additional employment and higher production which will yield recurring revenues. The Finance Minister could have, therefore, waited before deciding on massive taxation as in the event of a big increase in Plan outlay there would have been a distinct improvement in the economic situation before the end of the year. There would have also been larger tax revenues even if additional taxes were levied for only Rs. 150 crores. But if there was shortfall even after heavier borrowing intelligent fresh taxation would not be resented when larger incomes were being generated.

—Meenam

Budget Proposals for 1971-72

Presenting the Budget for 1971-72, Finance Minister Chavan said that in formulating the tax proposals he had endeavoured to follow these broad principles:

- (a) The tax structure must be simplified and rationalised in such a way that the burden of assessment for the assessee as well as the tax collector and the opportunities for evasion are minimised;
- (b) The overall burden of taxation must be distributed amongst the different sections of the community in such a manner that, in the process, there is an appreciable scaling down of the concentration of economic power and reduction in the inequalities in income and wealth; and
- (c) The incidence of the fresh imposts should not, as far as possible, disturb the general level of prices of essential goods.

Accordingly, the concentration of the additional tax effort, to the extent feasible, should be on direct taxes, particularly on the affluent groups, and on such categories of indirect taxes as affect the luxury and near-luxury commodities. In so far as we succeed in limiting the burden of indirect levies on the latter group of commodities, we are also able to achieve in part the other objective of improving the structure of income distribution in society.

Tax Administration

The tightening and streamlining of tax administration has two facets. First, it helps to garner additional yield from the existing tax sources and thus makes it less necessary to look for fresh tax heads every year. Second, since it is generally the well-to-do and the rich who avoid and evade taxes, a tightening of tax administration, including closing of loopholes, would compel them to part with a larger proportion of their incomes and assets and would therefore further one of the overriding objectives of fiscal policy.

Power to Acquire Property...

Undervaluation of property has been one of the means to evade wealth tax, capital gains tax and stamp duties. It has also been an important avenue for the circulation of black money. This practice could be greatly discouraged if Government had the power to acquire properties at prices that correspond to what is recorded in sale deeds. Accordingly, it is proposed to move a Bill during the current session to acquire this power

In pursuance of the Administrative Reforms Commission's recommendations, it is also proposed to sponsor legislation in the current session to discourage benami holding of property. If, at the time of assessment, a person fails to declare income from a piece of property or the property itself so as to evade payment of income and wealth taxes, the intended legislation will debar him from enforcing his claims to such property in a court of law.

It is further proposed to transfer the work of recovery of arrears of estate duty from the State Governments to the Income Tax Department at the Centre. Since, in this matter, we can move only with the concurrence of the State Legislatures, a Bill is being drafted for circulation among the States.

It is proposed to strengthen the Valuation Cell located in the Central Board of Direct Taxes for making valuation of buildings in order to enable it to extend its activities and speed up valuations in cases involving the assessment of wealth tax. For assessment of income tax, under the new procedure which has come into effect from the current year, summary assessments will be completed in most cases which do not involve substantial points of dispute, and only a small proportion of the cases will be subjected to a sample scrutiny subsequently. This will enable the Income Tax Officers to devote correspondingly more time for cases involving substantial revenue.

In the field of excise duties, it is proposed to set up a committee to review the Self Removal Procedure scheme, which has been in operation for the last two to three years, with a view to suggesting improvements which could reduce leakage of revenue. A Study Team, which considered the issues relating to over and under-invoicing, have made a number of suggestions for checking the leakage of foreign exchange through manipulation of invoice values. The Government will give early consideration to implement its recommendations. With a similar purpose, a comprehensive review is being undertaken of the Foreign Exchange Regulation Act and it is proposed to introduce soon a Bill to amend several provisions of this Act.

Consultation with States

In the past the Centre has taken several fiscal steps to discourage the growth and concentration of excessive income and wealth in a few hands in the urban areas. The constitutional prerogative of the Union Government to initiate measures for simi-

lar reforms in the countryside is, however, severely restricted. But this does not mean that some of the present anomalies must continue, or that we can be oblivious of growing inequalities in rural areas. Ultimately, the basis of tax has to be the size of income or wealth irrespective of whether it is derived from agricultural or non-agricultural sources.

Similarly, there are constitutional limitations on the powers of the Centre to tax services even when these are of a luxury or semi-luxury character. As the States and the Centre have to share the responsibility of raising resources for economic development, it is the duty and obligation of the Centre to point out to the States untapped resources for mobilisation where the Union Government itself is precluded by the constitutional provisions to impose any levy. The Finance Minister intends to consult and seek the advice of the State Finance Ministers on the entire range of these issues and remain in continuous touch with them so that a concerted view is taken.

DIRECT TAXATION

TAXATION ON INCOME AND WEALTH

In the field of personal income taxation, the rate of surcharge in the case of individuals as well as Hindu undivided families is being increased from 10 per cent to 15 per cent provided the total income exceeds Rs. 15,000 per annum. In a full year, the impact of the proposal will be to provide an additional Rs. 20 crores to the exchequer; for 1971-72, the revenue yield is expected to be around Rs. 12 crores.

It is proposed to increase the tax on capital gains, which are a species of unearned income. The deduction from long-term capital gains allowed in computing the taxable income of non-corporate assessee is being reduced from 45 per cent to 35 per cent where such gains relate to lands and buildings and from 65 per cent to 50 per cent in respect of other capital gains.

The incidence of tax on long-term capital gains will be increased in the case of companies as well. This increase is being brought about by raising the rates of tax from 40 per cent to 45 per cent in respect of gains relating to lands and buildings and from 30 per cent to 35 per cent in respect of other gains.

There are some fairly stiff proposals regarding wealth tax. If a significant reduction in the concentration of wealth is to

be brought about, it is essential that the taxation of wealth is made more rigorous. Last year's Budget made a beginning in this direction by raising the rates of additional wealth tax on urban property. This year, it is proposed to raise drastically taxation on slabs of net wealth above Rs. 15 lakhs, where the rates of tax will now be uniformly 8 per cent as against the current rates of 4 per cent on net wealth between Rs. 15 lakhs and Rs. 20 lakhs and 5 per cent on net wealth above Rs. 20 lakhs. It is also proposed to include in net wealth for purposes of taxation the first Rs. 1 lakh of wealth in the case of all individual assesseees and the first Rs. 2 lakhs for Hindu undivided families. Thus, while no wealth tax will be levied unless the net wealth exceeds Rs. 1 lakh in the case of individuals and Rs. 2 lakhs in the case of Hindu undivided families, once they are liable to tax, it will apply to their entire wealth. However, the exemptions in respect of approved financial investments, owner-occupied house and agricultural assets will continue.

Virtual Ceiling on Individual Wealth

To tighten the incidence, the exemption from wealth tax currently available for household or personal jewellery and for shares forming part of initial capital issues is being withdrawn. In the case of conveyances, the exemption will now be limited to Rs. 25,000 in the aggregate. The existing provision in the Wealth Tax Act excluding from aggregation the assets transferred by an individual to the spouse or minor children is being done away with. A similar provision is being made in respect of conversion of assets of individuals into those of Hindu undivided families. While all these changes will not naturally yield any revenue this year, in future, the annual additional yield from these measures affecting wealth tax could be around Rs. 145 crores. What is more important, they will impose a virtual ceiling on individual wealth at a much lower level than at present.

As a further measure to discourage evasion of tax, conversion of the separate property of an individual into property belonging to a Hindu undivided family will be brought within the ambit of the gift tax.

TAXATION OF COMPANIES

Several structural changes affecting the incidence of company taxation have been proposed. While the rates of taxation on the ordinary income of companies are being maintained at existing levels, except for the rates on capital gains, the rate of surtax on company profits will be increased from 25 per cent to 30 per cent in the case of chargeable profits in excess of 15 per cent of the capital.

INDUSTRIAL ECONOMIST

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Development Rebate to be Withdrawn

No development rebate will be allowed on ships acquired or machinery or plant installed after May 31, 1974. Whatever the revenue implications of this step—and they are sizable—will be fully revealed only after 1974-75, i.e., from the Fifth Plan onwards. The Finance Minister expressed the hope that advance notice of this change might quicken the pace of investment in the remaining years of the Fourth Plan.

A Generosity Withdrawn

At present, in the case of new industrial undertakings, ships and approved hotels, profits upto 6 per cent of the capital employed are entitled to tax exemption for a period of five years. Since debentures and long-term borrowings do not in any manner represent risk capital and interest thereon is in any case deducted, it was generosity on the part of the Government to extend the tax holiday provision even to such constituents of capital. It is proposed that in calculating the limit of 6 per cent of the capital for purposes of tax-exemption, debentures and long-term borrowings will be excluded. This single measure will provide the exchequer with Rs. 10 crores during the current year; the yield for a full year will be of the order of Rs. 14 crores.

Exemption Limit to Priority Industries Reduced

Priority industries currently enjoy a special tax exemption upto 8 per cent of their profits. The special exemption is proposed to be reduced to 5 per cent of such profits. In addition, it is also decided to shorten the list of priority industries by excluding aluminium, motor trucks and buses, cement and refractories, soda ash, petro-chemicals and automobile ancillaries. The general economic conditions are now such that it is not necessary that these industries should continue to enjoy special benefits which were accruing to them hitherto. The two measures in relation to priority industries should yield Rs. 8 crores in future years; in 1971-72, the yield is likely to be about Rs. 6 crores.

The deduction of income upto Rs. 3,000 in the aggregate from investments in specified financial assets which was provided for last year will from now on be admissible only to individuals and Hindu undivided families.

The concessional tax treatment of dividends received by foreign companies from a closely-held Indian company engaged in a priority industry will be discontinued; the foreign companies will be subjected to tax on such dividends at the usual rate of 24.5 per cent.

Ceiling on Remuneration of Company Employees

It is proposed to impose a ceiling on the remuneration of company employees which would be deductible in the computation of taxable profits. The ceiling is being set at Rs. 5,000 per month. Together with the existing ceiling of Rs. 1,000 per month in the case of perquisites, the allowable overall ceiling on remuneration and perquisites, for purposes of taxation, will be at Rs. 6,000 per month. In addition, it is proposed to reduce the tax deductible limits of daily allowance to employees while on tour.

MISCELLANEOUS CONCESSIONS

It is proposed to raise the standard deduction currently allowed for the computation of taxable income of employees who own a motor-cycle, a scooter or a moped from Rs. 60 to Rs. 75 per month; for others, who do not possess any of these, the standard deduction will be raised from Rs. 25 to Rs. 50 per month.

Taking the Rough with the Smooth...

The quantum of deduction in respect of long-term savings through life insurance, provident fund contributions, etc., is being substantially modified. At present, 60 per cent of the first Rs. 5,000 together with 50 per cent of the balance of such long-term savings are tax exempt. It is proposed that for the first Rs. 1,000 of such savings, the quantum of deduction should be 100 per cent. On the next Rs. 4,000 of the qualifying savings, the proposed deduction will be 50 per cent, and on the balance 40 per cent. The limit for the savings qualifying for deduction will be raised from Rs. 15,000 to Rs. 20,000 in the case of individuals.

As a result of the changes in the standard deductions allowable for conveyance and long-term savings, an employee with an annual income of Rs. 6,000 will be exempt from income taxation provided he saves at least Rs. 400 in the approved form.

The tax concessions for promoting development and export of technical know-how and technical services, which have been available only to companies will from now on also apply to individuals, Hindu undivided families and partnership firms. Certain further tax concessions are also at present available for expenditure on research and development. A committee has recently been set up by the Government to review the position and make recommendations regarding further fiscal incentives that could be offered to encourage industrial research. The recommendations of the committee will be given due weight.

The special deduction of income upto

Rs. 3,000 from investments in specified financial assets available to individuals and Hindu undivided families would henceforth also cover interest on deposits with a cooperative society made by its members. Moreover, the interest paid by a cooperative society to its members on deposits made by them will be exempted from the requirement of deduction of tax at source. Shares of, and member-deposits with, a cooperative society will be regarded as approved investments which are exempt from wealth tax upto Rs. 1.5 lakhs. But the exemption in respect of such investment in the case of discretionary trusts which are subject to taxation on their net wealth at the flat rate of 1.5 per cent, or at the rate applicable in the case of an individual, whichever is higher is proposed to be withdrawn.

Cooperative societies of workers or those engaged in fishing and allied activities will be exempted from tax on their entire business income. Local authorities deriving income from the supply of water or electricity to villages outside their jurisdiction will be exempted from tax on such incomes. A member of a cooperative housing society, to whom a building or a flat has been allotted under a house-building scheme of the society, will be regarded as the owner of that piece of property for purposes of wealth tax.

The Housing and Urban Development Finance Corporation will be exempted from tax on its income for a period of ten years; the tax-exempt status of the Deposit Insurance Corporation will be extended by a further period of five years.

After taking into account the concessions, the net yield from the new direct tax measures from 1972-73 will be of the order of Rs. 57 crores. For 1971-72, however, the realisation is unlikely to exceed Rs. 27 crores.

INDIRECT TAXATION

The proposals regarding customs duties belong broadly to two categories. The first set of proposals is aimed at rationalising the rates structure of import duties. The other group of proposals is related to, and consequent on, the arrangements reached with a number of foreign countries who have agreed to release us from the bindings under the General Agreement on Tariffs and Trade in the matter of import levy on certain commodities.

IMPORT DUTIES

The existing rates structure of import duties forms a complicated pattern. As of now, there are seven *ad valorem* rates of duty in force: 15 per cent, 27½ per cent, 35 per cent, 40 per cent, 50 per cent,

60 per cent and, finally, 100 per cent. In order to introduce an across-the-board simplification and to remove existing anomalies, it is proposed to have only four effective rates of import duty, namely, 30 per cent, 40 per cent, 60 per cent and 100 per cent.

It is proposed to bring in all items of machinery within the orbit of 30 per cent import levy. While this would imply a marginal increase of 2½ percentage points in the rate of duty in respect of project imports, the decrease of duty by 5 percentage points in respect of machinery in general would provide relief to smaller industrial units and units manufacturing equipment who import a part of the components and to all who need to import small items of machinery by way of spares or balancing equipment. The equalisation of rates for all kinds of machinery would also simplify assessment and speed up assessment work. Items such as agricultural machinery and implements, dairy and poultry farming appliances would also now attract at the rate of 30 per cent instead of 15 per cent.

Certain basic raw materials and non-ferrous metals will from now on be liable to duty at the uniform rate of 40 per cent. Iron and steel and unwrought copper will, however, attract the lower duty of 30 per cent.

It is proposed to eliminate the present rate of duty of 50 per cent and levy instead a higher rate of 60 per cent on most items. A similar upward revision has already been made in the course of the past two years with respect to the duty on chemicals, drugs, medicines, electrical and non-electrical appliances. What is proposed now, therefore, is to bring all similar items together under the umbrella of the same rate of duty.

Till now, certain items used by the more affluent sections of the community, such as automobile components and dry fruits, were liable to a duty of 60 per cent instead of 100 per cent which is the standard rate for most important consumer goods. This anomaly is now being removed. In addition, in view of the increase in the c.i.f. price as well as the high margin of profit, the specific rate applicable to cloves is being increased from Rs. 18 per kilogram to Rs. 60 per kilogram.

As a result of the release from the GATT bindings, we are now in a position to either impose a duty, or raise the existing rates of duty, on a number of items, including agricultural tractors, earth-shifting machinery, staple fibre excluding yarn, raw wool, unwrought copper, zinc and pig lead. It is proposed to avail of the opportunity. In view of the high margin of profit on imported staple fibre, it is proposed that the duty on it be fixed at 100 per cent. On unwrought zinc, pig lead and raw wool, the duty will be 40 per cent, and on copper, 30 per cent.

Given the large disparity between the prices of imported and indigenous tractors, it is also decided to levy a 30 per cent duty on imported agricultural tractors. The same rate of duty will apply on earth-shifting machinery.

Taking into account the effect of the rationalisation of import duties as well as the adjustments following from the release from the GATT bindings and the countervailing levies related to changes in excise duties additional revenue to the extent of nearly Rs. 54 crores during the remaining part of the year is expected to be got.

EXCISE DUTIES

Pursuant to the decision to continue the scheme of levying additional excise duties in lieu of sales tax on sugar, textiles and tobacco, the Government is committed to raise the overall incidence of these duties to 10.8 per cent on the value of clearances by the end of the Fourth Plan period. Since this target has to be attained by 1973-74, it is stated, it has become necessary to make a substantial beginning in the current year itself.

Additional Levies on Cigarettes to Net in Rs. 33 Crores

It is proposed to increase once again the taxation on cigarettes. In place of the existing three slabs of duty on cigarettes, it is proposed to have five. By suitable adjustments of the basic and additional duties on these slabs, it is hoped to raise during the current year Rs. 33.20 crores of which Rs. 16.40 crores would go to the States by way of additional excise in lieu of sales tax. The effect of the proposals would be a marginal increase in the price of the cheaper varieties of cigarettes, but a much sharper increase for the more expensive varieties.

Textiles, particularly coarse and medium varieties of cloth, are a basic necessity, and their prices rose rather inordinately in 1970-71. Therefore it has been decided that the impost on textiles should be modest this year. It is proposed to step up slightly the additional excise duties on medium A and medium B varieties of cotton textiles from 4.8 paise per square metre and also to round off the additional duty leviable on coarse cloth from 3.6 paise to 4 paise per square metre. With respect to superfine and fine cloth, it is proposed to go much further, and raise the rates of the additional excise duty to 25 paise and 15 paise respectively per square metre. These several measures should fetch an additional revenue of Rs. 4.90 crores which will accrue entirely to the States.

Curbing Consumption of Petrol

The other major proposal in regard to excises is the area of motor spirit, solvents and

a number of other minor lubricants. In view of the rise in international oil prices, it is held, there is need for the maximum economy in the utilisation of petroleum and petroleum products with a view to conserve our scarce foreign exchange resources. No doubt, there will be a certain hardship involved in this, but it was felt it has to be borne by our people. To curb consumption, it is proposed to increase the duty on motor spirit by Rs. 200 per kilo litre or 20 paise per litre. This measure will fetch an additional revenue of Rs. 36.30 crores in the current year.

There is extensive misuse of certain special boiling point spirits, otherwise known as solvent oils, as adulterants for motor spirit. To discourage this practice, it is proposed to raise the duty on solvents from the present rate of Rs. 45 per kilo litre to Rs. 845 per kilo litre. This measure will yield Rs. 4.25 crores during the current year.

Similarly, to prevent the adulteration of mineral turpentine oil with superior kerosene, an extra duty of Rs. 100 per metric tonne is being imposed on the former. In the case of liquid petroleum gas, it is proposed to abolish the *ad valorem* duty of 20 per cent and, instead, impose a specific duty of 25 paise per kilogram. The rate of duty which at present obtains on lubricating stock oils and greases directly derived from refined petroleum would also from now on apply to blended lubricating oils, greases and calcined petroleum coke. However, the base petroleum products used in the manufacture of the latter items would be given a credit for the duty that might already have been paid. These measures, it is expected, will yield an additional revenue of Rs. 9 crores during 1971-72.

At present, carbon dioxide is liable to duty, but other gases, such as oxygen, chlorine, ammonia and refrigerant gases are exempt; these exemptions are being withdrawn. However, oxygen for medicinal use and ammonia used in the manufacture of fertilizers would continue to be exempted from duty. This measure is expected to yield Rs. 1.60 crores.

It is also proposed to raise the basic duty on glassware to 20 per cent and on sheet and plate glass to 15 per cent. Glass shells, glass globes and laboratory glassware would be left untouched. While the duty on sanitary and glazed wares was revised last year, tableware and china were left undisturbed. Both these items will now attract a uniform duty of 20 per cent. These two changes are estimated to provide this year with additional revenue of around Rs. 3.15 crores.

While air-conditioners pay a duty at the rate of 53.3 per cent, till now, the evaporative type of coolers have been exempt

from duty. This discrimination deserves to be removed. It is proposed to levy a duty of 25 per cent on them and, at the same time, exempting them from the payment of the special excise duty. Vacuum flasks, similarly exempt till now, will also have to bear a levy of 15 per cent *ad valorem*. The gain to revenue would be Rs. 54 lakhs in the current year.

Tax on Cleanliness

It is proposed to revise the duty on soap from the present effective rate of 11.4 per cent to 15 per cent. This would result in only a marginal increase in the price of toilet soaps. Household and laundry soaps are being left untouched. Because of partial exemption, the effective rate of duty on surface active agents works out to even less than that on ordinary household and laundry soaps. It is therefore proposed to abolish the partial exemption and restore the full statutory rate of duty on these products. These two revisions—relating to soap and surface active agents—are likely to yield a revenue of Rs. 2.55 crores for the rest of the year.

It is also proposed to tax certain other luxury items. Latex foam sponge, used extensively in the manufacture of foam mattresses, bears at present a relatively low basic rate of duty of 20 per cent *ad valorem*; it is proposed to double this rate of duty. A similar levy will be imposed on polyurethane foam as well as certain products made out of this particular foam. The basic rate of duty on plates, sheets and strips of rubber is also being stepped up from 20 per cent to 25 per cent *ad valorem*. These measures would bring in Rs. 2.60 crores of additional revenue in 1971-72.

The duty on crown corks and pilfer-proof caps is proposed to be raised from 1 paise to 2 paise each. This measure is expected to yield Rs. 1.90 crores.

A few other changes are being proposed by way of rationalisation. These include an excise levy on dehydrated canned and bottled vegetables and on preparations of glucose and dextrose, the removal of the special concession of 50 paise per kg. on the basic excise duty for certain varieties of staple fibre, the rounding off of the duty on cement from 23.76 per cent to 24 per cent, revising the duty upwards on woollen yarn and shifting a portion of the incidence to wool tops, revising the rates of duty on electric lighting bulbs other than those of 60 Watts and less, revising the rates for fluorescent tubes as well as for electric fans and industrial fans other than those of a diameter not exceeding 16 inches, and removal of the concession of Rs. 500 per tonne on copper used in the manufacture

of wires and cables. These assorted measures would yield a combined revenue of over Rs. 6 crores.

10 Per Cent Duty on Tractors

One way of reducing income inequalities in the countryside is through levying selectively indirect taxes on products and equipment used in agricultural operations by the richer sections of the peasantry. It is, therefore, proposed to tax agricultural tractors by charging a duty of 10 per cent *ad valorem*; this levy is likely to fetch a revenue of Rs. 3.40 crores in the current year.

To augment revenue, several new items are being introduced into the orbit of Central excise taxation. The commodities and the rates of duty are being so chosen that the net effect of these imposts on the price level will be negligible. The items include perfumed hair oil, shampoos, lipsticks, pressure cookers, playing cards, zip fasteners, photographic cameras, cinematographic projectors and linoleum.

Levy on Ready-made Garments

It is proposed to have a levy on certain ready-made garments which are mostly purchased by the well-to-do. However, in order to protect the small manufacturers, this levy will be confined to ready-made garments manufactured with the use of power and sold under registered trade marks or brand names. As a further concession to the small producers, clearances upto a specified value would be excluded from the excise provided the aggregate annual output in the unit concerned does not exceed a ceiling.

It is also proposed to introduce an excise levy on a number of producer goods such as ball and roller bearings, bolts, nuts and screws, electric insulation and non-medical adhesive tapes, welding electrodes, grinding wheels and motor starters, as it is difficult to tax the end-products of these items and currently some potential revenue is being lost. The rate of duty will be 10 per cent. It is also proposed to charge a duty of 10 per cent on electric supply meters, typewriter ribbons, mosaic tiles, fork lift and platform trucks and certain motor vehicle parts and accessories. Wherever necessary, the interests of the small producers will be protected by a concession similar to the one mentioned in the context of ready-made garments.

Four more chemicals are being added to the list of excisable chemicals, and will be liable to duty at 10 per cent. A similar levy will also be imposed on camphor and menthol.

These various measures of new excise le-

vies together are likely to yield Rs. 15 crores.

Lavy on Maida—To Promote Children's Health

It is proposed to levy a duty of 10 paise per kg. on Maida processed by roller flour mills in the organised sector. This particular flour, Mr. Chavan said, was usually consumed by the richer sections of the population and otherwise used in the manufacture of sweets; the consumption of bread, another item in the manufacture of which Maida is used, is again mostly confined among the higher income groups. The resultant revenue of Rs. 7.4 crores which will accrue to the Centre will be earmarked for being spent on the welfare of children. In addition, the States also will receive nearly Rs. 1.8 crores from this measure.

A SPHINX'S RIDDLE

The question of abolishing Prohibition, once it has been introduced, can in any set of conditions, be a Sphinx's riddle to the Government concerned. And in Tamil Nadu, it is clearly one such. Judged by the gingerly manner in which the D.M.K. General Council, which is the policy-making body, the ruling party is no Oedipus. The dilemma in which the Ministry finds itself, despite the support in the rank and file for abolition, does not appear to have lost its forbidding character. Mr. Karunanidhi for the present has indulged in the usual tactics of shifting the responsibility and, by implication, the blame to the shoulders of the Central Government by arguing that Prohibition should be enforced uniformly throughout the country or compensation paid to the State Government for the loss of revenue sustained by its sticking to Prohibition. The contention has lost much of the force it might have had in earlier days when Prohibition, as part of the Central Government policy, was ready to offer inducements to the States for the adoption and enforcement of Prohibition. We have certainly moved far from those days, since more than one State has gone wet without

A Few Excise Concessions

To promote the use of minor oils in the manufacture of soap and thereby reduce our dependence on imported tallow and oils, it is proposed to reduce the incidence of the duty on soap whenever there is certain minimum use of minor oils like neem and sal. The rate of duty on sodium silicate will be reduced to encourage the output of cheaper varieties of soap in the small-scale sector. In order to foster the greater utilisation of cottonseed oil, the existing excise rebate for using this oil in the manufacture of vanaspathi will be increased. A similar concession is also proposed to be accorded to rice-bran oil.

With a view to providing some relief to the small and marginal units using powerlooms for manufacturing cotton fabrics, it is proposed to reduce the rate of compounded

levy on units where not more than 4 powerlooms are installed from Rs. 50 to Rs. 10 per loom per annum. In the case of units employing more than 4 powerlooms, the compounded levy will be half of the existing rates. The concession at present available to independent processors, will be rationalised. There are also a couple of marginal concessions for the manufacturers of embroidery and leather cloth.

All these reliefs and concessions together would cost the exchequer around Rs. 1.50 crores for the remaining part of the year.

Taking all the proposals for excise duties together, the total yield for the rest of the current financial year, it is estimated, will be roughly Rs. 89 crores for the Centre and Rs. 43 crores for the States.

OTHER MEASURES

Tax on Foreign Travel

It is proposed to impose a tax on foreign travel. The levy will be at the rate of 20 per cent *ad valorem* on all tickets purchased in rupees; tickets paid for in foreign exchange will be exempt. The only other major exemption would be for students and scientists. The estimated revenue from this measure which would come into effect from a date to be notified later, would be about Rs. 7.0 crores.

Mr. Chavan referred to the losses incurred by Posts and Telegraph branches; they are anticipated to show a loss of as much as Rs. 15 crores during the current year. Both the Tariff Inquiry Committee which was set up to examine the rates structure of the Posts and Telegraphs Department and the Administrative Reforms Commission have recommended the need for financial viability and the desirability of surplus being generated from the operation of Posts and Telegraphs. A certain upward revision in tariffs is, therefore, inescapable. Items like postcards, letter cards, and letters have been kept completely out of the purview of the upward adjustment of rates. Most of the proposed increases relate to registration fees for postal articles and telegraph and telephone tariffs. The registration and parcel fees are being raised by 5 paise and 10 paise respectively for 400 grams. There are also minor adjustments in the charges for telegrams consisting of more than 8 words as well as in the rentals for telephones, teleprinters and telex services.

So far as the Union Budget is concerned, the various proposals outlined would imply, for 1971-72, additional revenue aggregating to Rs. 177 crores. The budgetary gap of Rs. 397 crores will be scaled down to Rs. 220 crores.

Mr. Yew's Microscopic Vision

To impose restrictions on the Press for whatever reason may not matter for the outside world insofar as nascent democracies have problems which cannot be ironed out except through extreme measures which may smack of the despotic from the standpoint of rich liberal democracies. But it is an entirely different and unpleasant thing to cast aspersions on other nations in a bid to vindicate one's position. Mr. Lee Kuan Yew, the Singapore Premier, is reported in the *Time Magazine* as saying, while explaining his government's action against the Press. "I think that in every democratic country, freedom is limited. If you say you want complete freedom in an emergent country, I can give you two examples: One is India and another is Ceylon. Both the countries are now in chaos."

It is the observation in italics to which we should take serious exception. If Press freedom in Singapore bids fair to bring chaos, it can only be peculiarity of that country. It may also be because a liberal Press, out to inveigh against the sins of commission and omission, on the part of Government and people alike, is generally regarded as a potent guarantee against social or public mischief from which confusion usually emanates. Where the solidarity of the individual or the nation runs such serious risk as would overwhelm and eliminate both, it is the Press that is customarily regarded as the only powerful means of redress. Arguing negatively, the fact a free Press has no place in Communist societies is proof positive of

what the presence of the Press means in terms of human dignity and freedom—concepts which are necessarily impalatable to totalitarianism. While all this is common knowledge, it does not seem so for Mr. Lee Kuan Yew.

Press Having Riotous Freedom?

We would still beg to differ from him as gentlemen and would have allowed the issue to rest there but for the fact that he speaks in not very complimentary terms about our own country. He sees the Press here as having riotous freedom, riotous enough to plant the apple of discord and thus breed chaos. He has not said so literally, but his observation that unlimited freedom (not only for the Press) has caused chaos in India and Ceylon seems to vindicate only such interpretation. We would leave Ceylon out of the picture because the Ceylonese know how to answer such comment offered gratis. So far as we are concerned, we can assure you, Mr. Yew, that any one is free to go over India with a fine comb but will still fail to discover the mealy bunch that is chaos.

What is the chaos that he refers to? Is it the ennobling spectacle of a debate in Parliament where members are free to expose the entrails of government policy for public scrutiny? Is it the din and bustle frequently heard in Council House when points of order, adjournment motions and call attention notices are tabled? Or is it

the juxtaposition of diverse viewpoints ranging from the far Left to the extreme Right presented by honourable members who are conscious of the need to preserve basic decencies and are compelled to do so by their colleagues when emotions get the better of them?

No, it cannot be any of these which the Singapore Premier covered by the term chaos. Perhaps he is referring to inter-State disputes over the borders or sharing of river waters. Or to the quest of Tamil Nadu and Punjab for more fiscal powers or to the activities of extreme elements in parts of West Bengal and Kerala which have occasionally made nonsense of law and order. It could even be that he might be referring to the spate of strikes in industrial belts and in some government offices as reflecting a strain of indiscipline which should break any political back, however strong, some day. What we would offer in explanation of all this is that these are the results of political and economic freedoms which we enjoy on the basis of the principle of give-and-take and that the scratches that disorders imply in our body politic are reflections of an excess of taking without giving. In any case, as the U.S. Ambassador in India stressed the other day, "last of Algiers and the Middle-East, India is the sole bastion of democracy of the type conceived by the most liberal of liberals in the West." Disorder localised in particular areas is characteristic of a subcontinent. It is a fleabite here which can be managed and eliminated but will be a nuclear explosion if it occurs in any part of a small country like Singapore. Mr. Yew's analysis involves a mistaken sense of proportions arising out of the application of a microscopic vision, appropriate for a small country, to a subcontinent. He had better correct this lest the world outside should laugh in its sleeves at his expense.

—S.R.

I BELIEVE:

Hindi Fanaticism Again

I believe that the sudden use of Hindi designations of Central Ministers was a sort of kite-flying. With more than two-thirds majority in the Legislature and with the vociferous Hindi groups ever on the watch to capitalise on this strength, there had developed perhaps the weakness to play to the gallery. What is inexplicable is how the influence of such linguistic fanaticism was allowed to build up something close to a confrontation between the Hindi and non-Hindi areas. Why the designations in Hindi not translated into English as they should have been but were only transliterated in the Roman script? If the idea was to familiarise the new Hindi terminology, how was the process expected to be helped by keeping out the English equivalents? The manner in which some of these changes are being pushed through in an apparent subterfuge—the other day there was the quaint direction to the Union Public Service Commission schedule followed by the spectacle of punishment imposed in Bihar on government servants using English for official purposes instead of Hindi—inclined one to the irresistible belief that, come what may, the Centre has decided to elbow out English completely in its preference for Hindi.

It is a tiresome exercise to discuss this issue, yet one cannot help recalling the inadequacy of Hindi to fulfil the role intended for it. A language is circumscribed by its range and diction. So far the attainments of Hindi in respect of both are very limited. In the circumstances, to elevate it to the position of the sole language of India would barter away the flow and growth of knowledge, technological and otherwise on which a developing country

irretrievably depends. Analogies are odious generally and particularly in this case because outside the totalitarian Russian society, there is no politico-economic group in the world which is the tower of Babel that India is with its diverse voices. Though it used to be the fashion to speak about the forces of cultural unity in the midst of diversity as the potent force for the continuance of the country as a single unit, the fact remains that, in more recent history, which alone matters for the present, India has remained one because foreign rule held it as one political unit. The demarcation of regional territory under the British cut across ethnic and language group making each

INDIA BECOMES U.S.A.'s LEADING PARTNER

The United States economic assistance to India now totals 9,896 million dollars (Rs. 7,422 crores), making India the top partner of the United States in the field of economic development, according to the U.S. Ambassador in India Mr. Kenneth B. Keating.

U.S. aid to India included 170 million dollars (Rs. 127 crores) in foreign exchange to finance the requirements of priority and export industries, plus wheat, cotton and vegetable oils valued at 150 million dollars (Rs. 112 crores).

In addition, the United States donated food valued at 70 million dollars (Rs. 52 crores) for school-lunch and other nutrition programmes.

The U.S. Export-Import Bank extended a loan of 12 million dollars (Rs. 9 crores) to Air India to help it expand its fleet of Boeing 747 Jumbo airlines.—(UNI).

territory a jumble of many such groups. Ignorance of the political advantage of this method coupled with the weakness for crying down anything done by the British as being *ipso facto* anti-national has fanned the flames of linguistic parochialism—a bait which trapped the keenest intellects like the Mahatma and we are paying the price.

Disabling Parochialism

There is a special disability that this parochialism, as it has developed over years, has imposed on Tamil Nadu. Unlike other tongues, Tamil has been more rigidly Dravidian and the volume of Aryan loan-words in it are comparatively fewer. That perhaps explains why Mysore, Kerala or Andhra Pradesh whose mother-tongues are closer to Sanskrit than Tamil, have not been as vociferous as Tamils in their opposition to Hindi. Indeed Hindi had never been made an issue in the dimension in which it had been made so in Tamil Nadu since the days of the Bhaktavatsalam Ministry. It follows from this that, when the final count is to be taken, the ranks arrayed against Hindi may be composed entirely of representatives from Tamil Nadu. It is an elementary truth that the obscure, common man cannot afford to offer supreme sacrifices for a cause. It follows from this that if you and I are convinced that job opportunities for our children are dwindling in Tamil Nadu and therefore they have got to go out of this territory, they can do so only if they are equipped in Hindi, with or without English. Hindi has got to be learnt at home, under tutors or in schools (where permitted) if jobs outside Tamil Nadu have to be wangled for. The country is slowly moving towards a situation in which Hindi and the regional language alone are likely to arrive. Hence if bread nearer home gets scantier, logic demands that every attempt should be made to ask for it outside in the language the bakers there can understand.

A Fascinating Fair

By S. VISWANATHAN

A visit to the All-India Small Scale Industries Exhibition now being held in Delhi gave a glimpse of the great contribution made by this sector to the industrialisation of the country. In spite of the fact that the small scale industries did not enjoy much of the advantages of operating on output and turnovers, the enterprise of a number of these units in exploring new avenues was fascinating in many respects.

Delhi, Haryana, Punjab Steal the Show

A wide range of assistance is offered to small scale industries though the major difficulty for most of these is in regard to the lack of working capital. Particular mention should be made of the Delhi, Haryana and Punjab stalls where a veritable boom in demand for consumer goods has been created by enterprising entrepreneurs in the small scale sector. One is also greatly impressed by the sophistication achieved in a number of household appliances, particularly in the electrical and electronics fields. That a small scale industry could produce a dependable and attractive Television set on modest price with performance-guarantee and could stand the competition from much bigger units was proof of the skills attained in this regard. Transistors in the shape of a wine bottle (with controls in the lid and stomach portions), flower-vase, etc., were on display. The range and quality of the gadgets ranging from household appliances to sophisticated machine tools and the like made one really proud of the advances made in this direction. The Haryana and Punjab stalls also bore testimony to the rapid strides taken by the small scale sector.

Impressive Display by Maharashtra

Maharashtra has concentrated more on displaying the achievements through statistical charts. One did not see in contrast, perhaps because of the distance involved, the any elaborate display of goods produced in Maharashtra but one could gain a glimpse of the all-round development made through scores of tables, charts, histograms, well-planned and well-exhibited. Its

pre-eminence in the field of exports was also duly highlighted. During 1969-70 Maharashtra was the second large exporter accounting for Rs. 212.3 crores worth of exports, nearly a seventh in the total all-India exports of Rs. 1408.7 crores.

Gems, jewellery, sugar, engineering goods and ceramic films were among the major items exported. Since all these are non-traditional items the performance is really commendable. But one got the impression that Maharashtra has attempted to give a picture of its overall contribution to the nation's economy rather than concentrating, as has been done by Delhi, Haryana and Punjab, on the contribution of the small scale industries' alone. For ex-



Prime Minister Indira Gandhi is seen looking at some of the exhibits in the All India Small Scale Industries Exhibition in New Delhi.

INDUSTRIAL ECONOMIST

INDUSTRIAL ECONOMIST

ample, a breakdown of the contribution of the small scale sector to total exports would be more relevant. One was able to get an overall picture of Maharashtra as the most industrialised State in the production of engineering goods, commercial crops, its major industries in the public sector... But the specific segregation of the small scale sector, which was the theme of the exhibition, was almost absent.

The thrill one got by entering the Delhi stall at the entrance was much diluted after visits to less developed States like Madhya Pradesh, Rajasthan

and by the individual sales stalls of diverse small units. In some of these, for example, in the toys corner one was disappointed at the very poor display arrangements. When one compares with the variety of interesting gadgets for children normally displayed at Japanese or German stalls in other international fairs one was disappointed at the crude display of unsophisticated items.

Despite the existence of major industries, some States like Bihar have not made much of an impact in terms

of improvements in standards of living. This could be traced perhaps to the lack of concentration on small scale units which have transformed States like Haryana and Punjab into centres of intense industrial activity and of prosperity.

Notable Absence of Tamil Nadu

One was disappointed by the absence of exhibits from States like Tamil Nadu, Gujarat, etc. Tamil Nadu particularly has made tremendous strides in small scale sector. The success of Tamil Nadu in establishing industrial estates which have helped widespread dispersal of industries contributing to even development which is remarkably absent even in bigger and more industrialised States like West Bengal and Maharashtra, its spectacular growth rate in the post-independence period, its success in the matter of establishing feeder industries through functional industrial estates, its liberalised schemes of financial assistance to small scale industries could all have been highlighted in such an exhibition. I felt sad that this good opportunity to display the products of small scale industries and also to highlight the achievements of this State, which are by every count spectacular, was lost. Perhaps this is part of the State's past record of letting go such good opportunities by lack of proper appreciation of the importance of such fairs. In the past Tamil Nadu used to neglect proper publicity of its tourist attraction which has contributed to this day to the poor influx of tourists (less than a third of the affluent tourists from the West visits southern cities). The opportunity could also have been made use of to list the assistance extended to entrepreneurs in the form of availability of infra-structure facilities like power, water and skilled labour. The Karunanidhi Government and the D.M.K. are known for appreciation of value of publicity. Particularly in this context the non-participation (or was it a boycott?), in this exhibition is disappointing.

THE CITY CORNER:

DMK Contemplating Changes in Road Transport

The Tamil Nadu Government is considering changes in the nationalised road transport in the State. This service is now operated departmentally. The proposal is for handing it over to an autonomous corporation. The Chief Minister, Mr. M. Karunanidhi who gave this information to newsmen did not choose to explain the government's decision. On a former occasion the State Government examined a similar proposal but regarded any corporation scheme as not calculated to further anybody's interests. Such a corporation as distinct from a departmental undertaking would attract income-tax and a few other levies. It is not known what new considerations are now weighing with the government in favour of a corporation to manage the nationalised bus transport.

As far as the people are concerned the services are now at the rock bottom and if by rationalisation or any other scheme it is intended to improve them, the public will give an ungrudging welcome to the proposal.

Farewell to A Popular Governor

Sardar Ujjal Singh, who recently retired as the Governor of Tamil Nadu and the Sardarini were given a very touching send-off on May 23. As a popular Governor, Sardar Ujjal Singh endeared himself to the different sections of the population no less than to the ministers and the men of the ruling party. As many as half a dozen organisations including the State Government got up pleasant parties to bid him farewell. The Governor during his tenure of office had become so much a part of Tamil Nadu that at the farewell parties he expressed views in consonance with those of the Tamil population on some of the burning controversial issues. For instance, notwithstanding his being a North Indian, he expressed himself in total opposition to attempts to impose Hindi on non-Hindi

speaking people. Again he asked for a tribunal to arbitrate on the agrarian rights of Tamil Nadu and Mysore States in respect of the waters of the Cauvery.

NAC Visits Madras

The members of the National Agricultural Commission were in Madras during the fortnight discussing with the State Government officials, matters of interest to farmers like dairying as a subsidiary occupation, organisation of credit facilities and development of hill areas. One of the members said that the Commission which would be submitting an interim report soon proposed to recommend minimum wages for agricultural labour on an all-India basis. The Commission's vice-president, Mr. C. Sivaraman, said that among the subjects under study were the examination of the problem of consolidation of land holdings; possibilities of reclamation of lands lying close to sea coast, in forests and in mountainous terrain; and exodus of rural labour to urban areas. The land ceilings in the different States were being studied by a working group of the Commission, he added.

Company Secretaries' Meet

A two-day conference held by the Institute of Company Secretaries of India discussed the role of this functionary in the corporate life of the country. Inaugurating it, the Company Law Board Chairman, Mr. Prasad, announced that the Government was undertaking amendment of the Company Law to make it obligatory on companies above a certain size to employ qualified company secretaries. The present provision of both corporations being permitted to function as company secretaries would be done away with. He said the profession had grown and gained sufficient strength and influence to deserve statutory re-

cognition on the lines of the sister professions of chartered accountants and cost and works accountants. The institute which was started in 1968, according to its President, Mr. R. Krishnan, enjoyed the cooperation of the companies which took advantage of the services offered by it and provided training facilities for the students sent by it. The more important participants included Mr. Justice Ramaprasada Rao, Mr. Bhaskar Mitter, President of ASSOCHAM, and Mr. D. L. Mazumdar, former Secretary of the Company Law Department.

Nursing the Nation with Mobile Hospitals

Dr. P. K. Duraiswamy, Adviser on Mobile Hospitals to the Union Ministry of Health and Family Planning, told a news conference in the city that a Rs. 31-crore scheme to cover all the 337 districts in the country by mobile hospitals over a period of three years was under the consideration of the Ministry. Giving details, he said that out of 22 such hospitals sanctioned by the Government, a dozen had already started functioning and the rest would commence working in the next three months. Five of these hospitals would be in the central sector. The 50-bed hospitals would each cover a population of about 25,000 within a radius of five miles and would be in one place for three months.

Dr. Duraiswamy said in the mobile hospitals the final year medical and nursing students would spend one month along with their teachers in medicine, surgery, gynaecology and social and preventive medicine, trying to diagnose and treat common ailments.

Making Airports Jumbo-Worthy

A five-member official team inspected the Meenambakkam airport with a view to examining the Customs facilities available there for handling the

When Rail-Roads Complained Against Airlines...

I have mentioned in an article in our last issue that the Indian Airlines asks for a fare increase whenever its working results are in the red—often caused due to their own lapse. I had also referred to the scope for enterprise which could stimulate air-traffic. One of the readers of the article, an aeronautical engineer, recalls the type of enterprise he witnessed in the USA immediately after the Second World War. He happened to be in the USA during that period to make specialised studies in aeronautics. He described the practice of ex-American Air Force pilots and other servicemen to acquire the surplus aircraft that were disposed by the U.S. Air Force at throw-away prices. "A Dakota used to cost then anything between \$100-\$500. These enterprising pilots acquired these, serviced them and made them fit enough to pass the rigorous standards of the Civil Aeronautics Administration. They formed, a one-man or two-men business corporations offering non-scheduled air services between any two points within the USA. The fares used to be less than the rail-road fare and tolerably comfortable. "I have travelled from New York to Miami, a

distance of over 1,000 miles at a fare of \$35 in such a non-scheduled airline. The flight lasted for about five hours. The train fare for this was around \$41, the journey lasting for nearly a day. These airline companies did roaring business and contributed much to stimulating air travel. In this process, of course, they circumvented much of the rules like the restriction on the number of such non-scheduled flights to once a week by operating the same aircraft in the name of two or three companies so that they could operate twice or three times a week.

"They used to pickup passengers in taxis from their residence or hotels and offer them during flight a not-very-costly sandwich and pass on the benefits of these economies in the form of low airfare. The pilot himself would be paid around \$250 per month.

Obviously the rail-roads suffered much from such competition. They used to advertise: "For comfort in travel use the rail-road; these are not like those rickety aluminium planes."

—S.V.

jumbo jets of the Air-India (Boeing 747 aircraft) and to recommend suitable steps to make the airport jumbo-worthy. Mr. M. M. Sethi, one of the members of the team, said that the crux of the problem posed by the huge traffic unleashed in the jumbo era was quick clearance of the baggage. It is understood the team would recommend fixing initially three conveyor belts at Santa Cruz and one at Meenambakkam. As in the London Heathrow airport the three-terminal system would be introduced in Bombay which has only one terminal now.

Role of the PR Men

Mr. Bhaskar Mitter, President of ASSOCHAM, told the members of Public Relations Society of India the other day that it was the public relations personnel that served as the liaison between company managements and the consuming public and between companies and the Government. If there were a few unscrupulous businessmen, corrupt and depraved, the vast majority of their tribe was dubbed reactionary and exploitative. It was here the public relations men had

their job to do. They could project the image of the honest businessmen and could refuse to cooperate with the dishonest. Mr. Mitter also appealed to businessmen in general to read the sign of the times and show zeal not only for profit and the welfare of their staff but for the well-being of the consuming public as well. That was the only way business and industry could function in the present social context, he said. Mr. Gyan Haksar, President of the PRSI (Madras) introduced the speaker.

—V.M.

Solving EEC Monetary Crisis

A good summary of the present monetary crisis affecting the European Economic Community as a result of the huge inflow of dollars is provided in the May 7 issue of *Frankfurter Allgemeine Zeitung*. The paper suggests the following five ways by which the crisis could be solved:

Devaluation of Dollar

1. The dollar could be devalued. This presents technical difficulties. The currency exchange rates of other Western countries are expressed in relation to the dollar and through the dollar to gold. The dollar, if it is devalued, must be devalued in relation to gold. In other words, the price of gold must be unvalued. But if this were done all other currencies would be devalued in relation to gold and the relationship between the dollar and other currencies would be the same as before. An alteration of parities is only possible as the result of international concerted action through which the most important currency parities would have to be fixed anew.

2. The countries of the European Economic Community could jointly revalue their currencies in relation to the dollar. If this happened the Federal Republic would not be hindered from the point of view of

competitiveness with these countries, which are for the most part some of Germany's most important trading partners. The countries in question are Switzerland, Benelux, Austria and Japan.

Revaluation of Mark

3. The Federal Republic could go it alone in revaluing the Mark. One factor that speaks out against this move is that on this occasion, unlike in 1961 and 1969 when the Mark was revalued before, there is not a discrepancy in value between

W. German currency and that of the majority of European countries. Revaluation of the Mark on its own would once again raise the problem of agricultural prices in the EEC.

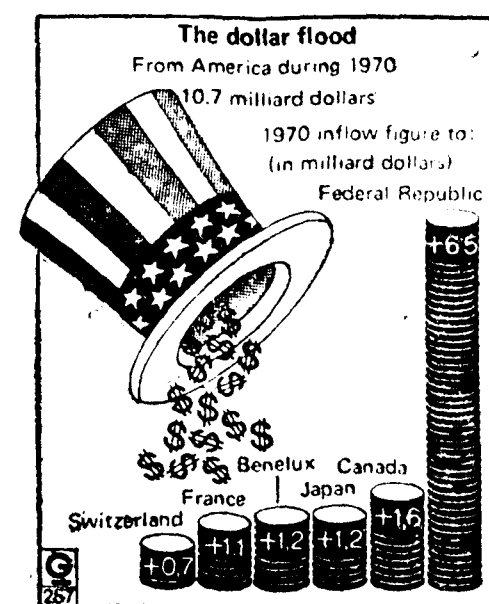
4. The Federal Republic could float the Mark. At the moment all the arguments would appear to be opposed to this manoeuvre if the EEC is to be taken into consideration. The rules of the agricultural market practically exclude floating currencies. If this step were to be taken it would have to be done in conjunction with a suspension of the Community agricultural market.

Stemming the Flood of "Hot Money"

5. The Federal Republic could close the market in foreign exchange. This would make it possible to stop the flood of "hot money" from abroad which is disrupting every attempt to restore stability to the Mark. This could be tried in order to play for time until there has been some decision on what cooperative measures could be taken by all the countries involved.

The danger lies in the actual and temporal duration of such measures. With its policy of allowing free access to monies coming into Germany and Marks being sent abroad the Federal Republic has achieved great successes for itself and contributed to free international trade as a whole.

[COURTESY: *Frankfurter Allgemeine Zeitung*]



COMPANY MEETING

THE VYSYA BANK LTD.

(Regd. Office: Avenue Road, Bangalore-2)

M. R. ARYA, Chairman

Speech delivered by Mr. M. R. Arya, Chairman of the Bank, at the 40th Annual General Meeting of the Shareholders held on 12th May, 1971

Gentlemen,

I have much pleasure in extending to you a warm welcome to this 40th Annual General Meeting of the Bank. The report of the Directors and Balance Sheet as at 31st December, 1970 have already been circulated and with your permission, I shall take them as read.

BANK'S PROGRESS

The Bank has kept up the all-round progress during the year under review. The deposits of the Bank improved from Rs. 829.75 lakhs to Rs. 915.28 lakhs and over a decade the increase in deposits is about 450%. The working funds of the Bank consisting of paid up capital, Reserve Fund and deposits were in excess of Rs. 7.50 crores throughout the year and according to the Desai Award, the Bank is likely to be declared as 'B' Class Bank from 1-1-1972 and consequently will have to implement the salaries and allowances applicable to 'B' Class Banks. The demand for credit from all sectors of the public has been very high throughout the year and our advances including bills have improved from Rs. 494.78 lakhs to Rs. 627.81 lakhs. The increase in advances during the year by Rs. 133 lakhs has outpaced the increase in deposits which is in line with the general trend of banking in India at present.

The gross income of the Bank has improved from Rs. 66.22 lakhs to Rs. 83.05 lakhs, showing an improvement of 26%. After meeting the increased expenditure under various items, including Rs. 2.60 lakhs to implement the bipartite settlement recently arrived at, and also the increase in the emoluments of officers, the net profit of the Bank has remarkably improved to Rs. 7.39 lakhs from Rs. 3.79 lakhs. I am glad to mention that the dividend on the shares has been stepped up from 9% to 10% and I hope it will be possible to maintain the dividend at the current level in the years to come. The return to the shareholders had been low for a long time and from the past two years the dividend has been gradually stepped up and I feel the present dividend recommended by the Bank allows a reasonable return to the shareholders on their investments.

CREDIT POLICY

The Reserve Bank of India has continued during the year under review, the selective policy of extending credit to certain preferred and priority sectors like agriculture, small scale industry, transport operators, small business, self-employed persons, etc. While there has been increased demand for credit from all the sectors of the economy, the Reserve Bank of India, has increased the liquidity requirements of banks by 3 per cent and simultaneously reduced the capacity of the banks to lend and also made borrowings from them costlier.



MR. M. R. ARYA

All the advances to small scale industries are covered under the credit guarantee scheme of the Reserve Bank of India, and the commission paid to Reserve Bank of India, for the said purpose which has been hitherto passed on to customers is now borne by the Bank itself. As the Reserve Bank of India has formulated another scheme to guarantee upto 75 per cent of the losses on advances made to socially preferred sectors such as small farmers, retail traders, self-employed persons, etc., banks are able to step up their advances to such sectors. Refinance to banks by Reserve Bank of India in respect of their advances to priority sectors which has been to the full extent of

such advances has been revised and made applicable only to increase in such advances over the previous years. This is likely to restrain banks from increasing their advances, specially advances to primary co-operative societies, where the rate of interest is fixed at 7½ per cent p.a. only.

Our advances to agriculture and small scale industry, etc., are kept up and the position of such advances as on 26-3-71 are as under:

(Rs. in lakhs)		
Advances to	Limits sanctioned	Outstanding advances
Agriculture	88.21	72.97
Small Scale Industry	283.82	119.78
	372.03	192.75
Per cent to total advances		30.2

There has been a shift in the pattern of advances. Advances against seasonal commodities have been maintained but credit is being extended to other sectors so that the level of advances is maintained without much fluctuation throughout the year which has resulted in better utilisation of funds.

INVESTMENTS

Investments in government and other approved securities have improved from Rs. 210.25 lakhs to Rs. 259.57 lakhs. The net increase under investments during the year is Rs. 49.32 lakhs and forms 57.4 per cent of the increase in deposits during the year at Rs. 85.61 lakhs.

As in previous years, we have continued to subscribe liberally to the bonds/debentures of quasi-government institutions like State Electricity Boards, State Financial Corporations, Housing Boards, etc.

The Bank Rate has been increased from 5% to 6% p.a. with effect from 8th January, 1971, but consequent changes have not been made by the Reserve Bank of India, in the issue prices of debentures/bonds of the

quasi-government institutions. Therefore, the market for the said securities has considerably decreased.

DEPOSIT INTEREST RATES

In addition to the increase in Bank Rate referred to above, the Reserve Bank of India has also increased the rates of interest on deposits generally by about half per cent. The present directive prohibits the payment of brokerage except on inter-Bank deposits. In view of the need to mobilise deposits in a greater measure, there is need to appoint brokers for canvassing deposits and pay brokerage on such deposits. It is hoped that the Reserve Bank of India will give favourable consideration to this point.

STAFF TRAINING

The number of employees of the Bank as at 31st December, 1970 stands at 563. There is also need for us to recruit staff not only to meet the demand for new branches but also to cope with increase in business at the existing offices. The need for trained employees is keenly felt and our Staff Training School has conducted 7 sessions during 1970 for various courses and 78 employees had the benefit of training. We also continue to depute our Officers to the Bankers' Training College of Reserve Bank of India, Bombay.

LIQUIDITY

During the year the Reserve Bank of India has advised all Scheduled Banks to increase their liquid assets required to be maintained under Section 24 of the Banking Regulation Act, 1949, from 25 per cent to 28 per cent. We are, therefore, required to increase our holdings in government and

other approved securities by about 30 lakhs. In view of the mounting expenses of banks in general, this additional liquidity requirement is likely to reduce the profit earning capacity of banks.

The Bank has continued to maintain comfortable liquidity position and as at the end of December 1970, liquid assets comprising cash in hand, balances with other banks, money at call and short notice, short-term deposits with banks and approved securities (less borrowings there against) amount to Rs. 367.36 lakhs and form 40.1% of the deposits at Rs. 915.28 lakhs

OPENING OF BRANCHES

We have opened three branches during the year, at Manchenahalli (one man branch and a rural centre), Kurnool and Bangalore—New Tharagupet. During the current year, we have opened three branches at Besthavarpet, Gargeswari (one-man office and rural centre) and Challakere. We have plans to open new branches at Bombay, 2nd office at Vijayawada and other rural, semi-urban and urban centres, after obtaining licences from Reserve Bank of India.

The development of business at branches opened in urban centres is rather quick and the branches in rural centres take a considerable period to pick up business. The latter incur losses for considerable periods. Since banks (other than State Bank of India and its subsidiaries) are not getting any subsidy from Reserve Bank of India for losses incurred by new offices, the continuing losses of rural offices will inhibit opening of branches in rural places liberally. There is need for the Reserve Bank of India to give preference to smaller and regional banks in its policy of granting licences for the opening of branches.

OTHER MATTERS

The Bank continues to serve the small man in a big way and from the charts given in the Balance Sheet it can be observed that depositors with balances upto Rs. 10,000 form 98%. Shareholders with small holdings upto 50 shares are in a majority and the shares are widespread.

CHANGES IN THE BOARD

During the year Shri N. Sri Rama Reddy resigned from the Directorship on 13-5-1970, and I wish to place on record the valuable services rendered by Shri Reddy during his period of office. In the vacancy caused by the resignation of Shri Reddy, we have appointed Shri B. C. Srinivas and he represents the special interest 'Agriculture'. I welcome him to the Board.

OUR THANKS

I am highly thankful to my co-directors for their guidance and assistance and the Officers and members of staff for their co-operation and hard work which has contributed to the progress of the Bank. I also offer on behalf of myself and my co-directors our sincere thanks to the shareholders, depositors and customers for their continued support and patronage extended to the Bank.

I should also like to thank M/s B. Purushotham and Co., who have been our Auditors since 1957 and are retiring at this meeting, for their valuable service and advice all these years.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting of the Bank held on 12th May 1971.

help he has had in the past from the senior officials who worked with him at the Centre. His tributes to the late Annadurai and to the present Chief Minister were sincerely felt and felicitiously expressed. But he also gave equal prominence to the great teachers of South India who made an effortless cultural conquest, not only of the adjacent lands but also of North India and thus proved and strengthened the unity of this country. This good beginning should take the new Governor a long way in the faithful discharge of his duties and responsibilities.

BUSINESS BRIEFS:

Mini-Steel Plants to Augment Supplies

The Central Government has laterly shown serious concern over the continuing shortage of steel and has been taking steps to augment indigenous production, particularly in the public sector units besides arranging for sizable imports to enable engineering units to utilise their capacity more effectively than has been possible in the past two years so that they can execute the large export orders on an assured basis. Production of Hindustan Steel Ltd., in 1970-71 was even marginally lower than the 1969-70 level, which itself was unsatisfactory. The two private sector plants have however acquitted themselves more creditably, though Indian Iron and Steel Company has still its own labour problems to contend with before it can hope to raise its production to optimum levels. Thus, while the existing steel capacity is yet to be fully utilised, the Government has seen it worthwhile to allow the setting up of mini steel plants of capacity 50,000 tonnes each to produce billets from scrap iron using electric furnaces. Mukand Steel in the private sector is already operating a similar plant and it has been stated by Steel Minister that the latest decision to allow more such units in the private sector does not represent any departure from the Industrial Policy Resolution which reserves integrated steel production to the public sector. This would mean that the Government recognises the capacity of private sector to run such small plants efficiently though it will not allow steel making from sponge iron by private parties. So far six mini steel plants have been licensed with 50,000 tonnes capacity each and six more such units may be licensed. Of the six already licensed, four are in private sector, two in Ghaziabad, one in Modinagar and the fourth in Bangalore while Kerala will have a joint sector plant and a public sector plant will be set up in Punjab. But even if all the 12 plants go into production in the next three or four years they cannot make a big dent in the shortage that will persist if the existing major steel producers do not gear up their production. The decision in principle to expand Bhilai's capacity further to 42 million tonnes from the present 2.5 million tonnes and the second phase of Bokaro to 4 million tonnes from 1.7 million tonnes are still in the realm of promises.

But producers of alloy and special steels would appear to be making good the shortfall in availability. While the Alloy Steel Plant of Hindustan Steel is making efforts to reach capacity production, Mysore Iron and

Steel will also be contributing a larger share to indigenous supplies. A sizable part of the requirements of alloy and special steels continues to come from the two private sector units of Guest Keen Williams and Mahindra Ugine Steel which have been latterly working on a highly profitable basis. As there is good demand for special and alloy steels and large-scale imports are being allowed, new units may be promoted under influential auspices with foreign collaboration.

Bihar Alloys

Already, Birlas are actively engaged in starting a new unit near Ranchi in Bihar based on heavy melting scrap, ferro-chrome, ferro-silicon, ferro-manganese and limestone, all indigenously available raw materials. Only ferro-tungsten and ferro-vanadium will have to be imported. The licensed capacity is 36,000 tonnes of alloy steels and 4,000 tonnes of alloy tool steels. Production is to commence by the end of 1973 or early 1974. The initial output will be 20,000 tonnes worth Rs. 9.15 crores which will be raised to 40,000 tonnes over a five-year period when the turnover will be Rs. 18.29 crores. A reputed French group with considerable experience in the field will be providing the technical know-how. The issued capital is Rs. 8 crores, in 70 lakh equity shares of Rs. 10 each and one lakh preference shares of Rs. 100 each. Of this, Birla Jute Manufacturing Company Ltd. has already taken up 2.5 lakh equity shares while 17.6 lakhs equity share have been allotted to many other companies. The French collaborators will be taking up 5.4 lakh shares and a number of financial institutions 8 lakh shares. The balance of 36.5 lakh equity shares and the whole of the preference issue of Rs. one crore have been offered for public subscription. The response is expected to be overwhelming in view of the assured prospects of the new venture.

MUSCO's Plans

Mahindra Ugine Steel Company Limited is enlarging its manufacturing programme to include stainless steel bars, high temperature steels, valve steels, peeled alloy steel, carbon and free-cutting steel bars. The company's ingot output in 1970 was 34,157 tonnes (of which 70 per cent was alloy steel) against 30,695 tonnes in 1969. Production would have been much higher but for unsatisfactory quality of melting scrap and

shortages of electrodes, magnesite ramming mass, ferro silicon etc. Output of saleable finished steel was also higher at 26,019 tonnes against 20,875 tonnes. There is however some concern over the disappointing flow of orders. Outstandings against firm orders at the end of March last were only about 13,720 tonnes. This is attributed to largescale imports of carbon and alloy steels and imports of alloy steels under the entitlement licences issued to exporters. A representation has been made to Government to restrict imports.

Guest, Keen, Williams

The excellent performance of Guest Keen Williams Limited in 1970 was achieved in the face of a critical shortage of raw material and lock-out in the Andul Road works for eight weeks and increased costs. There was however an upward revision of selling prices for some products. The Precision Pressings Division did extremely well both in terms of production and despatches and with an easier raw material situation this division will be maintaining its production at a high level. The screws and fasteners unit also acquitted itself creditably. The Andul Road works besides its labour trouble had also the problem of shortage of steel, graphite electrodes and ferro alloys. In the current year, the company has not been able to achieve the higher targets for various divisions it had set itself in the first four months owing to minor labour unrest and shortages of raw materials though production and sales have followed last year's growth trends. With a fluid labour situation in West Bengal and shortage of vital raw materials, the company is naturally not very keen on expanding its activities in an ambitious way. The Chairman, Mr. K. C. Maitra has in fact stated that there is already excess capacity in the country in automobile forgings and nuts, screws and fasteners while licences have been given to many units for manufacture of electrical stampings. Also the company completed a substantial expansion scheme only recently. Hence Mr. Maitra has said "in this situation, our future lies in making the best use of the resources we have".

A.P.I.'s Tractor Project

Automobile Products of India Limited which manufactures scooters and auto ancillaries is starting a plant in Uttar Pradesh for the manufacture of 25 h.p. tractors. The company has secured the collaboration of British Leyland. The project envisages progressive manufacture of the Leyland 154 tractor starting with assembly from imported parts. The factory's production in the first year of operation will be 5,000 units which will rise to 12,000 units, the licensed

A Good Beginning...

Mr. K. K. Shah, the new Governor of Tamil Nadu has struck a happy and auspicious note in his first broadcast to the people of the State. As a veteran fighter for freedom and a seasoned politician and administrator since the attainment of Independence, he embodies a judicious combination of the earlier days with an appreciation of the realities of the conditions of the present day. He has a firm grasp of the fact that the D.M.K. and

its leaders command the adulation of the masses because of the part they have played in creating a new consciousness of the greatness of the Tamils, in literature and, in their outlook on life and the sterling qualities which they have developed in the spheres of private life and public administration. He rightly gave unstinted praise to the literature, culture and arts of South India and made special mention of the Kural and the

capacity subsequently. The collaboration agreement was signed in London on May 10 by Mr. C. B. Sarin of A.P.I. and the Chairman of British Leyland. The location of the factory is yet to be decided though it has been stated it will be in the central part of U.P.

E.I.D. Parry Skips

E.I.D. Parry Limited has incurred a heavy loss in the year ended September 30, 1970. The Nellikuppam Sugar unit mainly accounted for the setback while there was also difficulty in selling fertilizers in Andhra Pradesh due to drought and floods. A prolonged strike at the sugar factory also led to lower recovery due to overmaturity of standing crop and driage. There is a net loss of Stg. £ 949,348 after depreciation and before taxation, against a profit of £ 485,757 in 1968-69. After taking credit for tax provision of £29,179 relating to earlier years the loss, after taxation, and after deduction of proportion of profits of subsidiary companies attributable to outside shareholders, comes to £931,003. In 1968-69 there was a disposable profit of £159,428 after providing £315,496 for taxation. The equity dividend has been omitted whereas in the previous year a payment of 6 per cent, interim 3½ and final 2½ per cent was made.

National Rayon

National Rayon Corporation Limited has done better in 1970 with a further improvement in sales and earnings. The directors have decided to raise the distribution to equity shareholders. While the dividend has been maintained at 24 per cent taxable, the bonus has been doubled to 8 per cent, taking the total payment to 32 per cent from 28 per cent. Sales of yarn rose to Rs. 22.79 crores from Rs. 19.57 crores in 1969 in spite of price concessions to weavers and exporters of rayon fabrics while the turnover in chemicals increased to Rs. 3.44 crores from Rs. 2.78 crores. Thus total group sales improved to Rs. 26.61 crores against Rs. 17.73 crores. Excise duty accounted for Rs. 5.63 crores against Rs. 4.61 crores. The net profit before depreciation and taxation, showed only a modest rise to Rs. 570.28 lakhs from Rs. 525.30 lakhs in 1969. After setting aside Rs. 127.75 lakhs (Rs. 133.89 lakhs) for depreciation and Rs. 13.05 lakhs (Rs. 23.95 lakhs) for development rebate, the provision for taxation is Rs. 260 lakhs (Rs. 216 lakhs). The transfer to general reserve is Rs. 169.50 lakhs (Rs. 147.50 lakhs). The dividend and bonus on equity capital will require Rs. 102.40 lakhs (Rs. 89.60 lakhs). Miscellaneous expenses for Rs. 8.49 lakhs were written off on the last occasion and there was also a transfer of Rs. 4.58 lakhs to profit

and loss account being excess taxation provision no longer required.

CAFI's Interim

Chemicals and Fibres of India Limited could not avoid a marginal fall in sales in the first six months ended March 31, 1971 due to interruptions to production in the first quarter. Gross sales were lower at Rs. 16.74 crores against Rs. 17.34 crores in the corresponding period of 1969-70 and net sales at Rs. 7.07 crores against Rs. 7.72 crores. The net profit, after depreciation and before taxation, also dropped to Rs. 1.68 crores from Rs. 1.78 crores. The provision for taxation is estimated at Rs. 90 lakhs (Rs. 91 lakhs). Out of the balance an interim dividend of 11 per cent taxable is to be paid as in the previous year. The expansion of capacity to 6100 tonnes from 4,500 tonnes has been cleared while the production of new items is under consideration. Research work is being carried out on a new polymer staple fibre. An application has been submitted to the Government for manufacture of polyester film. Though there are enough internal resources besides scope for borrowing, the company is raising fresh capital with a view to reducing the share of the British interest in the equity capital to 55 per cent from 60 per cent as per the understanding with the Government while negotiating for the expansion. While the right shares will be allotted to the Indian shareholders shortly, the public issue will be made in July. The directors hope to pay the same final dividend as last year on the increased capital. The expansion is estimated to cost Rs. 3.87 crores though the capital expenditure will be only Rs. 173 lakhs. The balance will be for working capital.

The public will be offered 2,67,273 equity shares at a premium of Rs. 15 per share while there will also be a right issue to Indian shareholders at the same premium of 1,78,182 shares in the proportion of 10 shares for every 109 shares held. It is estimated that it will be possible to raise production by 15 million lbs. after completion of the scheme in 1972. The total proceeds of public and right issues including the premium will thus amount to Rs. 111.35 lakhs though the increase in paid-up equity capital will be only for Rs. 44.54 lakhs. The foreign exchange cost of the expansion will be only Rs. 21.1 lakhs as most of the equipment will be fabricated indigenously. An import licence has been received for securing the plant and machinery.

Indian Explosives

Indian Explosives Limited could increase its sales substantially in the half year ended March 31, 1971 due to the higher output

of the fertilizer division in spite of labour trouble for a few weeks. Total sales amounted to Rs. 18.61 crores in the six-month period against Rs. 25.49 crores for the whole of 1969-70. Explosives and allied items accounted for Rs. 6.69 crores against Rs. 12.55 crores for 1969-70 while the turnover in fertilizer was as much as Rs. 11.92 crores against Rs. 12.91 crores. The estimated trading profit for the six-month period is also markedly higher at Rs. 377 lakhs against Rs. 441 lakhs for 1969-70. Interest charges were however proportionately higher at Rs. 120 lakhs against Rs. 155 lakhs. After writing back Rs. 10 lakhs (Rs. 45 lakhs) from development rebate reserve, there is an estimated surplus of Rs. 267 lakhs against Rs. 327 lakhs. There is no tax liability in view of the heavy expenditure incurred on the Kanpur project. The interim dividend has been maintained at 7½ per cent taxable and the 'A' shares will be ranking for this dividend for the first time since they were issued some years back. It is expected that the dividend for the whole year will be maintained on the old and 'A' shares at the previous year's level.

Travancore Rayons

Travancore Rayons Limited has done well in 1970 with an improvement in sales and earnings. But the dividend on equity capital has been only maintained at 15 per cent taxable. The turnover increased significantly to Rs. 9.27 crores from Rs. 7.62 crores in 1969. However, with higher working costs, the net profit, before depreciation and bonus to staff, rose only modestly to Rs. 134.02 lakhs from Rs. 118.56 lakhs. The provision for depreciation is Rs. 38.18 lakhs (Rs. 33.04 lakhs) and for bonus to employees Rs. 14.50 lakhs (Rs. 12.45 lakhs). Taxation claims only Rs. 19.50 lakhs (Rs. 54.25 lakhs) as development rebate reserve gets as much as Rs. 23 lakhs (nil). There is also a larger transfer of Rs. 38.76 lakhs (Rs. 23.76 lakhs) to general reserve. There may be a further increase in turnover in the current year as the full benefit of the expanded capacity for cellulose film would be available. The company has sought Government permission for expanding the rayon capacity by 5 tonnes daily while an industrial licence is awaited for increasing the cellulose firm capacity by 10 tonnes daily. The Silver Jubilee of the company is being celebrated this year and shareholders will be happy to know that it is poised for further sustained growth in the years to come.

Sundaram Finance

Sundaram Finance Limited has reported a further expansion of its hire purchase activities during 1970 when there was an increase

in both the volume of business and gross income. The stock on hire rose again to Rs. 12.11 crores from Rs. 9.50 crores in 1960 while the finance charges earned increased to Rs. 148.90 lakhs from Rs. 135.96 lakhs, and income from other sources even without charging higher interest on hire purchase credit. But the profitability of operations was affected by higher interest burden on deposits and bank borrowings. With the result the net profit after taxation was only marginally better at Rs. 24.35 lakhs against Rs. 24.32 lakhs in the previous year. The dividend has been maintained at 16 per cent taxable with the announcement of a final payment of 10 per cent taxable. The provision for taxation is Rs. 41 lakhs (Rs. 43.40 lakhs) while general reserve gets Rs. 22.09 lakhs (Rs. 22.11 lakhs). The final dividend will absorb Rs. 10 lakhs out of this reserve. Deposits at the end of the year stood at Rs. 7.08 crores against Rs. 5.48 crores at the end of 1969 and Rs. 3.99 crores in 1968. The directors have indicated that there has been a further sharp improvement in turnover in the first four months of this year. If this trend continues in the remaining months, the year may end with better working results as compared to 1970.

Rajalakshmi Pays More

Rajalakshmi Mills Limited has earned a larger profit of Rs. 29.47 lakhs before depreciation and taxation, in 1970 against Rs. 26.79 lakhs in 1960. The equity dividend has been increased by one per cent to 11 per cent, taxable. The provision for depreciation is Rs. 8.83 lakhs (Rs. 9.03 lakhs) and bonus to employees Rs. 2.26 lakhs (Rs. 1.25 lakhs). Taxation claims Rs. 8.50 lakhs (same) while the transfer to development rebate reserve is Rs. 65,000 (Rs. 1.70 lakhs) and general reserve Rs. 3.54 lakhs (Rs. 4.31 lakhs).

Escorts Earns Less

Escorts Limited could not derive any benefit out of its expanded activities in 1970 as profit margins were eroded by uneconomic selling prices for tractors. In fact, even with larger output, loss on tractor sales was as much as Rs. 80 lakhs. But the total turnover in tractors, motor cycles, piston rings and other auto ancillaries jumped to Rs. 39 crores from Rs. 28.70 crores of which tractors alone accounted for 50 per cent. Production, and sales of other items were higher and there was also an improved profitability. Sales of tractors rose to 11,000 units from 8,000 in 1969. Even then, the net profit before depreciation and taxation, declined to Rs. 270.85 lakhs from Rs. 286.60 lakhs after paying as much as Rs. 73.96 lakhs

(Rs. 51.21 lakhs) as interest charges. The directors have however maintained the dividend at 13 per cent on a higher capital as raised by a right issue and the amount required is more at Rs. 45.89 lakhs. Depreciation claims Rs. 92.10 lakhs (Rs. 75.82 lakhs) and taxation Rs. 77 lakhs (Rs. 98 lakhs). A part of the dividend will be exempt from tax in the hands of shareholders while reserves have increased to Rs. 278.22 lakhs from Rs. 194.68 lakhs in the previous year. The new subsidiary, Escorts Tractors Limited, a joint venture of Escorts and Ford of U.S. has gone into production of Ford 46 HP tractors in a record time under the phased programme and the first CKD-assembled Ford 3,000 tractor with 50 per cent indigenous content rolled off the assembly line by middle of April this year. It is claimed that Escorts is the biggest tractor producer in Asia, accounting for 50 per cent of the total Indian production. With the new facilities available, the company expects to increase its overall sales substantially in 1971.

Enfield India Pays Same

Enfield India Limited has reported a further rise in sales of motor cycles and agro-engines in 1970 to Rs. 6.41 crores from Rs. 5.84 crores in 1969. But the net profit, before depreciation and taxation, improved only modestly to Rs. 40.40 lakhs from Rs. 35.70 lakhs due to increased costs of raw material and higher wages. The dividend on equity capital has been only maintained at 10 per cent taxable as the directors are anxious to conserve available resources for expansion purposes. The provision for depreciation is Rs. 20.27 lakhs (Rs. 15.42 lakhs) and for development rebate Rs. 3.10 lakhs (Rs. 6.18 lakhs) but there is no tax liability as in the previous year. General reserve gets as much as Rs. 9 lakhs (Rs. 4.50 lakhs) while preference and equity dividends will claim another Rs. 8.25 lakhs (same). There is however a transfer of Rs. 69,847 (Rs. 1.35 lakhs) from development rebate reserve. The company has approached the Government for permission to raise its motor cycle capacity to 30,000 from the present licensed capacity of 12,800 units. Arrangements are being made to increase output to 16,000 units per annum by installing balancing equipment and improving the facilities in the paint and assembly shops. This phase of expansion is estimated to cost Rs. 50 lakhs of which Rs. 30 lakhs will be found by a loan from the Industrial financial Corporation.

Food Specialities

Food Specialities Limited could not avoid

a decline in its earnings in 1970 despite a sizable increase in turnover of Rs. 9.59 crores from Rs. 7.78 crores in 1969. The net profit, before depreciation and taxation dropped to Rs. 158.29 lakhs from 182.28 lakhs, due to the abolition of the tax credit scheme, besides shortage of milk and high cost of coffee. However, the Directors have raised the total dividend for the year to 23 per cent from 20 per cent previously, with the declaration of a final payment of 13 per cent taxable. Depreciation claims Rs. 26.67 lakhs (Rs. 26.79 lakhs) and development rebate Rs. 3.25 lakhs (Rs. 2.60 lakhs). Provision for taxation is naturally less at Rs. 77.50 lakhs (Rs. 87.60 lakhs). The final dividend is to be paid out of general reserve which is credited with Rs. 35.34 lakhs (Rs. 47.14 lakhs) after transferring Rs. 2.87 lakhs to profit and loss account being excess tax provision no longer required.

Anglo-French Earns Less

Anglo-French Textiles Limited had difficulty in operating its weaving division during 1970 and with a sharp increase in cotton price the company has reported a sizable drop in the net profit before depreciation, to Rs. 54.75 lakhs from Rs. 66.95 lakhs in 1969. However, the dividend on equity capital has been maintained at 15 per cent, taxable. The new shares will get a proportionate dividend of 13.75 per cent taxable. The provision for depreciation is Rs. 47.90 lakhs (Rs. 36.99 lakhs) and bonus to employees claims Rs. 5.52 lakhs (Rs. 4.55 lakhs). The dividend will claim Rs. 6.56 lakhs (Rs. 4.5 lakhs) and it will be necessary to dig into reserves to complete the dividend payment. As the new looms are working satisfactorily, there may be a much higher production of cloth in the current year though the high cost of cotton may not allow a corresponding improvement in the earnings.

Bharat Commerce

Bharat Commerce and Industries Limited has earned a much higher profit of Rs. 153.96 lakhs in 1970, before depreciation and taxation, against Rs. 127.85 lakhs in 1969 thanks to a big increase in sales to Rs. 19.17 crores from Rs. 16.94 crores. Though the dividend has been cut to 12 per cent taxable from 15 per cent taxable, the amount required is more at Rs. 18 lakhs against Rs. 15 lakhs as the payment is on a higher capital as raised by a one-for two bonus issue. The sum set aside for depreciation is Rs. 54.03 lakhs (Rs. 49.22 lakhs) and for development rebate Rs. 4 lakhs (Rs. 2.60 lakhs). Gratuity reserve gets as much as Rs. 26.74 lakhs (nil). Taxation claims Rs. 37 lakhs (Rs. 35 lakhs)

while the transfer to general reserve is Rs. 32.99 lakhs (Rs. 41.03 lakhs). The dividend is to be paid out of this reserve and is well covered.

Digvijay Pays More

Shree Digvijay Cement Limited has increased its equity dividend for 1970 to 11 per cent taxable from 9 per cent taxable in 1969 as there was an improved profit in spite of loss of production of asbestos cement products due to prolonged strike at the Ahmedabad unit. Production of cement rose to 7.38 lakhs tonnes from 6.76 lakhs tonnes while that of asbestos cement products dropped to 29,976 tonnes from 34,537 tonnes. However sales turnover of the latter showed only a marginal decline to Rs. 2.85 crores from Rs. 2.98 crores. Sales of cement improved to Rs. 9.86 crores from Rs. 9.01 crores. There was however an improvement in profit margins as the net profit before depreciation and taxation, rose appreciably to Rs. 157.21 lakhs from Rs. 130.22 lakhs. A sum of Rs. 7.14 lakhs (nil) was received as tax credit certificate for excess clearance of cement. Depreciation claims Rs. 56.13 lakhs (Rs. 58.04 lakhs) and development rebate Rs. 3.50 lakhs (Rs. 7 lakhs) while the provision for taxation including that deducted at source (on dividend) amounts to Rs. 38.70 lakhs (Rs. 30.83 lakhs) and debenture redemption reserve Rs. 25 lakhs (same). The equity and preference dividends are to be paid out of general reserve.

Sankey Wheels

Sankey Wheels Limited could report only a slight improvement in turnover during 1970 to Rs. 2.57 crores from Rs. 2.29 crores in 1969 as it had to contend with a critical steel shortage and labour unrest. The net profit for the 52 weeks ended January 2, 1971 before depreciation was marginally lower at Rs. 18.43 lakhs against Rs. 19.53 lakhs. After providing Rs. 18.43 lakhs (Rs. 19.53 lakhs) for depreciation, the balance amount has gone to bring down the accumulated loss from Rs. 36.64 lakhs to Rs. 30.74 lakhs. It is pointed out by the directors that there was an improvement in productivity since the closing months of last year and with larger steel supplies it would be possible to increase output, significantly in 1971. Meanwhile, with a view to increasing the production of tractor wheels, Government permission has been sought to raise the licensed capacity to 3.80 lakh wheels. There will be no foreign exchange outlay on the expansion scheme.

Volkswagenwerk Group

Volkswagenwerk Ag of West Germany,

one of the leading automobile manufacturers, has reported continuing growth and reeeking profits for 1970. The group's worldwide sales improved further by 13 per cent as compared to 1969 to DM 15,300 million (Rs. 3,320 crores). Of these exports accounted for as much as 69 per cent (though less than the 71 per cent in 1969) indicating the high overseas demand for the cars. The high sales are attributed to improved turnover of subsidiaries, higher prices and larger proportion of more remunerative models. However, net earnings of the VW group dropped by more than 20 per cent. The parent company, VWAG increased its turnover by 7 per cent to DM 9,900 million (Rs. 2,080 crores) but net earnings declined to DM 190.5 million (Rs. 40 crores) from DM 330.2 million in 1969 or by over 42 per cent due to a 25 per cent rise in labour costs and revaluation of the mark earlier. The latter alone led to a cost increase of DM 240 million. However, the company has maintained the dividend at 18.5 per cent on the capital increased in 1969 by DM 150 million to DM 900 million from its own funds (Bonus issue in the ratio of one for five). Naturally, reserves get only DM 26 million against DM 165.9 million in the previous year.

Production and sales of the group increased to 2.21 million vehicles from 2.09 millions in 1969. The higher sales were contributed mainly by Audi NSU Auto Union AG (by 17 per cent to 309,560 units), Volkswagen de Brazil; (by 33 per cent to 234,837 units) and Volkswagen of Mexico (by 38 per cent to 35,488 unit). The parent company's sales at 1.63 million units was less than the 1969 figures due to bottlenecks in production caused by introduction of new models. While the group's domestic sales fell by 8 per cent to 725,055 vehicles exports at 1.48 million units were 4.5 per cent higher. Even in the U.S. sales were increased by 3.3 per cent against stiff competition from Japanese and local small cars. The Group incurred fresh capital expenditure for DM 1,540 million in 1970 of which the parent firm alone accounted for DM 1,130 million to expand production facilities and adapt them to suit new requirements. Fresh investment in 1971 may reach DM 2,000 million and it may be necessary to rely on outside capital to a large extent. In the first quarter of this year, production of the parent company has risen by 7 per cent as compared to the corresponding period of last year and this growth rate is expected to be kept up in the remaining months of 1971. But there may be no improvement in profit margins, particularly in view of the safety and environment control legislations passed in many countries.

An agreement has been concluded on the control and transfer of profits between VW

AG and Audi NSU Auto Union AG which is to be approved by the shareholders of the respective companies. Under the agreement concluded for a minimum period of 10 years, Audi NSU will place the responsibility for management of its company in the hands of VW with due regard being given to the requirements of the law relating to shares. There is also guaranteed dividend for Audi NSU shareholders of two-fifths of VW dividend besides the right to exchange their shares for VW shares in the ratio of 2.5 to 1. The holders of participating certificate issued in respect of the Wankel engine, on the occasion of the merger of the then NSU Motorenwerke AG and Auto Union GmbH, are guaranteed a correct dividend for their share of the income for Wankel licences for the particular period.

Camphor & Allied

Camphor and Allied products Limited have done better in 1970 when there was higher production and turnover and a sharp rise in earnings. The dividend has been maintained at 12 per cent taxable on a higher capital as raised by a one-for-five bonus issue. Production of camphor improved to 636 tonnes from 571 tonnes in 1969 while that of other products increased by 15 per cent. The turnover increased to Rs. 251.75 lakhs from Rs. 197.59 lakhs. Sales of by-products and new chemicals alone rose by Rs. 25 lakhs to Rs. 73 lakhs. But the net profit, before depreciation and taxation, showed a less impressive rise due to a sharp increase in the cost of turpentine. There was however a drop in the cost in the later part of the year. After providing Rs. 8.16 lakhs (Rs. 9.54 lakhs) for depreciation and Rs. 30,000 (Rs. 1.45 lakhs), the claim in respect of taxation is higher at Rs. 39.13 lakhs (Rs. 26.75 lakhs). Deferred taxation reserve gets Rs. 2.50 lakhs (Rs. 2 lakhs) and replacement reserve Rs. 6 lakhs (nil) while the transfer to general reserve is Rs. 12.50 lakhs (Rs. 7.60 lakhs). However, the equity and preference dividends are to be paid out of general reserve this time whereas there was a separate allocation of Rs. 6.92 lakhs for this purpose in 1969. The equity dividend will absorb Rs. 7.20 lakhs and is thus covered nearly three times. Exports of the company's products jumped to Rs. 10 lakhs from Rs. 2.56 lakhs.

The expansion scheme for taking up manufacture of turpene chemicals is making good progress and full production is expected to commence in the third quarter of this year. At the end of the year, against a paid-up equity capital of Rs. 60 lakhs, reserves and surplus amounted to Rs. 74.4 lakhs (allowing for the dividend payment) and thus

the company is in a position to make a fresh bonus issue.

Gujarat Steel Tubes

Gujarat Steel Tubes Limited could increase its sales and earnings during 1970 in spite of acute shortage of steel and there was a decline in output. With the delinking of steel imports from export performance, exports also suffered a setback and their proportion to total production fell from 45 per cent in 1969 to 40 per cent and their value from Rs. 178 lakhs to Rs. 104 lakhs. Total sales however improved to Rs. 417.33 lakhs from Rs. 376.94 lakhs in 1969 due to more remunerative indigenous prices. The net profit, before depreciation and taxation, also increased to Rs. 84.66 lakhs from Rs. 75.60 lakhs. The sum set aside for depreciation is Rs. 12.60 lakhs (Rs. 9.54 lakhs) and development rebate Rs. 3.70 lakhs (Rs. 50,000). The provision for taxation including surtax is Rs. 35.32 lakhs (Rs. 37.75 lakhs), while general reserve gets Rs. 32.33 lakhs (Rs. 32.81 lakhs). There is also an additional provision of Rs. 70,946 (nil) towards taxation for previous year. The dividend has been maintained at 10 per cent on a capital increased by a one for five bonus issue and the amount of Rs. 12 lakhs (Rs. 9.95 lakhs) will be paid out of general reserve. Reserves and surplus after allowing for dividend payment stand at Rs. 86.94 lakhs against a paid-up equity of Rs. 1.20 crores and a net block of Rs. 1.62 crores.

MICO Pays Same

Motor Industries Company Limited has maintained the dividend on equity capital for 1970 at 17½ per cent. A final payment of 7½ per cent taxable is to be made while an interim dividend of 10 per cent has already been paid. The company has earned a net profit, after depreciation and before taxation, of Rs. 211.14 lakhs against Rs. 206.27 lakhs for 1969. The estimated tax liability is unchanged at Rs. 105 lakhs.

COMMODITIES:

Slow Growth in Fertilizer Consumption

While agricultural production in the country is being stabilised at higher levels with every year, it is disheartening to find the slow growth in the rate of consumption of fertilizers. Fertilizer consumption in 1970-71 is stated to have gone up by only 6 per cent against the targeted 40 per cent

Bombay Oxygen Pays More

Bombay Oxygen Corporation Limited has raised the equity dividend for 1970 to 10 per cent taxable from 8 per cent taxable in 1969. There was significant rise in sales to Rs. 62.08 lakhs from Rs. 52.13 lakhs while the net profit, before depreciation was slightly better at Rs. 23.99 lakhs against Rs. 21.94 lakhs. The provision for depreciation is Rs. 4.43 lakhs (Rs. 5.74 lakhs) and development rebate Rs. 4,873 (Rs. 87,867). After allocating Rs. 1.50 lakhs (nil) for doubtful debts, the transfer to general reserve is Rs. 3.12 lakhs (Rs. 1.25 lakhs). The equity dividend will require Rs. 14.89 lakhs (Rs. 11.91 lakhs). The company has received a letter of intent for expanding its capacity while an application has been made for licence to import plant and machinery.

Swadeshi Polytex

Swadeshi Polytex Limited came on the market to raise capital for Rs. 2.75 crores, in equity shares for Rs. 1.65 crores and in 9.5 per cent preference shares for Rs. 1.10 crores. The company has been licensed to manufacture 6,100 tonnes of polyester fibre per annum at its factory being set up at Ghaziabad near Delhi. The West German firm Vickers-Zimmer AG, Frankfurt, will be supplying the required plant and machinery besides technical know-how. The total project cost is estimated at Rs. 12.72 crores, including a working capital of Rs. 2.22 crores. The foreign exchange content is Rs. 2.29 crores. The capital outlay is proposed to be met by issue of capital for Rs. 4.40 crores, term loans and debentures for Rs. 6.49 crores, cash credit facilities from banks for Rs. 1.65 crores and UP State Industries Corporation's deferred credit on land for Rs. 18 lakhs. Out of the issued equity capital of Rs. 3.30 crores, Swadeshi Cotton Mills will be taking shares for Rs. one crore and directors, nominees and associates for Rs. 65 lakhs. The balance of Rs. 1.65 crores and the entire preference capital of Rs. 1.10 crores were offered for

public subscription. The whole of the public issue has been underwritten. The Chairman & Managing Director of the company, Mr. Sitaram Jaipuria has said the plant would be the first to use continuous polymerisation and direct spinning process which would bring down the cost of production by 5 to 10 per cent as compared to the conventional process. With a likely surge in demand for blended fabrics, it is expected that the company will have no problem of disposing of its entire production though three more similar units are being set up and will be going into production in the next two or three years. Commercial production at Ghaziabad is scheduled for early 1973.

Hindustan Ferodo to Issue Bonus Shares

The Directors of Hindustan Ferodo Ltd., intend recommending to the shareholders a proposal to issue Bonus Shares in the proportion of one equity share for every four existing equity shares held.

For this purpose a sum of Rs. 62,04,260 consisting of Rs. 49,93,580 standing to the credit of the Share Premium Account, Rs. 9,53,393 standing to the credit of the Exchange Reserve Account, and Rs. 2,52,287 out of the amount standing to the credit of the General Reserve, will be capitalised.

The issued and paid-up share capital of the Company amounts to Rs. 2,48,17,030 and after allotment of the Bonus Shares now proposed, this will be increased to Rs. 3,10,21,290 divided into 31,02,129 shares of Rs. 10 each.

The proposal that will be put to the shareholders at an Extraordinary General Meeting to be held in Bombay, on 16th July, 1971 will be subject to the consent of the Central Government under the provisions of the Capital Issues Control Act, 1947, and also subject to the approval requisite under the Foreign Exchange Regulations Act, 1947, for allotment to non-resident members, being obtained by the Company.

cal plant nutrients. The recent conference of State Agricultural Officials in New Delhi was told that lack of credit was one of the principal factors for the stagnancy in fertilizer use in increasing volumes. With the gradual reduction in availability of short-term credit from State agriculture departments, farmers have been finding it difficult to apply more fertilizer though they are well aware of the benefits of various farm inputs and are eager to adopt new techniques. Consumption figures in recent years reveal

that offtake of nitrogenous fertilizer had gone up from 8 lakh tonnes in 1966-67 to 1.42 million tonnes in 1970-71 while that of phosphatic fertilizer increased from 2.5 lakh tonnes to 4.6 lakh tonnes and of potassic nutrients from 1.5 lakh tonnes to 2.2 lakh tonnes in the same period. The growth is uneven among the various fertilizers and in fact the imbalance between them has considerably been accentuated. Even among States, there have been shortfalls in targets for consumption though there was a quantitative increase in the case of 13 States including Tamil Nadu and Mysore. Andhra Pradesh and Kerala however consumed less of nitrogenous fertilizers in 1970-71 than in the previous year. Vigorous promotional measures will be needed along with the easier credit facilities to make the farmers use more fertilizers on their lands. There is no dearth of supplies as indigenous capacity has been considerably strengthened for various types of fertilizers and with more units coming up in the next few years, the problem if any would relate to creating sufficient demand to keep all the units working at optimum capacity.

Setback in Textile Exports

Shortage of cotton and its high price have affected textile exports in the current year. Total exports in the first four months of 1971 amounted to Rs. 32.69 crores from Rs. 39.28 crores in the same period last year. Yarn exports which had contributed to the increase in previous year suffered a setback this year, with shipments declining from 14 million kg valued at Rs. 12.37 crores to 2.9 million kg. worth Rs. 2.69 crores. This is attributed to poor offtake by Ceylon on account of its foreign exchange difficulties and unsettled conditions due to insurgent activity. Apparel exports improved to Rs. 3.11 crores from Rs. 1.06 crores and there may be a further sharp increase in this category with keen demand for some of the fashion materials. Piecegoods also earned Rs. one crore more at Rs. 21.53 crores but the quantity declined to 124 million sq. metres from 130.9 million sq. metres. Other made-up goods also earned a crore of rupees more at Rs. 5.25 crores. There was however a drop in the hosiery exports due to high yarn prices to Rs. 4.1 lakhs from Rs. 5.6 lakhs.

C.C.I.'s Operations

The newly created Cotton Corporation of India is expected to achieve a turnover of Rs. 30 crores in the current cotton season. Purchases so far made come to 1.21 lakh bales of foreign cotton valued at Rs. 12.8 crores and Indian cotton worth Rs. 1.15 crores. Sales however were much less in the

case of foreign cotton at 21,298 bales valued at Rs. 2.50 crores while 6752 bales of Indian cotton worth Rs. 1.01 crores were sold. The CCI has been authorised to import staple fibre worth Rs. 8.8 crores of which Rs. 1.5 crores is against U.K. credit and free foreign exchange. So far, the corporation has issued subsidiary licences in favour of mills or their nominees for 62,535 bales of American P.L. 480 cotton, 58,517 bales of US cotton against free dollars, 65,000 bales of global cotton, 1.84 lakhs of Egyptian and 2.05 lakh bales of Sudan cotton.

Coffee Export Drive

An all-time record crop of 1.1 lakh tonnes in 1970-71 has forced the coffee board to think seriously about an export drive with a view to preventing a slump in indigenous prices. The chairman of the Board, Mr. H. G. V. Reddy said recently in Madras that coffee exports this year were likely to earn about Rs. 30 more in foreign exchange. In quantity, shipments are expected to be 50,000 tonnes. Mr. Reddy said two teams would be sent to West Europe and the Far East to explore the possibilities of stepping up exports to those regions. The internal market will get about 42,000 tonnes this year while a buffer stock of 18,000 tonnes is proposed to be built up to take care of any short supplies to the internal market next season which is expected to witness a much lower crop. The Board also proposes to boost sales in North India by popularising the coffee habit through the opening of coffee houses at important tourist spots.

Sugar Output

Sugar output in March this year has been lower at 6.93 lakh tonnes against 7.32 lakh tonnes in the same month last year. With this the total production in the first six months of the current season comes to 31.10 lakh tonnes, only slightly better than the 30.83 lakh tonnes in the corresponding period of the 1969-70 season. However, there may be a decline in the remaining months of this season as sugar units are not eager to extend their crushing beyond May or June due to accumulation of stocks and unlifting of levy stocks in the southern region. Offtake of sugar in the first six months totalled 18.22 lakh tonnes for internal consumption and 1.79 lakh tonnes for export against 15.53 lakh tonnes and 17,000 tonnes respectively in the same period last season. Closing stocks at the end of March amounted to 31.63 lakh tonnes against 28.13 lakh tonnes a year ago. There may be a further rise upto 35 lakh tonnes by the end of May before the stocks get depleted due to offtake exceeding the

monthly output from June. This level of stocks has posed serious financing problems to the industry. There are large arrears towards payment to cane growers and cess. In fact the U.P. Government only recently announced that some mills would be auctioned to pay off their arrears to growers. Only an immediate revision of levy prices and a reduction in the excise duty on open market sugar can save the situation. The industry is keenly awaiting the outcome of the reports the Centre had sought from various State Governments asking for details on the recovery from sugarcane and duration of crushing operations on the average in the current season. The Centre has also asked for computations of cost increases under various heads.

Billet Re-roller Panel

A Billet Re-rollers Committee has been set up under the chairmanship of the Steel Controller consisting of representatives of the main producers and Steel Re-rolling Mills Association to regulate the production, distribution and prices of steel materials produced and sold by re-rollers. Under the scheme, billets will be supplied to re-rollers on condition that the rolled products will be placed by them entirely at the disposal of the Committee which will earmark a substantial portion of these products to meet the priority and bulk requirements of government departments and undertakings and quasi-Government institutions. The remaining quantity will be distributed with the help of the main producers' stockyards. The re-rollers will be given a fixed conversion charge. The scheme is in operation since the beginning of May.

ISMA MEET

The 38th Annual General Meeting of the Indian Sugar Mills Association, which will be held on June 9 at New Delhi, will be inaugurated by Mr. Fakhruddin Ali Ahmed, Union Minister for Agriculture. Mr. S. K. Somaiya, President of the Association, will preside over the meeting.

Besides a review of the various important developments in the sugar industry in the outgoing year, certain important resolutions having vital bearing on the sugar industry such as measures for maintenance of sugar production at the desired level, need for adequate bank credit to the sugar industry, partial decontrol of molasses, sugarcane development, levy sugar prices, increases in cane freight, need for reduction in excise duty and maintenance of same rate of duty both for levy and free sugar will be adopted.

STOCK MARKET:

Cautious Reaction to Budget

The initial reaction in the stock markets to the Central budget imposing fresh direct and indirect taxation for a staggering Rs. 220 crores in 1971-72 was one of subdued concern. Prices in the post-budget session on May 28 did not reflect nervous selling and even shares of companies in the priority list of industries which have come in for less considerate treatment in the hands of the Finance Minister generally held their previous price levels. Market-men were closely studying the implications of the various proposals affecting the future profitability of the different industries in the private corporate sector and were not inclined to enlarge their commitments either way though stray profit-taking was in evidence in select countries in subsequent sessions as a mark of precaution.

No Undue Pessimism

However, there would seem to be no undue pessimism as direct taxation has not been as severe as indirect taxation. While it is felt that the fresh imports on a wide range of industrial products may ultimately be passed on to the consumers through higher selling prices, the existing rates of company taxation remain unchanged for most industries. Only aluminium, motor vehicles, cement and refractories, soda ash, petrochemicals and auto ancillaries will no more enjoy the priority status which entitled them to a special tax exemption up

to 8 per cent of their profit. But these industries will not find the extra burden very severe as, barring cement, all the other industries have later been operating on a highly profitable basis (Automobile units which also produce cars will however feel the extra incidence heavy due to the loss on car sales). The other priority industries will also have a reduced exemption of only 5 per cent. Shareholders in new units will also have reason for grief as the effect of the tax holiday has been whittled down by way of a reduced capital base for calculating the quantum of profits to be exempted. Units having a high proportion of debentures and long-term borrowings, which is the case of most of the new undertakings set up in the Sixties, will find the new provision raising their tax burden unconscionably. It may be recalled that the buoyancy of the stock markets in the past two years has been mostly due to the attractive net dividend from new companies and old companies with expanded facilities. The exemption of a major portion of their profits from tax as also the dividends at the hands of shareholders besides the consequent build-up of substantial reserves had been behind the sustained support extended to these firms.

The withdrawal of exemption from wealth tax till now available for shares forming part of initial capital issues will be a disincentive for investment but still the flow of

funds will continue to be encouraged by the retention of the exemption from income tax of dividend and other incomes and from wealth tax of the investments in approved forms of savings. The increase in surcharge on various above Rs. 15,000 may also affect the savings of the upper middle class which is the backbone of the capital market. The increase in surtax from 25 to 30 per cent in the case of chargeable profits above Rs. 15 lakhs may affect the efficient units. While the decision to do away with development rebate in respect of new investment in ships and machinery after May 1974 may have no immediate impact, it remains to be seen if this notice is taken seriously by the entrepreneurs so as to make them quicken the pace of their investments in the next three years. The smaller deduction allowed from long-term capital gains on shares from 65 per cent is also bound to be a disincentive to long-term investments.

Impact of Railway Budget

The Railway budget for 1971-72 has left the stock markets generally not much upset as the reclassification of freight categories has only affected some of the basic industries which use low-rated raw materials like coal, limestone, manganese ore, etc. Heavy chemical units like caustic soda and soda ash and cement units besides steel plants will however find it difficult to absorb the increased transportation costs at a time when they are trying to operate at optimism capacity levels.

Economy Poised for Quick Growth

But basically the economy is much better poised for accelerated growth than ever before. The private sector can draw some

PRICE MOVEMENTS

	Madras		Bombay		Calcutta			
	May 10	May 29	May 10	May 29	May 10	May 29		
Indian Cement	5.73	5.78	Tata Ordy.	103.75	103.25	Indian Iron	12.10	12.00
Mettur Chemical	12.45	12.15	Indian Iron	12.04	12.04	Hind Motor	12.85	12.80
S.I. Viscose	181.50	179.00	Telco	248.50	237.50	Guest Keen	37.40	38.00
Madura Mills	18.87	18.50	Century	892.00	871.50	Dunlop India	38.60	37.90
Ashok Leyland	6.53	6.55	Natural Rayon	525.00cd	490xd	Indian Alum.	38.60	37.90
Madras Alum.	181.59	181.00	Herdillia	17.44	17.88	Alali	31.62	31.75
Dalmia Cement	14.75	14.25	Nagpal	16.76	16.00	CAFI	45.00	44.25
E.I.D. Parry	14.12	13.90	NOCIL	239.50	233.00	Zuard	17.12	16.75
Seshasayee Paper	14.30	14.00	Polyolifins	244.00	241.00	Goodyear	57.31	56.87
Tr. Rayon	20.50	20.75	Gujarat Fert.	315.00	302.00	Union Carbide	33.25	32.87

hope from the observation in the Finance Ministry's Economic Survey that a fair portion of the savings has to be left for deployment with the private sector itself. While the economy's growth rate in 1970-71

has kept close to the targeted level of 5.5 per cent industrial output has registered only an increase of about 5 per cent against the Plan target of 10 per cent though a higher rate of growth was recorded in certain sec-

tors and in small-scale industries. The Survey at the same time points out that while the climate for private investment appears to be good and the industrial licences and letters of intent issued in 1970-71 were nearly twice the figures for the previous year, investment in new projects has been moderate. This is reflected in the weak demand for products of investment goods industries. This is proposed to be overcome by an improvement in the magnitude of public investment. It is also recognised that shortage of steel and other raw materials like cotton, oilseeds, and non-ferrous metals has affected some of the major industries like cotton and engineering. Fresh investment was naturally confined to certain chemical and engineering fields. The export performance has however been quite encouraging with a growth of 8.5 per cent over the previous year while imports showed an increase for the first time since the devaluation of the rupee and with the liberal policy announced for the current there is bound to be a further substantial rise in imports. This should help industry to operate its capacity more fully and relieve critical shortages. The statutory financial institutions have also been tending increasing assistance to small and medium projects, the quantum of aid raising sharply to Rs. 192 crores from 141 crores in 1969-70.

The decision of the Central Government to decontrol prices, movement and distribution of sugar, has been interpreted as indicating the Government's readiness to understand the problems of industry though it has been made clear that the cane-growers interests will be protected. The sugar industry will now have greater freedom to mend its financial position and if the releases are judiciously made by Government taking into account the huge stocks with mills, it might be possible for the industry to start operating on a reasonably profitable basis at least from the next season. The removal of discriminatory levy on open market sugar must be particularly helpful in cutting down losses considerably.

BOOK REVIEW

THEORY AND PRACTICE OF BANKING by H. L. Bedi, G. S. Ayyar, A. P. Shenoy, H. P. Shenoy and N. V. Subramanian. Copies are available from Shri Sadan, Narayan Dabholkar Road, Bombay-6. Price: Rs. 15.

The book under review represents an earnest attempt on the part of a team of senior officers of the Bank of India to provide a comprehensive and reliable guidance for the growing generation on the staff of Indian banks in the efficient discharge of their daily duties. There is undoubtedly a need for such guidance in the present selling of nationalised banks, governmental directives about liberal credit policies and advances to agriculturists and reduced stress on the time-honoured methods of grooming young recruits for larger responsibilities. In fact, all technical literature in modern times is inspired by faith in the feasibility of crushing years of concrete experience into a few months of more or less arm chair study. It is too late in the day to question the faith, since economic progress, particularly in the developing countries, rests on the belief that what the advanced nations achieved by natural processes over nearly a century can be accomplished in a matter of decades through the blueprints of the planners. But a text-book on banking must not only afford instruction in the practical job of banking, the routine of daily work in the different departments, particularly the pitfalls for the unwary, but also a good foundation in the economic theories relevant to banking and banking operations. The content of the book does not quite bear out its title. The

authors seem only too eager to accept current governmental policies as the basis on which the book is to be preferred for its prospective beneficiaries. There is no doubt that the clerical and junior officer staff will find the book invaluable for their daily work. It is not easy to bring within the scope of a relatively thin volume of the law and practical procedures of which young bankers should acquire a full knowledge in a comparatively short period. And the body of concrete knowledge necessary for them tends to grow with the introduction of licensing, import and exchange controls and the like, not to speak of the special accommodation which the banks are directed to provide small scale agriculturists and industrialists. In all this, the book will well serve its purpose. One would wish however that all these were adequately prefaced by a succinct, though brief, account of the theory of currency and banking, set in the perspective of the changes that have come about in this sphere of economic thought since the great depression. Though orthodox banking, as it was understood in the early thirties, has been rightly discredited—or more probably because of it—there is need for the average student of banking to appreciate the difference between the administration of correctives to the errors of the past and allowing the pendulum to swing all too violently towards disregard of credit-worthiness. It would be a pity if the omission is to be attributed to the authors' advance of this sphere as being too controversial in the present conditions in this country. —PRS



VITAL NEED FOR LARGER FOREIGN AID

The outcome of the forthcoming meeting of the Aid India Consortium at Paris has special significance for the planners in the present juncture. At one stage India's trade deficit was nearly Rs. 1,000 crores. It was necessary to effect large commercial purchases of foodgrains besides supplies under the PL 480 agreement for overcoming the food deficit. The displacement of these imports to a great extent and the hastening of the process of import substitution have been helpful in eliminating unwanted imports and in 1969-70 there was a sharp contraction in the trade deficit to Rs. 157 crores and in 1970-71 to Rs. 97 crores. The recovery in agricultural production after 1966-67 and the establishment of a new record in 1970-71 has enabled a considerable saving in imports of foodgrains besides bringing about a revival in industrial activity.

Foreign exchange reserves stood at the highest level on March 31, 1970. In the subsequent year, however, there was a net decline in these reserves by over Rs. 15 crores as the standby credit taken from the International Monetary Fund was completely repaid and the other debt instalments also were paid, along with interest charges. It is clear from the developments of the past year that it would be difficult to prevent the increase in imports with increasing industrial production. Though there was some complication on account of an unexpected shortfall in the yield of raw cotton and a rising demand for edible oils, it was found necessary to import large quantities of steel, crude oil, non-ferrous metals and other items which cost heavily in foreign exchange.

It is therefore necessary that the Aid India Consortium takes into account the difficulties created for India on ac-

count of the serious shortfall in firm commitments over promised aid. The consortium, no doubt, was appreciative of the difficulties and the World Bank's suggestion that gross aid should be \$1.1 million and there should also be assistance of \$100 million for the re-scheduling of debt repayments, was accepted. But against the gross aid of Rs. 1,650 crores in two years, actual aid was only Rs. 1,240 crores, which was nearly absorbed by debt repayments and interest charges. As these repayments are heavy in the current year at over Rs. 550 crores, it will be possible for the Central Government to continue to permit liberal imports only if there was net aid of Rs. 250 crores. Even here there should be a larger non-project element, as it is quite likely that the trade deficit in the current year will increase to Rs. 135 crores even with a higher level of exports.

The World Bank is reported to have taken a favourable view of the resurgence in agriculture and the sustained improvement in the industrial sector. As there has been a drop in net aid in the past two years, the World Bank is reported to have emphasised the need for adhering to promises and not proffer aid on a niggardly basis. USA has been the main sinner in this regard, though it has also the disadvantage of being the main donor. It has its own special problems and with the continued pressure on the dollar, there may not be any great enthusiasm to extend assistance generally. The more opulent members of the consortium had therefore a special responsibility in this context. Japan, West Germany, Belgium and Switzerland can easily increase their quotas by \$100 million. If the USA can ensure a minimum of 450 million dollars, the quota of \$1.2 billion can be easily fulfilled. The donor countries will be helping India significantly in a crucial phase.

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There is no doubt that aid resources are being used productively and with the liberalisation of imports of raw materials and components, the growth rate in industrial production can be doubled to 10 per cent. There are even now reports of shortage of aluminium, copper, lead, zinc, alloy steels and flat products of common steel, machinery spares, and raw materials required by the electro-chemical and petro-chemical industries. It has been roughly estimated that strategic imports will have a multiplier effect of at least 5 times which would mean that for additional imports of Rs. 50-75 crores, there can be additional production of Rs. 250-375 crores.

NEW LOANS ON ATTRACTIVE BASIS

The Reserve Bank has taken a correct and bold decision on formulating terms of the new loans of the Central Government for the current financial year. There was speculation in money market circles over the future policy of the Government as it was not clear whether interest rates will be raised on the short-medium dated loans. There has been hesitation in bringing about the adjustment to the new structure of interest rates. The new loans carry a higher rate of interest and the yield has risen by a full quarter per cent in all cases.

The changes in open market prices did suggest that there will be a change in the terms of new loans. It was, however, felt that a direct increase in lending rates would be avoided, as earlier procedures under similar circumstances did not indicate decisive actions.

It has now been decided to raise Rs. 375 crores in the first stage of the borrowing programme of the Central Government. The budget estimate for 1971-72 places gross borrowing at Rs. 500 crores and net borrowing at Rs. 167.10 crores. There is only one maturing loan falling due for repayment on July 1, 1971. But the outstanding amount is sizable at Rs. 332.90 crores. Since conversion terms have to be offered to the holders of 4½ per cent 1971 loan and cash subscriptions also are being invited, three loans have been issued. The short-medium dated loan is 4½ per cent 1978 issued at par. The medium-dated loan matures in 25 years and is also offered at par carrying interest at 5¼ per cent. The long-dated loan has the same duration of 30 years, the interest rate being higher at 5¾ per cent. The issue price has been fixed at par. The list for all the loans opens on July 1 and will be closed on July 3 or earlier if there was over-subscription. As before, applications upto 10 per cent in excess of the notified amount will be accepted. This may result in the Government mobilising over Rs. 400 crores in the first instance leaving a balance of Rs. 100 crores roughly to be raised in the second stage.

For 1970-71, the long dated loan was issued in April 1970 at 5½ per cent and at par. It matures in 2,000. The amount raised was Rs. 290 crores. In the second stage there was

The Indian delegation has prepared a note for consideration by the Aid India Consortium at its meeting. The vital need for larger assistance has been emphasised. India is not asking for more than Rs. 275 crores as net aid. What is really happening now is a sort of a funding operation on a convenient basis with the availability of fresh aid on soft terms. If during the next five years assistance for \$1.2 billion can be granted annually, the period of heavy debt repayment could be got over. It should certainly be practicable to reduce the quantum of net aid to about Rs. 100 crores by 1974-75 and by 1980 dispense with foreign aid altogether.

an issue of 4½ per cent 1977 loan and a re-issue of the 5½ per cent loan in October and a sum of Rs. 137.50 crores was subscribed. Net borrowing amounted to only Rs. 136.29 crores as gross borrowing was restricted to Rs. 427.50 crores against the target of Rs. 455 crores. This was perhaps due to the need for issuing for compensation bonds for nearly Rs. 80 crores for taking over the business of 14 major banks.

The target of Rs. 500 crores for the current year can be easily exceeded as in the second stage it should not be difficult to raise Rs. 150 crores through cash subscriptions. The present move should be considered intelligent as the States can complete their borrowing programme in the third week of August without difficulty. Many State loans are due for repayment on August 19. The Reserve Bank will have to take a decision whether it should help the State Governments to raise a larger net amount on the present occasion. There are 13 maturing loans in the third week of August, besides another loan of the Maharashtra Government on July 15. These loans among themselves will account for repayment of over Rs. 72 crores. Last year, the State Governments raised a net amount of about Rs. 90 crores. If this year this figure is raised to Rs. 100 crores, there will have to be borrowing of the gross amount of Rs. 135 crores. This will not be imposing any great strain on the money market though the Central Government itself may be anxious to secure a larger share of available resources for itself in order to meet the heavy expenditure that has now been incurred on refugees and minimise also the overall deficit. It will however be possible to make a success of the State loans and mobilise Rs. 175 crores for the States, and yet leave something tangible for the Centre to exceed its target for 1971-72.

After the State loans are out of the way, there will probably be re-issues of the new loans now offered for subscription, particularly the short-medium and medium dated loans. The technique of raising has become simplified as the Central and State Governments have assured institutional support and the resources of banks, the Life Insurance Corporation, provident funds and trusts have been growing impressively.

Indo-British Textile Tangle

The British decision to impose a 15 per cent import duty on Indian textile exports to that country has created a clamour in the Indian Parliament for snapping our ties with the Commonwealth. The decision, no doubt, is a violation of the 1939 trade agreement between India and Britain. But there is little point in getting peevish over it. On the contrary every avenue of influence through the diplomatic channel will have to be explored to ensure that the decision is rescinded in time. During the discussion on this issue in Parliament, the Union Minister for Foreign Trade, Mr. L. N. Mishra, took care to stress that the present duty-free entry of Indian cotton textiles into England is our right and that, if the U.K. feels it is helping developing countries like India and at the same time resorts to such measures, then it will affect our economy and our sentiments. The basic fact is that the duty will come in at a time when members of the European Free Trade Area like Portugal and Austria will obtain duty-free entry into the British market for their textiles under the recent liberalisation of Anglo-EFTA trade. What hurts India most is that this discriminatory decision has been taken in violation of the specific clause in the agreement which says that any proposal to vary the terms of imports of Indian textiles should be subject to consultation between the two Governments, but the British have chosen to decide unilaterally.

Britain Blowing Hot and Cold

The British argue that what they have chosen to do is only to regularise what should have happened already or what other countries have achieved already. It is their contention that they have kept an open door when all other countries have sought to impose duties

or quotas or both on textile exports of growing regions. It looks as if they are wishing us to recapitulate British trade experience in the heyday of free trade when the Continent had a tariff wall but Britain kept its door wide open. The analogy fails, however, insofar as the British attitude to the Generalised System of Preferences is concerned. It is common knowledge that Britain, the United States and Japan are the only three big powers which have indicated that they would keep textile exports under the excluded list while applying the preferential tariff under the Generalised System of Preferences. Mr. Mishra's hint that Britain is blowing hot and cold on the issue of concessions to developing countries thus seems to have been vindicated.

Errors in Cost Computations

The British have also agreed that the tariff is attuned to the cost advantages that India enjoys as a traditional producer of textiles. The Indian Cotton Mills' Federation, it may be recalled, had called into question the cost assumptions behind this statement. It had been stated by the ICMF that the cal-

culations have not taken into account the disparities in costs of diverse fabrics and the increases due to higher freight changes as a result of the closure of the Suez route. Perhaps if consultations between Britain and India on this question had been made as stipulated in the 1939 agreement, this error in cost computation could have been clarified. In any case, the error is not so minor as to be resigned to pamphleteering debates between the two countries. What is strange is that, after all this, spokesmen of the British Government have volunteered to provide additional aid to offset loss of exports due to the duty. By asking us to take to aid, the British are saddling us with a burden of debt charges in addition to prospective export losses.

It is all a question of obliging Lancashire textile industry, a phenomenon characteristic of the histories of British textiles. But the pitch is now being queered by the fact that the G.S.P. as being envisaged by the European Economic Community is likely to involve onerous burdens in respect of textiles. As an expert puts it: "The point at issue — and one which has attracted little comment compared with the Common Agricultural Policy — is whether Britain should accept in toto the European Economic Community G.S.P. of import preferences for goods coming from the developing countries. The British delegation has excluded textiles and carpets from its offer to fall in line with the E.E.C. Preference Scheme and as yet no one can be sure whether it will be able to hold this position. If Mr. Geoffrey Rippon and his advisers are obliged under pressure from the Six to include textiles along with the other trade sectors covered by the Scheme, there seems every chance that the problems which beset this country's cotton industry in the past (and which now appear to have been solved) will reappear."

Obliging Lancashire

The problem consists in that yarns, fabrics and made-up goods exported by developing countries will disrupt

JAPAN LAUNCHES WORLD'S LARGEST TANKER

Japan recently launched the world's largest tanker at the Kure Shipyards.

The 372,400 = DWT Nisseki Maru will be used in hauling crude oil from Persian Gulf to the oil storage depot of the Nippon Oil Company group in Kagoshima.

The builders of the ship have received orders from a British company for two tankers larger than the Nisseki Maru.—(UNI).

Lancashire textile industry. All through its history, this industry had been protected by the ceilings and quotas imposed on imports. Under the E.E.C. system of G.S.P., these imports will pay no duty but will only be carefully monitored; that is after a ceiling

The Problem of Punctuality

The Railway Minister's interest in tightening up the administration and giving better service to trade and industry, the travelling public and the nation could be welcomed with some enthusiasm if past experience of similar statements from his predecessors had not been so disheartening. In fact, past experience only prompts one to ask whether there is indeed anything which the Minister can do in this sphere. The financial results of the working of the Railways depend for their improvement on such a wide variety of factors and circumstances that it may well be considered beyond the capacity of even the Union Ministry as a whole. If working expenses keep rising on account of the rise in the price of coal and oil, the rise in wages and salaries, the impact of the recommendations of successive pay commissions and the tepid zeal of the average worker for his work, nothing but a complete transformation of the people, the politicians, trade unionists and the economic set-up will be of any use. The cry for reducing the payment to general finances on the basis of the capital at charge will only mean a shifting of the burden to other shoulders, and the nation as such will have no relief.

What is unfortunate is the coincidence of high rates and fares, heavy losses and irritatingly poor service. And it is only fair to ask for improvement in the administration at least on the point of view of the day-to-day work. Mr. P. C. Mathew, the retiring General Manager of the Southern Railway, has called upon the heads of Departments and Divisional Superintendents to tackle the problem of train punctuality on an emergency basis and to achieve the Railway Board's target in this regard. He has emphasised the need for a special and continuous need for keeping a watch on the running of all express, mail and passenger trains at all levels. But is there not more to this than keeping such a watch? If the records show the trains which have been notably unpunctual, what sort of effective follow-up action will be taken? Effectiveness will depend on fixing the responsibility for the delay on those to whom it belongs and taking the action necessary to prevent its repetition.

Need for Remedial Action

It has been said by some, with what truth it is not possible to say, that the lower officials' report on the causes of the delay are not as strictly factual as they should be, because of the fear of reactions of the workers in those sections who may be implicated by more rigorously veracious accounts. It is for the senior officers to make sure that the causes of unpunctuality are traced to the true sources and remedial action, which need not necessarily consist of penal measures, is taken. But those who travel fairly frequently cannot help feeling that delays are more often due to sheer indifference towards punctuality than to other factors. Foreigners visiting a country always regard the punctuality of railway trains as the prime test of a nation's sense of discipline. It would be sad indeed if we continue to fail miserably in this test.

please Lancashire more than this, for imported woven cloth flooded the British market in that year in greater volume than at any time during the past six years. So far as the E.E.C. is concerned, this does not appear to have mattered at all because the E.E.C. has been striving to keep close to the views of the United Nations Conference on Trade and Development and the general indications are that this policy is going to be liberally interpreted in favour of developing countries. The only country which will be denied duty-free entry for its textiles is Hong Kong.

One reason why the textile problem is being soft-pedalled could be that man-made fibres have begun to replace cotton in large way. One of the speakers at the last week's World Congress of Man-made Fabrics in Munich pointed out that 50 per cent of West European Yarn production in 1970 was provided by man-made fibres and that by 1980, the figure would have risen to 68 per cent. The proportion in developing countries is at present much smaller but there is no denying the faster pace at which these artificial fabrics are replacing cotton. Yet in the immediate present, the textiles issue cannot admit of any shelving, particularly the Indian exports to Britain. It may be palpably unfair to dump on Britain a quota on the 1968 import basis and hence there could be some watering down of the figure as now indicated by the E.E.C. for the reference year. So far as British textile circles are concerned, they are not optimistic about their prospects once Britain enters the E.E.C. Either Britain is allowed to keep textiles under the excluded list, which is quite improbable; or it will have to face the possibility of 'a draught of competition' through the quotas allowed for cotton as well as man-made fabrics. Incidentally, the time has arrived perhaps for all countries including Britain to be less anxious about cotton and more anxious about man-made fabrics as the future textile trade will be dominated by the latter.

—R.S.

INDUSTRIAL ECONOMIST

The Logic of Regional Planning

To those familiar with the political ideology of the ruling party in Tamil Nadu, the decision of its government to constitute a Planning Commission may strike as yet another indication of the party's autonomy demand. It is entirely unnecessary, however, to approach this issue by attributing motives and drawing conclusions therefrom and on that basis. As Mr. Mohan Dharia, Union Minister of State for Planning, clarified in Parliament recently, Tamil Nadu was absolutely within rights to call its planning body a commission even when other States called their planning organisations either committees or boards. The issue to be decided is, however, the role assigned to this Commission. According to the Tamil Nadu Government's Press release its objectives will be:

- (i) to make an assessment of the material, capital and human resources of the State, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the State's requirements;
- (ii) to formulate a plan for the most effective and balanced development of the State's resources;
- (iii) to indicate factors which are tending to retard economic development and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the plan; and
- (iv) to make such interim or ancillary recommendations as appear to be appropriate either for facilitating the discharge of the duties assigned to it: or, on a consideration of the prevailing economic condition, current policies, measures and development programmes; or an examination of such specific problem as may be referred to it for advice by the Government.

While Dr. Bright Singh, Professor of

Economics at the Madurai University, will be a full-time member of the Commission, Dr. Malcolm Adiseshiah (former Deputy Director General of the UNESCO), Dr. B. Natarajan (Economic Adviser to the State Government), Mr. N. Mahalingam (Industrialist) and Dr. V. Shanmugasundaram will be part-time members. The Chief Minister will be the Chairman of the Commission and the former Chief Secretary E. P. Royappa will be the Deputy Chairman.

Fulfilling A Long-Felt Need

While commenting on the objectives of the Planning Commission, it is necessary to steer clear of reading too much or too little in them. It will be conceded on all hands that the setting up of a State Planning Commission fulfils a long-felt need. Many of the committees which have had occasion to enquire into the structure and development of planning in the country have bewailed over the absence of a sense of responsibility in this regard at the regional level. Indeed the general complaint has been that, while at the top the central planning body was multiplying its activities and was transforming itself into a replica of the central bureaucracy, the State Governments have not cared to constitute an efficient planning cell.

LICENCE FOR ANOTHER 50,000 CARS TO PRIVATE SECTOR

A licence for manufacture of some 50,000 passenger cars a year will be granted to the private sector.

Announcing this in the Lok Sabha recently, Industrial Development Minister Ghanshyam Oza said the total installed capacity for passenger cars in the country was expected to be 135,000 by 1973-74, taking into account some 50,000 cars planned to be manufactured in the public sector and the present private sector capacity of 35,000 cars a year.—(UNI).

The logic of regional planning consists in the fact that ours is such a large country that, without the regions working out details of their plans, a co-ordinate national plan will degenerate into a few shrewd and not so shrewd guesses. As an expert put it, the country is so large that each State has to its development as if it were a nation by itself, leaving it to the central planning body to effect the requisite degree of co-ordination.

Should not be Overdone...

But the exercise should not be overdone in any case. The third objective indicated in the Press release states that the Commission should indicate the factors which are tending to retard economic development besides determining the conditions which, in view of the current political and economic situation, should be established for the successful execution of the Plan. This has a nebulous connotation at least for those who have had the opportunity to watch how the D.M.K. had been sedulously seeking to keep walking on the razor's edge between itself and secession. The point, however, is that the Chief Minister has categorically stated that his party does not seek to work for any type of secession except secession of more powers by the Centre in favour of the States. Even some of the amendments to the fiscal clauses of the Constitution, consequential or fundamental as the case may be, that the Rajamannar Committee has suggested may not easily muster the requisite consensus among State Governments to become effective. Instead of seeking to dig into the minds of people, it would be better to go by their observations; in which case the Tamil Nadu Planning Commission will at its best be an ideal planning cell as envisaged by the Administrative Reforms Commission or at its worst a minor bureaucracy. One should be thankful if in the final event its ineffectiveness either way is mitigated by timely correction.

—S.R.

INDUSTRIAL ECONOMIST

Enormous Proportions of An Old Problem

The refugee problem is older than the nation's independence, starting, as it did, with the communal riots of 1946. It assumed enormous proportions after the Partition, particularly of Punjab and Bengal. It remained formidable for a long time after, since resettlement and rehabilitation were by no means easy even with adequate financial provision. Today, the insurrection in East Pakistan and the inhumanity of the military action taken to quell it have recreated the problem in a form in which it impinges on India and/or international relations alike in numerous and deplorable ways.

CALL TO AID BANGLA DESH

The Tamil Nadu Chief Minister, Karunanidhi appealed for help to the suffering people of Bangla Desh and contribute their mite, in money and materials, to alleviate their distress.

Inaugurating the Tamil Nadu Bangla Desh Aid Committee at a meeting on May 29, the Chief Minister said he was in total disagreement with the argument that what was happening in Bangla Desh was an internal matter of Pakistan. "When a Government refuses to hand over power to freely elected representatives of the people but instead chooses to kill them and suppress the whole population, it becomes the right of everyone in the world to interfere and bring to an end the unhappy state of affairs," he said.

The Chief Minister announced a donation of Rs. 25,000 from the Chief Minister's Fund and Rs. 5,000 from the D.M.K. to the Aid Committee. Mr. Karunanidhi announced on the occasion that he would not urge the Centre for early action on the Rajamannar Committee Report on Centre-State relations in view of Pakistan's aggressive postures towards India.

The Sheriff of Madras, Mr. R. Rathnam, Mayor S. Ganesan and Mr. K. Eswaran, Chairman of the Committee, were present. Mr. Ghosh, convenor, welcomed the gathering.

Inhuman to Refuse Assistance

It is idle at this stage to ask whether India could have done anything to stem the tide of refugees in India, or the Government could not have washed its hands of all responsibility for relief of the refugees. Neither is within the pale of practical politics, though no one today could legitimately blame this country, if it guarded its frontiers or if it refused to provide relief. Every nation has the right to forbid the entry of aliens. And, for all the sympathy that the people of East Bengal have evoked in the minds of all classes and communities of India, the fact is that they have themselves brought this fate on themselves, since they could very well have opted in those days for continuing as part of the Indian Union. But such a contention would appear almost inhuman. The Indian budget provides for Rs. 60 crores for refugee relief. The Government receives contributions from countries like Japan and expostulates with others both for providing relief and for creating conditions in East Bengal which will persuade the common people to stay there.

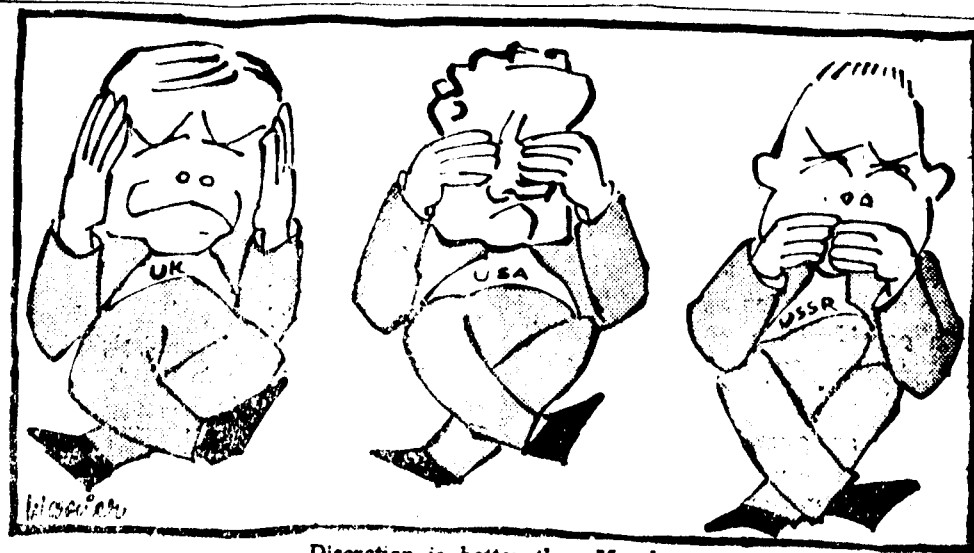
In spite of the trouble in East Pakistan having continued so long, the great powers have been incredibly tardy either in providing relief or taking a definite stand on the larger political issue. Though non-interference in the internal affairs of one country by another is the basis of normal inter-

national relations, adherence to that principle in the present case over a long period is utterly indefensible. So far at least as India is concerned, Pakistan has no right, even if it did not owe its origin to the Partition with all its explicit and implicit obligations between the two nations of the sub-continent, to drive millions of its citizens across the Indian border. But the embarrassments and difficulties of her neighbour may count as a major incidental advantage in the eyes of the ruling clique in Pakistan. India may well find her hands forced in the matter of recognition of Bangla Desh, if neither Pakistan nor the great powers show interest in the restoration of normal conditions.

Futility of "Political Settlement"

In the context of declaration of the independence of Bangla Desh and the unmistakable impracticality of East and West Pakistan remaining as a single national unit, it is difficult to understand what the great powers mean by "political settlement." In matters of this kind, prevarication is the first refuge of international diplomacy. But it has fairly outrun its usefulness. If India is prepared to bleed herself for the sin of tame acquiescence in the Partition scheme, it is no reason for the nations of the world to ignore the other problems which have stemmed for it, though so belatedly.

—PRS



Discretion is better than Moral....

INDUSTRIAL ECONOMIST

THE CITY CORNER:

Tamil Nadu May Take Cauvery Issue to High Court

Leaders of political parties in Tamil Nadu met at the Secretariat on June 15 and strongly disapproved of Mysore's decision to proceed further with unilateral construction of irrigation dams on the Cauvery and the Centre's failure to stop such construction and refer the dispute for arbitration to a tribunal. They decided to observe June 27 as Protest Day all over the State when meetings will be held to condemn the sluggishness of the Government of India in taking appropriate measures in the matter.

The Chief Minister Mr. M. Karunanidhi who presided over the all-party leaders meeting agreed with the suggestion of one of the newsmen who were subsequently briefed, that the Centre's attitude that there should be no construction of irrigation works on the Cauvery without the approval of the Tamil Nadu Government and outside the 1924 agreement might have undergone some changes. It was, therefore, necessary for the people of Tamil Nadu, he said, to show the strength of feeling behind this obvious injustice being done to them.

The Centre by its vacillating attitude had allowed Mysore to complete three-fourths of unauthorised works like the Hemavathy dam. There was a great danger of Tamil Nadu's Cauvery delta being starved of part of its water requirements from the river Cauvery. He said the Centre's demi-official letters to the State Government had clearly shown that it had no appreciation of this danger or had been influenced by political considerations in dealing with a problem which was going to affect the lives of millions of people in Tamil Nadu. He promised to consider suggestions of taking the matter to the Supreme Court to establish the inalienable rights of Tamil Nadu for definite amounts of the Cauvery water which it had been

enjoying from time immemorial. This could be done if the protest day and other measures to acquaint the public with the gravity of the situation did not produce any result.

Philippines Interest in Indian Auto Components

The Industries Minister of an Asian country has given his impression that among the Asian countries (barring of course Japan) India's level of development in the mechanical and engineering industries is the highest. The Philippines Minister Mr. V. T. Paterno had visited all the countries of the region before undertaking a tour of the industrial centres of India. In the course of his tour of India, Mr. Paterno was in the City on June 11. He was identifying areas of collaboration between industrialists of India and his country. His country was very much interested in the Indian automobile components for the 20,000 cars it was planning to manufacture on a progressive basis, he told newsmen.

Leading industrialists of Madras met the Philippines Minister and acquainted him with the features of Indian development. They explained that India had the advantage of possessing the technical know-how of all leading manufacturers of the world. Collaboration between the Philippines and India could be discussed further and concrete steps taken if a delegation from that country would attend the Asian Management Conference scheduled to be held in New Delhi in November 1971, they told Mr. Paterno. The visiting Minister accepted the suggestion and agreed to send a delegation to the conference.

Co-operative Hospitals for Rural Areas

The Tamil Nadu Government would

extend financial assistance if seven or eight doctors joined together and set up cooperative hospitals in rural areas to meet the medical needs of the people in the countryside. This announcement was made by the State Governor, Mr. K. K. Shah, when he presided over the 44th anniversary celebrations of the Tamil Nadu Medical Services Association. The problem was not one of hospitals in the villages. Charitable organisations, governments and local bodies have already opened many hospitals, dispensaries and health centres but the difficulty is only with regard to doctors to man them. According to Mr. Shah, 2,300 primary health centres are without doctors. It was in this context the Tamil Nadu Government thought in terms of extending financial assistance by way of encouraging doctors to start co-operative hospitals in the countryside. Mr. K. Anbazhagan, State Health Minister, inaugurated the celebrations.

Extension of UNDP Aid to Mineral Development

The United Nations Development Programme which has just completed a three-year term of assistance to the Tamil Nadu Mineral Development Project has agreed to extend assistance for another six months. The Rs. 75 lakh (in foreign exchange) assistance had been useful to form the nucleus of a systematic exploration of the State for minerals utilising modern techniques hitherto unknown in Tamil Nadu.

The project covers an extent of 6,000 sq. miles in North Arcot, Dharmapuri and Salem districts. Surveys completed so far have brought to light the existence of deposits of 500 to 600 million tonnes of iron ore—many of it unknown before.

—V.M.

Stimulating Economic Activity Through Proper Planning

The latest budget has attempted to mobilise resources on a massive scale and there will be a general rise in prices for manufactured goods. The objective of the nationalisation of import duties, on industrial raw materials and machinery is not clear. For the revenue from these duties amounting to Rs. 54 crores in a full year will automatically result in an increase in prices for most items by 20 to 25 per cent. In quite a few cases there has been a sharp increase in end prices and it has been reported that manufacturers of tractors, motor cycles and commercial vehicles are examining the impact of these levies with a view to finding out to what extent there should be an upward revision of selling prices. The cost of imported machinery also will increase sharply.

It is feared that if the facility for claiming development rebate was not available, many new industrial establishments would find it difficult to carry on their activities. Even though it has been stated that development rebate can continue to be claimed for another three years, some of the new flotations of recent months may find calculations seriously upset if plant and machinery could not be installed and commissioned before May 1974. With higher prices for indigenous equipment and extended deliveries there is no guarantee that the implementation of new projects can be completed on schedule. Mr. Chavan's expectation of a hastening of the tempo of fresh investment in order to take advantage of the development rebate in the next three years may not, therefore, materialise to the desired extent.

Apart from the inflationary effect of higher import duties, it would be wrong to expect that the process of import substitution would be hastened if adequate supplies of raw materials and components could not be secured. There will have

to be liberal imports which will depend on adequate foreign aid and availability in world markets. There will also have to be a gearing up of industrial production within the country particularly in the public sector.

Inflationary Effects of Excise Duties

As matters stand, the levy of heavy excise duties has resulted in higher prices for petroleum products, automobile components, common articles of consumption like cigarettes, ceramic ware and many other items. There has been particularly a crippling increase in the cost of motor spirit and aviation gasoline, while the prices for all other petroleum products have been raised marginally or offsetting the increase in cost of imported crude oil. It is also feared that selling for prices for steel will have to be raised because equipment and extended deliveries, of the higher freight rates charged by the railways on the movement of raw materials and finished goods. Many industries like cement and commercial vehicles may find themselves compelled to raise their selling prices not only for offsetting higher cost of raw materials and components but also for overcoming the erosion of profitability on account of a higher burden of direct taxation. The inflationary effects of higher excise duties and direct taxes will therefore be far-reaching.

In his reply to the budget debate, Mr. Chavan went to the extent of saying that he would even dispense with savings if it resulted in accumulation of wealth. Presumably, Mr. Chavan had in mind accumulation of vast wealth. But he overlooked the fact that any saving resulted in the creation of wealth and therefore accumulation at some points. As it is obvious that there cannot be any accumulation of wealth beyond Rs. 16 lakhs and that fresh additions to wealth in the higher brackets can be only in the form of capital gains, the objective

should be to encourage the capital formation at least in the middle income groups. With higher direct and indirect taxes those having incomes between Rs. 30,000 and 1 lakh are not in a position to save anything beyond their contributions to the Provident Fund and Insurance, and it is very doubtful whether the salary groups between Rs. 30,000 and Rs. 50,000 annually will be in a position to take advantage of the rebate in respect of long-term savings for Income tax purposes after the upward adjustments in slab rates on the last occasion and the further increase in the surcharge on the present occasion. The Finance Minister should have made the rebate more attractive for encouraging savings and minimising the burden of heavy taxation. Instead, he has chosen to reduce the quantum of relief by lowering the rebate to 40 per cent in regard to savings beyond Rs. 5,000 annually.

It is said that the Central Budget is growth oriented and a larger provision has been made for plan schemes and for generating additional employment. There will also be larger assistance to the State Governments. These bigger appropriations will, no doubt, be helpful in stimulating economic activity. But the Central Government must handle the resources at its disposal productively and in the absence of a higher level of output in the private sector, plan schemes should be implemented properly.

Rural Savings for Industrial Production

Only the agricultural sector has been left untaxed and the availability of savings in the rural areas may be helpful to the industrial sector for implementing their schemes but the individual saver will be prepared to part with his surplus resources only if there could be reasonable return on his investment.

Glimpses....

By P. R. SRINIVAS

The Sacred Cow of the Indian Economy

The complexities of the problems of taxation and fiscal policy in this country have of late been increasingly confused by posing some special issues on grounds of imaginary or real differences between the burden of taxation on the urban areas and that on the rural. There is a facile identification of the latter with the poor and the former with the rich, which fires the ardour of the leftist groups for heavier taxation of industry, trade and the upper slabs of salary income and lightening of the burdens on the rural areas. Such misconceived zeal finds vent whenever the Union Finance Minister includes in his budget, proposals for levying an excise on tractors or other requirements of the agriculturists, or the question of price-fixing for any agricultural commodity crops up. The utilisation of such opportunities as they arise relieves the champions of the rural areas from going into the distribution of tax burdens between the rural and urban areas or the people of the two distinguishable sections, because agriculture is the sacred cow of the Indian economy and the justice of its claims for exemption from the burdens is considered automatic or as an article of faith with popular politicians.

Villages' Share in Indirect Taxation

The Mathal Commission may be said to have set the ball rolling when it stated that the weight of taxation bore more heavily on the rural than on the urban population. Even if it was there at that time—which is by no means indubitable—the trends since then have almost completely changed the situation. On the one hand, there has been the abolition of land revenue in most States. On the other, direct taxation, which does not reach the people in the villages, has rocketed to dizzy heights. Such increase as there has been in the minimum level for exemption from

income-tax has not only been offset by the rise in prices, but has been accompanied by a steeply progressive sales tax in the States and by higher rates of excises on an ever increasing range of goods, in the total consumption of which the rural areas have, if anything, but a small share. Not only is the share of the village in indirect taxation, Central and State, low, but direct taxation of the more well-to-do and richer classes by the Centre touches them comparatively lightly.

Mr. Chavan has been the first among the Union Finance Ministers to complain about the rural rich being beyond the scope of direct taxation by the Centre. Agricultural incomes are on the State list. And though Mr. C. Subramaniam, as Planning Minister, has spoken of a talk with State Governments on the subject, there is little reason to expect a real change. The proposal for levying excises on maida and coarse cloth stands on the different footing from the tax on tractors, since it affects the costs of living all over the country and Mr. Chavan's response to the criticisms in the Lok Sabha is reasonable. But some hoary superstitions about agriculturists and rural areas must be exploded if we are to have a more equitable system of taxation. The question of relating the contribution of the rural areas to the outlay on irrigation and agricultural development, not to speak of agriculture accounting for half the national income, has not even been mentioned in the discussions on the subject.

Ingenuity of Crime

Whatever may be our drawbacks in other marks of modernism, we have certainly outpaced the advanced nations in sheer ingenuity of crime. Not content with hold-up of banks or vans carrying large amounts of legal tender, which is attended by a vulgar show of force, new methods of inducing bank officials to pay out large sums or change currency notes to yield a wide

margin of illicit gains appear to have been evolved. Some men are active wherever a large section of the public is ready to respond to the offer to double their notes. Others there are apparently who buy soiled notes at a fraction of their face value, but are not content with changing them into new notes. They seek to get three notes out of two by some ingenious use of scissors and paste.

But these are small fry by the side of Mr. Nagarwalla who has been convicted and sentenced by a Court of law for obtaining as much as Rs. 60 lakhs from the State Bank of India, on his admission, by nothing more strenuous than imitating the voice of the Prime Minister and saying that the amount was needed for a public purpose calling for the utmost urgency and secrecy. None of the circumstances attending this attempt at defrauding the bank can claim the credence of even the most simple-minded. All modern governments have to maintain and utilise secret funds for different purposes on a large scale. But while such expenditure may be kept outside the scope of normal audit, the procedures for payment from the Treasury as the Banks doing Treasury work cannot be circumvented. "The king can do no wrong" is a familiar dictum for students of British constitutional history. It implies no more than that the king's order is no defence of any illegal action on the part of an official or any other citizen. The word of the Prime Minister or of any high functionary of the State, even if it is genuine, cannot obviate the processes preliminary to payment.

Whatever that may be, Mr. Nagarwalla has not only shown the value of skill as a mimic or a ventriloquist but the ease with which a bank official can be imposed on. All this is on the assumption that nothing more lies behind this incident than the ingenuity of one individual and the gullibility of another. An incident of this kind must prompt probes in many directions, which have, as a matter of fact, been notably absent. The phenomenally expeditious trial and conviction of Nagar-

walla has led to a petition to the Delhi High Court challenging, on various grounds, the sentence imposed on him and asking for the exercise by the High Court of its power, *suo moto*, to summon for the records and consider the legality and propriety of the conviction. Mr. Justice Kapur has passed orders for the records to be placed before the court after the vaca-

tion. The danger of abridgement of legal processes would now seem to have been warded off.

Stress on Quality of Technical Education

Contrary to current trends the Damodaran Committee which was appointed by the All-India Council of Technical Education to study all as-

pects of polytechnic education and to prepare a ten-year plan for its reorganisation and development has put unswerving emphasis on the improvement of the quality of the education. Quantitative development is not even expedient since a survey conducted on behalf of the Committee has shown that though there was unemployment among diploma holders, there was also a tendency in industry to assign a significant proportion of technical positions to persons who have no formal qualifications but can claim experience at craftsman level. It is also found that 36 per cent of the positions at the middle level in industry were occupied by diploma holders, 48 per cent by persons who had risen from the craftsman level and 16 per cent by engineering graduates. These facts, together with the prevalent unemployment, have led the Committee to set its face against the establishment of new polytechnics for the next five years and concentrate on the measures necessary for the improvement of quality. The two key moves towards this end, in the opinion of the Committee, are the insistence on a pass in the higher secondary or the P.U.C. examination as the minimum qualification for admission into the polytechnic and the accord of a large degree of academic freedom to the polytechnics themselves. The former is necessary because the Committee wants full three years after one-year pre-technical course or P.U.C. to be devoted to diploma course. The unsatisfactory nature of the training imparted by the polytechnics is borne out by the fact that industry generally prefers a craftsman with experience to diploma holder, though there is no prejudice against the latter. Training is bound to be better if there were production-cum-training centres which can give both book knowledge and practical experience in proper proportion. The curricula and methods of teaching and of evaluation will have to be scrutinised and revived. And this can be done by the polytechnics only if they have some freedom in the formulation of the curricula and programmes of practical training.

INDUSTRIAL ECONOMIST

Sugar Industry in the Wake of Decontrol

By N. MAHALINGAM

The Union Government's decision to remove all controls on the price, distribution and movement of sugar has received a mixed reception. The decision of the Government took the industry a little unawares and the mill-owners in certain areas preferred the policy of partial decontrol to continue atleast for the current season. The policy of partial decontrol was first initiated in 1967-68 when the levy and free proportions were fixed at 60:40 and this was subsequently revised at 70:30 in 1969-70. In the current season (1970-71) levy and free proportions were further revised at 60:40. The industry achieved an all-time record production of 42.6 lakh tonnes in 1969-70 resulting in a huge carry-over stocks to the extent of about 21 lakh tonnes. In spite of a marked rise in internal consumption from 26 lakh tonnes in 1968-69 to 33 lakh tonnes in 1969-70, the stocks with the mills at the end of the sugar year in September will again be 21 lakh tonnes even with a further rise in consumption and the likelihood of a slight decline in production to 41 lakh tonnes in 1970-71. This situation of surplus production caused considerable worry to factories as well as to the Government and the latter thought it prudent to decontrol the commodity rather than worry about engaging in buffer stock operations. Decontrol, it is presumed, will be helpful in three ways: (i) to unload stocks by the mills, (ii) enable the mills to clear their arrears of payment to the growers and (iii) overcome the court orders secured by some mills with the levy prices fixed at a high court level. However, it has not solved the real problem facing the industry viz. the continuance of a highly inequitable price structure.

Principle of Proportional Premium

The official view is that there should be no change in the price of sugar

INDUSTRIAL ECONOMIST

following decontrol. But it cannot be denied that there will be regional variations. It is possible that the price may fall in the surplus areas and rise in the deficit states. It is gratifying that Mr. Fakhruddin Ali Ahmed has assured that the interests of the cane growers would be protected and the Government would fix the minimum prices of cane, region-wise, according to their cost of production. Cane prices may be fixed as per the recommenda-

tion of the Sen Commission which held that the minimum cane price fixed should be linked to a lower recovery with a suitable premium fixed for higher recovery which will be proportionate to the minimum price. Hence, it is necessary that the minimum cane price may be fixed at Rs. 73.70 per tonne linked to a recovery of 8.5 per cent and below instead of 9.4 per cent. However, it must be borne in mind that in fixing the

Overhauling Planning Commission...

C. Subramaniam's ideas of overhauling the structure and methods of working are such that it is difficult to decide whether they are in furtherance of what is suspected to be the intention of Indira Gandhi's Government, namely, the reduction of the Planning Commission to the status of a departmental appendage, or whether it will lead to a more effective functioning of the planning authority. For the Planning Minister is credited with the idea of changing the old system of assigning specific departments of the national economy to each member of the Commission to one in which the portfolios allocated to the different members will be data collection, plan preparation, gauging the progress of implementation and evaluation of results. The reason for this is said to be that under the older system, all these were done by each of the members in respect of his allotted spheres and therefore led to reduplication of the work. The change has been recommended by P. L. Tandon, Chairman of the State Trading Corporation, after an enquiry conducted at the instance of the Minister for Planning into the methods of working of the Planning Commission. It is strange that implication in the work of data

collection and evaluation of results stage by stage would be deemed a conducive argument against the system under which specific spheres and departments of the national economy were in the charge of individual members. For one thing, some duplication is inevitable, if the plan is to be the product of the Commission as such. For another, collection of data and of all available economic intelligence is best carried on by a department working under the Commission, which can continuously collate the work of the Reserve Bank and other research bodies as well as initiating work on certain lines on its own. The Commission can not only draw on the data thus gathered but also have its special requirements met by the teams which will be allotted such work. If the members of the Commission are to be engaged in the spade work of data collection and evaluation, then their grip on the Commission's real function of formulating the Plan and watching its implementation is bound to loosen. Unless, as is not unlikely that is precisely the aim of the Government and the Planning Minister as a member of it, the proposed change in the methods of working will only aggravate the misgivings of the public.

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premium above 8.5 per cent recovery, the principle of proportionality should be adhered to and this would mean providing a premium for every increase of 0.1 per cent of recovery and the proportionate cost based on the linking of a price of Rs. 73.70 with a recovery of 8.5 per cent. The principle will work out as shown below:—

Rs. 7.37	8.7 paise per quintal
8.5 per cent	as against the pre-
or	sent rate of 5.36 paise
737 paise	per quintal.
85 points	

There has been a very steady and sharp increase in the excise duty on sugar. From Rs. 2.60 per quintal in 1937, it was increased to Rs. 28.65 per quintal in 1968 in 1969-70 the specific rate of Rs. 28.65 per quintal was converted into an *ad valorem* rate of 23 per cent on entire sugar, both levy and free. In 1970-71, a discriminating rate of excise duty was levied on free and levy sugar. While free sugar was subjected to a high rate of 37.5 per cent *ad valorem*, levy sugar was subjected to a duty of 25 per cent

ad valorem. Now this discrimination has been abolished and the excise duty on sugar is now fixed at an average of 30 per cent *ad valorem*. The basic excise duty will now be 24 per cent *ad valorem* and the additional excise duty in lieu of sales-tax will be 6 per cent *ad valorem*, making a total of 30 per cent *ad valorem*. But, even this uniform rate of 30 per cent duty is high enough to affect their profitability as it is levied on the basis of tariff value representing in effect a weighted average of earlier duties and hence

has to be brought down to 27½ per cent *ad valorem*.

Evolving A New Marketing Strategy

The revised cane price policy will be found extremely helpful in evolving a new strategy regarding marketing. It should be the objective to ensure a uniform price through the pooling of freight arrangements. It is necessary that in a planned economy, the prices of essential commodities must be kept uniform all over the country. This calls for a new strategy in the market-

ing of sugar. For this purpose, the country can be divided into appropriate zones and the mill owners must set up an organisation of their own to exercise a kind of self-regulating informal control over the distribution of sugar and to maintain a uniform f.o.r. price as approved by the Government from time to time. Sales efforts in rural areas should be done by making sugar available in bags of 102 kilograms. A set of wholesalers and retailers, with their areas of operation broadly defined, will have to be creat-

ed and they may be given a small margin to keep stocks. The wholesale price fixed must take into account a margin for carryover charges as well as distribution cost. Any extra expenditure on transport, not met in pricing, has to be met out of Central excise collections. If the industry is organised on these lines, it will be helpful in eliminating the anomalies that now exist in the cost structure and enable mills to avoid the violent fluctuations in output witnessed in recent years.

Need for Optimum Price for Cane

In order to make sure that there was no sharp rise in prices, following decontrol of sugar, the Government has released for the current month a large quantity of 4.5 lakh tonnes of sugar against the usual release of 3 lakh tonnes of levy and free sugar. It is expected that this release will be absorbed at slightly lower prices, though mills feel that any decline in the open market values to below Rs. 185 per quintal will affect mills in Tamil Nadu and Andhra Pradesh. Curiously however, in Maharashtra and Gujarat open market prices are higher than those in Tamil Nadu even though the cost of production of mills in Maharashtra is much lower than those of Tamil Nadu and Andhra Pradesh.

As indicated by the Union Minister for Agriculture, Mr. Fakhruddin Ali Ahmed, the minimum price for cane will continue to be fixed every season. There will necessarily have to be regulation of releases of sugar with a view to ensuring the payment of these minimum prices. The Government will not be agreeable to the abolition of minimum prices because of the political complications that might arise thereby. But there is no justification for continuing a policy which creates anomalies in cost structures and makes it difficult for sur-

plus States which have high cost sugar to market their quantities in areas which will require heavy freight charges to be borne on the movement of sugar. Without the refixing of the minimum price for cane on the basis of recovery of 8.5 per cent the anomalies in the cost structure cannot be eliminated.

The Government cannot escape its responsibility in this regard as Maharashtra alone cannot feed the whole country and the present policy will also be highly favourable to areas which have a low recovery. There should of course be development of the industries in areas best suited for the cultivation of cane. What is more important is the yield of sugar per acre rather than the achievement of higher recovery for any given quantity of cane. It will be difficult to meet the needs of the growing population in the coming years unless the southern States were helped to grow cane and produce sugar. In Andhra Pradesh and Tamil Nadu the yield of cane per acre is quite good but the recovery is not so in Maharashtra. But the recovery of sugar per acre is nearly thrice that of U.P. and Bihar. In the not too distant future it may be necessary to produce over 6 million tonnes of sugar which can be possible only if between Maharashtra, Mysore,

A.P. and Tamil Nadu over 4 million tonnes can be manufactured. This aspect of the long-term policy will have to be carefully examined before the cane price for next seasons is announced.

Arrears of Payment to Cane Growers

Meanwhile, it is expected that the output in the current season will not be more than 40 lakh tonnes as cane supplies in particular areas had not been according to expectations. It is reckoned that there will be a sharp rise in consumption to 37 lakh tonnes and in exports too over 3 lakh tonnes. If there was larger offtake following decontrol there can even be a reduction in the stocks brought in from the last season to 19 lakh tonnes. The outlook for the next season is not clear but it has been complained that the heavy arrears of payments against cane purchases by mills have had a discouraging effect and the high minimum price alone has not been helpful. The lesson of the past two seasons is this. A high price for cane by itself will not protect the interests of the grower. A low price will create shortage. What is needed is an optimum price which can be borne by the industry and consumer and above all the working of a major industry on a reasonably profitable basis. —(FOC)

Giri Unveils Statue of Ramasamy Raja

"The private sector has been accorded an honoured place and it has a pivotal role to play in the fuller utilisation of resources and talents. By using our resources, human and material, to the fullest extent, we can make a dent on poverty and unemployment," declared President Giri.

The President, who was speaking on the occasion of the unveiling of the statue of the late Mr. P. A. C. Ramasamy Raja, the founder of Ramco Group of Industries, at Rajapalayam, paid glowing tributes to the

Raja's vision, hard-work, dynamism and pioneering efforts.

Labour-Intensive Technology

Mr. Giri called for urgent and effective steps for generating mass employment combined with rapid economic growth. To translate this into action, he suggested a labour-intensive technology to absorb the entire manpower surplus through all channels of development.

The President felt the problems could be resolved only by massive de-

velopment of agro-industries which could provide jobs for the unemployed and under-employed and urged the need to enlist the help of modern technology. He hoped "our scientists and technologists would give a good account of themselves provided we gave them an opportunity."

Mr. P. R. Ramasubramania Raja, son of the late Mr. P. A. C. Ramasamy Raja, and Managing Director of Madras Cements Ltd., recalled his father's association with the President who was in 1938 Labour Minister in the first Rajaji Ministry of the then Composite State of Madras.

Earlier, Mr. R. V. Sundaram Pillai, President of the Ramasamy Raja Statue Committee, welcomed the guests. Dr. M. A. Muthiah Chettiar released a souvenir brought out on the occasion.

A welcome address was presented to the President by the P. A. C. Ramasamy Raja Statue Committee.

Mr. S. Arjuna Raja, Secretary of the Committee, read the report.

Mr. S. R. Narayana Raja, Vice-President of the Statue Committee, proposed a vote of thanks.



President Giri unveiled the statue of Mr. P. A. C. Ramasamy Raja at Rajapalayam on June 5. He is seen with Mr. Ramasubramania Raja, head of the Ramco Group

New Credit Policy for Nationalised Banks

By SURESH CHANDRA SRIVASTAVA

Nationalised banks need a credit policy which meets increasingly the credit needs of all the productive sectors; and particularly those of agriculture, small industry, export, budding entrepreneurs and weaker sections of the society. The existing pattern of sectoral distribution of credit is heavily weighed in favour of large-scale industry, wholesale trade and commerce rather than agriculture, small-scale industries, retail trade and small borrowers. Agriculture which contribute to more than 50 per cent of the national income gets 2.1 per cent of the bank credit, whereas industry which contributes less than a fifth of the national income appropriates nearly two-thirds of the bank credit. More than four-fifths of the scheduled commercial banks' credit goes to industry and commerce which account for roughly one third of national income. Although there has been a slight increase in advances to non-conventional borrowers from the agricultural and small industry sectors, under the scheme of social control introduced towards the end of 1967, the pattern of bank advances has generally remained unchanged. Again, loaning policies of the banks are largely security-oriented; 86 per cent of the scheduled commercial bank advances were against tangible security as late as in May 1969.

The new credit policy should, therefore, do away with excessive preoccupation with considerations of tangible security. Financing of non-conventional borrowers in the agricultural and small-scale sectors involves a shift from traditional concepts of credit-worthiness to a loaning system based on technical feasibility, economic viability and projected repayment capacity of the borrowers.

Liberalised Loan Facility

At a joint meeting of the nationalised banks and the fertilizer industry held in Madras recently, the nationalised

banks announced a liberalised loan facility to the farming sector under which short-term production loans upto Rs. 5,000 or Rs. 10,000 would be advanced to farmers, both big and small, without demanding any tangible security other than hypothecation of standing crop. For larger production loans exceeding Rs. 5,000 or Rs. 10,000 additional collateral security by way of mortgage of lands, houses, shares or insurance policies would be called for. On behalf of one of the nationalised banks, it was also announced that its agents had been given discretionary power to allow clean production loans upto Rs. 1,500 per farmers. The loan will be extended for the duration of the crop and the due date will be fixed in a way that the loan becomes payable immediately after harvest of the crop.

Quantitative Assessment

Before credit can be increased to the priority sectors, it is necessary to have a proper quantitative assessment of the credit needs of the different segments of the economy. The task of assessing the credit needs of that region and the responsibility of meeting such needs should be mainly the concern of that banks. The National Credit Council should collect these data and, on the basis of availability of resources with the banking system, fix targets of credit for different sectors.

Expanding Banking Services...

The deposits which worked out to Rs. 80-85 per capita in this country are the lowest compared with other industrially developing or developed countries. In India, hardly 17 per cent of our Gross National Product is banked at present, while in the case of Japan, it is 55 per cent. This percentage ought to be improved during the Fourth Plan, if we have to harness this very potent source of investment capital. While the present

deposits of Rs. 4,200 crores with our banking system ought to be augmented, it may be observed that the spread of banking habit helps frozen currency to become productive. Bank increases the velocity of money which augments investment capital without any increase in money supply in a country. In India, the velocity of money is virtually equal to unity. The new branch expansion drive would help to spread the banking habit of our people more and more and would ultimately result in improving the velocity of circulation of our currency.

Lead Banks...

In this context, a scheme of 'lead banks' prepared by the Reserve Bank of India may be mentioned. Under this scheme, specific districts are allotted to individual banks and the selected commercial bank is required to take the lead in surveying the potential for banking development, in extending branch banking and in expanding credit facilities. The Reserve Bank has also laid down that during the first half of 1970, a minimum of 600 new branches should be opened by the major scheduled banks of which not less than 400 should be unbanked centres. Whereas for financing the farm credit needs, the 'lead bank' may adopt the crop loan system as the basis, it will have to frame a comprehensive credit plan for the district in which credit needs of rural industries, artisans, retailers... will have to be adequately met.

At present, the credit guarantee scheme is applicable only to small-scale industries. It would, therefore, be in fitness of things if we establish a National Guarantee Fund along the lines of the one in existence in Japan. The Japanese Fund guarantees credit for industry only; the one to be operated in India can be extended to giving guarantees to farmers and other vulnerable sections of the economy.

The 'lead bank' should, in its turn earmark certain proportion of deposits mobilised in rural areas for local deployment. The average credit deposit ratio of 70 per cent may be taken as the guiding norm. This would give a momentum to deposit mobilisation effort, for rural savings are most likely to be rendered available where most seem to be used for rural needs.

Once a comprehensive credit plan is prepared, the commercial banks should not wait until their own branches are established in all the areas of the district but should utilise the available institutional channel, viz. primary agricultural credit society for executing the plan. Commercial banks should directly finance primary agricultural credit societies, where central cooperative banks are not in a position to provide adequate credit facilities to the societies. There should be a closer coordination and functional relationship between the commercial and cooperative banks.

The new credit policy will have to see that no hardship is caused to industry so far as its genuine needs of

credit are concerned. Industries and business so far were availing of much larger credit limit than their genuine needs; outstanding were only 60 per cent of the sanctioned limits. The rationalisation of loan policy in this regard is, therefore, indispensable.

Differential Interest Rates...

It has been suggested that the nationalised banks should work out a scheme of differential interest rate — lower rates for "carefully selected" low-income groups and progressively higher rates for the well-to-do sections. This implies that there would be no differential lending rate structure for the different sectors of the economy, but a varying rate for various categories of borrowers. This is, however, not justified. Discrimination in interest rates of this sort would either distort the pattern of investment laid down in the plan or it may add fuel to the fire of inflation. Also, it will tend to make the interest rate structure in the organised sector as complicated and usurious as it is in the unorganised sector.

There are some obstacles to a new

credit policy. Firstly, banks are vague about the method and manner of working the new schemes. Secondly, the bureaucratic attitudes and the old habit of playing safe with advances had not died with the bank staff with the result that they would like to treat even a small loan of Rs. 2,000 to an artisan or trader as an advance of Rs. 2 lakhs requiring elaborate details. Thirdly, the long training in antiquated procedures in banks with considerable emphasis on adequate security to the exclusion of any other consideration is yet another obstacle which the bankers, at the grass-root level, are not in a position to overcome.

Much of the difficulties can, however, be encountered by preparing a well thought-out District credit plan and instituting the National Guarantee Fund. The Banking staff will have to be strengthened and there will have to be a change in the basic attitude, outlook and approach of managerial personnel of banks, particularly at the branch level which, once the things get started, will take place in due course of time.

The Coffee Glut

India is now facing a problem of surplus in coffee. This year's record crop of about 1.1 lakh tonnes against an estimated target of about 80,000 tonnes, has been attributed partly to the prevalence of favourable weather and partly to the rise in the yield of replanted coffee.

In 1969-70, India ranked twelfth among coffee producing countries and 22nd in exportable surplus. Among world producers India was fifth in yield in 1964-65. India's position may advance further to the second or third place on the basis of production in 1970-71.

According to the Coffee Board, the Central Government's revenue from coffee increased from Rs. 18.3 million to Rs. 24.4 million between 1962-63 and 1966-67, a rise of 33 per cent. During the same period the State revenue increased from Rs. 7.9 million to over Rs. 16 million and sales-tax, both State and Central, from Rs. 8.5 million to Rs. 16.5 million.

Production Erratic

The production of coffee in India is some-

what erratic. During the last ten years production has fluctuated between a low 48,000 tonnes in 1961-62 and 1.1 lakh tonnes in 1970-71. Next year's crop is not estimated beyond 80,000 tonnes. Plans are underway for building a buffer stock of about 18,000 tonnes to tide over the anticipated lean period next year.

For once, at least, there shall be no shortage of coffee for internal consumption. International consumption last year was about 39,000 tonnes. This year the Coffee Board has earmarked 42,000 tonnes for internal releases.

With a limited home market, the Government is compelled to find new markets to ensure fair price, particularly to the 37,000 small growers who hold less than 5 hectares of land.

The quota under the International Coffee Agreement is fixed at about 24,000 tonnes and the normal offtake to non-quota countries is around 13,000 tonnes. The Coffee Board expects the exports to non-quota countries to be raised to 24,000 tonnes. The

Government will be sending two delegations — one to the West by the end of June and another to the Far Eastern countries during August and September — to explore new markets for coffee exports and to increase sales in existing markets.

Adopting Improved Techniques

Coffee is mainly in Mysore, Tamil Nadu and Kerala. Of the total 123,000 hectares under coffee cultivation, Mysore had 77,000, Kerala 28,000 and Tamil Nadu 23,000.

Mr. H. G. V. Reddy, Chairman of the Coffee Board, recently said that the Board had extended financial assistance of Rs. 15 crores to coffee planters particularly to the small planters. It was also encouraging the planters to adopt improved techniques including the use of spraying equipment to increase the output from the present 330 kg. to 500 kg. per acre, large-scale use of hybrid varieties and better cultural and watering processes. Through measures being propagated at present it should be possible to sustain coffee production in India at 1.5 lakh tonnes a year.

Quantum of Compensation to Shareholders of General Insurance

The nationalisation of general insurance business has been taken for granted and there was no adequate discussion in the Parliament on the inadequacy or otherwise of the compensation sought to be paid for the taking over of management or ownership. The accounts of prominent companies have been carefully examined by experts and it has been found out that in more than ten cases which account for over 70 per cent of the business of all general companies, the compensation paid by the Government would be only 50 per cent or 60 per cent of the average of distributable profits. What is more, the exclusion of the results for 1970 from the base period has meant that the quantum of compensation would be much smaller than what it would be if the average for three years 1968-70 had been taken into account.

Problem of Deciding Final Compensation

The change over of the management from private sector to the Government for insurance companies, Indian and foreign has no doubt been smooth but

many problems remain to be sorted out and it is only to be hoped that the acquisition of ownership of the business of General Insurance will be done in a fair manner. There are indications that a flexible attitude will be adopted by the Government when handling outstanding problems. It is learnt that such of those companies as have published their accounts for 1970 and announced also their dividends will be allowed to hold the meetings of shareholders and that the dividends may even be paid after being approved by the shareholders. It has even been suggested that where the accounts have not been finalised they will be got ready by the custodians and made available to the directors, who can convene the meetings if they so desire and take such action as is permissible with the disposable profits. It is not clear however how the final compensation for taking over assets will be determined and what exactly happens to the profits that now accrue after paying interim compensation before ownership is finally taken over.

If compensation for change of ownership is not determined on the basis

of assets on the date of transfer, the companies will lose in respect of accrued profits after payment of interim compensation for management. These profits are sizable and if even there is a gap of six months, between the date of management take over and date of vesting of ownership, the accrued profits in some cases may even amount to half of the average of distributed profits for the base period or even more. If on the other hand, the date of transfer is taken into account, it is contended that the accrual of profits may not be on the same scale as it would have been when the earlier managements were in power and a raw deal would have been given to the shareholders.

The Government is obviously anxious to examine the accounts of different insurers as a proper evaluation of outstanding claims and unexpired risks is necessary. Since it is contended that the business is being taken over just at a time when there are indications of a faster rate of growth and many securities in the portfolios will have good capital appreciation after some time, it is being represented to the Government that the whole question should be approached with an open mind and the quantum of compensation fixed on equitable basis. Some method should be found for speedy disposal of the compensation though if the amounts were paid to the corporate bodies, the disposal will take time and there would also be confusion about liability towards taxation. It is also likely that many "erstwhile" insurance companies might elect to undertake other forms of business and available resources used for different purposes. With the nationalisation of general insurance, the Government will have a complete grip on the credit structure and it should be its objective to use purposefully and effectively the vast resources at its disposal. —(FOC)

RAILWAY ACCIDENTS ON THE DECLINE

Indian Railways established a new record in railway safety in 1970-71. The total number of train and other accidents reached the lowest ever figure of 4,928. In 1951-52, the total number of train and other accidents was 16,142 with 238.2 million train kilometres run. The number of accidents declined to 4,928 in 1970-71 with 465 million train kilometres run. In spite of a 59.9 per cent increase in the train kilometreage, the total number of accidents declined by

69.5 per cent during this period. The incidence of accidents per million train kilometres run has come down from 54.1 during 1951-52 to 10.6 in 1970-71. This represents an improvement of 80.4 per cent. This improvement has become possible on account of sustained efforts made by the Railway Administration to use technological aids ranging from rudimentary interlocking to sophisticated devices like Automatic Train Control and better training and supervision of staff.

Corporate Reporting and Social Responsibility

By TILAK SHANKER

In recent times, one could observe sudden prominence to "environment" in corporate reports. Chairman and managing directors dwell at great length and variously express their concern about environment. In this context, however, the Chairman and managing directors of various corporations do not refer to environmental pollution of any kind, but merely Government's controls and "excessive" interference. To devote a major part of the chairman's statement to the economy is not merely fashionable, but as these business leaders have found, helps in diverting the shareholders' attention from worrying about their companies' performance. Viewed against the backdrop of a gloomy and inexorable economy the company's performance appears good and the shareholders are pleased with their sagacity.

Firstly, Government's interference with the industry through the monopoly commission and price control are given extensive coverage in corporate reports. By implication, it is often asserted that but for these controls, industry would have had phenomenal growth and thus would have accelerated economic growth.

The public sector is a tempting target. The Rs. 3,500 crore investment is variously described as blunder and colossal waste. Most of the corporate reports maintain that but for public sector, Indian economy would have grown in leaps and bounds. While extensive coverage is given to the "macro level" study, organisation's performance, and future plans are buried in vague generalities and faint hopes.

The private sector's arsenal is usually an odd assortment of oft-repeated verbal infelicities and comforting clichés like the following:

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"Government participation in the economy is the antithesis of industrial growth."

"Private sector's growth has been stifled by ill-conceived Government controls."

"Private sector's profitability and efficiency have been a victim of unwise price control," and so on.

To an impartial observer, these innuendos, while providing interesting reading material do not carry conviction. In fact, one could even go to the extent of saying, but for these controls private sector would not have grown as fast or remained as profitable as they had been.

Corporate Reporting

Annual General Meetings are not forums for "letting steam off." It is a place for self criticism and objective evaluation of performance. If it is used for staging a "well rehearsed" performance, with the chairman's speech punctuated with polite applause one wonders at the utility of such meetings. If it is a meeting for "proxies only", with no dissension allowed, if it is only to comply with the companies act, let us face the facts and at least accept them.

It would be more realistic to start with the assumption that "environmental factors" are above the influence of a single firm and that Government controls are inevitable at least in the short run. This, however, does not mean that Government is above criticism. But it is only a question of approach. If one were to start with the assumption that "Government can never be right" and build a case around it, the result would only be more misunderstanding and greater inconvenience. Instead if industry

were to place their cards, telling exactly what they can do and the problems in achieving these targets they would be in for a pleasant surprise.

The single minded pursuit of profits is irrelevant in any economy today. Multiple objectives of greater customer service, fair return to shareholders and public responsibility alone can make the existence of a firm meaningful to the society. The need today is for a Responsible Corporate Citizen.

Occasions for Introspection

More specifically, the annual general meetings should be considered as occasions for introspection and should be directed towards the four groups to whom the organisation is accountable viz. shareholders, customers, employees and Government.

To the shareholders, the management should explain the failings in the past nor as a creation of Government's interference, but how best it has reacted to the new situation vis-a-vis the competitors. Because no single firm, however big, can influence the larger economy. Secondly future plans would have to be placed before the shareholders, not as vague generalities as "we hope to do better". A conglomerate company should place before the shareholders performance of the company productwise—as "breadwinners" as well as the "also rans". The management should explain why a particular line of product is being continued year after year in spite of losses and what is the contribution from the various other profitable lines. Then the shareholder could make a judgment for himself as to whether his company is doing well vis-a-vis the industry, and whether the future holds any promise.

The customer expects the organisation to enlighten him about price rise—especially in the case of institutional customers, and inferior quality—especially in the case of industrial products. The organisation should admit its drawbacks and put forth plans for tackling these problems.

To the employees—what the organisation offers them—prospects, wages

and how they compare with rest of industry and stock option plans.

And lastly to the Government the organisation should put forth concrete plans as to how it intends to do its bit to the society. It could be a budget to tackle pollution problem, it could be the executives sparing their time for community activity, it could

be company's contribution to the family planning programme or it could be company's export plans.

The private sector would have to come more than half way because no society is built on caustic criticisms and cries of helplessness. And more importantly because this attitude alone will be in tune with the social awakening in our country.

I BELIEVE:

Reforming Examination System Towards Purposeful Education

I believe that the time has arrived for taking up seriously the question of examination reform. The mammoth and massive numbers of candidates appearing for S.S.L.C. examination is such that a near 60 per cent pass on the aggregate leaves as wasted 80,000 young minds. When it is remembered that even this higher aggregate percentage of passes is the result of "moderation", the unedifying process of a bulk addition of marks to the total all along the line, the volume of disguised inexcellence becomes clear to the mind. At the college level the main problem in many cases has been that the final examination is the only examination that the candidate has taken effectively all through the PUC. Consequently, the claim of written examination as the only feasible test of knowledge gets weaker all the more.

Inflating Marks Marginally

Indeed over the last decade, a vicious circle has been in operation on which there has been too frequent comment and too little action. It has been contended that, for various reasons like imperfection of the curriculum, insufficiency of teacher-pupil contact etc., there has been a compulsion to inflate marks marginally which results in more than marginal increases in passes with their consequent pressures in the form of "seat-seekers" at colleges. New colleges have been

opened, evening colleges inaugurated and the permissible strength of existing colleges augmented. There has been an anxiety to berth every one somewhere without the least worry about standards; or perhaps standards, in these circumstances, have no relevance and have got to deteriorate. But that is precisely why some thought deserves to be devoted to discovering ways by which avoidance of wastage does not *ipso facto* lead to declining standards. It is exactly here that the present system of knowledge tests is provenly incompetent.

The elementary disability is the fact that the student's fate hangs on the final, university examination. What matters is, not his competence in his subject but the manner in which at a given time-sequence of three hours, he was able to answer any give out of jumble of ten questions. If his mind was not at its very best, his excellence all over the year would not be worth a candle. And, at the opposite extreme, if the accident of the final examination is adverse, a full year or three years or two get wasted in a whimsical whiff.

Some of our students intending to join American universities or Indian Institutes of Management staffed and operated by Americans should be quite familiar with the annoyance expressed by the foreigners in charge of admission over the fact that they can-

not take the applicants' present performance at college into consideration unless it is rounded off with similar excellence at the final examination. Psychologists will vouch for the fact that man is not an automation which can be trusted to repeat its performance at the same calibre always. That is the reason why in Western schools and colleges, the curriculum and the educational system are so devised as to make the student progress at every stage in his academic career leaving individual differences to be reflected as far as it is feasible, not in passes and failures but in passes and classes.

Intensification of Academic Effort

This system has been too slow in coming so far as India is concerned, slow because only recently technical institutions have begun adopting the semester system and orientation courses for teachers at all levels from basic school to college have been started. It is everybody's hope that the experiment will prove successful and will induce a further intensification of the academic effort. For only then will educational institutions have served their purpose as the means to excite judgement without informing it tediously. Only then will the classroom cease to be a mass prison with all its built-in deficiencies.

—Horace

INDUSTRIAL ECONOMIST



COUNTRYSIDE ALMOST OUTSIDE THE TAX NET

In the context of the present state of mobilisation of resources for Plan expenditure and the Centre's complaint against the States, the conclusion of official studies on the Indian tax structure that the countryside is almost outside the tax net is of the greatest importance. The importance derives not only from the need to augment resources or redress injustices but also from the hardened prejudices that have ruled in this sphere for a long time. Popular politicians reserve all their sympathies for agriculture and the agriculturists; and these sympathies together with the antipathy to the industrialists and the urban areas, have led to continuous increase in urban taxation, and more and more tax reliefs and other benefits for the agriculturists and the villagers. It was also assumed, not quite without reason, that the excises were paid largely by the townsmen. Indirect taxes have also been raised and extended without compunction. At the same time, the outlay of public funds on programmes of agricultural development has increased from Rs. 724 crores in the First Five Year Plan to Rs. 3,815 crores in the Fourth Plan. Betterment levies, where they are levied, bear no relation to the benefits derived. In the old days when the governments issued new loans, their purposes were specified. In the case of irrigation projects, it was stated how the water rates would be sufficient for the service of the loan and prevent the tax burden devolving on the general tax payer. There is little or no attempt to avoid the invidious treatment of the different classes

which would be inevitable when the benefits of the public expenditure are showered on favoured classes without seeking recompense.

It is not surprising that these trends, together with the State Governments' resolve to escape the apprehension of imposing new levies has led to a gross inequity in our tax system. Between 1960-61 and 1970-71 the proportion of land revenue and agricultural income-tax to national income has declined from 1.63 per cent to 0.85 per cent while the proportion of income-tax and corporation tax has risen from 4.1 per cent to 4.6 per cent. Agriculture continues to be highly subsidised in different ways. The principal obstacles towards removing the disparities are firstly, agriculture income-tax is a State subject and secondly, due to the ceiling acts, a large proportion of the income from the land holding may be below the minimum limit for exemption. Levies directly related to betterment cannot be a solution. The minimum limit has been raised for income-tax on the ground of the rise in prices and high cost of collection. In a country which is reducing the inequalities of income, agricultural and non-agricultural, the expediency of working on a low minimum for exemption should be accepted. Such increase in direct taxation should make it more difficult for government to go on increasing indirect taxation which in the past was strictly stigmatised as a cynical method of taxing the people.

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BUDGET DEFICIT COULD BE MET BY ADDITIONAL BORROWING

The borrowing programme of the Central Government for 1971-72 has been completed with the successful reissues of three Central loans in the second stage. It was not necessary for the Reserve Bank to keep the lists for the three loans open for more than a few hours on October 1 and all loans were oversubscribed. The Central Government thus exercised its option to accept subscriptions upto 10 per cent in excess of the notified amount and in the process all applicants will receive full allotment. As the amount mobilised in the first stage, when the same three loans were issued, was Rs. 73 crores after fully redeeming or converting the maturing 4½ per cent 1971 loan, the total amount borrowed is Rs. 183 crores against the budget estimate of Rs. 168 crores. The target has, therefore, been exceeded by Rs. 15 crores without difficulty. The State loans also have been successfully floated though the Reserve Bank saw to it that the State Governments borrowed only about Rs. 101 crores, not much larger than the figure for the previous year.

The Central and State Governments, however, are in need of much larger amounts. The Central Government's ways and means position has been seriously affected by the heavy expenditure now being incurred on refugees from Bangla Desh. Actually the calculations regarding the availability of resources for Plan schemes have been rudely upset and it is apprehended that the overall deficits will swell considerably if additional resources were not raised. It is, of course, expected that there will be an increase in tax revenues and also in receipts under small savings. The additional resources thus obtained may even be Rs. 200 crores. Against this larger availability, it has however, been estimated that expenditure on refugees will be as much as Rs. 500 crores. Having regard to the heavy expenditure that has to be borne in maintaining the defence services in a state of war preparedness, it is quite likely that there will have to be additional expenditure of about Rs. 200 crores. In order to meet these heavy drafts on available resources steps have been taken to secure economies in non-Plan expenditure by 5 per cent. It is, however, unlikely that the aggregate saving will be more than Rs. 25 crores on this account.

Thus there will be an increase in the total expenditure on Central account by Rs. 675 crores. If the experience of earlier years is taken into account there may again be shortfall in Plan outlay by Rs. 150-200 crores though Mr. C. Subramaniam, Union Minister for Planning, Science and Technology has emphasised that Plan outlay will not be slashed in the current year on account of expenditure on refugees and the allocation will be fully utilised. As there has been no visible increase in the tempo of implementation of Plan schemes so far, it is quite likely that there will be a small shortfall again in the current year. It can thus be anticipated that the overrun in expenditure

over the budget estimate in both the revenue and capital accounts might be around Rs. 650 crores.

The actual overrun may not, however, be of this order as there will be an increase in receipts, as stated above, to the extent of Rs. 200 crores. If some credit is also taken for foreign assistance for feeding refugees the actual deficit may be less. It may be reckoned that at least 50 per cent of the expenditure on refugees might be met by the international community which means that about Rs. 250 crores might be available as foreign assistance.

This would leave a gap of Rs. 225 crores. As it has been budgeted that there will be an overall deficit of Rs. 230 crores even after taking credit for revenues from new taxes, this deficit will increase to Rs. 455 crores if steps were not taken to raise additional resources. With vigorous collection of tax arrears, credit may probably be taken for Rs. 100 crores. This will still leave a gap of Rs. 125 crores if deficit financing has to be restricted to the budget estimate of Rs. 230 crores. It should not be difficult to mobilise additionally Rs. 125 crores and much more if the Government decided to borrow further in the coming months. As the existing investible funds of the banking system, the Life Insurance Corporation and Provident Funds have been earmarked for investment in bonds of the statutory financial corporations and State Electricity Boards, there can be fresh reissues of some of the existing loans of the three new loans only in November-March. It is during this period that the Life Insurance Corporation will be underwriting a heavy volume of business. The banking system also will be adding to its own deposits in a big way in the next five months. These additions may be to the extent of Rs. 450 crores out of which banks will have to invest in approved securities at least Rs. 100 crores. Taking into account also the surplus funds of the Life Insurance Corporation and other institutional investors and allocating some portion for investment in bonds of the statutory financial corporations, the Government can easily borrow Rs. 50 crores taking the total borrowing for the year to Rs. 230 crores. With a serious effort made to improve the working of the bigger among the public sector undertakings, it will be possible to wipe out completely not only the balance of the uncovered overrun but also reduce the overall deficits of Rs. 230 crores in the budget estimate to below Rs. 200 crores. This magnitude of deficits cannot be considered large in a year where the Centre has been obliged to fork out large amounts for maintaining refugees and extend also assistance to the State Governments for overcoming adverse effects of floods and drought. It is a constraint on financial resources in a year when the Government should be on velvet and there was the prospect of a substantial reduction in the overall deficits in the absence of the avalanche of refugees.

Exchange Parities in the Melting Pot

The official American position on the Nixon package reiterated by the United States Treasury Secretary Connally is that the U.S. is committed to curbing inflation and revitalising the American economy. He has made clear that this necessity involves a commitment to end the payments deficit and hence at this point of time, the only choice can be the means to that end. Indeed when Nixon drew the blinds down on the gold window and announced the import surcharge of 10 per cent, he was influenced largely by the conversion of a mammoth trade surplus into a deficit. For instance the trade surplus which was \$7485 million in 1964 fell steadily through \$5719 million, \$4537 million, \$3263 million in 1965, 1966 and 1970 to a deficit of \$1136 m (annual rate) in 1971 (second quarter). This had happened when there was a recession in the U.S. which should have been favouring trade balances abnormally. As contrasted with this, there was a mounting trade surplus for Japan which reached an annual rate of \$5,724 million in 1971 from a mere \$375 million in 1964. The growth in the surplus was as steady and spectacular as the decline of the U.S. trade surplus had been. To a certain extent, these two phenomena were inter-related: Japan had set up an elaborate network of non-tariff barriers to industrial imports just when Japanese competition was ruining U.S. business at home in electrical goods and certain other consumer items. This explains the U.S. itch for compelling the yen to float and get automatically revalued upward as had happened since.

Closure of Gold Window...

As for the closure of the gold window, the main monetary factor was the weakening of the U.S. external liquidity position. The liquidity balance had been limited by the liquidity liabilities which soared to \$45.5 billion in the first quarter of 1971 and to \$53.00 billion in the second quarter. At the end of 1969, the U.S. owned \$11,860 million of gold against liabilities to other central banks and governments amounting to \$11,900 million.

By May 1970, the ratio had changed to \$10,570 million of gold against \$32,120 million of liabilities. It is pointed out by a British monetary critic that even some of this gold was already mortgaged to the International Monetary Fund and that the level was already a third below what the Pentagon deemed to be the minimum strategic reserve. Perhaps the pitch would not have been queered by the U.S. if the other members of the Group of Ten had agreed to secure a more flexible system of exchange rate parities. This expectation was belied particularly because the Common Market was unwilling to budge, partly because of its conviction that it required tight protection for its own viability. It was easy for the Europeans to advise the U.S. to contain its deficits by stamping out its inflation altogether. It was difficult for the U.S. however to act on that advice because the anti-inflationary measures required to eliminate inflation could impose on the U.S. economy a severe depression. On the contrary, there is some point in the U.S. ire over undervalued European currencies because, since the time De Gaulle chose to sit on a gold pile to spite the Americans, most European countries were bent on similar accumulation. And nothing would have belched out dollars and gold from their reserves better than a revaluation of their currency parities upward. This was just the circumstance in which altruism had no place.

Evolving an European Consensus...

It was evident from these developments that the Gold Parity Standard was not expected to be supported. Like any variant of the Gold Standard the I.M.F. Gold Parity Standard was maintainable only if countries losing gold were prepared to deflate their economies and countries gaining gold were willing to inflate theirs. As of old, the deficit country, the United States, was prepared for deflation only if surplus European countries were amenable to inflation. Otherwise, there was no guarantee against the one-way flow of gold from the deficit to the surplus countries. Because the gold standard

rule had been broken, most of the efforts in Europe was concentrated on evolving a European consensus for the U.S. when the latter began showing its mind. In the nature of things, it was impossible for the Common Market to evolve any solution because the U.S. and Japan, the major actors in the international monetary arena, were behind the arena struggling to discover each other's cue for following up action on each other's side. The settlement is further postponed by the fact that, under the existing conditions of floating exchange rates, European Common Market countries besides Japan are afraid of allowing their currencies to float so much upward as to make it difficult for them to resile from these high parities at the final hour of reckoning. Thus we have the phenomenon of exchange control measures being resorted to by all these governments to keep out foreign funds. In this situation there is no great freedom for exchange rates to float and consequently any equilibrium in parities at a higher level that may be arrived at would be *ipso facto* stultifying. Much of what British monetary critics wrote early this month and at the beginning of last month on the virtues of either floating rates as pointers to monetary equilibrium or as a harmless panacea for monetary ills appears therefore to have been beside the point.

Revival of Inflation...

All the time many forces are building up in Europe itself which point to a revival of inflation. In West Germany, inflation is at its worst (in the last two decades) with the cost of living index up by 5.4 per cent than that of last year. This is a rate which may seem modest for others but is something unusual in the "export-bulging" West German economy. Inflation has slowed down growth rate from 6.5 per cent to 4 per cent per annum. Increase in GNP has been a low 4 per cent. The storm centre has been, as usual, the sharp increase in wages during the last 18 months and steep rise in prices, generated by attempts of industrialists to offset higher wages by higher prices, despite such price increases eating into the export profits margin by which West German had laid great store in recent years. Exporting has become

indeed a difficult problem because of the rise in the value of the mark and the import surcharge having raised West German export prices in the U.S. by 18.7 per cent. In respect of France, the controls instituted to protect the franc make a sad contrast with the high hopes expressed in 1967-68 that all controls would be abolished. What is peculiar about the franc is not the speculation against it by outsiders but, as a British critic (Patrick Brogan) puts it, the distrust of Frenchmen about their own currency. The French seek to make up the loss of exports due to the levy of the import surcharge by activating domestic demand: Government spending on public services goes up by 20 per cent. In any case what worries the Government is the uneasy calm on the labour front which may trigger off quite unexpectedly about of wage increases of the type that cost France dear in the past.

Deterioration of Trade...

All these unsettled conditions have meant a deterioration of trade for the developing countries. In 1970, the top ten rich countries increased their ex-

port growth rate by 15 per cent but in the case of the developing countries the growth rate has declined to 8.5 per cent from 11.5 per cent. There was a further worsening of the terms of trade by 2 per cent because imports of their manufactures became dearer consequent upon inflation in Europe, Japan and the U.S., while an aggregate slackening of growth among industrialised countries had depressed some commodity prices. In respect of primary products exported by developing regions their over all share in world trade had declined spectacularly since 1960, and their imports have become costlier. Expressing this situation in more graphic terms, every new tractor imported by Ghana from Europe absorbs the income from about 5 tonnes of Cocoa whereas ten years ago, one ton of Cocoa would have bought a tractor. It was because of this that an intensive study of the commodity problem of developing countries cannot brook any more delay.

Indeed, the developing world seems to have been singled out for vicarious suffering because of the rigidities in the economics of developed countries.

It is some consolation that at the Fund-Bank meeting recently in Washington, delegates from richer nations had expressed awareness of these difficulties which arise partly from the distorted exchange parities. But what no one was willing to recognise, except after considerable persuasion, is the elementary fact that parities are a matter in which poor nations have as much stake as richer ones, though the quantum and quality of the stakes would be necessarily delimited by their relative degrees of affluence and the two-way flow of goods, official aid and private capital between the developed and the developing countries. The latter are not interested in the eulogising of the role of paper gold in lieu of gold so long as its allocation to them is still governed by the rule of thumb principles of distribution designed by the I.M.F. Incidentally, the viability of the I.M.F. itself as a world forum will depend on the manner in which it helps developing regions tackle their trade and payments problems as otherwise it will become only an enlarged version of the rich man's of Ten Club that the Group has been so far.

—R.S.

RBI Annual Report

A Plain Statement on the National Economy

The Central Board of Directors of the Reserve Bank of India have produced in their Annual Report a plain unvarnished statement of the national economy in the year ended June last, setting nothing in extenuation nor aught in malice. Leaving the more disturbing features to loom into view from the facts and figures, they make a good beginning by stating simply that "the performance of the Indian economy during the year July 1970 to June 1971 was rather uneven, though in terms of overall growth rate it appeared satisfactory. In particular, as the year progressed, adverse trends emerged in some of the important sectors." As important as the identification of these features is the precise assessment of their significance, the extent to which they point to more deep-rooted diseases or defects and the extent to which they may harm the economy, if their significance is overlooked either through ignorance or through inhibitions of an ideological kind. For the general public, it is a point of no small importance that the adverse features, which the Central Board of Directors of the Reserve Bank of India press to the attention of the Government, form a striking contrast to the succession of heartening reports about different departments of the economy to which the public was treated in the early stages of the current calendar year.

The Bright Spots...

It was not long ago, that though there were some indications of the slowing down of the growth rate of industrial production we heard far more of the comfortable food position, the spurt in our exports and the decline in our imports, the assuredly better prospects for our small scale industries and the prospect of our agriculture taking some big strides forward. If today, the tune has changed somewhat, it would be dangerous to assume that in the best of conditions, the general picture would be of the "somewhat mixed kind" and no concern need be felt for the gray

spots or patches in it. Despite this caveat, one may take a good look at the bright spots. First and foremost, national income at current prices during 1970-71 is estimated to have expanded by 5 to 5.5 per cent attaining for the second year in succession the overall target of growth in the Fourth Plan. Foodgrains production rose from 99.5 million tonnes in 1969-70 to 107.8 million tonnes in 1970-71, favourable weather conditions being necessary but not sufficient for such a marked increase. The other factors, namely, expansion of area under improved varieties and adoption of modern technology on a wider scale point to the potentialities for further growth. Employment in the organised sector which was stagnant in the two years ended 1967-68 showed an improvement of 1.9 per cent in 1968-69 and 2.9 per cent in the year following. In April-September 1971 there was an increase of 2.7 per cent over the corresponding period of the previous year. The year under review showed both a rise in exports and a decline in imports with a consequent improvement in the trade deficit and at the same time a better position in regard to foreign exchange reserves.

Decline in Growth Rate

While these features are no doubt heartening there are others which can be underrated only at grave peril and which have worsened as the year progressed. That they have the potency for holding up progress in the other respects and even causing a setback is what should compel prompt and circumspect attention. First and foremost is the fact that the decline in the growth rate in the industrial production has been caused by a shortage of steel and essential raw materials and these shortages are not merely a passing phase. Shortage of raw cotton points to the lag in agricultural development in this sphere and is suggestive of the improvement in the trade balances being negated by imports of raw cotton on a large scale. The shortage of steel, besides similar to

raw cotton in this respect has a long chain of adverse consequences from the increase in the price of steel and steel manufactures to grave troubles for the engineering industries and a fall in exports and the export earnings. Imports of essential raw materials have already been affected to some extent, with a consequent reversal of the decline in imports. The trend can be seen in the signs of increasing pressure on the external sector, in the increase in the trade as well as the current account deficit for the year 1970 as compared to the calendar year 1969. The Central Board has felt called upon to observe that though "exports have shown some signs of an improvement in the growth rate recently after a long period of low growth", "there are as yet no clear indications that the country has achieved a high rate of growth in exports on a long term basis."

There is more than usually good reason to regard the price situation with grave concern. The general price level showed a rise of 3.1 per cent on top of the 4 per cent of the rise in the previous year. If at the present stage the main cause of the rise in prices is the supply shortages, in any view of the immediate or reasonably long view, the rate of increase in money supply from 9.8 per cent in 1969-70 to 12.3 per cent thereafter and the certainty of longer budgetary deficit both in the Centre and in the States must be adjudged to be more serious dangers. It is something that Bank credit to the commercial sector showed a smaller expansion in absolute terms as well as growth rates. It is also true that accretion to Bank deposits amounted to Rs. 915.4 crores against Rs. 628.7 crores in 1969-70. Outstanding borrowings from the Reserve Bank too showed a fall of Rs. 84.3 crores. But "the main expansionary factor has been net bank credit to Government which has shown a phenomenal increase of Rs. 924 crores." Supply shortages and borrowings for budgetary deficits are a powerful combination of forces for inflationary rises in prices, for which alleviation must be sought in the encouragement of production by all means open to the Government.



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Glimpses

By P. R. SRINIVAS

Linking Agricultural Incomes with Other Incomes

The decision of the Chief Ministers' Conference to appoint a Committee of experts to go into the question of linking agricultural incomes with other incomes for purposes of tax assessment, as also the question of handing to the States their administration will be welcomed by all who have felt gravely disturbed by the present trends in our public finance, particularly the financial relations between the Centre and the States. In the past, such conferences had been the forum for States' representatives to denounce our system of financial devolution and for each State to grouse about the treatment accorded it under the system, and by the Centre where it is free to exercise its discretion. On the present occasion, however, the Union Finance Minister was in the unenviable position of having to appeal to State Governments to take note of the critical conditions created by the influx of refugees from East Bengal on a large scale and the danger to the finances of the Governments, to the national economy and to planned development in their failure to make their proper quota to plan resources, to effect economies in plan expenditure and to avoid the large deficits and overdrafts from the Reserve Bank of India which strengthen the already rampant forces of inflation.

That, for various reasons, the agricultural income tax has not been properly exploited and that there are wide differences in this respect between the various States is unquestionable. The rationality of the proposal to link the agricultural and non-agricultural income tax and ensure uniformity in rates and treatment of assesseees by the Centre taking charge of both is strengthened by the fact that, on the one hand, agriculture is tending to become an industry like any other, and on the other hand, land revenue has been abolished or reduced drasti-

cally because of the old theory of State ownership of land having been almost completely abandoned. But the Chief Ministers have shown themselves quite unwilling to vest more functions and powers on the Centre because their minds have run only on the lines of increasing the States' list of tax heads. And Mr. Karunanidhi for one went so far as to ask for the combined agricultural and non-agricultural income tax to be handed over to the States. Mr. Chavan's objection on the ground that such a step would increase the opportunities for tax evasion, and aggravate the disparities, is unquestionably valid. So is Mr. Karunanidhi's complaint that Tamil Nadu's record in economy, efficiency and produce has been penalised rather than rewarded. The remedy lies to some extent in delinking the field of discretionary grants from the Centre. But the solution of these problems lies to a far greater extent in maximising the divisible pool and agreeing on a basis of division which takes into equal account the claims of the States which make the largest contributions to it and the claims of the States which are lagging far behind. That the former category is increasing and the nation as a whole is in a better position to take reasonable care of the latter is overlooked in the heat of the passion for States' autonomy. A little regard for the historical perspective in dealing with Centre-States financial relations and the complexities of the problems that may be created by disparities will facilitate a satisfactory solution. A committee of experts is best fitted to meet this need.

Melting Pot of Party Politics

The rank of the new Congress in last month's by-election in Orissa has a significance far beyond its immediate effect in removing the threat to the United Front ministry. Though affiliations and allegiances may shift, the ministry is assured of a strength of 70 as against the 60 which the Congress (R)

and its allies may be able to muster together. Apart from the precise factual reasons for the debacle of Mrs. Gandhi's party, the contrast between the Caesarian triumphs of the last general elections and the pitiful reverses of last month stands out by itself and is *prima facie* suggestive of trends which the Prime Minister can by no means relish.

There is the effective come-back of an old leader like Mr. Biswanath Das and a controversial figure like Mr. Patnaik which is indicative of the spell of Mrs. Gandhi's charisma. The failure of Dr. Mahtab whom Mrs. Gandhi retained despite his being under the cloud of an enquiry and of the Union Minister Mrs. Nandini Satpathi to retain the gains of the past is unmistakable. It brings into question the wisdom of the Prime Minister's attempts to bring the State Congresses more completely under her control by constituting *ad hoc* committees in place of the elected ones. It is indubitable folly to overlook the strength of local sentiment or the ability of local politicians to annex it in the dealings with the Centre. The D.M.K. in Tamil Nadu is the most outstanding proof of it. And it is not surprising that Mr. Patnaik is trying to exploit the feeling of the development of Orissa while expressing his disaffinities with the Swatantra party and his like-mindedness with the New Congress. Disavowals of bossism are common to the leaders of all parties and are probably more vociferous in the case of those who nurse such ideas in their own hearts. The by-elections show that there is a check to every powerful group and far more has been thrown into the melting pot of party politics in the State than one would be inclined to think.

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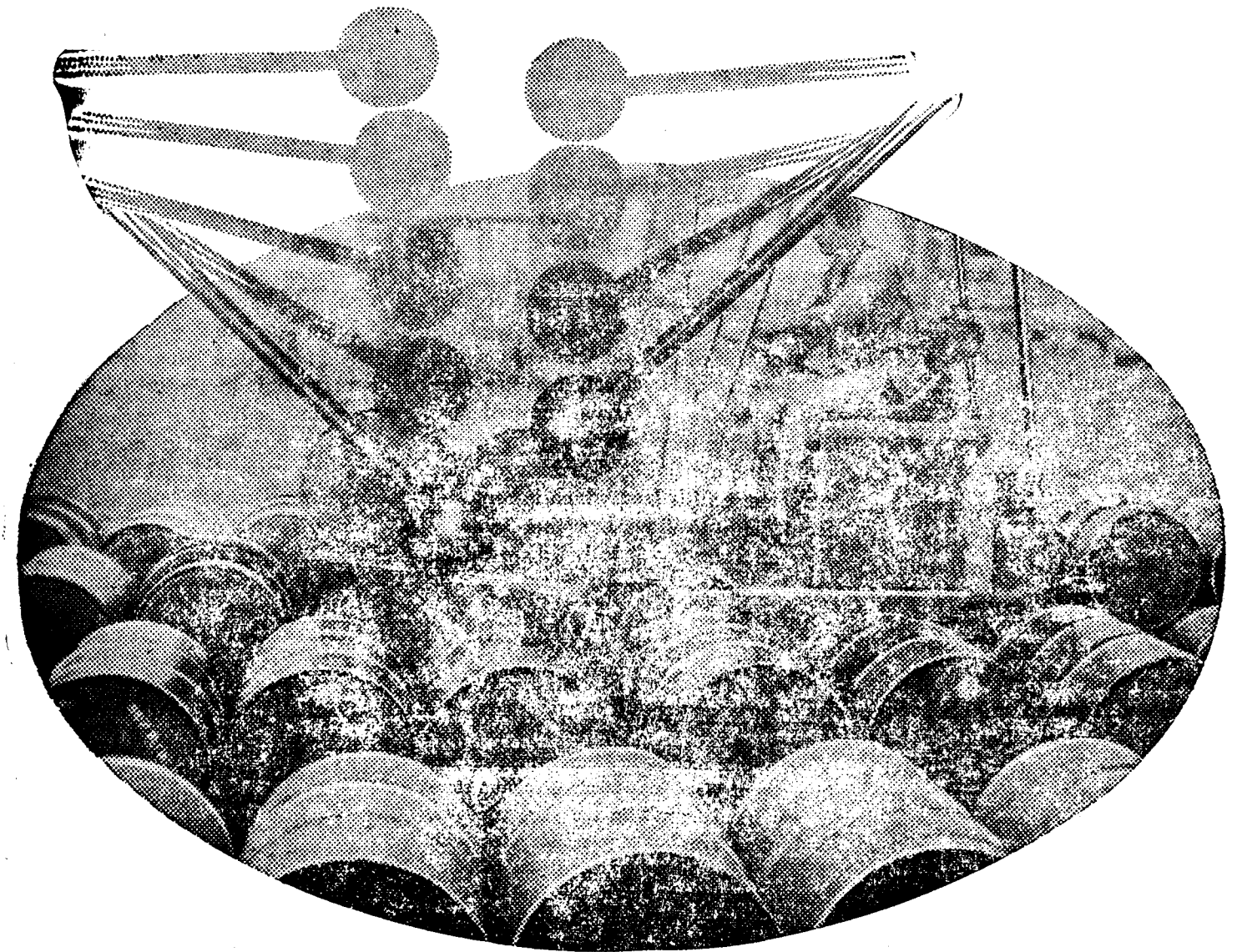
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Trade Ties with the Land of Cyrus

Twentyfive centuries have passed since Cyrus founded the Persian empire. Iran's commemoration of the event should recall the many-sided greatness of this ruler Cyrus who was tolerant in an age of absolute intolerance. Those were the days when emperors took pride in recording the number of heads they had collected of their vanquished and the manner in which many of the elite in their enemy ranks were mutilated, flayed or otherwise tortured. Cyrus was an exception. He was kind towards the conquered. What is more significant is that he did not interfere with their religious freedom. His charter of human rights proclaimed after the conquest of Babylon says that he did not allow any of his troops "to terrorise the land of Sumer and Akkad."

Cultural and Religious Ties

Since the conquest of Sind, India and Iran got to know each other closely. The cultural and religious ties are best reflected in the spread of Zoroastrianism and of Persian epics like those about Rustom and Sohrab and Laila and Majnoo besides the *Rubaiyat* of Omar Khayyam. During medieval times, Persia produced very great scientists: Rhazes and Avicenna in medicine, Ghiath-al-din Kashani in the science of numbers, and Al Beruni the astronomer. In the field of literature *Shah-namah* and *Rubaiyat* are specially popular even now and a good part of northern India developed the Persianised Urdu which it has been continually employing ever since as the linguistic medium.

Like the mythological Phoenix of this region, new dynasties rose from the ashes of their predecessors, until Alexander overwhelmed the Persian empire and later Rome and Persia were interlocked in a struggle which weakened both these empires. It was the Arab invasion that introduced Islam in this Aryan country. Later after contact with the French, a new type of despotism developed. That of Mohammed Ali Shah who

seized power in 1906 was the remarkable instance of it inasmuch as he went to the extent of shelling the Parliament building and forced reform groups to come up against successfully. In 1921, Reza Shah, the father of the present ruler swept the countryside of brigands and reduced the powers of the ultra-conservatives around him. Social reforms begun by him were continued by his successor, the present ruler, who has been able to assure women of political and social equality.

So far as India is concerned, we are yet to complete a voyage of exploration of the Shah's domain with which we have been so closely familiar over the centuries but have nevertheless been unable to establish any but tenuous economic links. We have a trade agreement with Iran which is renewed from time to time but the two-way flow of trade is yet to build up to the

level warranted by the potentialities of both countries. Indian exports have been around Rs. 22.50 crores, but imports from Iran are much heavier at Rs. 100 crores, owing to the large quantities of petroleum crude we are importing therefrom. Iran is now passing through the third year of its Fourth Economic Development Plan calling for a total development expenditure of 810,000 million rials (75.75 rials = \$ 1) which is expected to raise the G. N. P. by 9 per cent and the per capita income to \$ 307 from \$ 220, provided the demographic growth rate is no higher than the current 2.6 per cent per annum. Iran's foreign trade policy during 1970 was based on the protection of home industry, acceleration of industrialisation, saving in foreign exchange and price stability. The Economic Plan provides a golden opportunity to India to expand its sales in the Iranian market.

India is eighth in rank among the first ten countries in Iran's import list. Our major export items are steel rails, transmission line towers, papers, jute fabrics, glass, iron and steel beams,

bars and rods, handtools and lathes. While in 1964-65 tea, jute manufactures, machinery other than electric, transport equipment, spices and electric machinery were our "dynamic exports", in 1969-70 there was absolute stagnation in levels of these exports and in some cases, as for instance in tea, there was a decline. The same is true of jute manufactures which are faced with keen competition from Pakistan. The lessons that should draw on the basis of the export experience of the last five years are that greater attention should be made to withstand competition in tea and jute, that the bright prospects for transport equipment exports should be capitalis-

ed and that, in the case of spices, not much can be done to arrest the decline.

Narrowing Adverse Trade Balance

The point, however, is that India does not have any share in the Iranian imports of items like antibiotics, tanning extracts, dyes, pencils, wool and woollen manufactures, precious and synthetic stones, spun glass and glass-wool, blades, pressure lanterns, boilers, lift trucks, spinning and doubling machines, electric bulbs and meters, watches and geological instruments. The scope for selling Indian supplies of these has to be explored. At the

same time, it should be noted that Iran's terms for foreign collaboration are quite attractive and reasonable. Yet only developed countries are participating so far in joint ventures in Iran. This is the challenge that India should take up especially because a number of prominent Indian businessmen have expressed their interest in setting up factories in Iran for manufacturing refractories, man-made fibres, spares for textile machinery, etc. The immediate task is to narrow our adverse trade balance with Iran by further diversifying our exports to that region and by taking in past slacks in export earnings wherever they are too large. —S.R.

Out of the Inkwell

By RANDOR GUY

FESTIVE SPIRIT

Wafer-thin models in bizarre, mod clothes in a riot of Woodstock-inspired colours stare at you from the ads. in the glass windows. And inside are bosomy mannequins with their frozen smiles beckoning you to come into the parlour and take the load off their chests and certainly out of your pockets! Inside the crowds are rather thin, in spite of the cool comfort, brief bloused, very much live sales girls, the soft drinks and whole works. 'Business is not as usual, sir, only fifty per cent of what it was last year, no good at all...' moans the paunchy proprietor,—if business is no good, how come the paunch?—'Ch! really' one replies... "It's all due to this suspension of prohibition, damned curse," the man wails... It's the same yarn everywhere... movies, hotels and even cat houses! Blame it on the beer, brandy and banana chips. Oh, really, I am tempted to ask... perhaps the economists may have the answer but... hic... ask him... hic... when he is... hic... sober as a... hic... well... as a...!

AUTHOR! AUTHOR!

Once you get bitten by the creative bug you have had it. Something whispers in your wax-filled ear that you are sure to be a Maugham, Gardner, or at least well, at least—and you are deep and thick in the ink-smearing game. Fiction? True crime? Cookery hints or just mood pieces... you hesitate for a moment and take off... bite that nail, or pencil, tear that hair (if any still left) and lo! A best-seller is born, destined to hit the TIME top list and take you to Miami or at least Malibu for some sunning and sinning with wisome wenches... But your dreams are shattered when your beloved ad truly begotten manuscript, keeps coming back to you like a homing pigeon!

Talking of writing I am reminded of a story. A girl learning to write was told that a good story should have four ingredients; (a) humour, (b) action, (c) sex and (d) suspense. She sat up in bed burning midnight electricity and come up with a piece of short fiction. It ran thus: 'It's so sultry, I'll take my ring off,' laughed the pregnant princess. Rubbing her growing belly she exclaimed, 'I wonder, who did it!' Budding writers, hark, hark....

Popularising the Investment Habit

The Madras investing public can now proudly claim that the Madras Stock Exchange has its own commodious premises and the facilities offered by the Exchange authorities will be useful for encouraging the investment habit and providing the necessary ready data for understanding properly the activities of the industrial units whose securities are listed in the Stock Exchange.

The Vice-President of India, Mr. G. S. Pathak, performed the opening function with the Governor of Madras, Mr. K. K. Shah, presiding over it. Both of them emphasised the important role of stock exchanges in spreading the investment habit and in mobilising resources for productive purposes. Mr. Pathak understandably spoke of the need for persuing ethical norms and safeguarding the interests of investors. Mr. K. K. Shah, for his part, forcefully drew attention to the need for proper dissemination of information and the creation of a congenial atmosphere for encouraging broader ownership of shareholdings and ensuring orderly trading. He even suggested that forward trading can be resumed in the stock exchanges if it could be conducted with proper restraint and cornering operations could be effectively prevented.

The stock exchanges in different centres in the country have no doubt

been performing a useful function and there has been a gratifying increase in the number of small investors in the past two decades. With a better appreciation of the advantages of investment in industrial securities, there has been greater participation in the equity capital of new companies and it was in 1958-62 that the broadbasing of ownership of shareholdings gained momentum and with the availability of ample funds from the investing public, the statutory corporations did not take up large parcels of shares in pursuance of underwriting commitments.

Poor Publicity

The stock exchanges, for their part, have to carry out a vigorous campaign in the urban and rural areas publicizing the advantages of investment in industrial securities. So far, no serious effort has been made by the stock broking fraternity to popularise the investment habit as they have been content only with the clientele available to them mainly in the urban areas. In Tamil Nadu perhaps the stock exchange habit is more popular than other in neighbouring areas though the disposition to invest regularly a defined portion of savings in industrial securities has not result-



Vice President of India G. S. Pathak, (left) unveiled a Tablet Marking the inauguration of the Madras Stock Exchange building. Others (L to R): M. Sankaran, President, MSE, Tamil Nadu Governor K. K. Shah and MSE Executive Director, E. R. Krishnamurti

ed in a larger turnover in the stock exchanges. This is perhaps due to the fact that the portfolios of individual investors have not been shuffled very often and the predominantly cash and carry nature of business has been responsible for the absence of any large volume of business qualities. These

qualities which are peculiar to those who participate in the activities in the Madras Stock Exchange have been responsible for its sober functioning. With greater incentives and faster industrial development in the private sector, the Madras Stock Exchange may in the coming years be buzzing

with greater activity. If only the stock exchange authorities in the principal centres co-ordinated their activities and ensured orderly trading in their exchanges, the mobilisation of resources for industrial development will not pose a serious problem.

—(FOC)

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Need to Augment Availability of Power in Tamil Nadu

The important role played by Neyveli Thermal Station in the power map of Tamil Nadu was forcibly brought out when junior engineers and technical supervisors went on a six-day strike recently pressing their demands for higher emoluments and better amenities. It is rather unfortunate that this vital complex which was working smoothly until some time back should have run into serious difficulties in the past two years, sustaining staggering losses due to the intransigence of employees and inefficient functioning of the different integrated projects. These could be easily avoided with a careful handling of technical problems and 'debottlenecking' of technical issues which are standing in the way of an increase in the output of lignite and fertilizers. The Neyveli Thermal Station having an installed capacity of 600 MW is the largest in the country of its kind. It is not clear why heavy losses should be incurred when it has been amply demonstrated that even with the consumption of larger quantities of lignite for power generation the cost of generating power is not high. As a matter of fact, it has been claimed that power supplied by Neyveli to Tamil Nadu is not much costlier than what the Boards had purchased from Mysore and Kerala and it is much cheaper than the cost of power generated by the Board itself at the Ennore Thermal Station.

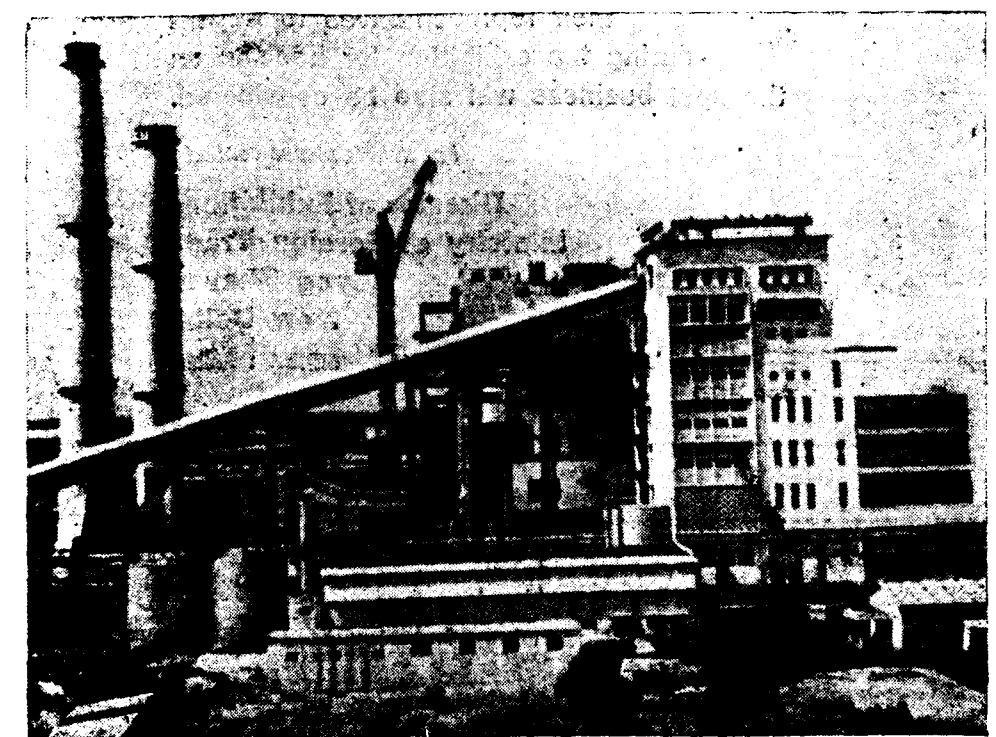
There is currently a dialogue between the Neyveli authorities and the Tamil Nadu Electricity Board for a revision of the price paid to the former for power supplied. The increase in price demanded is not heavy though understandably the Tamil Nadu Electricity Board is not prepared to agree to an increase in the cost of Neyveli power because its own finances are in bad shape. But the Tamil Nadu Electricity Board cannot avoid a restructuring of its tariff rates, especially those relating to the supply of power for agricultural purposes, as it is bound to incur heavy losses in the current year due to an increase in its own operating costs.

Probe into Tariff Rates

A committee of experts is presently examining the question of tariff rates and periodical reports have emanated from official sources suggesting that higher rates for power consumed by agriculturists are inevitable and there may even be a hike in charges applicable to industrial consumers. The Tamil Nadu Electricity Board is fortunately having a larger storage in its reservoirs in the current year on account of favourable rains in the catchment areas and strengthening of the sources of supply of different reservoirs. The new hydel projects like Kodayar and Sarkarpathi have also been commissioned adding to total hydel power availability. But there has also been an increase in power consumption and it has been found necessary to continue purchases from Neyveli, Kerala and Mysore. In view of the cheaper cost of power from Mysore and Kerala, Tamil Nadu may agree to the supply of limited quantities of power from Neyveli to Andhra Pradesh. Alternatively, an agreement may be concluded with Andhra Pradesh for the sale of limited

quantities of power at stipulated rates from Tamil Nadu irrespective of source of supply. If this arrangement was concluded, there could be a satisfactory pooling of resources though it may be debated whether regional surpluses will continue to be available after three or four years.

The Tamil Nadu Electricity Board however is badly placed in regard to the cost of power from different sources and it can prevent an undue increase in its charges to the consumers in the State only if there was maximisation of power generation at Neyveli, a strengthening of its hydel resources and the adoption of measures which will minimise losses of power that are now being incurred because of fluctuations in loads and the delays in erecting sub-stations in strategic areas. There will have to be larger purchases of power from Neyveli, maximisation of power generation at the Ennore Thermal Station and full use of hydel resources. With the virtual exhaustion of the hydel potential of the State there will necessarily be an increase in thermal power generation and Neyveli and Ennore may account



A view of the Ennore Thermal Project of Tamil Nadu Electricity Board. This project will ultimately have a capacity of 450 MW

between themselves for nearly 4,500 million units, if the capacity of nearly 1,000 MW was fully utilised. The existing capacity of Neyveli is not utilised even to the extent of 50 per cent while the cost of generation has been assumed on the basis of a load factor of around 65 per cent. Ennore

will soon have a capacity of 340 MW and with the proposed expansion of capacity to 450 MW added with the output of Basin Bridge station thermal capacity of the Board itself will be 500 MW eventually. Hydel capacity will in the meantime increase to 1,500 MW.

Boosting Neyveli Power Generation

In this context the relatively cheaper power of Neyveli has greater significance. Neyveli can easily generate daily 10 million units which will be 50 per cent of the aggregate feeding of power by the Board into its grid. Actual power generated by Neyveli however is not much more than 2,000 million units annually indicating that there is ineffective use of capacity. Apart from the difficulties involved in absorbing power in large quantities during periods when hydel power has to be generated in large volume with irrigation discharges having to be utilised, Neyveli also has been finding it difficult to step up its generation due to inadequate availability of lignite. The shortfall in lignite has also affected output of fertilizer and briquettes. If there can be an additional output of one million tonnes of lignite and also a rectification of the defects of the fertilizer plant the economics of the working of the Neyveli complex will be considerably improved. When there is the prospect of reduced power availability from Mysore and Kerala because of the delays in implementing their schemes and rising consumptions in their regions it has become imperative to improve the functioning of Neyveli and boost power generation by about 500 million units annually even with the existing capacity. This additional availability will not only improve the working of Neyveli but augment the availability of power at a time when there is likely to be a vacuum. There will also incidentally be a compelling exercise in indirect pooling of power resources and optimum use of existing capacities.

—Meenam

I BELIEVE:

Crime Prevention...

I believe that the approach to crime prevention on the basis of modern norms of criminology had better be made early in this country if the aim of social legislation is the improvement of the individual. Incidentally Tamil Nadu is observing the National Crime Prevention Week now which is a ritual observed here once in three years. There is a particular significance about this week's observance because, according to a highly-placed police official, incidence of crime in this State has been rather very heavy of late. While the Chief Minister, Mr. M. Karunanidhi, stressed at the inaugural function, the fact that crime detection has been becoming more and more competent, what is important for society is the system of safeguards available to prevent crimes being committed. Work on this direction has been quite meagre.

Criminologists of the West have been able to establish that crime is the product of a diseased brain. The disease may be temporary or permanent but there is no gainsaying the fact that it is caused by different factors at different levels of the community. To a very large extent it is the result of the working of social and individual stresses. At the individual level, it is the consequence of kinks in family relationships. Psychologists say that children of broken homes who, in most cases, are compelled to shift for themselves without their parents exercising any obligations towards them, grow up in an environment in which ethical and social standards are at best conspicuous by their absence and at the worst get perverted into a preference for doing wrong with the gusto common in such cases. At the social level, crime is a reflection on the lack of awareness of society of its obligations to the weaker sections. In developing economies like India, this is

clear from the manner in which social inequalities are allowed to persist in a manner in which the wealth of the few incite conspicuous jealousies among the poor.

Social Inequality...

The main cause for this situation is the haphazard process of urbanisation in which slums and mansions exist side by side. While the economic causes for the attraction of the cities for rural residents have been described *ad nauseam*, the social consequences of slums have but been imperfectly understood and the requisite remedies therefore inadequately applied. The problem of the slum is basically hunger. Medical experts have been able to establish that hunger reduces the blood sugar content and creates the condition in which mental irresponsibility (which is the cause of crimes) develops. Hunger is a phenomenon which can be eliminated only by improving levels of economic prosperity which in the technical language of the economist, is a question of raising the G.N.P. and per capita figures of the G.N.P. This is a problem of production and distribution. To the extent production takes long to get stabilised at the optimal level and hungry stomachs cannot wait that long, the emphasis of policy in developing societies has been placed on distribution—following thereby the line of least resistance. And where governments like ours have ideological predilections in favour of egalitarianism, the stunt-prone politician finds his task at the hustings the easiest to discharge. He revels in a condemnation of monopoly of private initiative and lands the economy in a mess because the economic policy of the government in the bid to check concentration of economic power, makes the exercise

of any economic power even for shoring up lagging output impossible. The incidence of crime therefore will be heavy as long as this exercise in beggaring everyone lasts.

The other set of social conditions inducing crime relate to the faults of such policy which inherently supports creation of black markets, smuggling and tax evasion on a large scale. When the restraints on the honest earning of income are such as to nullify the prospects of taking the deserved income balance homeward, evasion becomes the only means to keep going. This is not to overlook the existence of economic sharks in society who delight in cheating the state of its dues. The point, however, is that if economic legislation saps incomes with needlessly seeping vigour through taxes and other levies and holds individuals suspect all the time, even honest men become criminals who are forced to commit one or other of the economic crimes mentioned above. It is time our government recognised this trend and reoriented its tax policy.

Bogey of Harassment

Above all some of the crimes are the result of individual indifference. For fear of having to spend a long time with the police as the persons providing the first information about a crime, many turn their heads away when a gruesome crime is committed in their neighbourhood. Sometimes it is the fear of retaliatory action by erring minds. That explains the looting of goods wagons stationed at wayside stations or in marshalling yards which are far away from the station building. Unless there is sufficient public co-operation, it will be difficult to stop such crimes. It is incumbent on the government and social welfare agencies to induce the public to assist in putting down crimes by assuring them that they will both be adequately protected and will not be harassed to stay too long in police stations to offer evidence.

—Horace

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Madras Dock Labour Board Superseded

The Madras Dock Labour Board has been superseded by the Government of India for "gross abuses of power". The Central Government's communication notifying the appointment of Mr. C. R. Govindarajan, General Manager of the Madras Port Trust, to perform all the functions exercised hitherto by the Board, says that the supersession would be for a period of four months.

The show cause notice earlier issued by the Centre was apparently ignored by the Board and in the absence of explanations the Centre had no alternative other than to go ahead with the supersession.

The "abuse of powers" was reported by Mr. T. S. Sankaran, Union Labour Secretary, who went into the recent conduct of the Board. He pointed out several lapses, omissions and commissions. One main charge was the recruitment of more labour force that required, involving payment of guaranteed wages and allowances even when there was no work. The Government of India accepted the recommendation of Mr. Sankaran about supersession and acted accordingly. Mr. R. K. Khadilkar, Union Labour Minister, was convinced by the "justice and the justice" of the supersession recommendation.

Tamil Nadu's Record of Crime Detection

Tamil Nadu Chief Minister Karunanidhi expressed the view that violence in public life was traceable to non-implementation of progressive policies or at least implementation of such policies with loopholes. Inaugurating the National Crime Prevention Week, the Chief Minister sought the cooperation of the entire public to help the evolution and honest implementation of progressive policies in a bid to arrest the spread of the cult of violence. He claimed that Tamil Nadu's record of crime detection was unsurpassed in

India. In the year ended June 1971 the percentage of detected crimes was 72 as against 70 in the corresponding period of the previous year.

The Chief Justice who presided expressed concern over the growing "white collar" offences. Following the lifting of Prohibition in the State he thought it was necessary to be more alert than even before in preventing driving under the influence of liquor and pleaded for the provision of deterrent punishments for offenders. Mr. F. V. Arul, Inspector General of Police, and Mr. K. R. Shenai, Commissioner of Police, stressed the point that maintenance of law and order was not the business of the police alone but that of the entire community.

Stock Exchange Men Meet

Presidents of Stock Exchanges in the country met and discussed a number of matters of common interest affecting trade and commerce, and the investing public generally. The meeting felt that the injunction against multiple applications already imposed in the prospectus should be supplemented by certain specific measures. For instance, in cases of future new issues of capital, the applications for equity shares should be submitted only in single names, facility being provided for transfer in joint names after allotment. For provision of fairer opportunities to the applicants for smaller quantity of shares and with a view to broadbasing the equity capital structure, the allotment procedure, they agreed, should be revised to accommodate all applicants for smaller number of shares. They also wanted amendments to Section 108 of the Companies Act designed to simplify the transfer procedure and rationalise the whole system. Expressing concern at the present state of the stock market, the President pleaded for urgent action by the Government to avert the dangers and risks to which the stock markets were today exposed.

Seminar on Rice Processing

A seminar discussed for six days the possibilities for reduction of cost of processing and handling of rice. The inter-regional seminar organised by the United Nations Industrial Development Organisation, the ECAFE and the FAO with the cooperation of the Government of India stressed the need to avoid wastage which was quite high now in the hulling, processing, storage and handling. Several alternative measures for cost reduction were discussed in the seminar.

Mr. Karunanidhi, Tamil Nadu Chief Minister, and Mr. K. K. Shah, Tamil Nadu Governor, noted that Tamil Nadu was in a happy position today with food production in the surplus. The Green Revolution which had been successful should be maintained in future years also with growing quantities of harvest, they pointed out. Mr. Karunanidhi suggested that as an interim measure sea for pucca scientific storage, wet paddy should be stored in huge silos and air could be pumped into it to speed up the drying process at low cost. Large scale drying of the entire harvest would be uneconomical, he said. He requested the seminar participants to devise alternative measures.

Mr. K. P. Mathrani, Union Food Secretary, briefly listed the steps taken by the Government of India to modernise the industry.

The large number of technical documents commissioned for the seminar compassed the entire range of post-harvest rice processing techniques.

—V.M.

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INDUSTRIAL ECONOMIST
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Need to Expand Capacity of Existing Refineries

The situation created by a sharp rise in the price of imported crude oil and the slow growth in indigenous production of black gold have set the Union Ministry of Petroleum and Chemicals investigate how the country's idle potential can be tapped and its vast crude resources utilised.

Need for Continuous Increase

There will have to be a continuous increase in the production of petroleum products for the next 10 years at an annual rate of 12 per cent. Assuming that aggregate consumption was 18 million tonnes in 1970, there will have to be refining capacity for at least 45 million tonnes by 1980. It is not expected that the refining capacity will be more than 26 million tonnes by 1973-74 even taking into account the full use of the capacity of Barauni and the commissioning of the refinery at Haldia now under construction. As there will be a shortfall in production as compared to consumption, there will have to be urgent planning from now for increasing the capacity of the Madras Refineries and for using fully the unused capacity of the three refineries in the private sector. It was only recently indicated that the Madras Refineries can increase its output to nearly 3 million tonnes with installation of balancing equipment. Efforts are being made to commission the third million unit at Barauni by effecting suitable modifications for handling Rustom crude which the Government is now unable to dispose of in the world market because of the difficulties involved in processing this type of crude. The Barauni Refinery is now having a throughput of only 2 million tonnes because of the difficulty in getting indigenous crude from the Assam oil fields. The expansion scheme of the Cochin Refineries is expected to be completed by the middle of next year. The Koyali Refinery is operating well above capacity at 3.25 million tonnes and its capacity can probably be raised to 4 million tonnes.

It will not be possible to avoid the activation of the idle capacity of the three refineries in the private sector particularly the two in Trombay.

These two refineries can easily handle a throughput of 8 million tonnes. If the refinery at Visakhapatnam also can have a capacity of 2 million tonnes, the problem of meeting increasing consumption can be solved at least for the next few years. The aggregate capacity will then be 9 million tonnes for the three coast-based refineries in the public sector, 8 million tonnes for the three refineries based on the indigenous crude, and 10 million tonnes for the three private sector refineries.

Streamlining the Work

Unfortunately politics has got mixed up with economics and negotiations have been going on for a long time to streamline the working of these refineries on a basis which will be more profitable from the national angle. The controversy over the fixation of prices for imported crude in the light of the Teheran Agreement has not been resolved satisfactorily and the Government is also yet to take a decision in regard to the setting up of new machinery for handling crude import. The Shah Committee has recommended that there should be an official agency for handling crude import and long term arrangements should be concluded for getting assured supply.

It has been indicated by Mr. P. C. Sethi, Union Minister for Petroleum and Chemicals that discussions are going on between the Government and foreign-owned refineries for modifying the agreements. The question is whether the Government should require a controlling interest or take over the refineries completely with the payment of suitable compensation. The present thinking seems to be in terms of partial nationalisation and not complete takeover. Eventually an agreement can be expected to be reached for acquiring at least 51 per cent of the equity capital by the government and the foreign firms may not be disagreeable for canalising imports through official agencies from known sources.

The problems of creating additional refineries capacity to the extent of 17 million tonnes by 1980 bristles with the difficulties. There will no doubt

have to be new refineries and from the point of view of achieving economies in the distribution costs, a large sized unit will have to be located in North West India and another in Madhya Pradesh. There are already proposals for establishing a refinery with an initial capacity of 4 million tonnes if not more in this area. This new refinery will be fed on imported crude through a pipe line constructed from a major port in the Gujarat coasts to the refinery site. There will also be a similar problem in regard to the location of a refinery in Madhya Pradesh though it may be examined whether a crude pipeline can be established linking the Madhya Pradesh refinery with the Koyali pipelines. These new projects will take time to be completed and involve also a large capital outlay. In order to be in a position to meet the growing demand, there will have to be a stepping up of the capacity of the two Trombay Refineries by at least 3 million tonnes while the Cochin Unit may have to raise its throughput to 5 million tonnes and Madras Unit to 4 million tonnes. The Visakhapatnam Unit can have an output of 3 million tonnes and Haldia 4 million tonnes. This will give an additional capacity in respect of the six coast-based refineries of 8½ million tonnes.

Assuming that the two new refineries will have an initial capacity of 5 million tonnes total expansion will be 13½ million tonnes. For feeding these refineries, there will have to be a corresponding increase in imports of crude oil. If there was an increase in indigenous production as it is likely to at least 15 million tonnes the additional output of 7 million tonnes can be used for stepping up the capacity of Koyali unit and feeding the Madhya Pradesh Unit. The Barauni unit also can raise its output to 5 million tonnes. In that case there is scope for utilising indigenous and imported crude intelligently and in proper proportions. The Koyali Refinery and the two new refineries in West U.P. and Madhya Pradesh can form part of one inter-linked pipe complex while the Barauni, Nunmati and Haldia refineries can form part of another inter-linked pipe complex. —(FOC)

Freight Equalisation for Steel for SSI

New arrangements are afoot to feed the small scale industries with uninterrupted supply of steel at a uniform price.

The Government is understood to be examining two proposals in this regard. First, distribution of steel is sought to be entrusted to the Small Industries Corporation in the States instead of making it available through the stock-yards at present, to ensure a steady supply of the essential raw material.

Second, a uniformity in prices is to be brought about by evolving a scheme of equalising the freight charges as is being done in case of cement.

The proposals, it is understood, received a tentative okay from the Industrial Development Minister, the Steel Minister and the Minister of

State for Planning when they met recently and discussed the problem of raw material shortage faced by the small scale units, particularly of steel. The Development Commissioner for Small Scale Industries has been asked to prepare the details of the new arrangements for approval by the Government.

The arrangements are aimed at preventing any diversion of steel, which is now imported in large quantities, to make up for shortfalls within the country. They are also expected to save the small units from being forced to buy steel at black market rates because of alleged malpractices at the stockyards.

These apart, the Government is also examining the proposals for liberal provision of scarce imported raw materials to small units, even though they belong to non-priority sector,

outlined by a high-level committee set up by the Planning Commission.

In its report, the committee has called for the scrapping of the existing *ad hoc* formula of providing imported raw materials upto 30 per cent of the installed machinery value and has suggested making available either full or substantial requirements of raw materials to selected industries in the non-priority sector, depending upon their relative importance to the economy.

Committee's Recommendations

Accordingly, the committee has recommended provision of 100 per cent of import requirements to 54 industries after an assessment of capacity, whether the units were proposed, new or existing.

The following are the other major recommendations of the committee:

Licensing of one or more State Corporations to set up their own mills for re-rolling aluminium ingots and supply them as metals to small scale units should be examined.

Control on distribution of semi and intermediate products should be imposed and powers to effect the system must be taken either under the Industries Development and Regulations Act or the Essential Commodities Act.

Each wholesale distributor of these semi and intermediate products must be compelled to earmark a separate quota for a few small scale units situated in the region or the district served by him.

All new small scale units set up in the backward districts or areas eligible for the capital subsidy of 10 per cent should be provided with cent per cent requirement of imported raw materials. In regard to indigenous materials, special quotas should be earmarked for them.

In a situation of foreign exchange shortage, the available foreign exchange for import of raw materials should be equitably divided between the large and the small industries manufacturing the same product.

Company Meeting :

UNIT TRUST OF INDIA

45, VEER NARIMAN ROAD, BOMBAY

Statement by Shri R. S. Bhatt, Chairman, Unit Trust of India, to the contributors to the initial capital of the Trust and Unit holders for the year ended June 30, 1971

The Unit Trust of India completed, as of June 30, 1971, its seventh year of operations and its accounts have been audited and published.

The Trust has declared an income distribution to unit holders, at the rate of 80 paise per unit i.e. 8 per cent. This dividend is the highest so far declared by the Trust and compares with 7.2 per cent paid in the preceding year. The income distribution to the initial capital contributors is 5.25 per cent.

Increase Income

During the year under review, the income of the Trust amounted to Rs. 8.41 crores (inclusive of profit from sale of securities of Rs. 27.89 lakhs) as against Rs. 6.28 crores in the preceding year. Total expenses, including expenses on administration, provision for sundry liabilities etc., also rose to Rs. 80.00 lakhs from Rs. 67.31 lakhs in the preceding year. In terms of Sections 24 and 25 of the Unit Trust of India Act, 1963 (as amended), the net income allocated to unit holders amounted to Rs. 758.17 lakhs. This, together with the balance of Rs. 19.24 lakhs in the Unit Capital Appropriation Account—in all Rs. 777.41 lakhs—is available for distribution to the unit holders whose names were on the Register of the Trust as on June 30, 1971. The income distribution to unit holders will absorb Rs. 738.01 lakhs leaving a balance of Rs. 39.40 lakhs. The income distribution to the initial capital contributors will absorb Rs. 26.25 lakhs leaving a balance of Rs. 10.58 lakhs. The aggregate transfer to General Reserve amounts to Rs. 27.89 lakhs. This will leave Rs. 12.94 lakhs and Rs. 9.15 lakhs to be carried forward in the respective Appropriation Accounts.

Sale of units during the year at Rs. 1,799.67 lakhs was lower than the record level of Rs. 2,283.40 lakhs in the previous year. The sales were, however, higher than those in any of the earlier years, 1965-66 upto 1968-69. The fall in sales during the year may be attributed to the general hardening of interest rates, increase in interest rates in rival channels of investment and also, to the change in the scheme of tax concessions introduced last year. Almost the whole of the investments in units made during the year was by individuals who accounted for Rs. 1,736.17 lakhs. Institutions invested only Rs. 63.50 lakhs.

During the year, sale of units to non-residents amounted to Rs. 42.93 lakhs as

against Rs. 48.36 lakhs in 1969-70; the number of applications received was also lower at 440 as against 603. As of June 30, 1971, units sold to and outstanding with non-residents amounted to Rs. 161.50 lakhs under 2,205 applications.

Repurchases by the Trust during the year were larger, viz. Rs. 3.19 crores under 12,698 applications as against Rs. 2.03 crores under 9,480 applications in the previous year. Repurchases this year worked out to 3.3 per cent of the aggregate funds invested by unit holders.

Total Investments: Rs. 105.14 Crores

Total investments of the Trust as on June 30, 1971 amounted to Rs. 105.14 crores as compared with Rs. 88.18 crores at the end of the previous year.

The Trust participated in the underwriting of 16 issues to the extent of Rs. 3.05 crores during 1970-71 as compared with 21 issues totalling Rs. 9.69 crores in the preceding year. By far, the bulk of the underwriting was claimed by debentures (Rs. 138 lakhs). The balance comprised ordinary shares (Rs. 94 lakhs) and preference shares (Rs. 73 lakhs).

The capital market remained sluggish during the year under review, and the total capital issues (July-June) amounted to about Rs. 50 crores (including initial issues of equity and preference shares, right issues and debentures) as compared to about Rs. 30 crores during the previous year. In the stock market also, after an initial firmness till about September 1970, share prices started sliding down, the pace gathering momentum as the year wore out.

The slump in the stock market prices towards the close of the accounting year had its impact on the market value of the Trust's investments, which in relation to their book value, as on June 30, 1971 showed a smaller appreciation of 7.5 per cent as against 9.6 per cent at the end of the previous year. The appreciation in the portfolio was accounted for by ordinary shares. Taking into account the appreciation in the Trust's investments, the net value of the assets of the Trust as on June 30, 1971 amounted to Rs. 106,12,46,387. During the year under review, 24 companies whose securities are in the Trust's portfolio, issued bonus shares. The ratio of bonus shares to existing shares ranged from 1 for 10 shares to as high as 4 for 5.

The Trust continued its efforts to popularise units as a medium of investment in the countryside. The Trust's agency force was further expanded; the number of approved agents at the end of the year stood at 2,756 as against 2,303 in the previous year. The number of approved brokers on the recognised Stock Exchanges was 320 as against 315 a year ago. Besides the Trust's various offices, units continued to be on sale at over 10,000 branches of the leading banks throughout the country and at about 18,000 post offices. The Government of India's grant towards the Trust's publicity expenses was scaled down further. For the financial year 1970-71, the grant sanctioned was Rs. 5 lakhs as against Rs. 7.5 lakhs for the previous year. The Trust's outlay on publicity from its own revenue was Rs. 1.08 lakhs during the year.

The Trust's Reinvestment Plan, 1966 recorded further progress during the year. The total amount reinvested during the year with respect to income distribution relating to the year ended June 1970 was over Rs. 50.44 lakhs, the number of applications being 15,660. With respect to income distribution for the year ended June 30, 1971, the number of new applications for reinvestment received by the Trust totalled 4,193 involving 20,33,750 units.

Sale of units under the Voluntary Savings Plan, 1969 during the year amounted to Rs. 1.58 lakhs. The number of savers participating in the Plan at the end of the year was 682.

The Children's Gift Plan launched by the Trust on July 1, 1970 has made a promising beginning. During the year, units worth Rs. 56.32 lakhs were sold, the number of applications being 2,388.

Unit-linked Insurance

The Unit-linked Insurance Plan, reference to which was also made in my previous statement has been finalised. The basic objective of this plan is to offer to investors, especially from the relatively small and medium income groups of the community, a facility for regular savings and investment of such savings in the units of the Trust, combined with the advantage of life cover during the period of the plan.

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

WORK ON BHORUKA STEEL LIMITED INAUGURATED



Work on Bhorka Steel Limited, a Mini Steel plant with an annual capacity of 50,000 tonnes of steel billets, was commenced recently at Bangalore. The steel plant is targetted to be commissioned by August 1972. Photo shows Mysore Governor Dharma Vira inaugurating the Furnace Foundation work of the mini steel plant. The chairman of the company P. D. Agrawal is seen at the extreme left

Company Meeting

BHARAT HEAVY PLATE & VESSELS LTD.

VISAKHAPATNAM

CHAIRMAN'S SPEECH

Speech delivered by Shri S. N. Bilgrami, Chairman, Bharat Heavy Plate and Vessels Limited at the Fifth Annual General Meeting of the Company held on 11th September, 1971, at Visakhapatnam

Gentlemen,

I have great pleasure in welcoming you to this the Fifth Annual General Meeting of the company. Copies of the Directors' Report and Audited Accounts for the year ended 31st March 1971 are already in your hands. Important matters arising out of the accounts are commented on in the financial notes attached thereto. I shall, with your permission, take them as read.

I am glad to report that the construction of the factory was completed in July 1971 and the factory formally inaugurated by Shri S. Mohan Kumaramangalam, Union Minister for Steel & Mines, on the 21st August, 1971. I would like to take this opportunity to congratulate the Managing Director, our Czechoslovakian Collaborators, the officers, the staff and workers of this factory for their devotion to duty and hard work without which it would not have been possible to establish this factory. I sincerely hope that this project would contribute in no small measure to achievement of self-sufficiency in the supply of indigenous equipment to the process industries in the country.

Production & Financial Notes

As you are aware, limited trial production was started in July, 1969 by installing some equipment in temporary locations. During the year under review, the production activity was shifted gradually from the Machine Shop to the Main Production Building as and when sections of this building were ready. The production however could not reach a high figure as production activities had to be taken up side by side with construction and erection of machinery. The target of production for the year under review was set at 1,800 tonnes but due to the delay in the receipt of raw materials the actual production during the year was only about 550 tonnes out of which the saleable production was about 440 tonnes valued at Rs. 37 lakhs and the balance of equipment produced was for the factory's own use. The items produced during the year included heat exchangers, pressure vessels, columns and dust separators.

You will see from the Directors' Report that your company has incurred a loss of Rs. 83.52 lakhs during 1970-71. The reason for this, as mentioned in the foregoing paragraph, is that the factory was only in partial production while construction and erection of machinery was still in progress. Unlike most other undertakings in the public and private sectors this factory is designed to engineer, manufacture and provide equipment for a wide range of industries and does not manufacture standard equipment

for any particular industry. A factory of this type has therefore a long gestation period during which designs and skills are developed and workmen trained before a stage of production is reached which would enable the factory to show a profit after providing for interest charges and depreciation.

Ordinarily in commercial practice such factories are not erected at one stroke but the equipment is added as the demand grows and the workers acquire the necessary skills. However, since we are at a stage of development where it is necessary to establish factories on this scale with the minimum possible delay the performance of the undertaking should not be judged in the early stages mainly from the point of view of profit or loss for the year under review. It is envisaged that production will be increased in stages and your company will reach the break-even point at a production of about 65% of the rated capacity. Till then losses are inevitable.

Development of Technology and Skills

I am glad to report that although in terms of quantity and value the production was not high, your factory has fabricated sophisticated equipment conforming to very rigid specifications. Some of these items of equipment have been subjected to 100% radiographic tests of all welded seams and the completed equipment has been stress-relieved. Your company has also undertaken the fabrication of vessels made of low alloy steel requiring special care at every stage of manufacture.

Fabrication of complicated items of equipment for the Fertilizer, Aluminium, Petrochemical and other industries has been taken up by your factory after carrying out successfully the developmental work for nearly a year. I am happy to report that your company has been devoting special attention to developmental work in various technologies. I am sure that with the production facilities available in your factory and the developmental activities which are being pursued, we shall be in a position to take up the manufacture of any item of fabricated equipment for the process industries.

Raw Materials

Since the plant is to meet the requirements of the process industry for operation at critical conditions of pressure, temperature and corrosion, it needs a variety of raw materials to be handled. It is therefore impossible for your company to estimate the requirements of raw materials in advance and stock them. Further many of the

special steels and some components which are not available in the country are to be imported and there is delay in procuring these. In order to satisfy the delivery schedules stipulated by customers, it is necessary that the raw materials for fabrication should be available within 4-6 months of the acceptance of orders. The Government is already seized of this problem and are taking steps to eliminate delays in the issue of Import Licences to ensure the timely receipt of raw materials.

Diversification

I am glad to inform you that during the year under review we have finalised two important collaboration agreements one with M/s L'Air Liquide of France for the manufacture of air and gas separation plants and another with M/s. Nooter Corporation of U.S.A. for the manufacture of high pressure vessels.

The conclusion of an agreement with M/s. L'Air Liquide would enable us to offer on a turn-key basis complete air and gas separation plants required by the process industry, particularly for the coal and fuel oil based fertilizer plants, steel plant units using oxygen for steel making and others. The manufacture in India of an appreciable percentage of the equipment required for these plants will contribute to a substantial savings in foreign exchange. Similarly, with the finalisation of a collaboration agreement with M/s. Nooter Corporation, your company can take up the manufacture of high pressure vessels required for the synthesis of Ammonia, Urea, Methanol and other organic products, which were hitherto being imported. This would indeed go a long way in filling the gap between the demand and availability of process pressure vessels.

Order Position

Your company has so far secured orders worth about Rs. 9 crores. The market survey for our products will have to be correlated to the development of process industries in the country. All efforts are being made to improve the order book position.

In conclusion, I thank my colleagues on the Board of Directors for giving the valuable advice and support. My thanks are also due to the employees at all levels for their devoted and sincere work.

I now commend for your adoption the Balance Sheet and Profit and Loss Account for the financial year ended 31st March, 1971.

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

BUSINESS BRIEFS:

Comfortable Position of Financial Institutions

Statutory financial institutions like the Industrial Development Bank of India, Industrial Finance Corporation, Industrial Credit and Investment Corporation and State Financial Corporations have no great difficulty in meeting the requirements of the private industrial corporate sector as the demands have not been heavy and the repayments of earlier have also been on a sizable scale. It has not been necessary for financial institutions to take up large parcels of equity and preference shares issued by existing or new companies to honour their underwriting commitments as public response to moot issues has been quite encouraging. But it is expected that the demands on the institutions will increase as investment activity in the private sector shows signs of pick-up and the institutions will have to mobilise external resources to be able to satisfy industry's needs. However, the insistence on conversion of loans into equity may act as a deterrent to approaching financial institutions for assistance. But these institutions will continue to fill a vital gap in industrial finance as individual savings and corporate savings may not be adequate to meet the increasing tempo of investments that may be expected in the coming years. The Vice-Chairman of IDBI, Mr. V. V. Chari pointed out recently that all the term-lending financial institutions together accounted for more than 25 per cent of the total fixed investments in the private corporate sector in 1970-71. IDBI alone was responsible for financing a little more than 10 per cent of the total fixed investments and about 20 per cent of the exports of capital and engineering goods during 1970-71.

IDBI's Increasing Role

The Industrial Development Bank of India, the apex institution in the field of industrial finance for promoting and financing industrial development, has acquitted itself creditably in the year ended June, 30, 1971. Sanctions of assistance during the year doubled to Rs. 131.1 crores from Rs. 65.2 crores in 1969-70 while disbursements were 50 per cent higher at Rs. 78.4 crores. The bulk of the increase in disbursements was in export assistance and refinance of industrial loans. There was actually a sharp decline in direct loans to industries (other than exports) as most loans were given to small concerns and the sanctions to big projects will be effective only after a period. The break-up of sanctions was: direct loans Rs. 43.2 crores (Rs. 7.6 crores); underwriting and direct subscriptions to shares and debentures Rs. 5.6 crores (Rs. 6.1 crores), refinance of industrial loans Rs. 25.6 crores (Rs. 14.3 crores). Rediscounting of bills Rs. 28.5

crores (Rs. 24.1 crores); Direct loans for exports Rs. 11.3 crores (Rs. 11.2 crores); Refinance of export credits Rs. 13.7 crores (Rs. 1.3 crores); Subscriptions to shares and bonds of financial institutions Rs. 3.1 crores (Rs. 50 lakhs); Guarantees (including export guarantees) Rs. 3.7 crores (Rs. 2.5 crores).

Apart from larger assistance to industries and exports, the Bank's promotional activities have also been widened especially in the backward regions. It has also turned its attention to small entrepreneurs like technicians. As part of the promotional functions, IDBI has initiated feasibility surveys in relatively backward States. It will later discuss project ideas with State Governments. The new subsidiary—Industrial Reconstruction Corporation provided assistance for Rs. 3 crores to 18 industrial units in West Bengal. The corporation has received 100 applications for assistance, mostly from closed units and some of them "about to die". To co-ordinate the promotional activities of the various agencies, a technical consultancy service centre is proposed to be set up in each State.

The IDBI expects to increase its disbursements in 1971-72 by 30 per cent and the unutilised balance in the long-term operations Fund of RBI will be only Rs. 80 crores after the latest transfer, it is proposed to raise fresh resources from the open market through debentures for Rs. 12.50 crores.

The IDBI has evolved certain norms to help processing of applications and solution of projects. The criteria of project selection relate to (1) the internal rate of return of a project and (2) its implicit foreign exchange rate. (i.e. the implicit exchange rate—domestic cost of earning or saving, say, one U.S. dollar—should not be higher than the prevailing Reserve Bank exchange rate).

Total assistance disbursed by all term-financing institutions to industry (excluding L.I.C. and Unit Trust) in 1970-71 amounted to Rs. 148.4 crores, an increase of 27.6 per cent over the Rs. 116.3 crores given in 1969-70. This was less than the 35.5 per cent rise in the previous year, but in absolute terms the increase in the latest year was more. Rupee assistance disbursed more to Rs. 124.3 crores from Rs. 102.6 crores and foreign currency loans to Rs. 24.1 crores from Rs. 13.7 crores.

I.F.C.'s Operations

The Industrial Finance Corporation sanctioned total assistance of Rs. 35.32 crores to 61 industrial units in 1970-71 against Rs. 19.38 crores to 49 industrial units in 1969-70. Disbursements totalled Rs. 17.35 crores including guarantees for Rs. 20 lakhs.

Foreign currency loans increased to Rs. 35 crores from Rs. 1.69 crores. Besides a wide range of industries, 11 projects in 7 States, accounting for 24 per cent of total sanction for the year, would be located in backward regions. Assistance to-operative sector also increased to Rs. 9.15 crores. IFC also extended loans to two public sector industries. Since its inception in 1948, cumulative assistance by I.F.C. has amounted to Rs. 365.67 crores—Rs. 238.67 crores in rupees, Rs. 43.58 crores in foreign currency loans, underwritings and direct subscriptions Rs. 31.49 crores and guarantees for Rs. 51.93 crores. Assistance actually disbursed totalled Rs. 318.76 crores or 87 per cent of sanction. The corporation's assistance has helped to mobilise financial resources for about Rs. 1,612 crores for the completion of project for which aid was sought. The corporation is now relying for fresh resources on the open market for the second year and is raising Rs. 8 crores through a cash-cum-conversion bond issue. The effective rates for rupee and foreign currency loans have been raised to 8½ and 9 per cent from 8 and 8½ per cent respectively in line with other financial institutions.

Bharat Heavy Electricals

Bharat Heavy Electricals Limited turned the corner in 1970-71, earning a modest profit of Rs. 65 lakhs for the first time after providing for depreciation, interest and contingencies, thanks mainly to the good performance of the Tiruchi Boiler Unit. Total value of production rose to Rs. 48.26 crores from Rs. 44.61 crores in 1969-70 and would have been ever higher but for the strikes at Hyderabad and Hardwar units. (The loss in output due to these was Rs. 1.40 crores). The net profit of Rs. 65 lakhs is after providing Rs. 6.17 crores for interest on loan capital, Rs. 4.74 crores for depreciation, Rs. 1.35 crores for contingency reserve and Rs. 1.52 crores expenditure on social overheads in excess of receipts. The interest burden will come down from the present year as a result of the Government's decision to convert Rs. 15 crores of loan capital into equity capital.

The value of output of the Tiruchi Boiler unit increased by 25 per cent to Rs. 26.52 crores. In terms of quality, the increase was from 18,800 tonnes to 22,000 tonnes. At the end of the year, 20 boilers for thermal power stations and 19 process boilers were under construction. The output of Hyderabad unit declined to Rs. 12.71 crores from 14.59 crores, the value added increased to Rs. 8.70 crores from Rs. 7.48 crores. During the year, two 60 MW units and one 110 MW sets were completed and 194 circuit breakers were manufactured. At Hardwar, production increased to Rs. 10.79 crores from Rs. 9.44 crores. Fresh orders worth over Rs. 180 crores were received by all units during the year. Letters of intent for eight 200 MW turbo sets and associate boilers were also received and combustion Engineering of GS

will provide the basis for manufacture of 200 MW boilers.

Hindustan Machine Tools

Hindustan Machine Tools Limited has recovered from the bad patch it struck during the recession and after suffering losses for three consecutive years has earned a profit for 1970-71 of Rs. 30.78 lakhs. There was an appreciable 24 per cent rise in production of machine tools and sales also picked up sharply. The Chairman, Dr. S. M. Patil, has said the production and sales of existing as well as new products will increase further in the current year, with an improvement in profitability too. On the export front, HMT accounted for half the total machine tool exports of the country and with the abolition of import duties, the EEC is expected to be a growing outlet for Indian machine tools.

The Company has ambitious expansion and diversification scheme on hand which when completed will improve its turnover sizably in the coming years. Assembly of HMT Zetor-wheeled tractors has already started at the Pinjore unit in Punjab. A plant is being set up there with Czechoslovakian collaboration to produce 12,000 tractors per annum. There is also a project to take up manufacture of printing machines at the Kalamassery unit with Italian collaboration. Assembly of 14 printing machines and 14 paper cutting machines is expected to start in the course of this year. A detailed project report has been submitted to Government for approval. Another new venture relates to manufacture of sophisticated heavy duty presses at the Hyderabad unit in collaboration with U.S. interests. A detailed project report has been submitted to Government for approval while in the meantime, assembly of presses and press brakes has been going on since last year. A collaboration agreement has been signed with a Swiss firm for the die casting and plastic injection moulding machines project at Bangalore. The assembly of these machines will start this year from imported parts. The work on the watch units at Bangalore (for automatic day and date-day wrist watches) and at Srinagar (new unit) has commenced and both units will go into production in about four years raising HMT's output from 3.6 lakh watches to 8.6 lakh watches. When all these schemes are completed, HMT's turnover would leap from the present Rs. 20 crores to Rs. 60 crores in the late seventies.

Bharat Earth Movers

Bharat Earth Movers Limited has increased its turnover in 1970-71 to Rs. 26.80 crores from Rs. 22.80 crores in 1969-70 while the net profit, after taxation, jumped to Rs. 2.98 crores from Rs. 1.44 crores. The Directors have raised the dividend on equity capital to 4 per cent from 3 per cent after strengthening the internal resources to Rs. 9.4 crores from Rs. 5.7 crores. The rail coach division reached its target for the year comfortably

but the earth moving division experienced difficulty over regular supplies of certain bought out components. It is gratifying that the indigenous content in earth moving equipment has been raised to 50 per cent on the average in a short period of four years. Efforts are also being made to improve the designs of the existing models at the research wing which has also developed sophisticated assemblies and agricultural implements for attachment to tractors.

Shipping Corporation

Shipping Corporation of India Limited has reported very encouraging results for 1970-71. Gross earnings increased appreciably to Rs. Rs. 65.84 crores from 53.70 crores in 1969-70. The net profit, after taxation, was also markedly higher at Rs. 6.91 crores against Rs. 5.51 crores. The dividend has, however, been only slightly raised to 6 per cent in view of the need for large funds for development. Self-generated component in the total capital outlay of Rs. 175.19 crores at the end of 1970-71 is as much as Rs. 65.42 crores. The tonnage registered an increase during the year to 13.55 lakh dwt from 10.60 lakh dwt (during a ten-year period the tonnage went up by over 600 per cent from 1.94 lakh dwt). The corporation now operates a uniquely diversified fleet of cargo liners, bulk carriers, tankers, colliers, ore-oil-grain carriers, timber carrier, etc. A worldwide network of cargo liner services has been built up besides promotional services to Asian and African countries to boost exports. There are now 32 ships for 10.62 lakh dwt ore on order and negotiations are in progress for ordering more ships including tankers, and if those materialise SCI's tonnage may cross the 3-million mark in 1975-76. The Chairman, Mr. Srivastava has, however, uttered a note of caution about the future outlook. While there has been an unprecedented rise in cost of ships, operating costs are also mounting sharply and the tramp market has slumped to new low levels. These cannot but depress further the overall profitability of operations. There has also been a decline in export cargoes to U.S. while aid reductions have affected import cargoes.

Heavy Electricals (India)

Heavy Electrical (India) Limited, Bhopal, was able to increase its output during 1970-71 to Rs. 28.90 crores from Rs. 25.50 crores in 1969-70. Thus the target of Rs. 30 crores for the year was nearly achieved. Production in established lines like transformer, switchgears and capacitors exceeded the target for the year but there were shortfalls in turbine generator products which are still in the development stages. During the year the first 120 MW steam turbine, the largest so far completed in the country was manufactured and is being erected at Chandrapura (DVC) power station. More sets of 120 MW steam turbines and generators are in various

stages of manufacture. The erection and commissioning of hydro turbine-generator sets was also completed at Obrá (U.P.) and Basi (Himachal Pradesh) power stations and erection of other products are in progress. The company has now undertaken to design, manufacture and supply two generating sets of 135 MW each and associated rotary valves for the Kalinadhi hydel project in Mysore. Orders for two more units of 120 MW turbo generator sets each for Ukai (Gujarat) and Santaldih (West Bengal) thermal stations were received during the year. At the end of the year there were orders for 12 sets of 120 MW turbo generator sets while a letter of intent has been received for supply of the second 236 MW nuclear turbine-generator set for the Kalpakkam project. The company supplied a second 250 MVA transformer to the Rajasthan atomic power project while an order for a still larger transformer of 260 MVA was also received from the Bhabha Atomic Research Centre. There was also good process made in the manufacture and supply of their heavy electrical equipment to various industries during the year. The company's research division has also been successful in developing new products like mica insulation wrapping machine and electronic control equipment like voltage regulators for (electrical multiple coaches) and transistorised excitation control equipment for diesel electric locomotives.

The company will however take some more time to earn profits though the losses (including prior period adjustment) for 1970-71 came down to Rs. 6.11 crores from Rs. 10 crores for 1969-70. The Chairman Mr. O. S. Murthy however points out that interest charges alone accounted for Rs. 5.45 crores of this loss and has pleaded for adequate relief from Government through reorganising the capital structure of the company. The technical consultancy agreement with Associated Electrical Industries of U.K. expired last November and has not been renewed. A separate pact has been concluded with English Electric AEI Turbo-generator Company for the manufacture of 230 MW steam turbines for nuclear power stations. Exports during the year amounted to Rs. 45 lakhs.

Hindustan Teleprinters

There was a slight drop in the output of Hindustan Teleprinters Limited, during the year ended March 31, 1971 to 4,911 units from 5,010 units in 1969-70 as there was disruption to operations for two weeks due to labour unrest. Sales were also less at 5,040 units against 5,079 units, but the turnover was marginally better at Rs. 3.45 crores against Rs. 3.41 crores, despite lower selling prices as sales of spares rose sharply to Rs. 54.52 lakhs from Rs. 40 lakhs. The net profit, after taxes, declined to Rs. 53.78 lakhs from Rs. 66.52 lakhs due to higher working expenditure and lower selling prices. The equity dividend has been increased to 12½ per cent. Exports during the year amounted

to Rs. 27.7 lakhs which is much more than the company's import bill. The foreign exchange content of the teleprinters is now only 3 per cent by value in components and 6 per cent by value in raw materials. Efforts are under way to redesign the present machine for a more streamlined look and for incorporating the tape transmission and perforating attachments. Another development relates to replacement of the transmitting and receiving portions of the electro mechanical unit by electronic circuits using integrated circuitry which will provide special facilities like improved margin and distortion, features, automatic space shift, storage facilities, etc.

Instrumentation Limited

Instrumentation Limited, which has its unit at Kota (Rajasthan), has reported another year of profitable working in 1970-71 and it has been possible to declare a maiden dividend of 6 per cent on equity capital. The company is now undertaking for the first time in the country turnkey instrumentation jobs, helping to save considerable sums in foreign exchange and has been increasingly using indigenous raw materials. The turnover in 1970-71 more than doubled to Rs. 5.32 crores from Rs. 2.58 crores in 1969-70 while operating profits jumped threefold to Rs. 2.14 crores from Rs. 83.33 lakhs. The net profit after depreciation, etc. was also much higher at Rs. 155 lakhs (Rs. 22.96 lakhs).

Universal Steel & Alloys

Universal Steel and Alloys Limited has a scheme to manufacture mild steel billets at its factory in Faridabad, near New Delhi. The initial capacity will be 12,000 tonnes. An application has been made for an industrial licence to expand the capacity to 25,000 tonnes of mild steel and special steel billets to be subsequently rolled into 21,000 tonnes of flats, rods and wires. Orders for most of the plant and machinery have already been placed and deliveries also have commenced. It is expected that production will commence by May 1972. The project is estimated to cost in the first phase Rs. 100 lakhs. This is to be financed by an equity issue of Rs. 50 lakhs and loan from the Industrial Finance Corporation for Rs. 50 lakhs. Of the equity issue Rs. 20 lakhs will be subscribed by the promoters, directors and friends while the balance of Rs. 30 lakhs was offered recently for public subscription. The company expects to pay a maiden dividend within two years of the project's completion.

Award for Import Substitution

Mr. S. V. Lathia of Lathia Rubber Manufacturing Company Private Limited has been awarded a silver shield by the Import Substitute Board of the Government of India for developing rubber jackets used in leather cloth industry without any foreign assistance.

The spreading leather jacket which helps to spread colours on the leather cloth product has so far been imported and the saving on this account will be Rs. 3 lakhs a year. Mr. Lathia has also secured a cash award of Rs. 5,000 for developing mercury cells used in caustic soda plants for the first time in the country. The annual saving in foreign exchange is estimated at Rs. 20 lakhs. Another silver shield awarded to Mr. Serhia is for developing M.G. Press rollers and sanction press rollers used in paper industry. This is expected to save the country Rs. 10 lakhs in foreign exchange.

Raunaq Exports of Pipe Fittings

Raunaq Malleables have secured orders worth 50 lakhs of rupees for export of malleable iron pipe fittings. When the first consignment was despatched to overseas markets, Mr. Raunaq Singh, Chairman of Raunaq Malleables stated that Raunaq Malleables is one of the largest and most modern plants of its kind in Asia and has been equipped to produce pipe fittings and castings conforming to international standards. It is an export-oriented project and has an annual capacity of about 5,000 tonnes. The export turnover is expected to be two crores rupees per annum. The plant has recently been commissioned at Faridabad, about 12 miles from Delhi.

Prospects of Steel Tubes and Pipes Bright

India is not only self-sufficient in the production of steel tubes and pipes but has adequate capacity to spare for export. There are 14 units in the organised sector manufacturing steel pipes and tubes. In 1970, their capacity stood at 471,460 tonnes and actual output 210,000 tonnes. Besides, the

country has capacity to produce seamless steel tubes whose present capacity is 39,600 tonnes per annum and production in 1970 was 32,000 tonnes.

Production of cast iron spun pipes increased considerably particularly during the Third Plan period. In 1970 the installed capacity was 438,360 tonnes against which the production was to the tune of 165,460 tonnes.

The pipes and tubes industry has entered into the export market only recently. The first consignment of tube was exported to Ceylon in 1958. Since then exports have grown at a very rapid pace. The country today is one of the leading exporters of steel tubes and pipes. Total exports of these items moved up from Rs. 40 million in 1967-68 to over 113 million during 1969-70. The export target set by 1973-74 is of the order of Rs. 250 million.

Already Indian manufacturers have participated in several global tenders for export of tubes and pipes and proved that the industry can supply at international standards and specifications. These products have even been exported to the sophisticated markets like the U.S.A. and other developed European markets. During 1964-70 the country was able to export 45,500 tonnes of small diameter tubes to the U.S.A.

International trends are also in favour of the industry in India. Developed markets are moving away from producing items like tubes and pipes and are concentrating on more complicated products requiring advanced technology.

Crompton Greaves Knowhow for Iraq

Crompton Greaves, equipment manufacturers of India has now concluded a Technical Collaboration and Consultancy Agreement with the State Electrical Industries Com-



A new trade and economic cooperation agreement between India and Iraq was signed in New Delhi on September 24, 1971. Photo shows Mr. L. N. Mishra, Minister of State for Foreign Trade (left) and H.E. Dr. Fakhri Qadouri, Member of the Economic Bureau of the Revolutionary Command Council of Iraq, signing the agreement.

pany, a Government of Iraq undertaking, under which they will provide consultancy services to build and equip a factory in Iraq for the manufacture of ceiling fans. These fans will be made under licence from Crompton Greaves who will also provide knowhow, training, etc.

The proposed plant would be the first factory in Iraq to manufacture ceiling fans in volume. To be built at Waziria near Baghdad, it would have an annual manufacturing capacity of 90,000 ceiling fans.

The Agreement provides for supply of licence and manufacturing knowhow including training of Iraqi personnel during the Agreement period of five years as also assistance in planning the factory, and in setting up and commissioning the plant.

Under the Agreement, Indian engineers would assist Iraqi personnel in supervising the erection and commissioning of the plant. They would give them the necessary training in the manufacture and assembly of the fans and this is why the second large consignment of fans is to go in the CKD condition. Simultaneously, some Iraqi engineers would also receive training at the Bombay Works of Crompton Greaves.

Taking account of the fact that the new plant is to have an annual capacity of 90,000 ceiling fans and will have to be fully equipped for this purpose, it is estimated that this Agreement will help India earn foreign exchange to the tune of Rs. 21 crores. This will take the form of export of ceiling fan assemblies, parts and raw materials to be supplied by Crompton Greaves, plant, equipment, jigs and tools, etc. of Indian origin. Crompton Greaves will supply for this IPPE factory and last but not the least, the royalty and technical consultancy fees to be received by Crompton Greaves during the five year period of the Agreement.

IIW Branch for Tiruchi

The Indian Institute of Welding, Tiruchirappalli Branch, was recently inaugurated. A technical seminar and an exhibition on welding added further interest to the inaugural function.

Mr. W. Burt, President of the IIW, who presided over the function, observed that it was BHEL which provided the heart beat of Indian industry and as such starting a branch of IIW at Tiruchi was appropriate.

Inaugurating the branch, Mr. O. S. Murthy, Chairman, Bharat Heavy Electricals Ltd., emphasised the need for the adequate understanding of welding technology for further industrial development.

Earlier, welcoming the gathering, Mr. V. Krishnamurthy, Chairman of IIW, Tiruchi Branch, earlier referred to the importance of welding as a technology and felt an adequate understanding and rapid absorp-

tion of the new techniques in welding as vital to keep the Indian industries abreast of the technological race.

Mr. V. Surya Rao, Director of Power Project Engineering Division, Atomic Energy Commission, released a Souvenir.

IPCL's Wide Range of Activities

Indian Petrochemicals Corporation Limited, a Public Sector Company set up in 1969 with the main objective of developing petrochemical complexes in the country, is at present engaged in the construction of the Gujarat Aromatics Project which is expected to be completed by July 1972.

At full capacity the plants are expected to manufacture annually 24,000 tonnes of Dimethyl terephthalate (DMT), which is the raw material for polyester fibre which in turn is woven into 'Terene' fabrics or blended with cotton. The other products to flow from these plants are 21,000 tonnes per annum of O-xylene, used in the manufacture of Phthalic Anhydride (used as plasticisers) and 2,500 tonnes per annum of mixed xylenes to be used as solvents. The DMT manufactured by IPCL will mean a direct saving of Rs. 10 crores in foreign exchange.

The other Projects that are being implemented by IPCL are: (a) Gujarat Olefins Project; (b) Synthetic Rubber Project; (c) Acrylonitrile Project. The Gujarat Olefine Project consists of the naphtha cracker plant and the Pyrolysis gasoline hydrogenation unit, Benzene Extraction unit and Butadiene Extraction unit.

IPCL has entered into collaboration agreement with Lummus Company Ltd. of UK for basic design engineering for the naphtha cracker. Lummus have completed basic engineering and detailed engineering is being done by Engineers India Ltd., a Government of India enterprise. Collaboration agreements in respect of the other three units of the project are with the Government awaiting their approval. To be completed at a cost of Rs. 31.9 crores in 1974, the project is expected to produce 130,000 tonnes per annum of ethylene an associated quantities of propylene, benzene and butadiene.

IPCL had submitted Feasibility Reports on several downstream units of the Olefins Project to the Central Government and has prepared itself to execute them if called upon to do so. A Feasibility Report for a 20 tonnes per day Polyester Filament Yarn Plant, to be set up in association with cooperatives of weavers consuming this yarn, has also been submitted to Government. This plant will have as its raw material the DMT manufactured by IPCL itself.

Bhilai's Sixth Blast Furnace

Of all the new steel plants set up in the country, Bhilai's performance has won it a unique place in the country's steel industry. Its production has been growing from year to year. Since the commissioning of the first

blast furnace Bhilai has produced 18 million tonnes of hot metal. Out of this four million tonnes have fed the country's foundries and engineering industries, 1.7 million tonnes have been exported and the balance of about 12 million tonnes have gone into production of 15.2 million tonnes of ingot steel.

During 1970-71 alone, Bhilai produced 2.152 million tonnes of hot metal in spite of capital repairs on two of its blast furnaces.

Good Export Performance

Bhilai has also had the unique distinction of having the lowest coke rate—an important factor which has its bearing on the cost of the production of steel. Bhilai is so far the only plant in the country which uses super-fluxed sinter. In order to step up the output of steel, oxygen lancing has also been used in Bhilai. This was given the reason as to how Bhilai has the lowest work cost per tonne of steel—Rs. 286.30 as against Rs. 320 in Tata Iron and Steel Company, Rs. 316.75 at Rourkela and Rs. 355.19 at Durgapur. Bhilai has also established a good record of export performance. Its products are exported to nearly 40 countries.

With the commissioning the sixth blast furnace on July 31 last, Bhilai entered a new phase of expansion. Besides, it will also have facilities for making steel. For this purpose three LD converters will be put up. This is a new technological change. The second technological improvement will be the introduction of continuous casting process. There will be technological improvement in products along with certain diversification. Since the Government has agreed to the production of flat products at Bhilai, a Plate Mill will be set up there for this purpose.

The blast furnace was commissioned for the 3.2 million tonne stage. But now it is expected to achieve further expansion to four million tonnes without adding a new blast furnace. The further increase in the capacity will be achieved on the basis of technological improvement and better operation of the plant.

A Seminar on PVC Processing

Plastics Resins and Chemicals Ltd. will be organising a Seminar at the plant site at Sahupuram on October 24 and 25 on P.V.C. processing opportunities. The seminar is to be inaugurated by Tamil Nadu Industries Minister S. Madhavan who will also open an exhibition on P.V.C. based industries. The objective of the seminar will be to stimulate entrepreneurial talents to establish P.V.C. based industries in the region.

Plastics Resins and Chemicals Ltd., has completed its P.V.C. plant at Sahupuram. The total project cost is in the region of Rs. 12 crores.

The demand for P.V.C. has been increasing and the P.R.C. plant will help meet this to a considerable extent.



Mounting Deficits not Matched by Meaningful Moves...

Though new taxes are, no doubt, inescapable, considering the mounting expenditure on the refugees from Bangla Desh and on flood relief, the levies that have now been imposed are open to the criticism that the method chosen, namely, the promulgation of a bunch of three ordinances, is unprecedented and undemocratic and that the measures are both belated and meagre. Neither the influx of refugees nor the ravages of the floods nor the imbalance in the Central Budget can be said to be a sudden development which has to be met by hasty improvisations without such regard for the scale of relief. Nevertheless, neither the Government nor the people can look on, when expenditure, which cannot be shirked and for which adequate provision could not be made in the budget of May last, has shown staggering increases in successive estimates with but short intervals. According to the latest calculations, the Central Government may have to face a deficit of Rs. 465 crores as against the uncovered overall deficit of Rs. 235 crores in the budget for the current year. The extent of the general deterioration in the finances of the Centre can be gauged from the fact that as on October 15, 1971 the cash balances of the Government came down to Rs. 69.86 crores from the level of Rs. 362.47 crores at which they stood on April 2. This decline is in sharp contrast to the rise of about Rs. 61 crores in the corresponding period of last year and has occurred in spite of the completion of the new loan programme of Rs. 183 crores for the year and a higher level of tax collection both on account of the current year and on account of accumulated arrears. Even the ways and means position is undergoing much stress and strain as the States' overdrafts with the Reserve Bank, after the decline from Rs. 417.04 crores on June 29 to Rs. 82.40 crores on July 25, have again been allowed to rise to Rs. 300.31 crores. Budgetary imbalance is as serious in the States as at the Centre, so that the danger of a rise in deficit financing and, as a consequence, in prices as well is far greater than if the Centre alone were responsible for it.

The problems that the Chief Minister's Conference had to consider had, therefore, to cover a wide range. The tendency to consider them from the predominantly political angle of more powers for the States and less for the Centre appears to have been strong in this year's conference as on former occasions. It is some comfort, however, to learn that the basis of adding to the Centre's revenues, as how-

ever small a scale, has been agreed on at the conference. It is on the strength of such agreement that the Centre has imposed the new levies, which are estimated to yield Rs. 35 crores in a full year, while the States have consented to utilise some of the items in the States' list to make an equal amount available for expenditure on refugees and famine relief. To the burdens now imposed on the taxpayer, there is the sure prospect of more to come. The fact that even such additions will cause no considerable reduction of the deficit at the end of the year and that the impact of the financing of such a deficit on the price level cannot be reduced by the familiar but futile measures of credit or price control leads to many lines of thought regarding the improvement of the position and prospects of the national economy and of public finance. To harp on the delay or the patent inadequacy of the remedial measures will serve no purpose and may even be considered unfair to the Government. But it is neither unfair nor unhelpful to point out that the inadequacy is in spite of the burdens on industry and the consumer having reached or even exceeded the limits of tolerance and that the scope that there is for increasing the revenue without increasing the rates of taxes is vast and has been more or less wilfully neglected.

The levies announced on October 24 through ordinances are mainly in the nature of surcharges which may be felt keenly where they fall on the general public and may be barely put up with where they are imposed on the different instruments ordinarily in use in commercial transactions. The levies include a 5 per cent tax on railway passenger fares of Re. 1 and above, a 5 paise tax on all postal articles other than post cards, but including telegrams and money orders, a 10 paise tax on all bills of exchange, bill of lading, letters of credit, policies of insurance and the like and an excise duty of 2 paise on all newspapers and periodicals. The last mentioned is an offence against a principle which democratic government on the basis of adult suffrage in an illiterate country should regard as sacred and inviolate.

But what is far more important is the fact that public revenue can be helped to expand without any increase in rates, if the potentialities of the economy for increased production are exploited to as great an extent and as rapidly as possible. Such an expansion can be brought about in about six months, if the Government were to concentrate on the task without trotting out excuses for the failure to do so. It is

extremely depressing to find a Minister for Industrial Development arguing that the losses of the public sector are exaggerated and that they are inevitable in a period of gestation. To say that, in this case, not only is the gestation too long, but that the mountain labour has brought forth a mouse, is by no means a merely argumentative retort, for, most of the industries are working to half the installed capacity. There are distinct prospects of increase in exports particularly for the engineering industries for which governmental action for ensuring the supply of essential goods is sorely needed. There are so many applications for licensing and for collaboration in important new enterprises that timely action in regard to even a small fraction of them is bound to result in increase of revenue. By timely action the Government may well be able to present the next budget on the basis of considerably enlarged revenue

estimates and relatively reduced expenditure because of economies in expenditure.

It is most depressing to find ministers engaged in the quest for alibis for the failure of the public sector units and feeling themselves shackled by pseudo-ideological considerations for doing what is necessary for increasing the output of industry. Perhaps even more than the requirements of budgetary equilibrium, the prospect of war with one or more neighbouring countries calls for working the national economy on something like a war time basis. There is still far too much of the wrangles over Centre-State relations for making the most of the existing sources of public revenues or maximising the growth of industry in the different sectors. As has been observed earlier, much may be done to brighten the picture before the next budget. But so little is!

A Close Look at Joint Ventures

The visit of a French economic mission under Mr. M. M. Bizot, Honorary Chairman of Banque Nationale de Paris has occasioned some discussion on joint ventures by India with French and other developed countries in third countries. Mr. M. Chassaguy, Chairman of the Aeronautical and Spatial Industries Syndicate, who is a member of the Bizot mission has indicated that France has made certain proposals on the supply of Mirage jet engines to India and an agreement incorporating the proposals may be signed after further talks. The idea seems to be to use the engine for the advance strike aircraft which India plans to design and develop. It is understood that the Indian Government has already disclosed its desire to use a foreign engine instead of wasting its resources and skill towards developing an indigenous design. It is also reported that France would like Indian engineers to be trained in space technology especially in launching sites and that the prospects for close links between the Atomic Energy Commissions of France and India are now bright.

Yet, as mentioned earlier, the crucial points to be decided relate to the nature of collaboration arrangements and joint ventures. Of course, the line of demarcation between the two has been thin, though sticklers for definition would describe joint ventures as those organised by firms or governments of two countries for the setting up of industrial units in third countries. In fact this type of definition had been most popular in earlier times when India, Egypt and Yugoslavia concluded agreements in principle to establish enduring bases for their tripartite trade. Then and now the advantages of joint

ventures have been generally recognised as follows: First, they create demand for capital goods and ease their exports. Secondly, it ensures a recurring export of raw materials, semi-processed manufactures, spare parts, components, etc. The flow of exports and technical assistance help probe the markets of third countries in respect of items not related to the joint venture tie-up. The Federation of Indian Chambers of Commerce and Industry which has recently made a study of this question, points out that through the acquiring of a controlling interest by an Indian firm in a Hamburg firm not only a sizable export market for diesel engines has been created but an opportunity has been opened for the sale of other Indian export products through the network of export organisations already built up by the Hamburg firm.

It is interesting to learn that, in the production of hardboards, India has already earned a name and prestige in Canada as capable of erecting largesized plants of this category. Our country is assisting Malaysia in the manufacture of steel furniture. Indo-Malaysian collaboration has enabled the export to Malaysia of various types of sluice valves, tungsten carbide tips, etc. In Africa, India has assisted in the production of textiles which has created demand for Indian machinery, equipment and spare parts. Other instances of Indian collaboration in this area relate to the setting up of a woollen mill in Kenya, a project for mosaic tiles and shutters in Mauritius and another one for the production of agricultural tractors in Ghana. The point to be remembered is that the type of technology that has been developed in India is such that it is neither very sophisticated as those of

advanced countries nor is it capital-intensive which is economically inconsistent in many of the developing countries. In this sense, Indian joint ventures seem more viable in developing Asian and African nations and marginally in Latin America. That does not mean that India has no scope for such an arrangement in the developed countries. In fact in many of these countries, the cost of labour has been fast going up alongside of the increase in demand for imports of raw materials. India can explore areas where labour intensive techniques developed by it can service sectors in richer nations vacated by high cost labour. Japan, West Germany and Italy fall within this category, while France has already evinced interest in having Indian collaboration for the manufacture of items the labour content of which is already very high. France has a special reason to be anxious because the memories of 1968 labour unrest and the consequent hikes in wages are quite fresh.

The FICCI reports that Indian stature in the provision of consultancy services is already high. A number of organisations both in public and private sectors such as the National Industrial Development Corporation Ltd., Engineers India Ltd., Projects are Equipment Corporation, the Indian Consortium of Power Projects and many others are now well-equipped to offer full range of consultancy services to developing countries for implementing industrial schemes, including general surveys, feasibility studies, techno-economic evaluation schemes, locational studies, preparation of detailed project reports and full assistance even in setting up complex industrial plants on turnkey basis. It is encouraging to learn "that Indian consultancy firms have won contracts for setting up a refinery and engineering units, many steel mills in Libya and Iran respectively and to provide knowhow for the construction and running of railways in some Afro-Asian countries including Syria." India will be setting up a scrap smelting plant in Libya. Indian personnel have already been deputed to Iran to undertake joint traffic survey of transit traffic. Thailand, Philippines, Nigeria, South Korea and Zambia are also being assisted with surveys feasibility studies, knowhow for speeding up trains and rehabilitation of their railways. Kenya and Turkey have asked for Indian assistance for establishment of steel works and allied works for an alloy steel mill. All this has resulted in the listing of India at the Manila and Nairobi conferences of the United Nations Industrial Development Organisation as a competent supplier of knowhow and equipment for the development of African and Asian industrialisation. The UNIDO conferences scheduled for November in Singapore and Abidjan will outline the guidelines of such mutual cooperation among developing countries for their overall economic betterment.

The fact remains that the successes achieved by India in these directions have not measured up to much monetarily. For instance total investment in

respect of projects sanctioned so far, i.e., the Indian share, is just Rs. 17.8 crores, while projects under production and implementation involve Rs. 45 crores. For the successes scored in developmental planning these figures may seem less than modest. But the point is that vigorous attempt at such collaboration have begun to be made only in recent years and so, until the scope of these schemes extend to a wider horizon, the record cannot be as impressive as it should be. In this connection Indian industrialists point to certain handicaps imposed by the government as well as by conditions of productivity obtaining in Indian industries. Many of Indian capital goods are non-competitive. There are other disabilities imposed by inadequate coverage of the list in respect of items allowed to be capitalised against equity, inadequacy of incentives allowed on equipment exports and the non-availability of cash remittance facility from India towards the share capital. It has been argued by the FICCI that the Indian Government does not allow any cash remittance beyond the small amount required for preliminary expenses. The Government feels that it cannot do any better in view of the paucity of foreign exchange. What is overlooked is the elementary truth that developing economies, which offer scope for establishment of joint ventures, do not have a developed capital market or adequate means to raise capital or loans. In some countries, as for instance in Ethiopia, procurement of loans requires securities of a very high order. Consequently, it becomes very difficult to arrange necessary finance. India's competitors in joint ventures in these areas offer such finances readily. It is high time our Government removed the constraint, albeit within the limits warranted by our foreign exchange position. At the same time specific guarantees will have fully provided for investment against political and other risks and measures for avoidance of double taxation will have to be worked out on a more expeditious basis. The general impression that one gets from the review of Government regulations is that India is at the head of the queue of collaborators. The truth is, however, that it is far back in the line and is in danger of being pushed further back by political vested interests of other helpers in these regions, unless Indian joint ventures are rendered a smoother and cheaper process all the time.

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Long Term Solutions for Currency Rate Conundrums

Exactly a month after the annual meeting of the Bretton Woods twins, Mr. Pierre Paul Schweitzer, Managing Director of the International Monetary Fund, has touched upon the problems created by the exchange crisis and the need for their early resolution. The forum where he has stressed his views in this regard has been the United Nations Economic and Social Council. It should be clear to every one who has followed the evolution of the exchange crisis and of the floating exchange rates in its wake that the international community is faced with a risk and a challenge at the same time. The risk is that if a consensus on the solution of the crisis was not evolved, the situation would deteriorate further. How to evolve the consensus is the challenge of the moment. A redeeming feature is that the governors of the 118 member nations of the IMF have recognised the need to strengthen the international monetary system by devising ways and means for improving its performance and structure. This is evident from the resolution passed unanimously by the IMF calling upon all members to collaborate with the Fund and with each other to establish a satisfactory structure of exchange rates, which would be maintained within appropriate margins and to facilitate resumption of the orderly conduct of the Fund's operations which had been affected by recent developments.

Difficulties of Developing Regions

While Mr. Schweitzer was happy over this, he has taken care to stress that the continuance of present arrangements will affect developing countries adversely: "A breakdown in the observance of such rules poses a threat to free and orderly trade and payments relationships. Such a breakdown will bear most strongly on the less developed countries that are not responsible for it and least able to withstand it." It is common knowledge that changes in the terms of trade which result from exchange rate fluctuations may affect the capacity of developing countries to import and thereby create difficulties for investment and manufacturing activities. The burden of external debt may go up. The management of public sector finance is made more difficult by undue fluctuations in import costs and export prices which are frequently of substantial importance in determining the levels of revenues and expenditures. In particular, exchange rate uncertainties are likely to frustrate orderly planning for development.

A "Slippage" in Commodity Prices

Already, the currency disturbances have contributed to "a slippage" in commodity prices, particularly of metals. Besides, negotiations started for converting more of tied aid into untied aid in order

to provide for a progressive rise in the proportion of untied aid in developmental assistance have been stalled by the lenders taking shelter under currency uncertainties. At the same time, floating exchange rates have bidden fair to eliminate the thin profit margin on the basis of which the developed nations have been exporting their new manufactures to the markets in richer countries. Superimposed on all these, there has been the increase in multifarious tariff and non-tariff restrictions, of which the United States import surcharge is a classic example. Developing countries find, therefore, that while the need for external resources for their developmental planning has grown with the momentum of their economic progress, the two channels of such resources, namely aid and trade, have developed serious constrictions.

The Ineffective Minimum of Changes

It is quite wellknown that the exchange crisis has been building up through the weakness of richer economies implementing fiscal-monetary policies with an eye on national rather than international interest. There are two tendencies here which have been evident over the last decade or two. One of them is as old as the history of the gold standard. Whether the nations concerned were on the gold standard of pre-war years or the gold parity standard of post-war world, the rules of the international monetary system required that fiscal-monetary policies at home were attuned to the containment of surpluses or deficits in balances of payments within safe limits. There can be no denying the hardship and vicarious sacrifice involved in the process. Investment and employment had to be disturbed to serve the goal of international stability. Since no legislature concedes the altruism of such a step, most national and fiscal policies have sought to sell to the legislatures nothing more than the ineffective minimum of changes for the benefit of the international community.

Disastrous Consequences

The effect of such natural reluctance has led to disastrous consequences. The continuation of wrong policies (from the international angle) has led to the perpetuation of balance of payments distortions with the automatic impairment of the international adjustment process. When, on top of it, U.S. commitments in Europe and Asia led to an outflow of dollars, a mammoth Euro-dollar market got created which, apart from importing inflation into Europe, had gone back through collusion of U.S. banks (operating in Europe) to U.S. defeating its credit squeeze policies. Being so near the occurrences, the present generation is not in a position to judge how far such inflows have been responsible for the co-existence of inflation

(Continued in cover III)

A More Representative United Nations....

Whatever it may lead to in continuance of the manoeuvres which preceded it, the resolution of the UN General Assembly to seat the People's Republic of China in the Assembly as well as the Security Council in the place occupied by Nationalist China since the inception of the international organisation is a historic one. It is in conformity with the dictates of common sense, in that the UN is no longer vitiated by the exclusion of a nation of 700 millions. It puts an end to the depressing spectacle of the Assembly being prevented repeatedly from doing the correct thing in regard to its membership. It removes one of the principal obstacles to the collective action by the world community in such spheres as disarmament. Its wisdom cannot certainly be pre-judged by the adverse developments which it may conceivably make possible.

The one wish that it is hard to avoid at present is that the admission of Communist China had not been accomplished by the expulsion of Taiwan at the same time. But, for this unhappy event, Taiwan and Communist China are both responsible: the former by holding on to its claim to represent China and the latter by its insistence on coming in as the sole representative of that country. When it was such a clear cut choice between the two, no one can blame those who voted against the American motion and voted solidly for the Albanian.

India has good reason to abate its zeal for Peking's entry into the UN. But the reasons for wishing Communists in rather than out of the U.N. are far sounder and stronger than the rapid sentiment which prompted the Indian Government to work for this end in the old days of "Indo-Cheeni bai bai".

It is tempting, though hardly practicable or profitable, to view the action of the U.N. Assembly from other angles or speculate on the uses to which China would put her place in the Security Council. The post-war setting of direct confrontation between the US. and the USSR, with none by the allies of the former and the satellites of the latter hovering on the wings, was by no means a help to the evolution of the human race to a better order in the society of nations. With China attaining a super power status and with the prospects of Western Europe counting as a fourth factor to reckon with, there will be more of free play for other forces and alliances. It may be that the world was not a better place to live in the days of the *Triple Entente* and the *Entente Cordiale*. But with atomic weapons holding out the threat of extinction of the race, a fully representative U.N. is a better hope for humanity than a truncated one with a large majority dancing to the tune of one super power or other.

An Unwarranted Show of One-up-man-ship

Much has been said about the Ganguli episode. The basic defect of the whole drama was the lack of tact both on the part of the Minister and the civil servant. One certainly expected that people holding such high offices would be endowed with lot of tact and persuasion rather be prone to display qualities of brinkmanship and puerility.

Historically, Indian Railways has emerged as an empire on its own, with a strict adherence to hierarchy. Even today the tour of a General Manager to his divisions is attended to with all the care that is bestowed on organising a reception for a prince.

Accustomed to such a life, it is no wonder that the Railway Board Chairman could not reconcile himself to the dictates of a mere minister. Recently he held a *darbar* in Madras in the form of a press conference. Have you seen in a press conference ten official stenographers taking notes, two at a time and changing every ten minutes in addition to a tape recorder? His overbearing personality marred very much the impact of a very interesting outline of a grand scheme for speeding up and toning up the railways. His elaboration of the idea of a point-to-point train which can complete large distances such

as between Madras and Bombay during the day itself thus eliminating the need for sleeper coaches and adding to the available capacity, his plans on rationalisation of the marshalling of goods train . . . all sounded very interesting. Of course, he mingled the sublime with the ridiculous, in an elaborate essay outlining how they proposed to tackle the propensity of passengers to carry heavy luggage in fast trains such as the Rajdhani Express by supplying to the passengers a tooth brush and a comb, absolutely free. "The passengers can take these home and keep them as souvenirs."

It is unfortunate that Mr. Hanumanthaiya who, for the first time after so many months, focused lot of attention on the toning up of railway administration by attempting at prompter and speedier rail communication and the ex-Chairman of the Railway Board, who appeared to be equally enthusiastic about these plans, should have fallen out over some personal clicks. Particularly in the context of the tenure of the ex-Railway Board Chairman coming to an end in about three months, both the parties should have desisted from attempting the show of one-up-man-ship.—S.V.

NOBEL PEACE PRIZE FOR BRANDT



West German Chancellor Willy Brandt has been chosen for the Nobel Peace Prize for the year for making "outstanding efforts in order to create conditions for peace in Europe."

Need to Increase Output of Sugar

The Central Government has successfully resisted the representations of the Uttar Pradesh and Bihar State Governments and the Indian Sugar Mills Association for an upward revision of the minimum cane price for 1971-72. Even the Union Ministry for Agriculture had suggested that this price could be raised to Rs. 8/- per quintal marginally in order to prevent a diversion of cane from factory areas to producers of gur and khand-sari in spite of the recommendation by the Agricultural Prices Commission that there should be no change either in the minimum price or in the basic recovery

Politically Motivated

The Government is well advised in not raising the minimum price as suggested by the State Government as the latter's intentions were politically motivated. It is however surprising that the representations of the South Indian Sugar Mills Association for a refixation of the minimum price based on a recovery of 9 per cent have not been accepted and sugar mills having a recovery below 9.4 per cent will be needlessly penalised. As a matter of fact, sugar producers in Tamil Nadu had even suggested that there should be a basic recovery of 8.5 per cent for fixing the minimum price as there was no prospect of some cane growing areas in Tiruchi and Thanjavur districts raising the sucrose content to over 8.5 per cent in the foreseeable future. It was eventually decided that the Government should be approached for the refixation of the minimum price based on a recovery of 9 per cent as nearly all the mills in Andhra and many units in Tamil Nadu could hope to achieve a recovery of around 9 per cent. It was thus confidently expected that the Government would be agreeable to the payment of a minimum price of Rs. 7.37 per quintal with a recovery of 9 per cent and below and that the premiums for higher recovery would be raised.

The Union Finance Ministry has, however, been opposed to any change in the cane price formula as it was felt that a downward adjustment in the minimum price proportionately linked to a basic recovery of 9 per cent would be opposed by cane interests in Uttar Pradesh and Bihar while if the minimum price was maintained at the previous level linked to a basic recovery of 9 per cent, there would be an increase in production

costs of States having a higher recovery and end prices for sugar may be higher than what they are now.

An Intelligent Compromise

The Government's policy for the current season should therefore be considered an intelligent compromise and it is happy to note that there has been appreciation of the need for preventing increase in prices for an essential article of consumption. It should not be overlooked that even allowing for the increase in the cost of cultivation of agricultural commodities in the past two years due to various factors, sugar-cane is still a remunerative crop and the return from rice and groundnut which are the competing crops is not as good as that available on the former. What has been mainly responsible for the shrinkage in acreage under the crop is the delayed payment by mills for purchases of cane and the accumulation of large amounts. As farmers are needy and they expect ready payment, the arrears created difficulties for them and led also to malpractices. The sugar producers however were justified to a certain extent in delaying payment because of heavy accumulation of sugar stocks and the refusal of the Reserve Bank to permit member banks to increase suitably credits against accumulated stocks.

The recent developments however have come about differently and with internal consumption and exports in excess of production in 1970-71 there has been a decline in stocks from around 21 lakh tonnes at the end of 1969-70 to 16 lakh tonnes by the end of 1970-71. With the releases of funds locked up in huge sugar stocks, payments are being made to cane growers less irregularly and past arrears have been cleared to a great extent as open market prices are fairly remunerative; as there is a fear of diversion of cane to gur producers mills will be alert in effecting purchases of cane and making timely payments. There may also be a desire to take advantage of the rebate in excise duty which is fairly attractive, being Rs. 17 per quintal of sugar in respect of the excess production in October-November over 80 per cent of the output achieved in the corresponding period in 1970. In the remaining ten months of the current season, the rebate will be Rs. 16 per quintal in regard to that production of sugar which is in excess of 80 per

cent of the output for the corresponding period in 1970-71. From the total point of view, this relief may not be considered very attractive because the Indian Sugar Mills Association has been taking an extremely pessimistic view of the prospects for 1971-72 and estimating that the output will be only 30-32 lakh tonnes in Government circles. However it is anticipated that the production will not be less than 34-36 lakh tonnes.

On the basis of an output of 35 lakh tonnes the industry will stand to gain in respect of the rebate on nearly 4½ lakh tonnes of sugar which will work out to over Rs. 7 crores by way of tax relief. Sugar mills in Tamil Nadu may be appreciably benefited by the tax rebate as it is expected that many units may be even producing more than in 1970-71 in which case there will be a saving of excise duty on nearly 70,000 tonnes working out to Rs. 1 crore. If there was also a satisfactory recovery, the working results of many units for 1971-72 may prove to be much better than those for 1970-71.

Maximising Production

The objective however should be to maximise production as internal consumption is likely to be nearly 4 million tonnes in the current season and exports 3 lakh tonnes. If there was only an output of 35 lakh tonnes there will have to be a reduction in the carry over to 8 lakh tonnes by the end of September next year. This level can be regarded as fairly comfortable only if there could be an increase in production to 4½ million tonnes of sugar in 1972-73. This only highlights the important position occupied by the sugar industry in the economy of the country and the Government and factory owners have a responsibility to ensure that cane was cultivated in the required volume and available cane was also crushed without delay so that any loss of sucrose content on account of drilage and over maturing can be avoided. There is no doubt that with sugar mills paying attention to the needs of cultivators and helping them to adopt modern techniques, the yield per acre can be raised by 10 to 25 per cent without any difficulty. Unless the sugar industry can ensure an increase in output by over 10 per cent annually in the coming years from a basic level of 4.5 million tonnes in 1972-73, sugar prices are bound to fluctuate in wide limits and liberal availability cannot be ensured all over the country particularly in the rural areas. —FOC

Separate Corporations for Design and Engineering

For quite some time now there have been talks on restructuring the Hindustan Steel. Under Indian conditions HSL was certainly a giant enterprise. The total investment in Hindustan Steel as on March 31, 1971, was Rs. 1025.98 crores. Having as its constituents, three major steel plants at Bhilai, Durgapur and Rourkela, each a massive enterprise on its own, the alloy steel plant at Durgapur and the Central Engineering and Design Bureau, the HSL was certainly a multi-faceted national giant. However, on Western standards HSL cannot be considered a large monolithic organisation. In terms of its production during 1970, it was listed 28th among the world producers of crude steel. The debate on what size constitutes viability is endless. It depends upon the peculiar conditions and characteristics of business operations which differ from enterprise to enterprise. It was certainly an advantage for HSL to have as its units steel plants of sizable capacities. Among other things the set up has had the felicity to deploy the managers where their talents could be put to the best use.

Becoming Complacent

Notwithstanding these advantages there have been certain complaints that in such a set up a certain amount of complacency develops among individual units contributing to lack of regard for individual performance. If, for example, the Rourkela and Durgapur units were separate entities, each would have tried to justify itself as a viable economic proposition with more seriousness than they do at present. In such a case, the Durgapur Steel Plant, which had been performing extremely well in the mid-sixties, would perhaps have saved itself from falling into the rut if it had to stand on its own merits. The employees could perhaps have realized better that the plant would not just be operated irrespective of its working results.

While the administration of the steel plants under a single set up has advantages, which outweighed the disadvantages, the tagging on of CEDB to HSL was found incongruous particularly after the announcement of the new steel projects. CEDB is a consulting engineer for Bokaro expansion. It is also associated with the Vijayanagar Steel Project. So it has been decided to form CEDB into a separate corporation in which Hindustan Steel, Bokaro Steel, Mysore Iron and Steel and the Government of India will be partners. The share of the Government of India is proposed to be transferred to the new steel plants in due course.

Over the years CEDB has acquired a great deal of expertise and specialisation in the matter of planning and designing steel plants. Forming it as separate corporation will certainly help it expand its role much faster, in

the context of the big expansion in steel capacity under execution.

This delinking is part of the evolution of any such development effort. In the beginning such design and engineering cells form part of a manufacturing organisation. As they grow in size simultaneous with the growth of these industries, a stage is reached when such organisations have to function as viable independent units.

Similar Evolution in the Fertilizer Industry

The same analogy might perhaps be drawn in regard to the Planning and Development Division of the Fertilizer Corporation of India. The P. & D. Division which has been functioning as part of the FCI has grown over the years into a big division capable of designing and building massive fertilizer projects all on its own. Likewise, the

FACT Engineering and Design Organisation of the Fertilisers and Chemicals (Travancore) Limited has also evolved as a major unit which has tremendous capabilities to design and build up fertilizer plants. Perhaps a time will come when these two divisions are taken out of the parent units and amalgamated into a separate corporation which can offer comprehensive services for the fertilizer industry.

Keeping such planning, engineering and development units as part of a giant manufacturing organisation gave them the benefit of working in close collaboration with the manufacturing plant; this helped the cross-fertilisation of a number of ideas from the planning cells to the plant and vice versa. This was vitally important to the evolution of any new concept and practice. The delinking of such units from the parent units should not deny the new corporation these benefits.—S.V.

Quickening the Tempo of Industrial Production

There is no proper understanding of the new problems created on the foreign exchange front as a result of the crisis in the international monetary situation and a pronounced slowing down in industrial production in vital sectors. Serious shortfalls in production of steel, fertilizers, raw cotton, sugar, oilseeds and other badly needed common articles of consumption have had an upsetting effect on the balance of payments position. Unless immediate efforts were made to overcome the deficiencies in certain directions and avoid unnecessary expenditure in foreign exchange on imports of raw cotton, fertilisers and steel, the country might face a difficult situation in which in will not be possible to continue its liberal import policies. It has not yet been adequately realised that the devaluation of major currencies and the recession in steel and other industries in some important countries, like Japan and West Germany will require a bigger effort to earn the same quantum of foreign exchange in the shape of a higher rupee value for exports.

It is therefore important that there should be no sense of complacency over the performance on the export front in the first four months of the current financial year. It must be accepted that the big increase in exports to Rs. 538.10 crores from Rs. 431.90 crores is a big achievement. The spurt in exports was due to larger shipments of tea, gunnies and engineering goods. It is expected that tea and gunnies alone will be able to make an additional contribution of Rs. 125 crores in a full year and with the increase of Rs. 126 crores in import since 1970-72 is taken into account, aggregate exports can improve by Rs. 250 crores. The opportunity afforded for stepping up shipments of gunnies and tea,

will be welcome at the time when retrograde trends are emerging in other directions.

Prospects of a Rise in Exports

It is therefore definite that an unprecedented level of exports will be established in the current year. But can it be expected that there will also be an equally pronounced improvement in the balance of trade? It is here that the rub lies. In the four month period under reference imports have risen sharply to Rs. 666.43 crores from Rs. 520.59 crores and there is a deficit of Rs. 128.33 crores against only Rs. 88.69 crores in the corresponding period in 1970-71. It is quite likely that there will be reasonable pick-up in exports in the latter half of the year as it always happens. But with the compelling need to import larger quantities of tea and pay higher prices for crude oil for a larger volume and a general higher level of prices for other imports, it is unlikely that there will be a smaller trade gap for 1971-72.

On the other hand, there will also be the complicating effect of costlier imports from West Germany, Japan and Britain and other countries whose currencies have increased in value against the rupee. This will mean that imports will be costlier by at least 8 per cent in respect of about Rs. 600 crores which would mean that there would have to be a larger outlay of Rs. 50 crores on this account. On the export front, there will have to be an increase in shipments which will fetch additionally Rs. 20 crores for earning the same quantum of foreign exchange. Insofar as aid is used for certain purposes there may not be immediate difficulties, but the cost of servicing the foreign debt will increase for

the Central Government while industrial units which have outstanding foreign debts, or which take foreign aid in hard currencies will be obliged to have a larger capitalisation with their consequent adverse effects.

It would thus appear that the trade gap will be much higher at Rs. 200 crores, notwithstanding a record growth in exports against only Rs. 97.52 crores for the whole of 1970-

71. This is because there will be unnecessary exports of steel, raw cotton and edible oils apart from costlier crude oil. The immediate difficulties can be overcome with the use of aid in the pipeline and fresh assistance. But a serious situation will arise in the next year if corrective action is not taken in the meantime because the full effect of the sectional devaluation of the rupee in terms of major currencies will be felt in that year

while higher prices for crude oil will be effective throughout 1972-73. The situation can be saved only if there was a larger output of steel, fertilisers, raw cotton and edible oil. There can easily be an increase in the value of these four items alone by over Rs. 200 crores as the output of steel could be raised by 1 million tonnes easily, raw cotton by 3 lakh bales, fertilizers by 5 lakh tonnes of nitrogen and oilseeds by 1 million tonnes.

World Crude Steel Production

The total world production of crude steel during 1970 has been estimated at 575 million tonnes which registered an increase of 17 million tonnes compared to 1969. This works out to a 3 per cent increase.

The United States of America continued to be the largest producer of crude steel with an output of 123 million tonnes. This showed a decline compared to 1969 caused largely due to the inflation afflicting the U.S. economy in recent years. The second largest producer, U.S.S.R. recorded an output of 115.9 million tonnes (110.3 million tonnes in 1969).

By far the most spectacular increase in steel production has been registered by Japan whose production during 1970 was 93 million tonnes. During 1969 Japan produced some 82 million tonnes steel. Japan also stole the distinction of having the largest producing company in the world, in Nippon Steel Corporation which recorded an output of 33.64 million tonnes. Thus, for the first time United States Steel, the giant steel corporation of

United States of America which has been topping the list of steel producers of the world for a number of years, had been overtaken. Nippon Steel Corporation was formed during 1970 through a giant merger of Yawata Iron and Steel and Fuji Iron and Steel which ranked the fourth and fifth among world top producers of steel during 1969.

German International, a monthly published from the Federal Republic of Germany, has listed in a recent issue world's 50 biggest steel makers. Hindustan Steel with an output of 3.707 million tonnes in 1970 has been ranked 28th and Tata Iron and Steel 42nd. Hindustan Steel was 26th during 1969.

It is interesting to find from this list that among the first ten largest steel producers in the world Japan had four places, United States three, United Kingdom, Germany and France one each.

Production of Indian Steel during 1970 was 1.06 per cent of the world total excluding the output of mainland China. West Germany

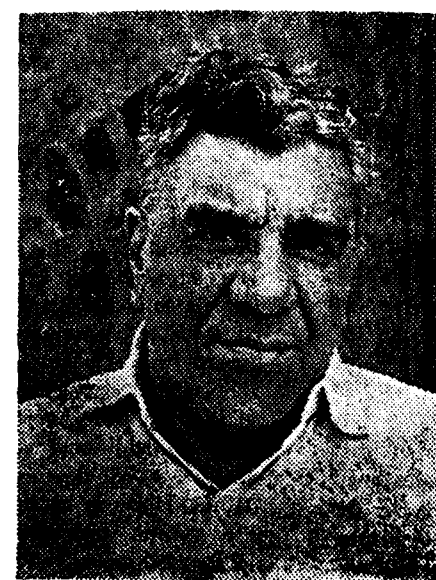
produced during 1970, 45 million tonnes of steel and U.K. 25.69 million tonnes.

Endowed with all the raw materials, the output of Indian steel is indeed disappointingly low. Throughout the 'sixties expansion of steel capacity did not receive much of priority with the result total production increased in the period 1961 to 1971 from 4.29 million tonnes to mere 6.11 million tonnes. With the expansion programmes under implementation at the Bhilai and Bokaro units and with reasonable prospects of the three new steel plants going on stream within the next eight years, there are good prospects of steel output trebling to around 18 million tonnes towards the end of this decade. With the steel technology spread wide and with the capabilities for designing and building steel plants all on our own and with the abundance of raw materials available within the country, India should emerge as one of the major steel producing countries in the world within the next 25 years.—S.V.

Crude Steel Production in Selected Countries 1969 & 1970 (in million tonnes)

COUNTRY	1969	1970
USA	128.16	123
USSR	110.28	115.87
JAPAN	82.20	93.15
WEST GERMANY	45.36	45.00
U. K.	24.35	25.69

GOPAL KUMARAMANGALAM BECOMES CHAIRMAN NCDC



Mr. J. G. Kumaramangalam who was the Chairman & Managing Director of the Neyveli Lignite Corporation has assumed charge as the Chairman of the National Coal Development Corporation Ltd., Ranchi. He succeeds Mr. Ranchor Prasad.

FROM TORANAGAL

A Harbinger of Economic Prosperity

No event in recent years gladdened the hearts of Mysoreans more than the recent ceremonial commencement of work on a two-million tonne mild steel plant at Toranagal near Hospet did. In fact the half a lakh people who watched the Prime Minister lay the foundation stone for the Vijayanagar Steel Plant—so called because of its proximity to Hampi, the 15th century capital of the Vijayanagar Kings—constituted a representative collection from all the districts of the State. Every Mysorean one came across in the last few weeks beamed with delight and felt as though he or she had received a personal gift. It was in such an expectant atmosphere that the blue pylon of the Hindustan Steel was unfurled in the picturesque setting at the steel plant site. The steel plant which fulfils a long cherished dream of Mysoreans is estimated to cost ultimately around Rs. 400 crores.

Though the State Governor Dharma Vira pleaded for less dependence on indigenous content because of the delay such a step would entail, hopes are not held out of substantial imports for the early setting up of the plant. If anything, the vaguely mentioned deadline of 1978 is thought to be far too optimistic what with the Bangla Desh problem and numerous other preoccupations of the Government of India. There can, however, be no argument about the steel project being a harbinger of industrial progress of the State in general and of backward Bellary in particular. Mrs. Gandhi rightly called the occasion historic in view of the significance the Vijayanagar plant had for the prosperity of the State.

Hospet, or rather Toranagal, is endowed with easily accessible rich and abundant resources of iron ore, limestone, dolomite, manganese ore ... Other facilities for manufacture of steel available here include water-supply from the Tungabhadra, electric power from the mammoth Sharavathi, and excellent rail and road communications. National Highways connecting all parts of the country pass closeby and both the broad and metre gauge systems of the railway link the town with the rest of the country.

India's Richest Concentration in Bellary

As for raw materials, one of the most actively exploited iron ore mines in the country is the Bellary belt where possibly India's richest concentration is found. The State Department of Mines and Geology estimates a total availability of 1,200 million tonnes in the region. There are extensive deposits of fines ore within a radius of 300 kilometres of Hospet. Occurrences of dolomite have been located close to the limestone deposits.

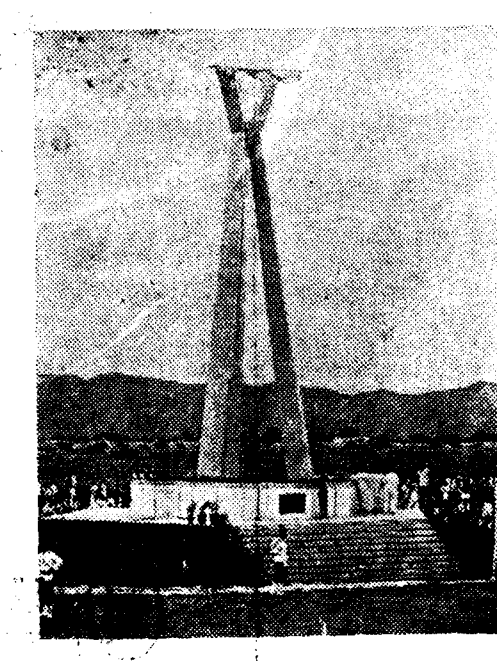
There was evidence of some speeding up indeed. The Central Engineering and Design Bureau which has been asked to prepare the feasibility report is reported to have told the Union Steel Minister Mohan Kumaramangalam that in another month the report will be ready. In fact, CEDB has given the impression to the Minister that the feasibility could be assumed and further steps planned. The next step as indicated by Mr. Kumaramangalam is the commissioning of the same consultant for the detailed project report. CEDB sources said the preparation of the DPR would take not more than 12

months' time. The Hindustan Steel people had already taken a decision to go in for the latest technology for this plant. Even pending the submission of the DPR a lot of thinking is already going into the type of equipment that would be needed for the Hospet Steel Plant.

Even as the Prime Minister was laying the foundation stone for the plant, HSI officials and others were having discussions with the mineowners' association in Bellary and the National Mineral Development Corporation which is prospecting the Donamalai and the Sandur mines on the question of ore supply for the steel plant. The Mineowners' Association consists of over 100 small mine-owners who are now selling all their output to the Minerals and Metals Trading Corporation for its programme of export through Madras and Mormugao ports. Supply to the new steel plant would not be at the expense of the export commitments. As a matter of fact, the MMTC's purchases at the Toranagal and other points in the Bellary region are limited to the capacity of the railway facility from there to Madras. The mineowners themselves are anxious to mine much more than they do at present in order to make their business more viable and this depends on more purchases for the mined product forthcoming either for export or for internal use in steel making.

Early Decision on Coke Import

As regards supply of coking coal, the Government of India's policy was announced the other day. The policy envisages the use of the country's reserves of metallurgical coal



Prime Minister Indira Gandhi inaugurated work on the Vijayanagar Steel Project at Toranagal, near Hospet on October 14. In the picture she is seen pressing a button which unveiled a commemoration pylon (extreme right). In the middle picture are seen Mysore Governor Dharma Vira (left) and Union Minister for Steel and Mines Mohan Kumaramangalam.

in preference to its importation from abroad. It is conceded that these reserves are very limited and confined to the eastern region of the country. But even at the present rate of consumption the reserves are expected to last only about 50 years. The Government's thinking in regard to indigenous supply of coking coal is connected with measures to make the mining more efficient and banning the use of coking coal for purposes other than steel making. The Government has already moved in the matter and nationalised

coking coal mines in the private sector. With three steel plants coming up together in the South and with the possibility of another plant being set up in Goa, an early policy decision to import coke seems wise.

There are possibilities of tying up the Bhadravati alloy and special steel plant with Vijayanagar steel. The huge Vijayanagar Steel Plant which was going to produce basic pig iron for its own needs could cater to

the needs of Bhadravati also which after all is of much less quantity. The official thinking is along these lines but it is still to crystallise.

It must be said that with all the facilities enjoyed by Hospet relevant to steel production like water availability and cheap source of hydro power and with the central location in relation to important market areas in the South, the Vijayanagar steel plant can produce and supply steel most economically.—V.M.

annual general meeting of the **CHEMICAL PLANT & MACHINERY ASSOCIATION OF INDIA**

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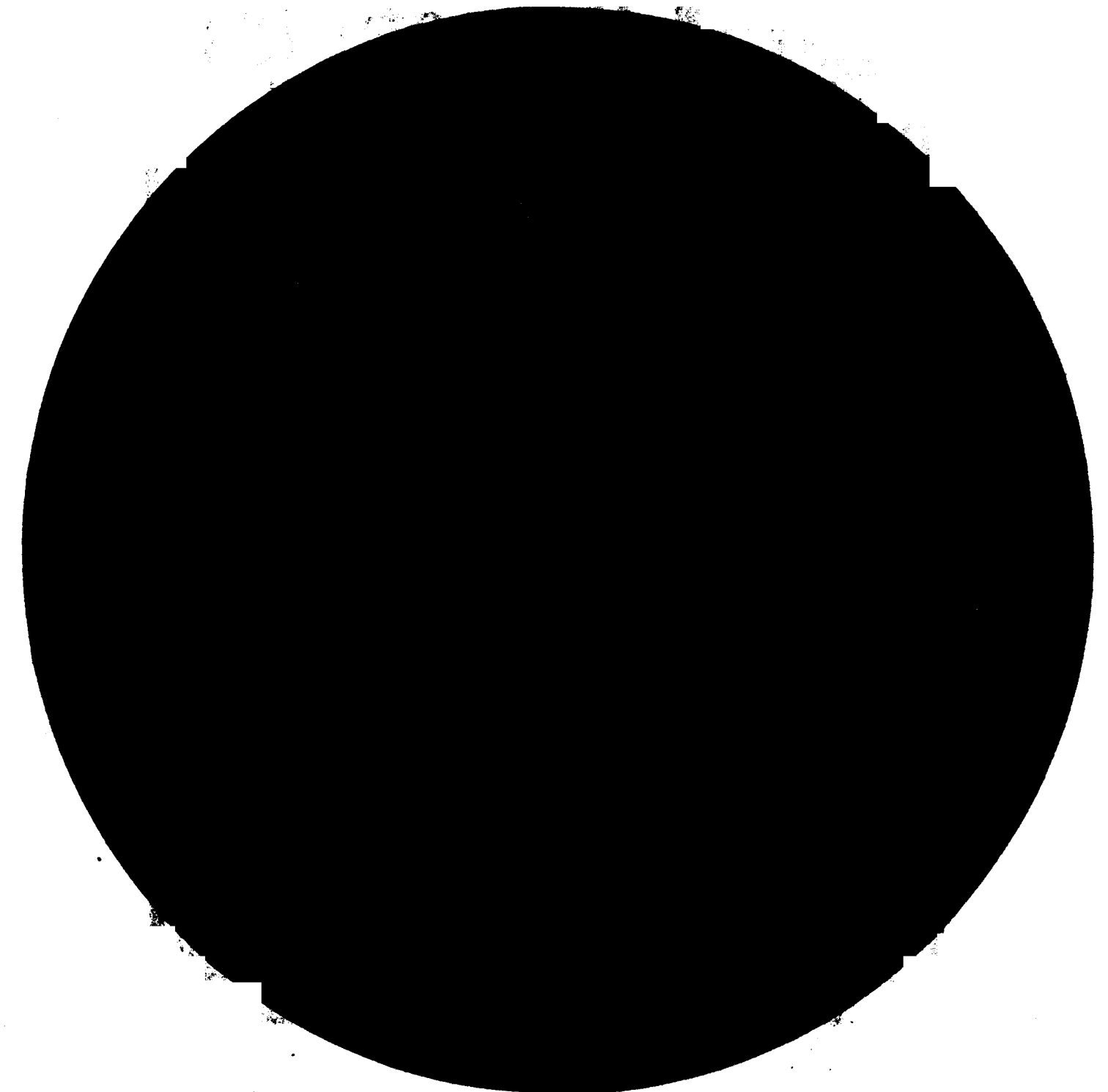
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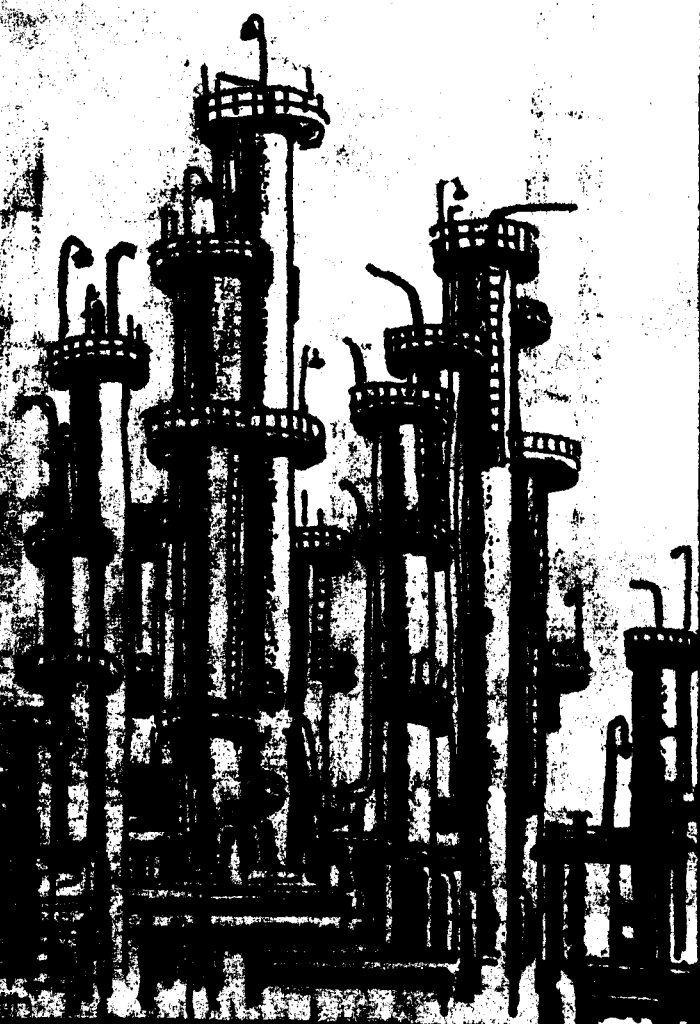
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Spectacular Growth of Chemical Plant & Machinery Industry

The chemical industry, the Minister said, had been established on an organised basis after Independence: The production of chemical plant and equipment which a decade ago was around one crore rupees and forty-five lakhs only, had during 1970 crossed the mark of Rs. 17 crores. A number of design and consultancy service firms had also come up and they undertook contracts on a turnkey basis, the Minister added.

Mr. Oza said there was no reason for complacency though the chemical industry had made satisfactory strides. The Fourth Plan had laid down capacity and production targets for chemical machinery at Rs. 30 crores and Rs. 27.50 crores respectively to be achieved by 1973-74. Chemical machinery of a sizable volume was still being imported. Mr. Oza called for concerted efforts to cut down the import bill to the minimum possible and achieve the targets of capacity and production laid down. The Minister assured that the Government would consider proposals for collaboration where it was necessary. He called upon the Association to undertake research and development work on a cooperative basis. He said the question of setting up a Raw Materials Bank to meet the urgent requirement of some of the critical raw materials required by the process plant industry was under the "active consideration of the Government."

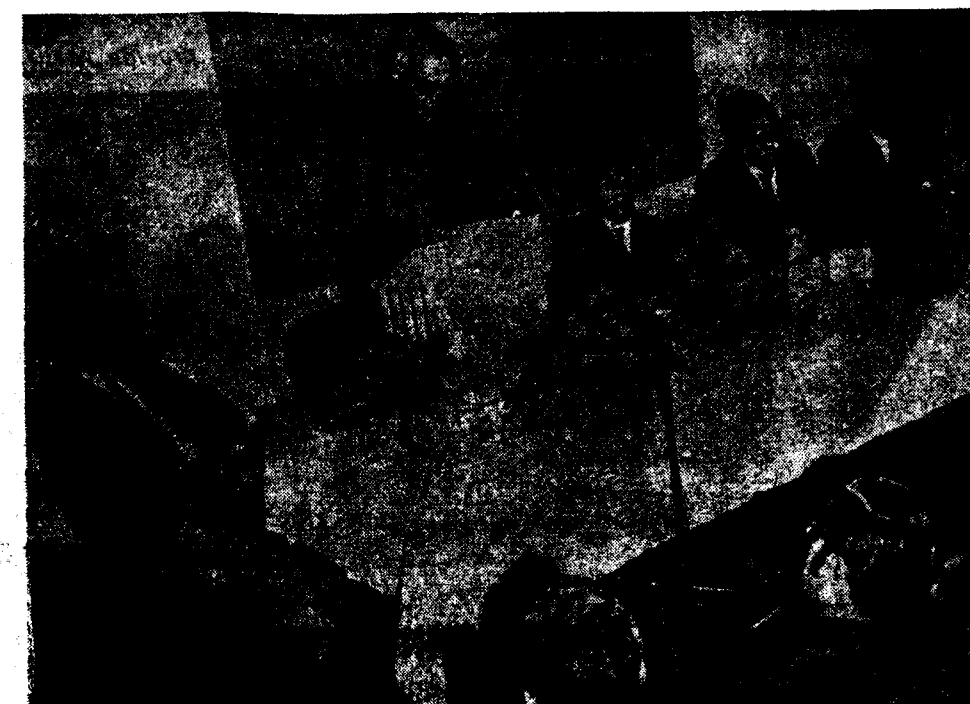
The Minister assured to look into the question of giving scope to Indian consultancy to compete with public sector units.

Mr. Lala Charat Ram of Delhi Cloth and General Mills, speaking on the occasion, said it was a happy development that Chemical Plant and Machinery Association of India had now over 80 members with a majority of leading design and manufacturing firms tak-

Mr. Charat Ram commended the setting up of specialist groups for some selected industries on a model basis. The purpose of these groups would be to promote the formation of consortiums of designers and plant suppliers for each industry. Such consortiums could be approached by people who wanted to set up new plants. According to

Technological innovation is a continuing process. Time is of the very essence. We often seem to delude ourselves by rediscovering a process which had been commercially exploited in the rest of the world over a decade. This is just misplaced nationalism. In the process, we would be losing our hard earned markets abroad. Thus, the injection of new technology on a continuing and selective basis is a matter of paramount importance. While from the highest quarters we recognise the fact that even a country like the United States imports technology, we somehow seem to have developed an ultra-sensitiveness to be national in this respect. Even a country like Japan which has had the most spectacular growth in technology in the last two decades has not fought shy of outright buying of know-how, when it has suited her national interest.

—Dr. B. V. Bhoota.



The Annual General Meeting of the CPMA is in progress. Picture shows Mr. Chandyam Oza addressing. Others (R to L): Secretary of CPMA T. R. Subramanian, Mr. Charat Ram, Dr. B. V. Bhoota and Dr. D. N. Daruwalla.

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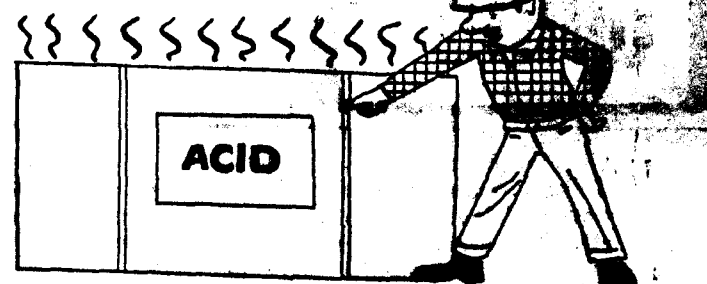
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Mr. Charat Ram, with specialised organisation and good financial controls, the objective of lowering prices must be uppermost in the minds of the management's consideration ever. He called upon the Association to discourage the import of any equipment which was provenly manufactured within the country.

Mr. Ram pleaded for the standardisation of chemical plant and equipment on an industry-wide basis. He also strongly pleaded for the establishment of a development council for the chemical plant and equipment industry.

Serving the Nation in Industrialisation

Dr. B. V. Bhoota, Chairman of the Chemical Plant and Machinery Association of India, referred to the brisk growth of the Association in a short time. The Association was represented on many Government of India's committees, the most significant being the Case Study Committee studying delays at Durgapur and Cochin fertiliser plants. One of the heartening features, according to Dr. Bhoota, had been the continued increase in food production thanks again to the increasing use of the agricultural inputs including chemical fertilisers.

The scope of CPMA, Dr. Bhoota said, to serve the nation in its industrialisation programme was very wide and deep. CPMA's design engineering firms and manu-

Widening Activities of CPMA

The Association was registered as a company under the Companies Act, 1956, to (i) promote and protect the designing and manufacture of Indian chemical plant and equipment and the trade and business of those engaged in the designing and manufacture of chemical plant and equipment; (ii) promote the use of Indian chemical plant and equipment in the manufacture of chemicals; (iii) promote closer co-operation between all Indian chemical plant manufacturers and to foster interchange of information amongst such manufacturers; and (iv) form a medium for placing before the Government and Government officials and others, either in India or elsewhere, the view of members of the Association and others on matters affecting their industry.

The Association has got 81 members on its list to date which includes design engineering and consultancy firms as well as fabricators of plant and equipment.

facturer members had contributed very much to the import substitution programme and it was estimated that the Association was equipped to cater almost 80 to 90 per cent of the equipment required by the chemical industry. Dr. Bhoota said that CPMA had attached great importance to import substi-

tution and added that too much emphasis on developing everything in India including the process and design knowhow had now begun to affect their industries.

The CPMA made the following recommendations:

1. Allow import of design and process know-how where essential.
2. Take an overall view in that imports should not be banned unless a study is made of all the implications involved in banning imports. A value is to be given to the time element; cost of delay must be kept in mind in evaluation;
3. Once we have reached 90 per cent import substitution the further 10 per cent may be treated as marginal and need not be insisted on. A selective cautious approach was needed in the asymptotic range. Dr. Bhoota made a fervent plea for the maximum utilisation of the ample fabrication capacity with the existing plants. He hoped the Government would take effective steps to see that the industry was not starved of essential scarce raw materials like mild steel and other grades of stainless steel that were not rolled by Alloy Steel Plant, X-ray films, argon gas and furnace oil. He disclosed that the Association would participate in the AICHEM Congress, 1973 at Frankfurt of leading chemical engineering units of the world.

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Export of Chemical Plants and Technology

By R. L. DALAL

Technological development in India is presently based on the imported technology or are developed in laboratories of large sector corporations having aggressive research and development groups. The technologies of national laboratories are now only becoming production-oriented and very few have a programme of research directly useful to solving the problems of production and exports. It is true that some efforts are being made to remedy this situation. Several pharmaceutical chemical firms have come out with processes which are improvement on the existing imported technologies. Though the technologies required for the petroleum, petrochemical, man-made fibre and fertilizer industries are still imported, in certain areas of classical chemicals such as caustic soda, soda ash, sulphuric acid . . . a certain degree of competence has been achieved which is comparable to that available abroad. Having thus learnt the basis of technology and with the experience obtained from actual operations of many large and small plants in India, it is possible to export our technology and establish plants, modified according to the specific needs of the areas, for instance in Africa, Middle East, and South Asia. The South American countries have similar conditions of operation and maintenance and personnel of certain degree of excellence as is found in India.

The main features of technology available in India are manifold. In many cases modern technology has been imported into India and hence our technological basis is up-to-date. A truly well evolved technical expertise has been achieved with our experience of operating modern plants under various conditions. This expertise is suited to many of the developing areas of the world.

Need to Strengthen Estimating Capacity

The Indian technologist must be able to prepare detailed designs, detailed estimates and offer the same as a commercial proposal with international guarantees. This is not difficult as we have a great deal of manpower which could be harnessed effectively. But the estimating capacity is poor and this is the reason why many estimates of industrialists go wrong. With proper training of our technical man-power to make detailed estimating correctly, we can draw accurate proposals with substantially accurate estimates.

It is also necessary to have an acumen for negotiating technological plants in the world market. But this skill is not available today. Just as India has yet managed to purchase quite a few plants from abroad after deep scrutiny of technology, it is also possible for us to be fully equipped for selling technological plants.

The important aspect of exporting technology is to manufacture plants to accurate specifications and tests of quality. India has got capabilities to produce plants to specifications. It possesses really first class fabrication shops. But many of our medium and small scale plants are not able to produce chemical and similar industrial plants to the required accuracy and within the scheduled time. Moreover, quality-consciousness has not been developed to a considerable extent. However, various Export Promotion Councils and Government owned trade development bodies have generated a great deal of this conscience. This has resulted in our obtaining export orders for fabrication equipment.

Training in Testing and Commissioning

After the plant is delivered it is important to commission it and successfully achieve the

efficiencies as per guarantees. For this work men must be trained abroad for testing and commissioning plants. This is an important aspect of the industry since a good many plants may fail if not properly commissioned.

In order to follow all these steps in unison there is need for a centralised agency with aggressive control. This would handle various developments of technology effectively. Technological exports are perhaps likely to be the only major exports and imports in times to come in many countries to develop fully their resources. The only major improvement in the future world would be, obviously, of technology and of expertise. Consciousness of technological export should gain ground and this will result in generating expertise not only on technology and engineering effort but also on plants and equipment.

Chemical Units Poised for Great Strides

By R. WADHWANI

The chemical engineering industry forms a vital part of India's engineering industry. It meets the demands of its customers in the chemical industry for engineering and sophisticated equipment. Its continued growth is the consequence of the development of its customer industry. The activities of the chemical engineering industry can be divided into the design and engineering of complete plants, the design of unit operation equipment such as heat exchangers, evaporators . . . the fabrication of equipment in various materials of construction and supply of ancillary equipment such as blowers, pumps, valves . . .

The consulting engineering firm usually carries out the design and engineering of complete chemical plants on the basis of process knowhow acquired from chemical manufacturing companies or of their own accord. Sometimes, the detailed engineering work may be carried out by the prime contractor whose responsibility extends upto plant construction or perhaps to the extent of commissioning the plant.

Pioneering Work in Process Designing

In India, there is a major gap between the fields of process design and engineering. Of course, much pioneering work has been done

in this field by organisations like FEDO, and FCI. Yet much remains to be done. Process design involves two distinct partners, the design engineering firm and the chemical manufacturing firm or the research laboratory that has developed the process know-how. This partnership leads to the problems of risk sharing.

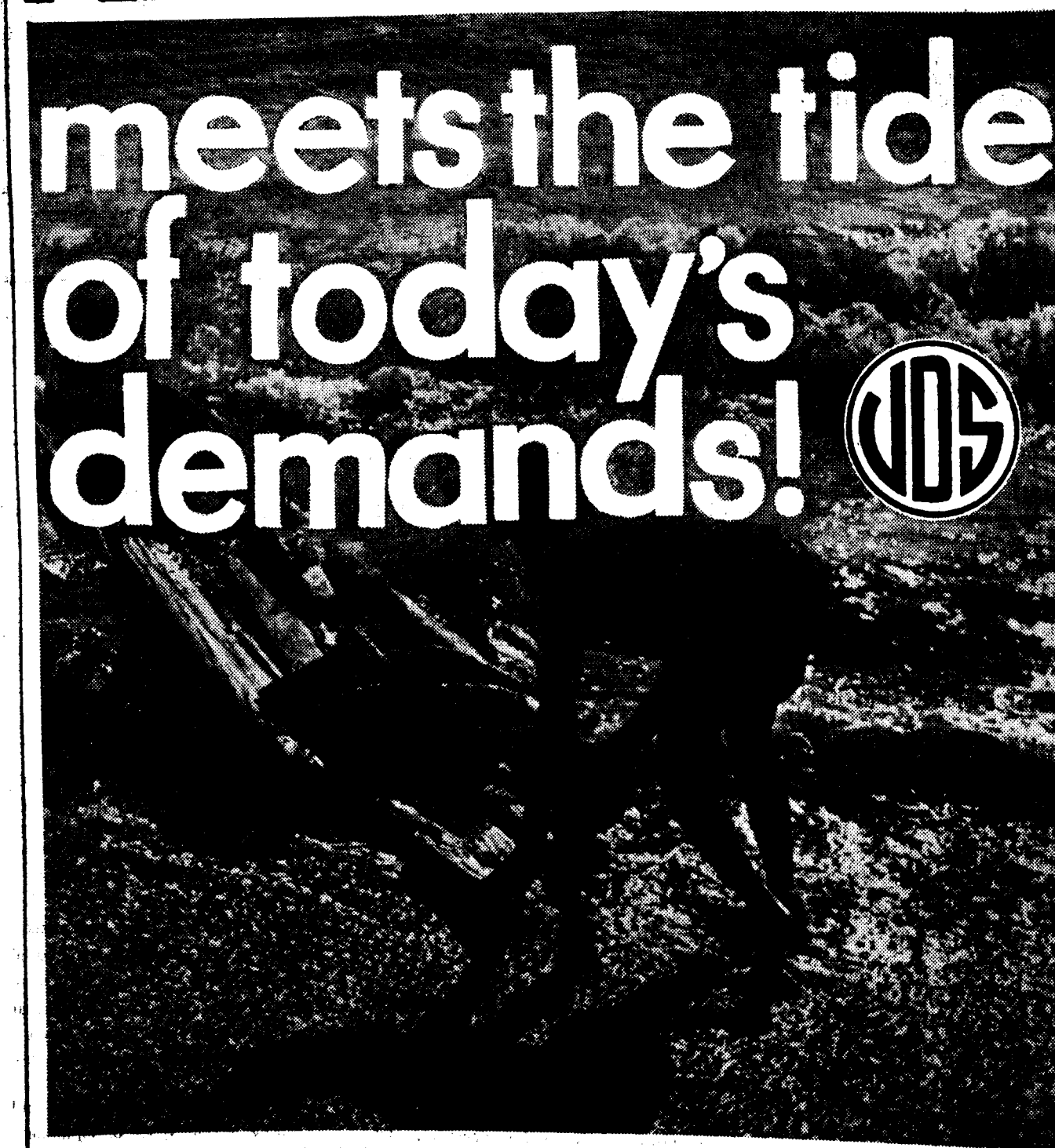
Equipment design is based upon the basic process data. This work could be done either by the consulting engineering firm or by the equipment vendor. The process design must be provided by the design engineering firm, as it involves knowledge and experience of various parameters in actual plant practice.

Thanks to the continuous expansion of industries in India, there has been considerable development of mechanical design facilities. However, there still exists lack of knowledge and experience to undertake chemical engineering design of equipment. It is necessary that Indian engineering and manufacturing firms must draw upon the vast experience of their overseas counterparts.

There are many workshops in India manufacturing simple types of equipment such as storage tanks, bins and hoppers, cyclone separ-

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ators ... A few of these manufacturers are equipped to produce medium sized equipment of a more complex nature. There are about five or six large modern heavy workshops which can undertake manufacture of highly sophisticated and complicated heavy pressure vessels and equipment. Practically any material of construction can be handled because of the expertise we have in the use of stainless steel, alloy steel, nickel, copper, aluminium ...

Lack of Raw Materials

But the main difficulty faced by the industry is lack of various raw-materials required for the fabrication of chemical plant and equipment. The existing capacities in many fabrication shops are not, therefore, fully utilised. There are quite a few serious deficiencies which are to be remedied. There is the non-availability of dies for the manufacture of disbed ends for pressure vessels.

The Government must import dies of all sizes not available presently. Standardisation would also help the industry to a great extent.

The problem of know-how is also faced by the industry. The means of acquisition of knowhow is one of the principal problems of the Indian industry. In a country like India it is desirable that flexible approach must be maintained to the channels through which chemical manufacturing knowhow can be obtained from foreign collaborators and others. The knowhow can be acquired either by paying fees to those who possess it or by spending money on research and development. But the Indian chemical engineering industry has not made considerable strides in this direction. The foreign knowhow available is not always strictly applicable to Indian conditions. On account of the necessity to use raw-materials of indigenous production which are different from what are obtained abroad, special fabri-

cating problems might arise for which solution cannot be found abroad. It is necessary, therefore, that besides borrowing technological knowhow from abroad we must simultaneously create a scientific and technological infrastructure in order to learn from borrowed technology.

Geared to Meet the Demands

The chemical plant manufacturing industry has had a successful year. With the target of achieving self-sufficiency in fertilizers by 1976-77, several fertilizers projects have already been cleared and several others are proposed to be cleared in the near future. The various projects that are gaining momentum would give considerable amount of work to the various engineering and fabricating companies. It could be said that the industry is fully geared to meet the demands of the future.



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CONCEPT-GMM-48

Role of Banks in Increasing Production

During his recent visit to Madras the Governor of the Reserve Bank, Mr. S. Jagannathan, was understandably worried about the accentuation of inflationary pressures due to large spending by the Central and State Governments and emphasised the need for restraint in the creation of bank credit for purposes which were not fully productive in character. The increase in net bank credit in the 12 months ended in October 1971 was according to him as much as Rs. 929 crores of which the Reserve Bank's share was Rs. 688 crores. Since the period covered overlaps parts of two financial years, it is difficult to fix the share of 1970-71 and the quantum of deficit financing so far in 1971-72. An analysis of the data published by the Reserve Bank justifies the presumption that about Rs. 300 crores will relate to the latter half of last year, while the balance will pertain to the first six months of 1971-72.

It is necessary to remember that there was practically no deficit financing in the first half of 1970-71, while even according to the Union Finance Minister Y. B. Chavan, deficit financing on account of both the Central and State Governments has been Rs. 350 crores in the first six months of this year. As the expenditure relating to refugees will be heavier in October-March and there will also be larger outlay on the defence services due to its need to be in a state of preparedness, it is even feared that there may be total deficit financing of the order of Rs. 600 crores especially as large assistance has to be given to the States for meeting expenditure on repairing the damage caused by floods and for relieving distress arising out of drought in the southern region. There may of course be some advantage arising out of foreign assistance and larger capital receipts.

Mr. Jagannathan stated that the unsatisfied demands for consumer goods and raising level of expenditure came about at a time when there was under investment in the economy, and the situation can be remedied only with a higher level of production and perhaps suitable changes in fiscal policy. Meanwhile he has cautioned bankers that they should be careful when granting fresh credits to industry and trade and there should be no cause for complaint that expansion of bank credit added to the inflationary pressures.

Bank credit, however, has not been expanding on the same scale as in 1970. Even with a big increase in credit for procurement purposes, borrowings of scheduled commercial banks from the central banking institution have declined sharply and they were negligible in the latter half of October. This comfortable position has come about as a result of a big rise in deposits and a decline in

advances against sugar and some other commodities. Mr. Jagannathan did not elaborate why there had been a showing down in the growth in advances. As a banker, he was perhaps happy that member banks would not be taking advantage of the refinancing facilities and were meeting the needs of their constituents out of their own resources as far as possible.

Raising Agricultural Production

It should be examined how credit can be made available for raising further agricultural production and for encouraging the activities of industries which have no problem in regard to the availability of raw materials and components and whose output would be helpful for boosting exports or for relieving existing shortages. Mr. Jagannathan has actually stated that caution in lending need not necessarily be restrictive in character and that there should be no hesitation to lend for productive purposes. Actually the question now is not one of lending merely for priority purposes but for all productive purposes as it is expected

that there will be a good demand for all types of manufactured articles and services.

With the likelihood of aggregate deficit financing being well over Rs. 900 crores and an increase in the purchasing power of the agricultural income groups the price situation may get out of hands if new policies were not devised for boosting production and creating additional capacity. The decrease in the growth of industrial production in the last two years is certainly a disturbing symptom and there should not be complacency simply because a growth rate of over 5.5 per cent in the national income has been recorded in 1970-71.

The Government should, therefore, stimulate production through liberal imports of raw materials and components in short supply and through active steps to raise production of steel, non-ferrous metal, engineering goods and various items by utilising effectively existing capacity. The situation can be got over without any great difficulty only if the public sector undertakings gave a good account of themselves and industrial units in the private sector were helped to raise their output in many directions. The banking system can play an important role with the provision of suitable short term and medium term credit for aiding industries and farmers.—(FOC)

The Yearning to Hear a Good Speech

There is a certain yearning in many of us to hear a good speech well delivered. What with the catarracts of cacophonous clichés with poor thought content one comes across in the daily routine of political or social speeches, this yearning grows. Even prepared speeches are read with scant regard to pronunciation, delivery or speed. One is reminded of a high school student reciting his lessons at incredible speeds. We hear English often spoken as Malayalam or Tamil or Telugu, with the speeds characteristic of these languages.

One could thus understand the popularity of N. A. Palkhiwala who invariably attracts large crowds of distinguished gathering. It was certainly heartening to note the enthusiasm of the well-educated and knowledgeable persons turning up in the thousands to hear Mr. Palkhiwala.

On October 16, he delivered a lecture on the "Constitutional Amendments and the Common Man" under the auspices of the Servants of India Society. Rajaji presided. Measured articulation, a well-formed thought content, easy and free flow of speech, a delectable dictum, choice anecdotes full of humour and pungent sarcasm held the listeners with rapt attention.

Mr. Palkhiwala is a renowned Constitutional lawyer. No wonder so many desired to hear his views on the 24th Amendment Bill which gives Parliament such sweeping powers as it wished to take. Mr. Palkhiwala

concentrated his talk on the powers Parliament seeks to have which would make it possible to tamper with even the fundamental rights. Since Rajaji has been arguing for this for a long time now, opposing most of the earlier amendments of the Constitution, the content of his presidential address was familiar to the listeners.

Mr. Palkhiwala is a lawyer. So he has to take one side of the question and only one side of it and argue with all the eloquence and power at his command for this side. The famous cartoonist Thanu often used to say: "I cannot help taking sides. If one is to depict both sides of a picture it will cease to be a cartoon and the work could better be handed over to a draughtsman." As in drawing cartoons, a positive alignment to a side with the concomitant exaggeration is essential for a legal pundit. Mr. Palkhiwala argues that a Parliament of 500 odd representatives could not tamper with the Constitution whose provisions of fundamental rights are sacrosanct. But the Constitution itself was drawn by a comparable number of persons at a time and circumstance which were very different from what they are today. Nothing is immutable and change is the very essence of life. If the present day problems warrant certain essential amendments to the Constitution, in the larger interests of public welfare, these should be obtained even with an amendment of the Constitution. Of course, what one would like to emphasise is that sufficient care should be exercised while ascribing such powers.—S.V.

Impact of Suspending Prohibition on Industrial Consumers

The suspension of prohibition by the Tamil Nadu Government has brought in its wake many problems which have serious implications from the point of view of the community and operations in industrial units. There has been such an upsurge in demand for arrack which is another term for diluted potable alcohol, that the two existing distilleries at Nellikuppam and Tiruchirappalli have been obliged to work over-time for producing arrack to the exclusion of the needs of industrial units. Even then there is an unsatisfied demand and many sugar units are thinking of embarking on projects which will be worthwhile as their output of molasses can be used for producing potable spirit. There are also proposals under consideration of the State Government for starting new breweries. Some units like Aruna Sugars have projects for producing arrack and start also breweries at the same time. It has also been represented to the State Government by the existing distilleries that they should be allowed to increase their capacity.

There may be a deflation of demand for arrack after some time and it may be possible to ascertain precisely the requirements of this potable spirit. But there is no doubt that quite a large proportion of current production of alcohol will have to be utilised for potable purposes and the needs of the manufacturers of pharmaceuticals, paints, varnishes and plastics can be satisfied only if there was larger distilling capacity. Until recently the output of the units of EID-Parry and Trichy Distilleries amounting to 3½ million gallons annually was being used mainly for industrial purposes. The way is now, however, clear for maximising sales of potable spirits.

Rich Excise Revenue

The distilleries get less than 25 per cent of the arrack at the wholesale point after the payment of excise duty and sales tax and the Government is deriving a revenue of over Rs. 3 per litre by way of taxes. If sales of arrack alone amount to at least 25 million litres annually, the State can easily realise a revenue of Rs. 7.5 crores.

Maximising Output of Alcohol

Meanwhile, it has to be decided without delay how the output of alcohol can be maximised for sustaining the operations of pharmaceutical, paints and plastic units. It has already been represented to the State Government by commercial organisations that in the absence of definite instructions to the distilleries for earmarking specific proportions of their production for industrial uses there will be a sharp setback to their activities and heavy losses will have to be incurred. Already the only producer of polyvinyl chloride

in the State at present Chemicals and Plastics India Ltd., is worried about maintaining its operations at an optimum level. Apart from their being an accentuation of the shortage of polyvinyl chloride, the economics of operation of Chemplast will be seriously affected if its existing capacity of 8,400 tonnes annually cannot be fully utilised. It has been emphasised that the output of P.V.C. to its capacity can be maintained only if 2½ million gallons of alcohol can be secured annually. It will not be possible to obtain this quantity under the changed circumstances, unless the existing distilleries were helped to maximise their output. With some additional equipment the two units can probably increase production to 5 million gallons within six months, and about 2 million gallons can be used for potable purposes and the balance made available to the industrial units. There will, however, be a big increase in demand in the near future as Chemplast alone will be more than doubling its capacity by the end of next year and will be requiring at least 5 million gallons annually.

Taking into account the consumption of pharmaceutical and paint units and the new

requirements for potable purposes the output of alcohol will have to be at least 10 million gallons within the next two years and for producing this quantity there will have to be at least 1.25 lakh tonnes of molasses available within a compact area. This quantity can be obtained easily from the 16 sugar mills functioning in the State. Their output in 1968-69 was 2.08 lakh tonnes though it was lower at 1.74 lakh tonnes in 1969-70. In the 1970-71 season it should have been nearer 2 lakh tonnes while it is likely that it will be nearly 2.20 lakh tonnes in 1971-72. As a sizable quantity is required for edible purposes and will be preparing cattle feed there will have to be some margin especially as many units will be eager to use their free sale quotas. There will probably have to be a system of selling quota rights on attractive basis and there will be no harm if the States and Centre can pursue liberal policy in regard to the fixation of selling prices exclusive of excise duty. The Government will be deriving considerable benefit through an expansion of output of alcohol as the excise revenue for the States will increase with a larger volume while the Centre can derive advantage out of excise duties on finished products.—FOC

CITY CORNER

Training in Financial Management Institute Inaugurated

The Union Planning Minister C. Subramaniam told a gathering of financiers, bankers and industrialists during a visit to the City that the Planning Commission was considering a number of measures to put the financial relations between the Centre and the States on a more satisfactory footing. In this connection the approach recommended by the Rajamannar Committee was very much being taken note of, he said.

Inaugurating the first training course organised by the Institute of Financial Management sponsored by the Industrial Credit and Investment Corporation of India Mr. Subramaniam said that with the States' responsibilities growing far out of proportion to their revenues the Centre-State relationship had become extremely complex. He invited suggestions from professional bodies like the Institute on this subject.

Another announcement made by the Minister was the decision by the Planning Commission to constitute a panel of competent persons to assess the working of select public

sector undertakings. He said he was greatly concerned over the poor returns from these undertakings on which considerable sums of money have been invested. The Commission would see that the suggestions of this group were implemented by the Government.

Mr. Subramaniam emphasised the need for training for the people who manned both the public and private sector enterprises. As resource was the scarcest commodity greatest discipline in its use was called for and this had to be imbibed by systematic professionalisation of management at the various levels.

Mr. H. V. R. Iengar, Chairman of the Board of Governors, explained the genesis of the Institute. He said the basic malady in India was lack of financial restraint. The Institute would help the enterprises in bringing about this restraint. He said it was an all-India Institute and it was in fact the intention of the organisers to provide facilities to representatives of industry from the whole of Asia.

Mr. G. L. Mehta, Chairman of the ICICI, welcomed the practice of appointing to top posts in public sector enterprises people from the private sector.

Mr. D. C. Kothari representing the C. M. Kothari Trust which had contributed Rs. 10 lakhs for the Institute, said it fulfilled a definite gap. The "hit and miss" or the "hunch-based" methods of operation would just not do. They had to be scientific in their functioning.

No Cut in Plan Size—C. S.

A meeting of the Consultative Committee of Parliament for the Ministry of Planning was held in the City. Besides Mr. Subramaniam, the Minister of State Mr. Mohan Dharma and Planning Commission Members attended it. Mr. Subramaniam envisaged more investments to set right regional imbalances. Proposals for this purpose were being formulated. Speaking about agriculture, Mr. Subramaniam said that the breakthrough was confined to cereals and so far as pulses were concerned research work for suitable strains was being undertaken. He analysed the causes that had led to the deceleration in industrial growth. He said there was not going to be any cut in plan size whatever

the pressure on resources on account of Bangla Desh.

The wide range of topics discussed at the meeting centred round the need for a realistic approach to the formulation, implementation and assessment of development projects.

At the meeting which was for the first time held outside Delhi, members urged local initiative in the planning process at the State and district levels.

Serious Erosion in Freight Rate Stability

Shipping lines carrying west-bound cargo from India will not put up their freight because of the weakening of the dollar position. This assurance has been received by the Government of India, according to indications given to a meeting of the Southern India Shippers' Association here by Mr. T. K. Sarangan, Transport Director in the Ministry of Foreign Trade.

Mr. Sarangan was sorry that shipowners no longer consulted shippers before raising freight. The serious erosion in rate stability naturally caused concern. The Indian Freight Investigation Bureau and the Standing Committee of Shippers and Shipowners should be

able to sort out this problem of rate instability. While the increase in the shipping operation costs justified rise in freight he was by no means sure that the freight increase was in proportion to the cost rise. He appealed to the Indian shippers and businessmen to increasingly patronise Indian shipping lines. He was certain that the emergence of a growing participation by Indian vessels had made a definite dent on the conference.

Mr. A. Nagappa Chettiar, President of the Association, wanted tariffs of India's export shipments must be quoted in Indian rupees. Patronage of Indian lines forming part of the conference was difficult as the pooling system had created all the trouble for the shippers, he said.

A Dairy for South Madras

The Tamil Nadu Government announced a decision to set up another dairy in the City of Madras. Its location will be in South Madras and will be intended to cater to the needs of this part of the City. The Southern Dairy is estimated to cost Rs. 6.75 lakhs. There is now one dairy at Madhavaram and it has been found inadequate to the needs of the City.

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BUSINESS BRIEFS :

Drug Units May Earn Less

The experience of Glaxo Laboratories (India) Limited, one of the leading manufacturers of pharmaceuticals in the country, in the latest accounting year has led to speculation in stock market circles if this would be applicable to the whole industry which has had to adjust itself to a cumbersome price control imposed by Government last year. The sharp reduction in profits reported by Glaxo in spite of an appreciable increase in turnover would indicate that even the very efficient units in the industry which have diversified product lines could not escape the rigours of the price control though selling prices for many products have been raised in the process. Of course, the experience of individual units may vary with the product pattern. But it cannot be denied that pooled prices for raw materials, both imported and indigenous, have definitely gone to inflate costs of manufacture of most drugs. The complaints of shortage of vital drugs which were so many in the initial stages of price control have come down and the various manufacturers are planning to continuously expand their capacity to meet the increasing demands. It must also be pointed out that even with the reduced profits, most of the efficient companies will be able to maintain their dividends comfortably and yet plough back large sums into new schemes.

Glaxo Pays Same

Glaxo Laboratories (India) Limited could increase its sales again in a big way during the year ended June 30, 1971 to Rs. 29.47 crores from Rs. 26.88 crores in 1969-70. But the net profit, before depreciation and taxation, declined sharply to Rs. 3.49 crores from Rs. 4.28 crores. The sum set aside for depreciation is Rs. 47.57 lakhs (Rs. 41.86 lakhs) and development rebate Rs. 14.50 lakhs (Rs. 5 lakhs). The provision for taxation is much lower at Rs. 1.58 crores (Rs. 2.31 crores) while the transfer to general reserve is Rs. 96.30 lakhs (Rs. 1.30 crores). A final dividend of 8 per cent taxable is to be paid making with the interim 14 per cent taxable, same as in the previous year. The total amount is however slightly higher at Rs. 100.80 lakhs (Rs. 98.10 lakhs). The final dividend is to be paid out of general reserve.

Scindia Pays More

Scindia Steam Navigation Company Limited has raised the equity dividend for the year ended June 30, 1971 to 11.25 per cent from 8.75 per cent taxable for 1969-70. The tax deduction from the latest dividend will be only on 50 per cent, the balance being paid out of tax-exempt profits. There was a significant improvement in profitability of operations as while the freight income increased slightly to Rs. 40.31 crores from Rs.

39.46 crores, the net profit before depreciation and taxation rose appreciably to Rs. 6.61 crores from Rs. 6.09 crores in the previous year. The sum set aside for depreciation is Rs. 3.56 crores (Rs. 3.36 crores) while taxation claims Rs. 35 lakhs (Rs. 52 lakhs). There is a larger transfer of Rs. 1.70 crores (Rs. 90 lakhs) to development rebate reserve. The allocation to dividend equalisation reserve is Rs. 40 lakhs against Rs. 32 lakhs to general reserve on the last occasion. The latest appropriations have been helped by a profit of Rs. 67 lakhs (nil) on sale of assets, after providing for tax liability. The proposed dividend will require Rs. 1.27 crores (Rs. 98.68 lakhs). During the year, the company added three new ships and sold six old vessels. Two more new ships have been acquired this year and two more may be added shortly. There will be two more new ships in 1972-73 while a bulk carrier of 52,000 dwt. will be purchased in 1973. The cost of ships ordered with East Germany may not be raised as in the case of other countries' yards.

The directors hope to maintain the dividend for the current year as the earnings are not likely to be affected much by the present depreciation in the tramp shipping trade, the company's activities being mainly in liner trade. The encouraging results for 1970-71 have been reflected in firm rates for Scindia's Rs. 20 shares at Rs. 22.25.

Dunlop's Interim

Dunlop India Limited has maintained the interim dividend on equity capital at 7½ per cent taxable for 1971. (The total for 1970 was 20 per cent). There was only a marginal increase in sales during the first half of 1971 to Rs. 41.77 crores from Rs. 40.38 crores in the corresponding period of last year due to serious production losses at the Sahaganj factory (West Bengal) as a result of power cuts and high absenteeism of labour. Only the expanded facilities at Ambattur helped to more than offset this. Even then a steep rise in production costs, particularly raw materials, and higher interest charges were responsible for a sharp decline in net profit before taxation by 33 per cent for the first half year. The net profit, before depreciation and taxation, declined to Rs. 2.81 crores from Rs. 3.84 crores previously. Interest charges alone rose to Rs. 65.72 lakhs from Rs. 44.18 lakhs. After setting aside Rs. 67.48 lakhs (Rs. 62.61 lakhs) for depreciation, taxation claims Rs. 68.79 lakhs (Rs. 1.41 crores). It has been stated that there has been no improvement in the conditions at Sahaganj but that the result for the second half will compare with those for the corresponding period of 1970 thanks to the increased output at Ambattur, and if there is some improvement in power supplies at Sahaganj unit.

Dempo Steamships: Jump in Freight Income

There was a big jump in the freight income of Dempo Steamships Limited during the year ended March 31, 1971 to Rs. 5.58 crores from Rs. 3.06 crores in 1969-70. The net profit, before depreciation doubled to Rs. 227.75 lakhs from Rs. 101.89 lakhs. The provisions include Rs. 83.55 lakhs (Rs. 68.65 lakhs) for depreciation, and Rs. 103 lakhs (Rs. 21 lakhs) for development rebate. General reserve gets Rs. 41 lakhs (Rs. 2.50 lakhs). The dividend has however been maintained only at 10 per cent taxable and will be paid out of general reserve, absorbing Rs. 10 lakhs.

Mysore Cements Repeats

Mysore Cements Limited could report a slight improvement in its earnings for the year ended June 30, 1971 to Rs. 1.21 crores from Rs. 1.15 crores in 1969-70 only with a much larger turnover. While output of cement increased to 3.99 lakh tonnes from 3.65 lakh tonnes, despatches were higher at 1.08 lakh tonnes against 3.59 lakh tonnes. There was a further increase in costs which could be absorbed only by increasing output. The dividend on equity capital has been maintained at 12½ per cent taxable. The provision for depreciation is Rs. 47.19 lakhs (Rs. 47.16 lakhs) and development rebate Rs. 50 lakhs (Rs. 10 lakhs) while the transfer to general reserve is Rs. 23.23 lakhs (Rs. 54.83 lakhs). The equity and preference dividends are to be paid out of this reserve, absorbing Rs. 29.14 lakhs (same). It is stated in the directors' report that some modifications are to be effected on the existing plant at a cost of Rs. 50 lakhs which will raise the capacity by 50,000 tonnes. There is also a scheme to instal a ropeway at a cost of Rs. 1.30 crores to transport limestone from the quarry to the factory at reduced cost. This project is expected to be completed by the middle of 1973. There are also proposals to manufacture new types of building materials.

M. R. F. to Set up Tyre Plant at Goa

Madras Rubber Factory Limited plans to set up a new factory in Goa to produce 3 lakh types and tubes annually. A letter of intent has been received from the Union Government for this purpose. There is however the stipulation that 10 per cent of the production is to be exported. The necessary procedural formalities are being gone through and it will be possible to complete construction work by early 1973 with the technical know-how available from the company's existing U.S. collaborators. The project is estimated to cost Rs. 5 crores of which Rs. 1.15 crores will be in foreign exchange. While some of the equipment will be made at M.R.F.'s own workshop and some others will be obtained from other indigenous sources the import of major portion of plant and equipment is to be financed by a foreign currency loan to be obtained from a statutory financial corporation. There will also be a

rupee loan of Rs. one crore from Cooley funds. As enough internal resources are also expected to be available, there is no intention to raise fresh equity capital. Meanwhile, the expansion at the Tiruvottiyur factory from 3.1 lakhs to 6.1 lakh tyres and tubes has been very nearly completed and already there has been a big rise in production and sales.

Shriram Bearings

Shriram Bearings Limited could not prevent a slight drop in earnings in the year ended June 30, 1971 to Rs. 63.63 lakhs from Rs. 67.17 lakhs in 1969-70 though sales improved to Rs. 2.60 crores from Rs. 2.50 crores. There was loss of production due to labour trouble on two occasions. The dividend on equity capital has however been raised to 12½ per cent taxable from 10 per cent taxable. Depreciation claims Rs. 14.97 lakhs (Rs. 15.63 lakhs) and development rebate Rs. 2 lakhs (Rs. 15.98 lakhs). The provision for taxation is as much as Rs. 28.50 lakhs (nil). The balance of Rs. 18.16 lakhs (Rs. 31.84 lakhs) has been taken to general reserve. The proposed dividend is to be paid out of this reserve. The current year is expected to end with encouraging results as there has been a satisfactory level of production so far. There are also schemes for producing cylindrical and tapered roller bearings. A letter of intent has been received for the manufacture of nine lakh pieces of these items and a new factory is to be set up at Aurangabad in Maharashtra.

Toshiba Anand Lamps

Toshiba Anand Lamps Limited, which has its factory in Kerala making different kinds of electrical lamps, has been steadily increasing its output and sales in the year 1970-71 improved further to Rs. 1.83 crores from Rs. 1.57 crores in 1969-70. The net profit, before depreciation, also increased sharply to Rs. 23.11 lakhs from 12.32 lakhs. After providing Rs. 8.93 lakhs (Rs. 7.85 lakhs) for depreciation, the balance of Rs. 14.18 lakhs (Rs. 4.47 lakhs) has been transferred to development rebate reserve. There may be a further increase in turnover in the current year as the G.L.S. lamp capacity is being increased and there is better demand for fluorescent lamps. A loan of \$602,666 has been taken from the Industrial Credit and Investment Corporation of India for the expansion of G.L.S. lamps while another loan for \$94,700 from the same institution has been used to import equipment for the mercury vapour lamps project, which is expected to be completed shortly. The company is also trying to improve operating efficiency with better use of the existing capacity.

Travancore Sugars

Travancore Sugars and Chemicals Limited was able to report a smaller loss after depreciation during the year ended April 30, 1971 of Rs. 91,514 against Rs. 3.21 lakhs in 1969-70. The equity dividend has again been skipped but preference dividend is to be paid after

transferring Rs. 1 lakh (Rs. 75,200) from taxation equalisation reserve. The debit balance of Rs. 2.33 lakhs brought in from the previous accounts has been reduced to Rs. 2.24 lakhs.

Travancore Chem. Earns More

Travancore Chemical and Manufacturing Company Limited has maintained the total dividend as equity capital for the year ended March 31, 1971 at 25 per cent taxable, with the announcement of a final payment of 12½ per cent. The company has however earned a much larger profit of Rs. 49.33 lakhs against Rs. 29.39 lakhs in 1969-70. The charge in respect of depreciation is Rs. 5.43 lakhs (5.58 lakhs) and development rebate Rs. 41,844 (Rs. 1.41 lakhs) while taxation claims Rs. 24 lakhs (Rs. 11.55 lakhs) and surtax Rs. 3.69 lakhs (Rs. 78,000). The transfer to general reserve is Rs. 11.80 lakhs (Rs. 10.10 lakhs).

Bagalkot Udyog Limited

Bagalkot Udyog Limited (formerly known as Bagalkot Cement Company Limited) was able to improve its sales slightly to Rs. 2.85 crores during the year ended March 31, 1971 from Rs. 2.62 crores in 1969-70 with an increase in output of cement to 2.22 lakh tonnes from 2.08 lakh tonnes and in despatches to 2.21 lakh tonnes from 2.10 lakh tonnes. Improved transport facilities combined with better demand helped the larger turnover but, with increased costs, there was a slight drop in the net profit, before depreciation to Rs. 46.53 lakhs from Rs. 49.77 lakhs. After setting aside Rs. 14.15 lakhs (Rs. 12.68 lakhs) for depreciation and Rs. 1.14 lakhs (Rs. 5.25 lakhs) for development rebate, the provision for taxation is as much as Rs. 18.12 lakhs (Rs. 11.50 lakhs). There are tax refunds and other credits for Rs. 3.13 lakhs (Rs. 21.22 lakhs) while provision has been made for Rs. 2.86 lakhs (Rs. 1.85 lakhs) in respect of expenditure relating to prior years. The transfer to general reserve is Rs. 13.39 lakhs (Rs. 39.71 lakhs). The equity dividend has been maintained at 12½ per cent, taxable and is to be paid out of general reserve. There may be an increase in the output and sales in the current year as the scheme to expand capacity from 2 lakh tonnes to 3.6 lakh tonnes is expected to be completed by the end of this year.

Textools' Further Recovery

Textools Company Limited which had struck a bad patch during the recent recession has been making steady recovery in the past two years and it has been possible to reduce accumulated losses appreciably. The diversified pattern of production has enabled the company to increase its sales again during the year ended April 30, 1971 to Rs. 153.64 lakhs, from Rs. 115.39 lakhs in 1969-70. There was also a net profit of Rs. 35.35 lakhs against a loss of Rs. 13.81 lakhs in the previous year. Depreciation claims Rs. 4.35 lakhs (Rs. 4.93 lakhs). Last year, there was a provision of Rs. 16.78 lakhs for bad and doubtful debts. After allocating Rs. 1.49 lakhs (Rs. 1.21

lakhs) for bonus relating to previous years and Rs. 2.21 lakhs (nil) relating to expenses in earlier years, the debit balance has been reduced to Rs. 181.64 lakhs from Rs. 209.61 lakhs brought in from previous accounts.

Rane (Madras) Plans Bonus Issue

The directors of Rane (Madras) Limited propose to capitalise Rs. 18.39 lakhs out of general reserve and issue bonus shares to the shareholders as on a future date in the proportion of one share for every share or two shares held. The new shares will rank equally with the existing shares except in that they will be eligible for dividend that may be declared after the date of allotment.

Ceat Tyres' Right Issue

Ceat Tyres of India Limited will be making a right issue to the existing shareholders other than the foreign collaborators to bring down the latter's holding to 50 per cent of the equity capital from 60 per cent. In all 20,360 equity shares will be offered at a premium of Rs. 100 per share, in the proportion of two shares for every nine shares held. After this issue, the paid up capital will go up to Rs. 3.34 crores. In the first stage, 15,180 equity shares held by Ceat International, S.A. of Switzerland were sold to the Industrial Credit and Investment Corporation at Rs. 220 per share with the concurrence of the Government. This brought the foreign participation to 55 per cent from 60 per cent and the right issue will bring it down further to 50 per cent. This fulfils the stipulation in the order of the Controller of Capital Issues in 1958.

Golden Tobacco Issue for Rs. 1.5 Crores

Golden Tobacco Company Limited, will be giving an opportunity to the public to participate in its equity capital for the first time. The company has a factory in Bombay with a capacity of 8,100 million cigarettes a year. It is constructing a second unit at Baroda, with a capacity of 4,500 millions pieces while a letter of intent has been received for setting up another unit of 4,500 million capacity at Hyderabad. To finance the Baroda unit, the company will be coming on the market to raise additional capital for Rs. 1.5 crores in equity shares of Rs. 10 each at par. Before this issue, the paid up capital will be increased from Rs. 2.8 crores to Rs. 3.5 crores by capitalising reserves and making a bonus issue in the proportion of one for four to the existing shareholders. To facilitate the bonus and new issues, the authorised capital is also to be raised from Rs. 5 crores to Rs. 7.5 crores.

Indian Detonators

Indian Detonators Limited will be distributing a larger sum as dividend to its equity shareholders for the year ended March 31, 1971 though its earnings have increased only marginally to Rs. 104.09 lakhs from Rs. 102.98 lakhs for 1969-70. There will be a distribution of 10 per cent taxable on a capital increased by a one-for-two bonus issue

against 12 per cent on the old capital in the previous year. The amount is thus more at Rs. 15 lakhs (Rs. 12 lakhs). The provision for depreciation is Rs. 36.74 lakhs (Rs. 34.16 lakhs) and taxation Rs. 33.25 lakhs (Rs. 27.90 lakhs). There is no transfer to development rebate reserve against Rs. 13.60 lakhs in 1969-70. However, general reserve gets a larger sum of Rs. 37.30 lakhs (Rs. 30.67 lakhs) as credit has been taken for Rs. 3.18 lakhs (Rs. 3.34 lakhs) in respect of provisions no longer required.

Indian Aluminium

Indian Aluminium Company Limited has benefited considerably from a higher level of output in the first half of 1971 with uninterrupted operations at the Hirakud smelter and improved operating efficiency of the Belgaum unit. As there was also a good demand for various products and virgin metal, the turnover rose sharply to Rs. 19.80 crores during the first six months from Rs. 14.52 crores in the corresponding period of 1970. The net profit, after depreciation and taxation, also jumped to Rs. 3.60 crores from Rs. 1.70 crores and the interim dividend on equity capital has been raised to 6.6 per cent taxable from 6 per cent taxable in 1970. After transferring Rs. 1.30 crores to development rebate reserve, there is a surplus of Rs. 2.30 crores (Rs. 1.07 crores). There may be an equally encouraging performance in the second half of this year though the directors have drawn attention to the increasing costs and declining

operating efficiency due to shortage of raw materials and other factors. Work on installing the fourth potline at Belgaum to raise capacity by 10,000 tonnes is proceeding apace while the sheet mill at Talaja in Maharashtra is expected to be ready by the end of this year.

Kirloskar Pneumatic

Kirloskar Pneumatic Company Limited is arranging to place convertible debentures for Rs. 1 crore with the statutory financial corporations and insurance companies privately. The company needs funds for its expanding activities. The new debentures of Rs. 1,000 each can be converted into equity shares to the extent of 51 per cent of the face value of each debenture, 30 equity shares of Rs. 10 each being allotted at a premium of Rs. 7 per share. The unconverted and unconvertible portion of the debentures will be redeemed after 10 years but not later than 12 years by giving the necessary notice. The debentures will carry interest of 8½ per cent taxable.

Corona Sahu's Setback

Corona Sahu Company Limited had to contend with labour trouble during the year ended March 31, 1971 as a result of which its earnings have declined sharply to Rs. 12.61 lakhs from Rs. 32.04 lakhs in 1969-70 though sales were slightly better at Rs. 6.33 crores against Rs. 6.03 crores. The equity dividend has therefore been halved to 5 per

cent taxable. The sum set aside for depreciation is Rs. 13.30 lakhs (Rs. 16.06 lakhs) and development rebate Rs. 53,000 (Rs. 4.73 lakhs). There is no tax liability against Rs. 7.92 lakhs on the previous occasion. The Chairman Mr. Shriyans Prasad Jain, has stated that output has been satisfactory so far this year while the pattern of production is being changed to improve the average price realised on sales. The company's rubber, canvass and leather footwear are in good demand but there is serious competition for PVC footwear from small scale units.

Jaipur Udyog Pays Less

Jaipur Udyog Limited has earned a reduced profit of Rs. 82.88 lakhs, before taxation and depreciation, for the year ended March 31, 1971, against Rs. 92.92 lakhs for 1969-70. After setting aside Rs. 53.94 lakhs (Rs. 53.40 lakhs) for depreciation there is a provision of Rs. 18 lakhs (Rs. 22.25 lakhs) for taxation and an additional allocation of Rs. 85,000 (nil) under this head relating to prior years. The transfer to development rebate reserve is Rs. 1.75 lakhs (Rs. 8.50 lakhs) and to general reserve Rs. 7.73 lakhs (Rs. 52.83 lakhs). The equity dividend has been halved to 5 per cent taxable and is to be paid out of general reserve. In the previous year, however, there was tax credit for Rs. 11.63 lakhs besides excess provision of Rs. 32.43 lakhs for depreciation of earlier years written back.

Colour Films to be Produced in Ootacamund

Eastern Kodak Company of the United States will conduct a feasibility study at the Hindustan Photo Films Manufacturing Company, Ootacamund, a public sector undertaking, for increasing production of photo-sensitised materials in the country.

According to a press note, this is to enable the Hindustan Photo Films, which manufactures black and white films at present, to meet the growing demand of the motion picture industry now fast switching over to colour and of photo industry and mass media.

The study by the American firm would include preparation of estimates on current market demands in the country and for export. It will also assess the cost of a factory for the purpose.

The study is expected to be completed by March 1972.

Aluminium Complex in Gujarat

The Union Government has decided to set up a Rs. 130-crore aluminium complex in the Kutch district in Gujarat, according to the Governor, Mr. Shrihan Narayan.

Speaking to newsmen, he said during his detailed discussion with the Union Steel Minister Mohan Kumaramangalam, the Minister had agreed to expand the earlier

proposal to set up a Rs. 30-crore aluminium plant. Work on the project would start soon, he added.

The complex would be in the joint sector with State and Central Governments participating. However, the percentage of the States' share was still under consideration, he said. The complex would consist of two main projects—aluminium and gravitation plants.

Forest Development in Uttar Pradesh

An integrated forest development project, claimed to be the first of its kind in the country, has been drawn up in Uttar Pradesh for extensive plantation of trees, timber logging by modern methods and construction of truckable roads deep into the forests, according to an official report.

It said the project, estimated to cost about Rs. 30 crores, had been submitted to the World Bank for financial assistance. The project, likely to be launched during the current financial year, consists of three parts, each to be completed in two phases of five years' duration.

Gross Return of 6 to 16 per cent

The report estimates that the plantation project, excluding bamboo plantation, would yield a gross return of 6 to 16 per cent in the total capital of the project.

Similarly the timber logging project was likely to return an interest of about 12.7 per cent. Besides, the project would boost up the so far untapped industrial potential of the State by providing additional raw material and connecting the hitherto inaccessible interiors of forests by truckable roads, it added.

Atomic Power Station in U.P.

The proposed atomic power station for the northern region will be set up in Uttar Pradesh, Union Deputy Minister for Irrigation and Power Baijnath Kureel said on October, 13.

Addressing a meeting of the Consultative Committee of Parliament attached to his Ministry, Mr. Kureel said that the committee appointed by the Department of Atomic Energy to select a site, had examined the suitability of three sites, namely Hardwar, Matatila and Narora. The decision about the site would be taken by the Government as soon as the committee's report was received.

He said that the Ministry of Irrigation and Power was now empowered to import spares worth 0.1 per cent of the value of equipment required for irrigation and power project. This would help increase the tempo of the construction work of various projects, he said.

TV Satellite to Cover 5,000 Villages

India's satellite instructional television experiment (SITE), well on the way to functioning by 1974, will be the forerunner of a vast national satellite system involving both direct reception and rediffusion utilised for mass education.

According to 'UNESCO Features' made available here on October 12, the experiment will attempt direct broadcasting to community TV receives which only need to be augmented by a three-metre chicken-wire antenna and electronic converter to pick up the satellite signals.

Of the 5,000 Indian villages to be covered under the first ever test of this type, about half will receive instructional programmes direct and the other half by rediffusion.

The nine-metre antenna on the experimental satellite will direct the programmes towards India with high pointing accuracy. The satellite will have one video and two audio channels broadcasting programmes which will be produced by India itself about four hours a day.

The ambitious plan seeks to instal, between 1975 and 1980, at least one TV set in each of India's 56,000 villages, bringing the light of knowledge to the rural home.

India Enters a New Era in Space Technology

India entered a new era in its space technology with the launching of three Rohini 125 rockets. The first of these India-made rockets zoomed into the sky at 11-15 a.m. on October 9 and the other two on October 10.

The flights were smooth and successful, according to project director D. S. Murthy.

Touching a peak altitude of 11.4 km. the rockets covered a range of 12 km. over the Bay of Bengal. These rockets were made at the Thumba Equatorial Launching Station in Trivandrum.

Explaining the rocket launching programme on October 5 at New Delhi, Chairman of the Atomic Energy Commission Vikram Sarabhai said the two-stage rockets were "control rockets" with a sophisticated control system. He said various facilities for producing large sized rockets and propellant blocks were being created at the 1,200-hectare rocket range at Sriharikota.

In the next two to three years, the department would require about Rs. 15 crores for creating all facilities required for satellite launching, Dr. Sarabhai said.

Woollen Industry Might Export Goods Worth Rs. 40 Crores

India would be able to earn Rs. 40 crores in foreign exchange in the near future through

export of woollen goods, outgoing Chairman of the Indian Woollen Mills' Federation Prem Nath said on October 13. Addressing the 7th annual general body meeting of the Federation, Mr. Prem Nath said this could be achieved only when some difficulties faced by the woollen industry like shortage of raw material were removed immediately.

He said in spite of many difficulties and hurdles the industry had made remarkable progress and the foreign exchange earnings of it had crossed the Rs. 300 million mark.

Canalisation Retards Progress

Referring to the scheme of canalisation of import and export of certain woollen items through the State Trading Corporation, Mr. Prem Nath said the scheme, instead of helping, had retarded the progress of the industry.

The cost of production of woollen materials had gone up by at least 10 per cent because of canalisation and this was a heavy drag the meagre resources of the industry, he added.

He suggested that the entire working of the STC in the operation of canalisation of woollen goods should be subjected to scrutiny by an expert committee consisting of representatives of the industry and the Government.

Mr. Prem Nath said that the recent imposition of duty on import of wool and also increase in the central excise duties on yarns and tops had cast a heavy financial burden on the industry.

To meet the additional burden, he said, the banks should give financial assistance. "Without this, the growth of the industry would come to a standstill and the expectations of the Government in the matter of exports may not be realised."

Indian Institute of Packaging to Extend its Services

The Indian Institute of Packaging will soon extend its services to the major cities in the country through its regional offices, Institute Chairman H. D. Shourie said here on October 12.

The setting up of a regional office in Madras was the first step in this direction. Similar offices would be established in Delhi and Calcutta shortly.

Addressing the Fifth Annual Meeting of the Institute, Mr. Shourie said it was fast developing into a more effective agent in imparting training in packaging with the aid of the Centre, the Maharashtra Government and the United Nations. He hoped it would be possible to extend the services to all developing nations in Asia in the near future.

Industrial Round-up.....

Vijayanagar Steel Plant will be Wholly Indian

The two million-tonne integrated Vijayanagar Steel Plant, work on which was inaugurated on October 14, by Prime Minister Indira Gandhi at Toranagar, near Hospet, will be the first wholly Indian steel plant to be designed and constructed by the Central Engineering and Design Bureau, the Hindustan Steelworks Construction Limited and the Hindustan Steel Limited.

The finishing mill of the Rs. 600-crore plant will include a wire rod mill of 4,00,000 tonnes capacity, a light and medium section mill of 5,00,000 tonnes capacity for producing a total of about 1.2 million tonnes of finished steel. In addition, the plant will produce approximately 4,00,000 tonnes of billets a year.

According to Hindustan Steel Chairman K. T. Chandy, the steel plant would not only employ about 25,000 skilled and semi-skilled workers but generate a large number of ancillary industries.

The Vijayanagar Steel Plant is the last of the three public sector steel plants sanctioned during the current Plan and the seventh in the line. The work on the Salem and Visakhapatnam steel plants was formally inaugurated by Mrs. Gandhi during September 1970 and January 1971 respectively.

Hindustan Shipyard Reduces Construction Cost

The Hindustan Shipyard has for the first time been able to strike a near balance between its construction costs and sale price, according to a spokesman of the Shipyard.

The 13,000-tonne cargo liner 'Viswa Nayak', the 55th vessel built at the Hindustan Shipyard to be delivered to the Shipyard Corporation on October 22, will be sold for Rs. 3.35 crores, which will be short of the construction cost by just 2 per cent. This was a creditable performance compared to the earlier ship whose sale price was 12 per cent below construction costs.

The construction of a dry dock by the Shipyard had made it possible to make delivery of the ship at the site of construction. This was the 24th ship made by the Shipyard for the Shipping Corporation, the spokesman said.

The ship has many firsts to its credit including on board radar equipment installation of a 10,000 hp. engine as against the 9,000 hp engine in earlier ships, he added.

The Shipping Corporation has placed orders for 5 more ships, the Corporation's representative who sailed on a test cruise of the ship, told the accompanying newsmen.

Mr. Shourie appealed to those engaged in the packaging industry to widen the base of consultancy services to boost export.

The meeting re-elected Mr. Shourie as Chairman of the Institute for 1971-72.

Shipping Nations Vote for "One-way Traffic Schemes"

The world's shipping nations have unanimously voted to impose compulsory "one-way traffic schemes" on nearly 100 crowded waterways including the Straits of Dover, reports AP.

The decision was taken on October 12 by the 73-nation Assembly of the UN Inter-Governmental Maritime Consultative Organisation (IMCO) in a bid to reduce collisions and the risk of massive pollution.

These one-way schemes, technically known as traffic separation schemes, already exist on a voluntary basis.

Compulsion will come into force as soon as two-thirds of the nations signing his agreement ratify it. The resolution spelling out new international rule calls for each country to enforce the system in its own territorial waters and bring offenders before maritime courts.

Blue-Print for Massive Rural Electrification

The Union Irrigation and Power Ministry has prepared a blue-print for rural electrification envisaging electrification of 233,000 villages and energisation of about 5 million pumpsets during 1971-81.

With the implementation of this massive programme, estimated to cost Rs. 2,270 crores, about 60 per cent of the villages in the country will be provided with electricity and water.

The details of this perspective plan are outlined in a brochure on "rural electrification in India," presented on October 10 by the Union Irrigation and Power Minister K. L. Rao to Mrs. Imelda Marcos, wife of the Philippines President, during her brief visit to the capital.

The brochure said one out of every five village in the country had been electrified and 50 villages were being electrified and 800 pumpsets energised every day.

As against only 1,500 villages electrified and 6,400 pumpsets energised when the country attained independence, more than 107,000 villages had been electrified and 1.63 million irrigation pumpsets energised by March last. A total of Rs. 734 crores had so far been spent on rural electrification programmes under the Plans.

Despite this massive programme of rural electrification in the country, it is stated that nearly four-fifths of the villages have no electricity.

A National Milk Grid by 1975

A National Milk Grid linking Delhi with Bombay and Calcutta and Calcutta with Madras will be in operation by June 1975. This was announced by Dr. V. Kurien, Chairman of the National Dairy Development Board at a news conference on October 12.

He said the Delhi-Bombay milk grid was already functioning and the Madras Bombay link in the National Grid would be established after 1975.

The milk grid is a part of "Operation Flood" which is estimated to cost nearly Rs. 100 crores in the next five years. The World Bank has offered assistances worth 42 million dollars (Rs. 31.5 crores) to the project in the shape of 126,000 tonnes of milk powder and 42,000 tonnes of butter oil (ghee).

Largest Dairy in the World

Dr. Kurien, who is also Chairman of the Indian Dairy Corporation which is responsible for execution of "Operation Flood", said the entire investment of Rs. 100 crores in the operation would be outside the Plan funds.

Under the project, big dairy projects would be set up in Punjab, Haryana, Rajasthan, Uttar Pradesh, Bihar, West Bengal, Andhra Pradesh, Tamil Nadu, Maharashtra, Gujarat and Delhi. This would be the "largest dairy project" anywhere in the world, Dr. Kurien said.

Dr. Kurien said the main objective of "Operation Flood" was to bring order in the milk supply in the four metropolitan cities of Delhi, Calcutta, Bombay and Madras. Four new large dairies would be set up in the metropolitan cities. About 20 million milk consumers would benefit from the scheme.

An additional milk plant, with a daily capacity of 400,000 litres, would be established in Delhi. A total of 750,000 litres of milk would be available in Delhi in 1975.

Low Interest Loans Urged for Fertilizer Projects

Developing countries have questioned the validity of the World Bank's argument that, though it had enough funds to finance fertilizer projects, it was unable to do so for lack of "good projects" submitted to the Bank by developing countries.

The Bank's argument came up for discussion at the three-day Inter-regional Fertilizer Symposium which ended there on October 14.

Developing countries, it appears, wanted the Bank to abandon its rigid norms for "a good project".

The symposium, attended by about 130 experts from various countries, after discussions, adopted a recommendation urging the international financial institutions like the World Bank and the International Development Association to finance fertilizer projects in developing countries by granting low interest loans.

Simultaneously, the symposium partly conceded the World Bank's argument of "good projects" by urging concerned Government to submit "fully authentic and comprehensive project studies including market surveys."

Cheapest Feedstock

A recommendation, crucial for India's future fertilizer development, is on the need for developing countries to import the cheapest feedstock "wherever it be located."

At a briefing here by Mr. M. C. Verghese, the Head of the Fertilizer and Pesticides Division of the United Nations Industrial Development Organisation, it was explained that for India import of liquid ammonia and phosphoric acid would be much cheaper than using costlier indigenous feedstocks like coal.

There was plenty of liquid ammonia and phosphoric acid available at cheap rates in the Persian Gulf countries and India could profitably import them and build fertilizer plants more economically.

Cooperative Venture

The UNIDO symposium also recommended that several small consumer countries embark on a cooperative venture by pooling resources to set up plants for producing intermediate materials for fertilizers.

The symposium recommended to other developing countries the Indian pattern of training personnel and establishing research and development in the fertilizer industry.

It also suggested taking precautions against chemical fertilizers polluting the environment.

It wanted the developing countries to study the advantages of using liquid fertilizers which had several economic and agronomic benefits in contrast to solid fertilizers.

The symposium wanted the World Bank to finance import of spare parts for maintenance of existing fertilizer plants.

It wanted developing countries to introduce price support and procurement policy for agricultural crops to motivate farmers to use fertilizers.



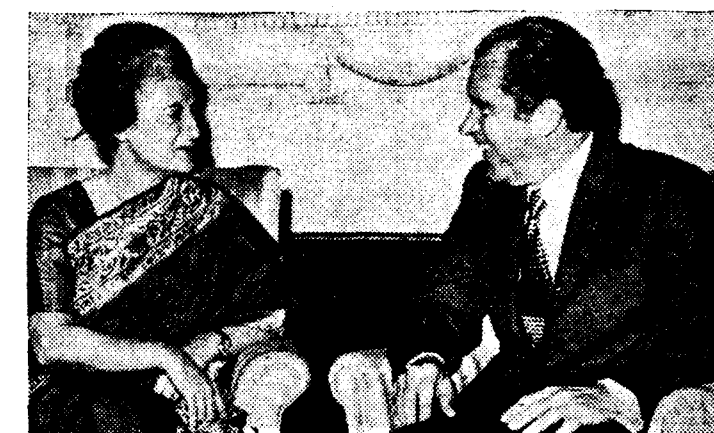
Impact of Prime Minister's Tour Abroad

In the swirl of cross currents now running through international politics and the tense situation that has prevailed for some time on the Indo-Pakistan borders and the interests of each of the great powers in the possible developments in this part of the world, it would be obviously wrong to entertain high expectations about the results of Mrs. Gandhi's tour to the Western capitals. Nor is it possible for the Indian Prime Minister to remain glued to the Capital, while the drift of opinion abroad in questions of vital importance to India runs counter to our interests. If it is wrong to expect tangible gains from the Prime Minister's tour abroad, it is not less so to expect ministers and heads of democratic governments in the West to express striking changes of attitude and intention merely as a result of talks with the Indian Prime Minister. To make a fair and proper judgment of what Mrs. Gandhi has achieved, the limitations imposed by each situation have to be borne in mind. Making all allowances for mental reservations and the natural anxiety to clothe diplomatic statements in guarded terms, there can be no doubt that Mrs. Gandhi has, on the whole, made a signal success of her main task, namely, to put an end to the facile equalisation of India and Pakistan. The Prime Minister has induced nearly all of them to lean a little towards the Indian view while continuing to retain their place on the fence: While the earlier is meant primarily for avoiding commitments and embarrassments, the change in attitude or approach might well make a difference in provision of moral support or the exertion of diplomatic pressures towards definite ends. If the avoidance of war in the Indian sub-continent is the common desideratum of almost all the nations, what little Mrs. Gandhi has done towards the creation of a new understanding may conceivably make a big difference to the efforts that such nations may now be prepared to make towards that end. They may be ready to keep their attitude to the belligerents in the event of war quite distinct from what they will do to prevent such eventuality. And it is quite conceivable that the reactions or response towards proposals for avoiding war may colour the whole attitude to the party concerned.

What one can make out from all the different reports emerging from the capitals visited by Mrs. Gandhi is that the Prime Minister has for the first time invested the situation with such potentialities. The U.S. stoppage of arms supply to Pakistan is one symbol of such change though, undoubtedly, the stoppage cannot by itself make a difference to a dictatorship which has set its heart on a military

adventure and which has already got most of what it wanted from the U.S. and has other sources of supply to turn to for the balance. The stoppage may be more significant for its promise than its performance. It may mean a unanimity of opinion among the Western nations on the nature of the issues arising from Pak treatment of Bangla Desh and the issues on which alone a solution should be sought. Mr. Willy Brandt's statement that "we were interested and moved by the exposition which was given by the Prime Minister of the problem on the Indian sub-continent" and his promise to write to Yahya Khan on the subject shows the manner in which the Prime Minister tackled her task and the manner in which world opinion can make itself felt on Pakistan.

Nevertheless, one cannot bank on the preservation of peace. To the extent that China's attitude was the principal force behind Pakistan's sabre-rattling, the poor results of the Bhutto mission may well act as a damper. Mrs. Gandhi has gone so far as to speak of better diplomatic relations between India and China. And, one may add, the Indian table-tennis team has been extolled in China for its none too striking performance. It is unlikely that Pakistan will launch a war with India merely on the strength of the assorted arms in her military inventory. But the compulsion to military adventure is always differently interpreted by military dictators. India has perforce, to keep her powder dry, while getting ready to meet the diplomatic moves from many quarters for the settlement of Bangla Desh with more solicitude for West Pakistan than for the Bengalis or for India. The return of the Prime Minister to the Indian Capital will mark the beginning of the earnest efforts of the Union Government to tackle the problems of war or peace, or both.

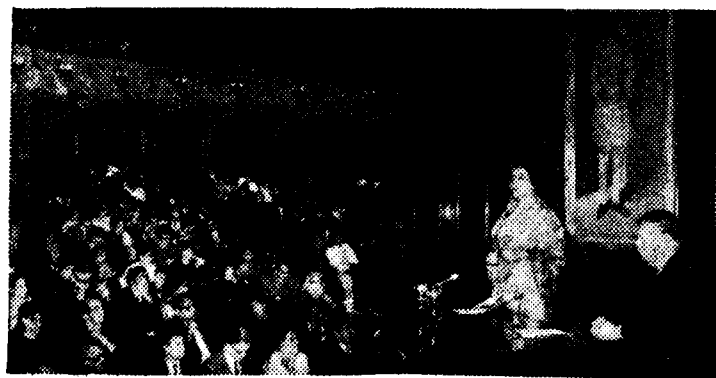


Prime Minister Indira Gandhi in conversation with President Richard Nixon during her recent visit to the States.

Resource Mobilisation for Refugee Burden

The promulgation of a series of ordinances for raising additional resources to meet heavy expenditure on refugees, for reviving closed units and for requisitioning motor vehicles for use by the Government to meet an emergent situation has been described by the opposition parties as unwarranted. It is true that the calculations of planners have gone awry and for several months now only the Bangla Desh issue has been dominating the scene. But the economy has been revealing remarkable signs of vitality on account of a pronounced improvement in the food situation and an increase in the purchasing power of the agricultural income groups. The new forces would have been greatly helpful in implementing an ambitious Fourth Plan and strengthening the industrial economy in strategic sectors. Unfortunately the additional resources being made available to the Central Government in the form of large subscriptions to open market loans, bigger receipts under the small savings campaign and greater buoyancy of tax revenues, are now to be diverted for refugee relief. There is also the additional complication arising out of the step up of expenditure on defence preparedness.

There was really no justification for issuing these ordinances when just the Parliament was about to meet for the winter session. Especially as Parliament in its present mood and in the present situation would have granted to the Government all its demands. The Opposition parties also would have the satisfaction that democratic processes had been observed. The three ordinances seeking to impose a surcharge on railway passenger fares, a specific surcharge on postal rates and services and specific excise duty on newspapers and periodicals may not, on a superficial appraisal, hurt seriously the users. But such surcharges have a way of perpetuating themselves even though they have been described temporary. The duty on newspapers and periodicals is estimated to fetch Rs. 7 crores in a year. This tax on newspapers



Prime Minister Indira Gandhi addressing the Britain-India Forum during her recent visit to the U.K.

will have a regressive effect in some directions. The ordinance for reviving closed industrial units may also have dangerous implications as the powers assumed may not be used for the intended purposes and infringe the rights of those units in the private sector functioning efficiently. There will, of course, have to be requisitioning of commercial vehicles for meeting defence and refugee needs.

The State Governments for their part will have to show a greater sense of awareness in the present context and not merely indulge in incurring huge uncovered deficits through uncontrolled Plan and non-Plan expenditure. The present opportunity should be utilised for screening budgetary allocations and making proper use of available resources. The cut of 5 per cent in non-Plan expenditure proposed by the Central and State Governments should be really effective as out of a total expenditure of Rs. 9,000 crores, non-Plan expenditure excluding defence will account for Rs. 5,000-crores. If the cut is really operative half the expenditure of Rs. 525-crores intended to be spent on refugees in 1971-72 can be easily found. The Centre will also be able to raise additionally Rs. 150-crores even with the existing taxation and another Rs. 200-crores by way of additional borrowing through open market loans and an intensification of the small savings campaign. Foreign assistance for refugees may be over Rs. 200-crores. The State Governments have, therefore, to make a special effort for not only giving succour to the Centre in its present difficult predicament but also for reducing its own uncovered deficits.

From the overall angle, however, there will be really no serious problem of availability of financial resources though the surpluses may remain in different pockets and if their transfers are not effected properly there may be an acute inflationary situation. It is not merely a question of spending available resources even if there was no created money but how they are spent and to what extent the economy can absorb additional spending. Only a few State Governments have imposed surcharges on lottery tickets, entertainment taxes, bus fares and the like. In this manner the target of Rs. 35-crores may not be reached by the States while as usual it will be over-reached in the case of Centre. The resource mobilisation effort has to continue because there are many imponderables. It is, however, far more important that there should be a gearing up of industrial production with efficient management of existing public and private sector undertakings and full cooperation from labour. There should also be larger imports of raw materials and components in shortage so that the real resource mobilisation effort can be made and a high level of expenditure incurred without injuring the economy.

The Clamour at L I M A

The Ministerial meeting of member nations of the Group of 77 at Lima in preparation for the third United Nations Conference on Trade and Development scheduled to be held in Santiago (Chile) next year has been a veritable tower of babel with its diverse voices. The inaugural address of the Peruvian President, Mr. Juan Velasco Alvarado, no doubt, highlighted the fact that, world prosperity, like world peace, was indivisible. To quote him: "The third world is not a group of people that are irremediably lost and at the mercy of the powerful countries. It is essentially true, though unrecognised by many, that upon us largely depends the real and ultimate destiny of the nations which today—in our opinion

only for a time—play a dominant role in the world". Brave words indeed! But the point is how far the developing world is willing to close its ranks and present a united front.

The need for this unity was highlighted by the leader of the Indian delegation, Mr. L. N. Mishra, Union Minister for Foreign Trade. He stressed particularly the fact that in the face of common adversity that faced them, developing nations should sink their differences and speak with one voice. Observers at the Lima meet were, however, able to note that there was considerable reluctance to do so. The Latin American nations had, as early as 1969, fixed up a scheme of aid proposals which were more

The Stake of Developing Countries

The conference at Lima which was attended by the Ministers and leaders of delegations from 95 countries ended happily with the adoption of the declaration prepared by the Group of 77. This marks a significant step in the consolidation of the developing countries for the purpose of taking a common stand and presenting a united front in their negotiations with the advanced industrial nations at the U.N. Conference on Trade and Development at Santiago de Chile in April 1972. The initial difficulties in the acceptance of the declaration, apart from those usually experienced in international conferences of any kind, was that some nations of the Group of 77 were keen on being classified as "the least developed," much in the spirit of the scheduled classes in India, who are not deterred by that unflattering term from clinging to that special status. The removal of this disagreement was essential for the 95 countries to work together in the conference of the UNCTAD—II. And without such co-operation, it would be hard to try to arrest the tendency of the advanced nations to move away from effective help to the developed nations to putting more impediments to their trade with them and settling problems of world trade among themselves leaving the developing countries totally out of consideration. Even in regard to the provision of aid to the developing countries, it is a matter of great importance that such aid as was provided was more than offset by the losses in export earnings through the fall in the prices of the export staples, that the terms are becoming harder and that the allocation of one per cent of the national income for the provision of aid has not been done in practice even

where it has been accepted in principle. Such development as has been achieved so far by the backward countries has tended to make trade at least as important as aid, a phenomenon which was clearly brought out in the order of Marshall Aid to Europe. But, far from providing freer trade, the advanced countries are gravitating, under the pretext of strengthening their balance of payments position, towards protectionism. The problems of international finance, the means of creating more liquidity and the mobilisation of the S.D.Rs. and the parity rates for the future are all likely to be decided by the advanced nations without any thought for the interests of the developing nations. As Mr. L. N. Mishra, Indian Minister for Foreign Trade, forcibly pointed out at the conference "the stake of the developing countries in an orderly solution of the monetary problems that have arisen and the smooth functioning of the international monetary is in no way less than that of the developed countries." Likewise, any understanding among the advanced nations about import tariffs impinges on the international division of labour in which the developing countries have as great an interest as the developed ones. But the advanced nations are most unlikely to appreciate other viewpoints or heed to them, if the developing countries are not able to present them in a reasoned form with their virtually unanimous support. By making possible the steps necessary towards this end, the Lima Conference has improved the chances of the voice of the developing countries being heard and heeded in the international economic and financial conferences of the future.

—PRS

highly pitched than those contained in the Algiers Charter. Apart from this, there could be no agreement on how the line of demarcation should be drawn among developing countries themselves as more developed or less developed as the case. The per capita income formula presented at the meeting was opposed tooth and nail by Latin Americans on the ground that it favoured India and Pakistan.

Even on a procedural matter—the need or otherwise for setting up a permanent UNCTAD Secretariat—there could be no agreement. The African nations wanted the establishment of a permanent Secretariat which was to be endowed with the responsibility of watching how the promises of richer nations in favour of the poor, whether in trade or aid, were being kept out of initiating action to thwart any stalling. The Latin American nations opposed the idea of the Secretariat in principle. Their argument was that it could degenerate into yet another bureaucracy. No one would, however, show how, in the absence of such a body, there could be any follow-up action on the basis of UNCTAD recommendations especially when it had become crystal clear after UNCTAD—II that the richer nations were very unwilling to act as expected.

Radical Talk and Conservative Action

It is indeed sickening to note that the Group of 77 could not reach a compromise early enough on special measure in favour of the least developed among developing nations. The proposal was for the creation of a special fund within the United Nations to finance development within the third world and enable special treatment for their primary products. In fact the Latin Americans opposed most of these measures causing embitterment among Africans who constituted the majority among the least developed countries. At last a compromise was reached and it did not measure up to much. No wonder an Indian delegate described the Lima Conference as an example of radical talk and conservative action while an African delegate summed things up by saying that the best that the conference did was to avoid a complete breakdown.

All this is intended to show how far developing countries will have to proceed before their requests and complaints against richer nations could be heard and attended to appropriately. The future that is confronting the developing world is by no means bright. For instance, as part of a package of measures to restrain its trade deficit, the United States has imposed a surcharge. While the European com-

plain that it was really intended to force the revaluation of certain European currencies which has since taken place, it hurts actually the poorer nations more than the rich. In fact, as Mr. Schweitzer, Managing Director of the IMF pointed out at the last meeting of the U.N. Economic and Social Council, this tariff coupled with the barriers placed on imports by other developed nations to firm their balance of payments position, has had the effect of wiping out the thin profit margins on the strength of which alone exports from the developing world, especially in the form of non-traditional, new manufactures, had been sent to the markets of richer countries.

In a Lighter Mood Than Ever

The latest in the packet of restraints on the growth of the developing world is the killing of the foreign aid bill by the U.S. Senate. Of course, there have been many explanations about how the impact of this is likely to be made less severe and about how aid already in the pipeline, which is large enough, can help the recipients over a period during which the U.S. Senate's stance on aid is likely to become mere history. In the quest for containing inflation while at the same time generating funds for investments for sustaining the national product, the U.S. administration is likely to set its foot down against aid except if it helps U.S. exports or decidedly builds up U.S. politico-economic influence. In the circumstances, the clamour at Lima calling for a spontaneous transfer of one per cent of the incomes of richer countries would be taken by the latter in a lighter mood than ever.—R.S.

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Price of Industrial Growth

The near emergency conditions that have developed in the wake of the inflow of refugees and the tension on the borders have apparently had a sobering effect on the policy stances of the Government in the industrial field. Mr. Moinul Haque Choudhury, Union Minister for Industrial Development, has announced, for instance, at the meeting of the Central Advisory Council for Industries in New Delhi, a string of proposals for easing the pacing up of industrial production especially because industrial growth rates have of late reached a new low quite to the chagrin of the Government. The Government has expressed willingness to allow expansion of industrial capacity and if need be through the working of extra shifts and the allocation of requisite foreign exchange for import of balancing equipment. While the offer is welcome, the more important point which needs to be recognised is that extra shifts may be a wasteful proposition unless the money, men and materials are at all available at short notice and in the requisite measure. Incidentally, the Government has been anxious to make clear that sanction for multiple shifts is subject to the limitation that the additional production so created should not affect adversely either the small-scale sector or public sector units in the field.

Activate Idle Capacity

It can hardly be gainsaid that the immediate worry is not about extra production in this manner. On the contrary what is required is an expeditious activation of idle units. Discussion in the Central Advisory Council on this point has indicated a divergence of viewpoints. Basically there has been considerable agreement on how part of idle capacity is due to shortage of steel supplies. Mr. Choudhury has stated that the Government proposes to set up a 'steel bank' from which supplies would be made available to users according to the priority of these uses. Insofar as there is continuing shortage of domestic supply, the bank has to draw on imports. To the extent that the Government is prepared to allocate foreign exchange for import of steel as well as of other crucial raw materials, private sector entrepreneurs are being provided with the opportunity they had been seeking for activating idle capacity. It should be equally welcome to them that the Government is busy formulating guidelines for facilitating quicker processing of proposals involving foreign tie-ups or collaboration. One can only hope that the new guidelines will be free from the built-in reservations based on ideological suspicions about whether foreign collaboration could introduce foreign footholds with the capacity attributed to them for expanding irresistibly—or is it 'irrevocably' for the Marxists alone. Incidentally, the liberalisation of licensing and the increase in the number of letters of intent cannot by themselves mean much in respect of increased production in the immediate future because of the implicit

gestation period. Which means that it is incumbent on industrialists to devote prior attention to raise up production to capacity, taking advantage of the concessions offered by the Government.

Scope Restricted By Monopolies' Act

A knotty question is whether private incentive will be *ipso facto* enthused by the proposed concessions which is only another way of enquiring whether the industrial climate has become congenial. About this, representatives of private sector industry voiced grave doubts. Mr. S. S. Kanoria, President of the Federation of Indian Chambers of Commerce and Industry, felt that Government policies and procedures have been so framed that they hardly left any room for industrial expansion or growth. He criticised the Monopolies' Act as the most serious obstacle in this direction because it "switches on the red light as soon as a company with some sizable assets wants to produce more." Mr. J.R.D. Tata made a more forthright attack on the restraints placed on larger industrial houses. The big firms account for 50 per cent of industrial production but they are shackled by restraints and delays in decision-making on the part of the Government. The Government, for instance, wants these firms to set up units in backward areas. That is not, however, any encouragement. For one thing, Mr. Choudhury himself had stated at the New Delhi meeting that bigger entrepreneurs will be allowed to set up business in these areas if there were no offers from others and the 'if' is important. And, for another, even assuming that others are not interested in setting shop in backward areas, the larger industrial houses will not be having a walk-over. For, as pointed out by Mr. Tata, companies started by these houses in backward areas will not be regarded as separate units but as part of the large industrial house concerned attracting the restrictions spelt out in the Monopolies Act. Mr. Choudhury's speech at the Council meeting did not make clear whether there is going to be any liberalisation of the application of this Act in these cases. To the extent setting up an industry in a backward area requires patience and willingness to risk large investment over long periods, its development will not be undertaken automatically by smaller units. If the concern voiced by the Government about such development should make sense, there does not seem to be any alternative to recognising the crucial role which the big industrial houses can alone play in any significant measure in this field.

Half—Efficient and Half—Inefficient

The Government has always a case against the private sector in view of the many instances of inefficient functioning of private units which had necessitated the promulgation of an ordinance for their take-over by the Government. It is no doubt true that private entrepreneurship has, in certain cases, been

found wanting insofar as management and financial control of enterprises under them were concerned. Mr. Kanoria has suggested that this defect could be rectified by setting up a standing committee for each industry to keep watch over its health. That the private sector has not imposed on itself the self-regulation necessary for efficiency is clear from the forthright remarks of Mr. Tata contained in the annual statement to shareholders of Tata Chemicals. Says Mr. Tata: "That Government have had reason, in recent years, to be suspicious of big business in India is to be admitted in the light of the greed and lack of ethics demonstrated in the last two decades in the private sector. No one could object to Government imposing restrictions on such elements or even outright denial of further growth to them until they proved deserving of public confidence." This indictment should make private industry sit back and do some heart-searching. That is not to gainsay the fact that the Government has mostly failed to distinguish between good and black sheep. Precisely because of this, Mr. Tata was induced to observe that "the atmosphere these days was one of restraints and take-over" and "that if private sector is to escape Government take-over, it seems a unit has to be half-efficient and half-inefficient."

Equate Duties with Privileges

Even granting that failures in this direction are corrected, there will be still a major stumbling block to revival of business activity. This is constituted by lack of industrial peace. If steel, which is a crucial raw material, is in short supply and therefore idle capacity in engineering industries has been growing, it is because of the reluctance of the

Government to deal with Marxists as they should be dealt with in West Bengal. Knowledgeable commentators in that State have been prone to declare that the resoluteness of the Government to deal with labour intransigence in West Bengal can be the only proof of its willingness to discharge its responsibilities in this regard. Another aspect of the labour problem which has been proving elusive is remuneration. Mr. Choudhury has castigated, at the Advisory Council Meeting, the tendency of trade unions to seek improvements in wages, dearness allowance and bonus quite unmindful of considerations of productivity. To hear this from him is quite amusing. For, have not the Central and State Governments been vying with each other to order hikes in wages and D.A. from time to time merely for political reasons? Has not the Labour Minister been repeating time and again that the basic minimum for bonus should be more than doubled to 8-1/3 per cent? And the too irrespective of the profitability of enterprise? What is worse, in tripartite negotiations among the Government, management and trade unions, Government's concern has largely been weighted in favour of the unions. Unfortunately in this country, we have imported trade union ideas and privileges without checking whether the labourers are prepared to place their duties on a par with their privileges. Consequently, we have evolved an industrial situation in which industrial units are hamstrung not only by policy decisions flowing from ideological predilections but also by the uncertainties created by labour intransigence. So long as industrial peace is elusive, it will be difficult for private initiative to deliver its very best.

Plan Appraisal Highlights Uneven Performance of States

By P. R. SRINIVAS

The mid-term appraisal of the Fourth Plan by the Planning Commission has brought out two important features of its working. The first is the uneven performance of the States in the improvement of agricultural production, the unevenness extending to foodgrains and commercial crops and, further, to the different commodities in each of these groups. The second is that there have been shortfalls in major sectors, industry, mining and social services while the States' expenditure on agriculture is seen to hold the likelihood of proving lower than the Plan provision of Rs. 1,203 crores. Such shortfalls have occurred or are in prospect in the face of the trends in the overall expenditure of the States which may exceed the provision of Rs. 6,616 crores. The total expenditure in the States' plans for the current year is now estimated at Rs. 1,334 crores, which will bring up the expenditure for the first three years to Rs. 3,646 crores or 55.10 per cent of the provi-

sion for the whole of the plan period. The expenditure on agricultural programmes works out to Rs. 52.54, with irrigation higher at 60.85 per cent and transport and communications 59.41 per cent. For the States' plans for the next financial year, the tentative estimate is Rs. 1,448 crores. The Working Group on Resources has expressed the opinion that the State should be able to raise additional resources of Rs. 574 crores and push up their expenditure on the Fourth Plan to Rs. 7,250 crores.

The differences in the achievements of the State Governments in the production of different crops appear to be of some significance to agricultural development in the future. It is well known that Punjab and Haryana have already reached the targeted level of wheat output and are even getting ready to take on rice. Gujarat and Rajasthan belong to the group with a good record. Andhra Pradesh, Bihar, Kerala, Maharashtra

and Orissa have not reached even the base level assumed in their case in the Plan. The surprises are there even in foodgrains. Though the output is generally satisfactory, in comparison with the assumed base level of 98 million tonnes, the performance falls short of the targeted growth rate. Among the commercial crops, though oilseeds have done well, cotton is yet to reach the base level and nowhere near the target of 80 lakhs bales. That rice should lag so far behind paddy is suggestive of lack of vigour in the drive for the use of improved seeds and for ensuring inputs at the requisite level. Agricultural development is obviously different from the execution of single projects with large allocations in that the former calls for patient and persistent care in the administrative details involved in implementation of a programme of work over wide areas. Till the development is achieved on proper lines, it would be a liberal use of long range to refer to the changes occurring in our agriculture as "the green revolution".

PITFALLS IN FOREIGN AID

(By a Special Correspondent)

In the debate which ultimately induced the throwing out altogether of President Nixon's aid bills, Senator Fulbright made pointed reference to the fact that, among the 76 nations which voted for the admission of Communist China, 46 were recipients of aid. From this it is easy to conclude that the vote against aid was something in the nature of a punishment of those who refused to toe the U.S. line. That nothing can be farther from the truth is clear for the assessment made of the voting in the Senate early this month by knowledgeable U.S. critics. This is only to stress the consensus of opinion that has been making clear the simple fact that opponents of U.S. aid have worked in concert, as never before on that fateful, October 29 last. That stances on aid of these groups have been poles apart has been long familiar. One group has been firmly of the opinion that aid is being committed to ungrateful nations which would usually squander it away in corruption and conspicuous consumption—the two forces which, in the nature of things, should deepen the difference between the classes (the rich and the poor) and thus invite a spontaneous expansion of Communist ideology. It is a good nothing that no nations were specifically indicated in the indictment, a point over which some of us can have a sigh of relief because we have just concluded the Indo-Soviet treaty.

An Instrument to Soften Opposition

The other group, generally identified as the radical left, sees in aid an instrument by which the capitalist world is enabled to soften opposition and ensure vassalage of the growing world. As a rider of this argument, it is generally added that the aid commitments are, on present sights, the easiest means to safeguard the investments of the capitalist world in the developing world against hasty and ill-considered legislation that may end up in the confiscation of all foreign assets. If we analyse the two viewpoints, we will be able to size up the nature of mental reservations against each. The anti-communist argument visualises a developing country as wallowing in such deep poverty as is incapable of amelioration except through a long-drawn out process spread over decades rather than years. The stress is particularly in this context on the simple truth that aid is intended as a catalyst and, therefore, has no place where no catalysis can take place because either the domestic condition is chaotic or it is only aid is not to make any difference in respect of the pace of progress. Indian readers could not have forgotten in this connection the familiar argument of the anti-aid lobby *vis-a-vis* our plans on the ground that India is not yet poised for the take-off on the basis of the marginal contribution to resources that aid can make.

It is usually pointed out that the fruits of aid get nullified because of population explosion, war or a worsening of the terms of trade. Indeed some of the Western powers had striven to maintain complete impartiality in their diplomatic stances on the Indo-Pakistan conflict precisely for this reason.

To Build Spheres of Influence

The case built by the radicals is equally formidable. It is built on what is described as attributing motives to the donors. The attributes have a wide spectrum. In their more innocuous aspect, they represent succour to client states in the latter's hour of need. The radicals would, however, assume that these states are rickety politico-economic set-ups which are either not worth preserving or cannot be preserved at all beyond some point of time. And specially for this latter reason, it is conveniently assumed that aid is intended to build spheres of influence and its stoppage is equally conveniently assumed to be the result of the donor awakening to the reality that no sphere of influence was or ever could be built on the basis of aid in a particular committed area. Even otherwise, the anti-aid lobby can muster up arguments to prove that, except in respect of resuscitation of war devastated areas, in all other cases aid has a selfish motive behind it. Aid may be a means to arm prospective allies against a warring neighbour; it may be a ruse to keep practically (though not theoretically) subject nations subject or the means to build up an export market on the seller's terms in a particular part of the world. It is against this background of reservations and motives that one is prone to imagine that private investment is any day better than aid. Investment will not flow except to reasonably safe areas and the investor himself, with his know-how and equipment, will be interested in ensuring that the businesses concerned are running propositions because he has a stake in the whole show and is interested *ipso facto* in quick and rising dividends.

Cutting the Nose to Spite the Face

Thus it is fairly clear that in the aid debate, the two extremes in the legislatures of donors would be opposing the provision of aid. In the debate that killed President Nixon's bill in October last, there was first the group that vociferously opposed military commitments of the U.S. in Cambodia, Greece and other countries. There was also the group that proposed a cut in U.S. contribution to the United Nations budget because of the expulsion of Taiwan—the familiar phenomenon of cutting the nose to spite the face. In fact Mr. Nixon's own sharp reaction to the expulsion was a contagion by itself in the Senate

against his own bill. The contagion seemed to be more powerful than the original impact in that many senators expressed their ire over committing U.S. funds not only to the U.N. Development Programme but to the peace-keeping operations in Cyprus and refugee relief in Palestine . . .

Evolving an Aid Strategy

It would be wrong to imagine, however, that development loans were killed because of the expulsion of Taiwan and the admission of Mao's China. For, very much long before that, Senator Fulbright had gone full stream to denounce bilateral as against multilateral aid through multilateral agencies. The replenishment of the International Development Association is an instance in point. What the Senate killed was, in essence, bilateral aid. Consequently, borrowers like India can take consolation from the fact that, despite the wreckage of the aid bill caused by the U.S. Senate, plenty of funds will still be available through multilateral agencies. Perhaps because most commentators wrote too soon after the Senate cut, they had predicted a degree of aid starvation which cannot be true to the facts and heaped some uncomplimentary remarks on the Senate that it did not merit. As the *Economist* put it: "The main aim of Mr. Nixon's salvage operations will be clearly directed to the securing of military support funds for Vietnam and Cambodia, military credits for Israel and similar strategic forms of aid that are necessary components in his foreign policy . . . The aid provided by Communist countries shows the priority given to strategic objectives in the distribution of aid in this broad sense. This is not an American distinguishing mark; nor is it indeed a characteristic limited only to the two Super Powers. Britain, France, China and other countries, down the line to Portugal and South Africa and even beyond, work on similar principles. Happily a certain proportion of the stuff that is passed out on this basis does not contribute to the promoting of economic development in various places that need it. But there is still a long road to be travelled before the world gets anywhere near the ideal of a properly co-ordinated plan for joint action by the richer countries to help the poor". What is required in the circumstances is for the lending countries to evolve an aid strategy similar to the International Monetary Fund's automatic drawing rights. The present alternative of agonising scrutiny and rejection of even wholesome aid proposals by the legislatures concerned cannot otherwise be got over and the flow of aid can never be made certain enough for the recipients to prepare their investment plans incorporating such aid sufficiently in advance. —R.S.

STABILISING SUGAR OUTPUT

The sugar industry is again in the news. Following rumours about the possibility of reimposition of partial control there has been a sharp rise in prices and needless fears about a scarcity of this essential commodity have been created. The whole thing started with a reduction in the latest release to 3.5 lakh tonnes from the special quota of 5 lakh tonnes for meeting the needs of consumers during the festival season. As this quantity was not fully absorbed it was felt that there should be a smaller release, especially as seasonal requirements had been fully met.

The expectations of a decline in sugar prices have not, however, been fulfilled. On the contrary, a sharp rise in prices has been recorded and interested speculators spread rumours that an increase in the tariff value for purposes of calculating excise duty was round the corner. As there was quick absorption of available supplies by traders the Government got alarmed and it categorically stated that there was no intention to raise the tariff value. Normally an adjustment should have been made in this value because sugar mills were effecting sales at prices higher than the tariff value. It is probably recognised that the levy of an *ad valorem* duty on a higher basis in the present conditions would be reflected in higher end prices and caused hardship to consumers.

Possibility of Partial Control

While the Government's denial about a revision of tariff value has checked speculative activity to some extent there is still a feeling that on the basis of the suggestion of State Governments like Tamil Nadu, the Centre might revert to the system of partial control and arranged for distribution of sugar at fixed prices on the basis of cards. While there is no warrant for this action it is likely that the Central Government might come to the rescue of State Governments like Uttar Pradesh by reimposing partial control. This will provide an opportunity for the interested Governments to compel payment of higher prices for cane if there was a sharp rise in prices in the open market as happened early last year.

The problems at issue are not however, so simple as levy prices will have to be fixed in some regions at not less than Rs. 140 per quintal and more if it was assumed that higher cane prices would have to be paid to

growers. As ex-factory sales are even now being effected only around Rs. 145 per quintal no great benefit will accrue to the consumer, as there will indirectly be an increase in the burden of the excise duty.

The Government should, therefore, make a determined effort to increase production in the current season by making the rebate in excise duty more attractive. This can be done by reducing the basic quota for 1970-71 for determining the quantum of excess production for rebate purposes. The present rebate will not be of any great advantage, as has been pointed out by the Indian Sugar Mills Association and others, to mills which are sure to reduce their output because of inadequate cane supply or a diversion for conversion into gur. It is only to be hoped that the Government will take an early decision in this regard.

Output May be Lower...

If only the Reserve Bank had instructed the member banks to lend liberally against sugar stocks in the middle of last year, the present situation in the sugar industry would not have developed. Because of a heavy accumulation of stocks at the end of the last season and the losses sustained by many sugar mills, it was not possible for them to make payment against purchases of cane. The heavy arrears of payments led to serious discontent among growers and there was a reduction in the acreage under this crop. As there has also been an increase in prices for gur there is keen competition for available cane supply and it is estimated by the Indian Sugar Mills Association that the output may be sharply lower at 32 lakh tonnes against 37.6 lakh tonnes in 1970-71. The Government estimates however, place the output at the higher level of 35 lakh tonnes. Even if this estimate was realised it will not be possible to prevent a big decline in stocks. This is because there has been a spectacular growth in consumption to 40 lakh tonnes from around 33 lakh tonnes in 1969-70. It may be that despatches from sugar factories in the last season were exaggerated to a certain extent and consumption was probably around 38 lakhs tonnes. Even taking this figure as correct there will have to be an availability of at least 41 lakh tonnes for internal consumption in 1972-73 apart from exports of 3 lakh tonnes thus there will have to be a drawing down of stocks by even 90 lakh tonnes in the current season. Then the carry over will not be more than 5.42 lakh tonnes in September 1972 which cannot be considered comfortable.

It has, therefore, become imperative to increase the output of sugar substantially in order to avoid a shortage. A staggering of exports for some time will be helpful. But it can be expected that the payment of slightly higher cane prices by sugar mills, with the utilisation of the rebate in excise duty, there will be a larger output even in the current season while the area under the crop may be higher in the next season. Whatever may happen in the current season a serious shortage can be avoided in 1972-73 only if conscious efforts were made from now on to boost production of sugar. The developments in the past two seasons have clearly shown that the demand for sugar has increased substantially and the industry should be helped to raise output to new high levels.—(FOC)

Sugar Exports More Than Trebled

India's exports of sugar, sugar preparations and honey have more than trebled during 1970-71 at Rs. 295 million as against Rs. 89.4 million in the preceding year. The export value of raw sugar, beet and cane was 221,745 tonnes valued at Rs. 177 million during 1970-71. Of this, overseas supplies of centrifugal sugar amounted to 221,364 tonnes valued at Rs. 176.7 million. USA was the major importer having absorbed Indian centrifugal sugar worth Rs. 82 million followed by Canada (Rs. 35.5 million), Malaysia (Rs. 34.4 million) and UK (Rs. 17.2 million). Small quantities of canned jaggery were exported mainly to Nepal, UK and South Yemen. People's Republic, reports Economic and Commercial News.

Of the refined variety, cane sugar was exported to the tune of 127,000 tonnes valued at Rs. 99.3 million during 1970-71 of which Ceylon alone imported over 90,000 tonnes valued at Rs. 71 million.

Total exports of molasses during the year were of the order of 123,870 tonnes valued at Rs. 16.2 million. While Nepal was the major importer of edible molasses at over Rs. 1.2 million, Japan, USA, Netherlands, UK and Rumania were the principal buyers of inedible molasses at a value of Rs. 15 million.

Among the other sugar preparations exported during the year were solid and liquid glucose, palmira jaggery and palm sugar.

In the group of sugar confectionery, the products exported included sweatmeats and flavoured or coloured sugar syrup molasses.

FARM CHALLENGES AHEAD



Dr. M. S. Swaminathan

The reply of Dr. M. S. Swaminathan, Director of the Indian Agricultural Research Institute, New Delhi, to the felicitations offered in Madras on being the recipient of this year's Magsaysay award underlines a wide scatter of farm problems which this country will have to tackle in the years ahead to stabilise and improve upon the gains made so far in the agricultural front. The main worry is to shed the complacency generated by the favourable monsoon vis-à-vis the impact of new packages. Dr. Swaminathan has cautioned particularly that the Philippines and Mexico which achieved record levels of production of rice and wheat were suddenly faced with shortages due to nature's damage. In our country, much depends on what the semi-arid areas accounting for 36 per cent of the sown acreage are able to contribute to the total output. On this contribution hinges not only the availability of adequate food but of jobs in the countryside in the dimension close enough to relieve rural underemployment and unemployment.

This is a question of improved dry-farming techniques. The basis of planning has to be the conservation of moisture, evolution of new varieties in crops, hiking up their nutritional content and evolving new methods of land use. As Dr. Swaminathan has pointed out, water conservation through tanks and lakes for human consumption has been an ancient art but relatively little interest seems to have been devoted to saving water or crops. A whole package of new technology including better ploughing methods, construction of low cost reservoirs, preventing conveyance losses, development of micro-catchment system and allowing water to fall drop by drop in the root zone is currently under development. India will take long, of course, to adopt the techniques in which Israel has been specialising, but some time or other in the future, this cannot be escaped from precisely because cultivation in the decades ahead will be spreading to areas which have little assured irrigation and low rainfall.

The development of new varieties for the semi-arid areas is, according to Dr. Swaminathan, based on the construction of more efficient plant types, exploitation of hybrid vigour and the development of drought-resistant strains. Hybrids of bajra like CSH. 1., H.B.1., H.B.2., and H.B.3., have given consistently higher yields under unirrigated conditions than the best local varieties. Hybrid bajra has raised yield and production levels in Rajasthan and Gujarat. As for nutritional content, the fact has to be conceded that even with the best methods now available for protein fortification of fine cereals like wheat and rice, their protein content may not

times that of milk for every kilogram consumed.

On the question of land use, the basic objective is to improve the income of farmers besides keeping land continuously in service. To the extent malnutrition is a problem of poverty, the best way to overcome it is through making a given plot yield much larger income and thus enable better consumption standards. According to Dr. Swaminathan, alternation of crops is being evolved substituting mustard or linseed for wheat and barley during the rabi season and replacing bajra with short duration red gram during the kharif season, thereby making it possible for farmers to earn three or four times more income than before. Behind all these programmes lies the necessity for transferring information on improvements from the scientist to the farmer. In this respect, some of the North Indian Universities have had a creditable record. The Farmers' Fair conducted in October by the Pantnagar University in Uttar Pradesh is indicated as an instance in point inasmuch as visiting farmers were able to obtain the necessary answers to all their questions relating to the use of seeds, nutrients (organic and chemical) and irrigation. It is time similar efforts are made all over the country if slips in production of the type witnessed in the past with their attendant miseries are to be eliminated once and for all.—(FOC)



CYCLONE HAVOC IN ORISSA

In the worst cyclone to have hit Orissa in the past 100 years, thousands of people and cattle lost their lives. The unprecedented calamity devastated houses and completely paralysed communications.

Photo shows a view of damaged houses in a village near Cuttack.

Need to Cultivate Extra Reading Among Students

I believe that those who have the welfare of the country at heart will heave a sigh of relief on learning of the proposal in Tamil Nadu to firm up the competence of its school-leavers in English. The proposal is to have a scheme of non-detailed texts from Classes III to XI as supplementary reading material and to ensure that such supplementary reading is done in all seriousness. Caution on this score becomes necessary because under the existing scheme of things, non-detailed reading is observed more in the breach because it is not the subject matter of examination. Though many things against dependence on examinations as the means to competence can be said on the basis of elegant academic arguments, the fact remains that there is no alternative. Incidentally, some beginning is being made in different parts of the country to introduce a system of internal assessment on the basis of class-room work but the sights of such reform will necessarily remain unclear so long as there is no guarantee that the instruments of internal assessment as reflected in the syllabi and as operated by the teachers in charge will require a good deal of pruning on the basis of trial and error until they can be standardised. It may not be out of place to mention here that the change, as is operating in some of the developed economies of the West is yet to deliver the goods in the expected measure.

In the circumstances, the decision of insisting on examination in non-detailed texts should be welcomed as it will make the teacher and the taught more directly oriented to its context. In any case, care should be taken to ensure that the marks scored enter into the aggregate both at the middle and school-leaving levels lest the non-detailed paper should go the way of the Hindi question paper—the joke is that since marks scored did not matter, students used to copy the question paper in the answer-book and wait for the thirty minutes to elapse before they can leave the hall. What is important is to make sure that the purpose of non-detailed reading is fulfilled. The idea is to induce in the students a habit of extra-reading through the interest created by familiarisation of competent writing. This purpose can be served only by getting selections from standard English authors prescribed. The older system where a biography and a collection of short stories used to be prescribed may help.

Inspiring A Sense of Grammar

The advantage claimed for the older system was that it induced a language sense which was capable automatically of inspiring

a sense of grammar. In the recent past, the process had been reversed with the stress laid more on grammar. What was missed was the elementary fact that learning a language via its grammar is the easiest way to create a standstill. Though nuances of grammar devoid of its acrobatics have their own validity, there is little virtue in going after them for their own sake. Pragmatically speaking, many of the older generation who have been imparted the grammar sense may fail woefully if they were asked to do exercises in parsing and analysis of sentences; yet there can be no gainsaying that they are capable of writing without grammatical slips unlike the present generation.

The new experiment with non-detailed texts may help recapture this stature of language knowledge. It cannot, however, stop with that. The habituation for extra-reading will have to be sedulously cultivated with the ultimate goal of inspiring an inter-

est in students for original works in English in the subject of their choice. Whatever be the predilections about the regional medium, the stature of knowledge differs significantly according as the consultation of the original work is in the language of the author or not. It is of course possible to understand the enthusiasm in favour of the regional medium and also the argument that one understands anything best in one's own language. But is it not queer that you should insist in the same breath that you should seek to understand outside information not in the language in which it originates but in its translation? If the Tamil Nadu Government feels confident that the change in syllabus in the schools would induce supplementary reading of works in their originals, it cannot put its foot down against encouraging the growth of such reading in the foreign medium especially at the college level where knowledge is best acquired in the library rather than the class-room. —Horace.

India Needs Trade Pact with ECM

The British Parliament's mandate to the Heath Government to join the European Economic Community has brought into sharp focus the urgent need for a direct commercial cooperation agreement between India and the Common Market.

Informed sources said recently that such an accord alone could enable India to make good the loss of British market for several of its vital foreign exchange earners in the event of Britain ultimately joining the EEC. They emphasised the agreement has to be arrived at between January 1, 1973—the target date set for admitting new members. At present the EEC members are France, Italy, West Germany, Belgium, Luxembourg and the Netherlands.

The British entry into the Common Market would affect all the Commonwealth countries. The effect would, however, be more in the case of India in view of the special trade relations it was enjoying with Britain. India is, therefore, keen that solutions to trading problems of coir, jute carpet backing, cotton textiles and tobacco in the community is found before Britain became a member of the Common Market.

A memorandum outlining the steps needed to be taken by the Community has already

been presented by India and it has been pending since last year before the Commission of EEC. The delay in the consideration of the memorandum is causing grave concern to the Government.

Foreign Trade Minister L. N. Mishra during his recent visit to Brussels, urged EEC authorities to exercise their political will so that solutions to the problems could be found. He made it abundantly clear that India could not be expected to be patient any more.

Commodity-wise, coir, jute carpet backing and textiles enter Britain duty-free. Since these attract an import duty in the Community, Britain was found to become restrictive in the trading of these as it would be forced to enforce the common external tariff of the EEC. Exports of coir and carpet backing amount to Rs. 5 crores annually.

In the case of textiles, India accounts for 90 per cent of British imports. This market would be lost to India at one stroke with Britain becoming a member of the EEC since the quotas clamped down by the Community for textile imports were far less in quantitative terms than what were being exported to Britain.

Progress of Work on Nuclear Power Stations

Two nuclear power stations—the Rajasthan Atomic Power Station and the Madras Atomic Power Station are under construction. Both are based on the CANDU—PHW design.

The Rajasthan Atomic Power Station consists of two units of 200 MW each. The first unit will be completed by the end of 1971 and the second by the end of 1974.

The Madras Atomic Power Station will also have two units of 200 MW each. The construction work on the first unit has started and will be completed by 1975. The second unit will be ready by 1976.

The engineering of the nuclear portion of the station, the construction and the management of the Project are being carried out by the Department of Atomic Energy.

All the four units of the Rajasthan and the Madras Atomic Power Stations are of similar design.

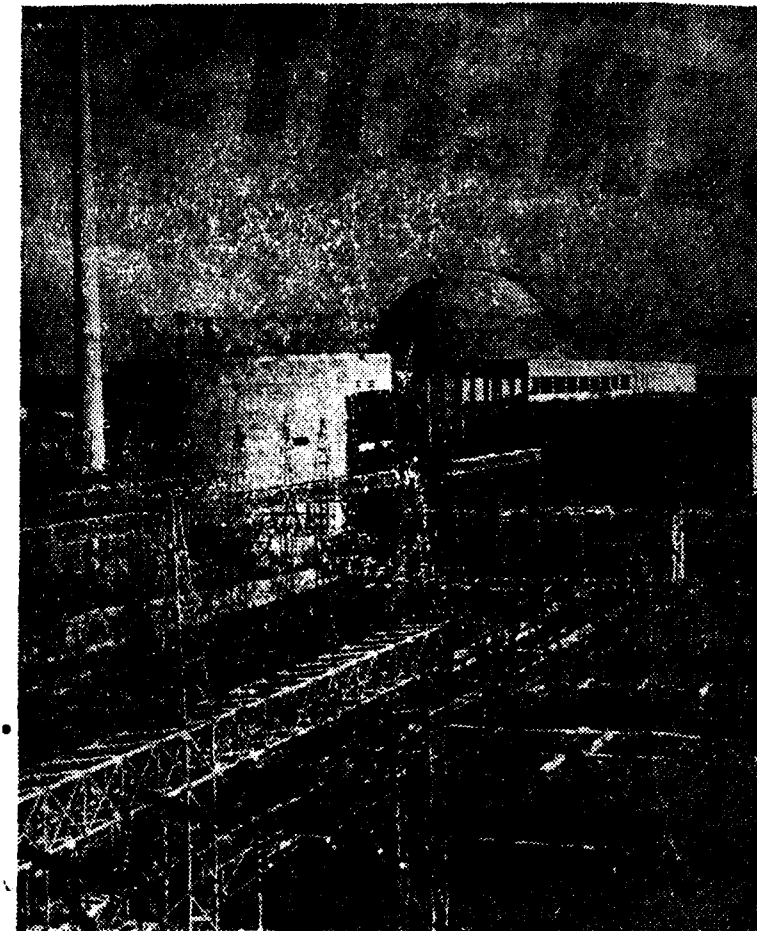
The capital cost of the Rajasthan Power Station is 1,277.25 million rupees and the

cost of the Madras Station is 1,432.75 million rupees. This difference in outlay is due to the different site conditions, the difference in power output and the increased share of indigenously manufactured components and equipment in successive units.

The cost of the Madras Station at the present site will be four per cent higher as compared to the Rajasthan Station because there is not enough fresh water available. Sea water will be used for cooling purposes which means the construction of sea water in-take works and an additional secondary cooling system.

Atomic Power Station in Andhra Pradesh

In view of the anticipated demand for power in and around Visakhapatnam and the general gap between supply and demand by the end of the Fourth Plan, two atomic power stations are proposed to be set up in Nellore and Visakhapatnam districts of Andhra Pradesh, according to authoritative sources in Visakhapatnam.



India is among the advanced countries of the world in the field of atomic energy. The Tarapore Atomic Power Station which went into commercial operation in 1969, has generated over 3,750 million units of electricity.

Two more atomic power stations, at Kotah and Kalpakkam, near Madras, are under construction. The first unit of the Kotah Station is nearing completion.

Photo shows a view of the Rajasthan Atomic Power Station, Kotah.

Officials of the State Electricity Department and representatives of the Central Water and Power Commission visited a site near Anakapalle on October 29 to consider its suitability for location of the project.

Both the units will be coast-based to utilise the sea water for cooling purposes. Atomic power projects require huge quantities of water and such demand for water could be met only by drawing upon sea water.

The State Government, which has undertaken a preliminary investigation, has asked the experts here to collect oceanographic data in the localities where the plants are to be set up.

Management Conference in Delhi

AAMOCIOS IV Conference is to be held in New Delhi, from November 22—27. This is the first time an International Management Conference of this type and magnitude is being held in India. The Conference is to be inaugurated by Planning Minister C. Subramaniam.

AAMOCIOS denotes the Asian Association of Management Organisations of the CIOS (International Council of Management). CIOS, with a history of more than 40 years, comprises 42 national member-management organisations. AAMOCIOS (or, AAMO, for short) is 10 years old now with 12 national management organisations as its members.

Theme of Conference

The theme of the Conference is "TRADITION AND MODERNITY." The theme is of great relevance to developing countries which are moving rapidly from tradition to a society characterised by a high rate of change—technological, economic, political and sociological. These changes bring along with them social tensions of great magnitude and it is the objective of the Conference to examine in depth the dimensions of the problem in global terms, as well as focus attention on the experience of various countries in this region. The Conference will also examine the changes that had occurred in the various functional areas of Management. Opportunities will be given for delegates to examine these issues in detail.

200/250 foreign delegates and about 1,000 Indian delegates are expected to attend the Conference. Leading Industrialists, public administrators and Professional managers will be attending this Conference and have lent their action support.

The AAMO Secretariat, which is rotated every three years, is at present located in New Delhi at the Headquarters of the All-India Management Association. In December 1971, the Secretariat will shift to the headquarters of the New Zealand Institute of Management.

Spectacular Growth of Electronics Industry

There has been a six-fold increase in the output of electronics equipment and components in the past six years. The value of the output has increased to Rs. 175 crores.

Last year the value of equipment produced came to Rs. 138 crores while the value of components came to Rs. 37 crores.

Among the components produced, are valves, transistors, carbon resistors, capaci-

tors, loud speakers, condensers and band switches.

The value of equipment like radio receivers, television sets, tape recorders, changers, stereo equipment and public address systems produced in the country last year accounted for Rs. 80 crores.

The radio receiver industry has recorded significant growth. Last year, 32 lakh radio

receivers were produced in the country as compared to six lakhs five years ago.

The state owned Indian Telephone Industries doubled their output of electronics over the past sixty years. Bharat Electronics, Bangalore and Hindustan Aeronautics, Hyderabad increased their output by nearly six times over the last six years.

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INDUSTRIAL ECONOMIST

Graving Dock at Visakhapatnam Inaugurated

It was a cool Sunday evening. Shadows were falling on the green hills. Massive ships were moored majestically. All was quiet. The band solemnly played the national anthem. The Hindustan Dry Dock had been inaugurated.

The Dry Dock or the Graving Dock, as it is otherwise called, provides docking, survey and repair facilities for large ocean going vessels. The dimensions of the dock built at a cost of Rs. 4 crores are 800 feet by 125 feet by 38 feet.

It looked as though the whole town turned up to witness a development which meant so much to its economy.

In the course of his speech inaugurating the Graving Dock, Mr. Raj Bahadur, Minister for Shipping reiterated the Government's resolve to see that the Hindustan Shipyard, whose order position was none too good, did not languish for want of orders at any time in the future. He said in the context of the fast growth of the Indian shipping tonnage which was likely to go upto 4 million GRT in another two years, the dry docking capacity in the country was inadequate. The country has been spending on an average about Rs. 3 crores per annum in foreign exchange on the dry docking and repair of Indian ships in foreign yards. According to a committee appointed by the Indian Engineering Association, at least four more dry docks including the Hindustan Graving Dock and the one proposed for Cochin were needed. Besides these two, there was need for one dry dock each in the west coast and the east coast. The Minister noted that the Hindustan Dry Dock would not only facilitate substantial savings in foreign exchange, but also earn foreign exchange on the repair of foreign ships.

Building up the Ancillary Base

The Minister dealt in detail with the problems of the shipbuilding industry. Pre-

ponderantly an assembly industry, the efficiency of shipbuilding depends, to a large extent, on the supporting services of the ancillary industry. The Minister regretted that the ancillary base for shipbuilding had not yet been built. He knew that indigenisation of ancillaries rendered shipbuilding costly. Even with regard to imported materials and equipment there was need to streamline the procedure relating to release of foreign exchange and the issue of import licence. He promised all assistance in simplifying procedures in this regard.



A ship dry-docked at the Hindustan Dry Dock.

Discussing the prospects for the ambitious programme of development for the modernisation of the yard at an estimated cost of Rs. 12 crores, he admitted that the progress was rather tardy. He assured all possible efforts would be made to make up for the delay in the implementation of the programme.

Mr. S. Balakrishna Shetty, Managing Director of the Yard, in his welcome speech said the project had an unduly long period of gestation. It was nearly two decades since the first decision to construct a dry dock at Visakhapatnam was taken. A dry dock

was basic for even routine maintenance, quite apart from repairs due to various causes. He estimated a turnover of over Rs. 3 crores per annum in foreign exchange for the dry dock. The economics of the Shipyard which was not making any profit at the moment would also considerably improve as a result of the creation of the dry dock facility. Since these facilities had been created in an ample measure it was upto the Visakhapatnam Port Trust to ensure the best utilisation of the dry dock by facilitating the entry into port of large vessels upto 60,000 DWT.

Achievement in Harbour Engineering Technology

Detailing the special features of the project, Mr. Shetty said this could be regarded as a great achievement from the point of view of harbour engineering technology. Even the dewatering pumps and cranes were of Indian manufacture.

Col. G. N. Bajpai, Chief Engineer, proposed a vote of thanks.

An ex-gratia payment of Rs. 50 per worker was announced at the meeting to commemorate the occasion. Awards were presented to employees. Mr. Raj Bahadur went round the dry dock and saw a couple of submarines being handled there, and acquainted himself with the work going on in regard to the development of the Outer Harbour Project.

—V.M.

INDUSTRIAL ECONOMIST issued a special supplement on the Hindustan Dry Dock on the inauguration day. The supplement dealt in detail with the expanding industrial horizon of Visakhapatnam. Copies of the supplement were forwarded to our subscribers.—Ed. IE.

Cigarette Industry Registers Steady Growth

By C. VEERARAGHAVAN

The cigarette industry is officially, but not publicly described as a non-essential, non-priority and luxury industry. Year after year, the industry is called upon to contribute more and more to the exchequer by way of excise duty and help the Government narrow down the gap between the budgetary revenue and expenditure.

The current rate of duty is 60 paise in each rupee on the expensive brands and 48 paise in each rupee on the cheaper brands. Despite this, the industry has recorded commendable progress, over the past two decades. Production of cigarettes which was 21,500 million per annum at the start of the First Plan, increased to 39,000 million per annum by the end of the Second Plan and is currently running around 60,000 million per annum. Total sales have increased from 55,767 million in 1965-66 to over 63,678 million in 1969-70.



Mass production of cigarettes at the Bangalore factory of India Tobacco Co. Ltd.

The price per packet varies from 25 paise to over Rs. 1.85 for 10 cigarettes. There are an estimated 20 million smokers. Despite the fact that approximately 5,366.5 million, chosen from 128 brands are consumed every month, India's cigarette consumption is one of the lowest in the world. The per capita cigarette consumption rate per month is only about 10 as against 217 in U.S., 176 in U.K., 170 in Japan, 168 in Singapore, 70 in Malaysia, 20 in Ceylon, 24 in Pakistan and 13 in Nepal.

Nine Companies in the Organised Sector

In India there are nine companies making cigarettes, India Tobacco, Golden Tobacco,

Vazir Sultan, National Tobacco, Godfrey Phillips, International Tobacco, D. Macropolo, Hyderabad & Deccan Cigarette Factory and Masters Tobacco.

The largest among the companies is India Tobacco (formerly the Imperial Tobacco Company of India) which has a turnover of about Rs. 150 crores a year. ITC controls about 46 per cent of cigarette production in India. Along with Vazir Sultan Tobacco of Hyderabad, which it controls, ITC claims almost 72 per cent of the available market.

Golden Tobacco Company is India's largest cigarette factory with 100 per cent Indian capital and claims about 14 per cent of the cigarette market in the country. Godfrey Phillips India Ltd. is the smallest among established cigarette manufacturers in India and has only 8 per cent share of the market. It is now planning to increase Indian participation in its shareholding, after amalgamation with D. Macropolo.

Investment Rs. 52 Crores

The nine companies have invested about Rs. 52-crores in capital and produce about 62,000 million cigarettes per year. The industry pays about Rs. 150 crores per annum to the Government taxes and excise duty. The number of employees is more than a lakh.

The industry uses 151.36 million lb. of tobacco, which constitutes 28.5 per cent of the total tobacco produced in India.

Negligible Export

Export sales have been negligible. Exports of cigarettes over the past six years are estimated at Rs. 2.91 crores. The industry has had little success in exporting directly, because every developing country in South East Asia and Africa has set up tariff barrier against direct import of cigarettes. But lately several Indian brands including India Kings have won awards for excellence at the Monde (World) Selection for consumer products held in Rotterdam. These cigarettes have given the country a foothold in a number of international markets.

Notwithstanding the heavy excise duty on the industry, cigarette makers are confident of maintaining an annual growth rate between 8 to 10 per cent. The industry enjoys an assured and growing market. The basic raw material—good quality leaf tobacco—is available in sufficient quantity in the country. Cigarette papers, filter rods, glycerine, and packing materials are also available indigenously. Even cigarette making machinery is now being manufactured in India. India has been earning some foreign exchange by exporting her know-how in making good cigarettes. ITC's factory at Kidderpore, Calcutta, has a research laboratory which is now testing many cigarettes being made in South East Asian countries.



Indian Leaf Tobacco Development Company's Tobacco Farm at Rajahmundry.

Golden Tobacco is establishing a new cigarette factory at Baroda with a capacity of 4,500 million cigarettes per annum. The new factory is expected to go on stream by mid-1972. GTC is also setting up another factory at Hyderabad with a capacity of 4,500 million cigarettes per annum. The installed capacity of the company's existing factory at Bombay is 8,100 million cigarettes per annum.

The wholly Indian owned cigarette manufacturing companies have been demanding a ban on the future growth of foreign held companies—ITC and Vazir Sultan.

ALARMING INCREASE IN CRUDE PRICES

The oil problem is assuming serious proportions and there may be a further sharp rise in the cost of imports with the fresh efforts made by the oil producing nations, to secure higher dollar prices. Hardly before the adjustment to the new situation has been completed members of the Organisation of Petroleum Exporting Countries have been demanding that they should have a share in the production of oil of international companies and that the revised dollar prices for crude in pursuance of the Teheran Agreement should be raised again in order to offset the disadvantages arising out of the devaluation of the dollar in terms of the strong currencies. As Britain, West Germany, France, Belgium, Italy, Switzerland and Japan are big consumers of petroleum products it is contended that a heavy loss is sustained on their consumption of over 500 million tonnes of crude oil annually. As even an average devaluation of the dollar of 6 per cent in terms of the strong currencies will result in a loss of 10 cents per barrel, it is estimated that the aggregate loss will be even 300 million in a year if there were no compensatory adjustments, in posted prices.

Continuing 'Ad Hoc'ism

Upto now, India has not been adversely affected by the devaluation of the rupee in terms of strong currencies as posted prices for crude are in terms of dollars and the rupee-dollar parity has remained unchanged. But it is necessary to point out that no advantage has been derived by this country as has happened in the case of Japan, because of the higher external value for their currencies. The Central Government is yet to finalise its arrangements with the foreign oil suppliers about the prices that should be paid for imports now being effected. Though the Government has been releasing larger foreign exchange for the import of crude oil, only *ad hoc* payments are being made and it is not known what will be the price eventually especially as there had been a further rise after June and the oil exporting countries are demanding fresh adjustments. This import bill is bound to be very heavy as there has been unexpected increase in the quantum of crude purchases at higher prices, even the foreign owned oil refineries in the private sector have been asked to increase their throughput for meeting the unexpected improvement in demand for petroleum products. Aggregate imports in 1971 may therefore be easily in excess of 13 million tonnes and the cost may be easily Rs. 140 crores, Rs. 40 crores higher than the annual bill of recent years. Fortunately there is some saving on account of the slump in freight rates and this may offset to a certain extent the adverse effect of higher posted prices.

Further Rise in Cost of Imports

The refineries operating on imported crude oil have, therefore, to be prepped for a fur-

ther rise in the cost of imports and it is not known to what extent the Government will be successful in resisting the demand of the international oil companies for higher crude prices. It is expected in knowledgeable circles that the ultimate price of imported crude oil will be around dollars 1.80 per barrel or nearly 50 cents more per barrel as compared to the prices prevailing at this time last year. This increase of about 40 per cent in the C.I.F. costs should be reflected, according to the refineries, in increase in prices before the payment of duties by at

least 8 paise per litre. On this basis it is contended that the adjustments effected earlier this year before the budget proposals were presented to Parliament in May are extremely meagre and the operating results of all the coast-based refineries will be disappointing in 1971.

Since there may not be any willingness on the part of the private sector refineries to continue their operations on the present basis, and there were also foreign participants in the two coast-based oil refineries in the public sector, there is speculation that there

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may be a further rise in prices for petroleum products at refinery point before the close of this year. The Government, however, has the advantage of equalising prices to some extent by taking advantage of availability of crude oil from indigenous sources to the extent of 6 million tonnes but the pooling can result in a lower gain in the average by only 3 cents a litre and there may also be a temptation for the Government to realise more for indigenous crude oil and secure funds for oil exploration through higher prices.

The drain in terms of foreign exchange, however, is very heavy and the main consumers are trying to find out how they can overcome the adverse effects by selling more of their products to oil producing countries at higher prices.

In India, over 80 per cent of the retail prices are accounted for by taxes and the consumer has been penalised recently not only to the extent of the higher prices at refinery point but also the higher impact of the *ad valorem* duties besides higher

ad valorem duties themselves. These duties were raised on gasoline, liquid petroleum gas, aviation gasoline, solvents and many other products. The excise and import duties on petroleum products amount to over Rs. 500 crores annually or nearly 20 per cent of all revenue from excise duty. If further adjustments in prices for petroleum products before payment of duties have to be effected for ensuring reasonable profit margins for refineries, there should be a corresponding reduction in excise duties.

CITY CORNER

The abolition of the Revenue Board in Tamil Nadu is not a distant possibility. It may take place early next year if the indication given by Mr. T. A. Varghese, Chairman of the State Administrative Reforms Commission, turns out to be correct.

Mr. Varghese told a City press conference that the Commission was considering the pros and cons of abolition of the Board. There was enough indication to suggest that the Commission would be recommending the abolition. The DMK Government several years ago made known its desire to abolish the Revenue Board—in the words of the top leaders of the party “an anachronism”. Subsequently nothing was heard of the move for abolition. Many thought that the DMK was not serious about the reform.

The Chairman of the Commission said that the report on this issue would be submitted to the Government by February 1972. Anticipating the consequential recommendations, Mr. Varghese said the Members of the Board who were heads of Departments in addition to functioning in a collective way would continue to be heads of departments and their designations would also remain the same, namely Commissioner of Land Revenue, Commissioner of Commercial Taxes, etc. He saw justification in dispensing with the Board as in these days of democracy the Ministers were frequently touring the districts and were therefore in direct touch with the people and the collective wisdom of the Revenue Board Members was no longer necessary.

The recommendations which appear tentatively to have been decided upon include the continuance of the *jamabandi* system (annual settlement of the village accounts) and simplification of the land revenue system.

Streamlining Consumer Cooperatives

Mr. Si. Pa. Aditanar, Minister of Co-operation, announced measures to streamline the functioning and administration of consumer cooperatives in the State. After the scheme was put into effect he had confidence that the consumer cooperatives of Tamil Nadu would function much better and serve the consumers better. He did not however disclose the details of the scheme. The Minister also announced Government's decision to set up a paper factory in each district in the cooperative sector. These factories would be leased on *pulicha keerali* fibres. In the first instance, these factories would be set up in Chingleput and Tirunelveli districts.

Mr. N. V. Natarajan, Minister for Labour and Mr. P. M. Bellappa, Registrar of Co-operative Societies, were the other participants in the function marking the inauguration of the All-India Cooperative Week.

Abolition of Revenue Board Soon

Containerised Port for Madras

The Union Minister for Transport and Shipping, addressing pressmen in the City during the fortnight gave a background to the developments leading to the supersession of the Madras Dock Labour Board. The tripartite Board had unconsciously raised the wages of the dock labour simply because the labour agitated. They rose so much as to leave a wide margin between wages of dock and other labour in the port. Wage Board proposal had been accepted by him because he thought that would see the end of all strife in the port establishments.

Mr. Raj Bahadur said that he expected the oil jetty at the Madras port to be ready by April next year and the ore berth by the end of 1973 or early 1974. As for containerisation, he said provision had been made in the Fourth Plan for building container ports at Haldia and Nava Sheva (North of Bombay) on the east and west coasts. Depending on the success of these ports, containerisation might be extended to Madras, the third port in India after Bombay and Calcutta which had the largest potential for containerisation.

All that he would say was that the first scooter would roll out in March 1974 and that it would be cheaper than the present Indian brands.



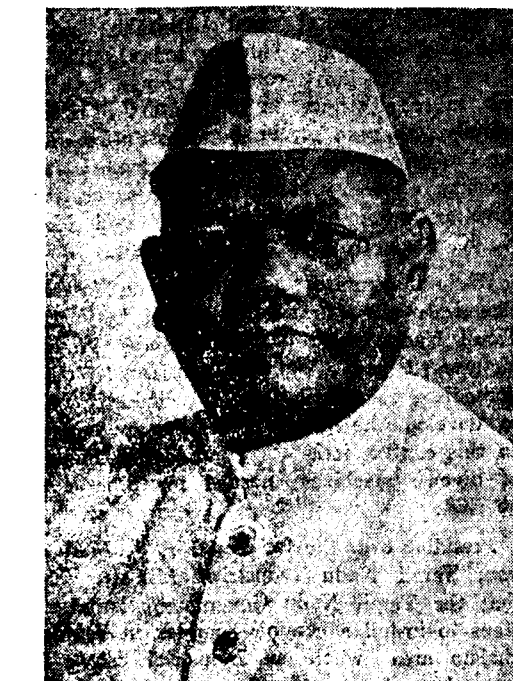
MR. MOINUL HAQUE CHOWDHURY
Union Minister for Industrial Development

On the much-talked-about small car project he assured the assembled pressmen that the final decision would not be delayed beyond the end of November. As regards the projects in respect of which letters of intent had been given to Mr. Sanjay Gandhi and Mr. Madan Mohan Rao, the Minister said that a prototype had been produced by the former while the latter had not yet been able to do so.

Mr. Choudhury was all for expansion of the production of the Standard and Fiat cars in India. Government would give every facility to them for such expansion. As regards Hindustan Motors, the company came under the purview of the Monopolies Act, and also without improvement in the quality of the Ambassador cars, there was no question of allowing any expansion, he pointed out.

Promoting Industries

The Union Minister addressing the All India Khadi and Village Industries Board, reiterated the Government of India's commitment to the policy of promoting and developing the decentralised sector consisting of the Small Scale Industries and the Rural and Village Industries. He said the Government had accepted in principle all the recommendations of the Khadi and Village Industries Committee headed by Mr. Ashok Mehta.



MR. RAJ BAHADUR
Union Minister of Shipping & Transport

Decision on Small Car Soon

Another announcement made during this period was on the scooter factory that would be set up in the public sector. Mr. Moinul Haque Choudhury, Union Industrial Development Minister, who made it did not oblige the reporters by giving details of the project.

Rise in Fertilizer Production

The production of fertilizer, a key factor in bringing about increased food production in the country, has shot up in the past ten years. In 1970-71, the country produced 1.06 million tonnes of fertilizer as against 0.15 million tonnes in 1960-61.

The product pattern of fertilizer has also undergone a change. In the early years, the country produced only ammonium sulphate and super-phosphate. She is now producing, besides ammonium sulphate, urea, calcium ammonium nitrate, ammonium sulphate nitrate, ammonium phosphate, nitro-phosphate and other complex fertilizers.

The consumption of fertilizer in the country has risen from 0.253 million tonnes of nutrients in 1959-60 to 2 million tonnes in 1969-70.

The production of fertilizers is being stepped up to achieve self-sufficiency in food.

The present installed capacity of 1.765 million tonnes will be doubled after the projects now under implementation, go into production.

With a further expansion of the fertilizer industry, the country will have an installed capacity of 5.83 million tonnes of fertilizer within six years.

The fertilizer industry is being developed in the public as well as the private sector.

AN APOLOGY.....

Our printers are shifting their business from Mount Road to Mylapore. Due to this there has been some dislocation in our printing schedule. Hence this delay in releasing this issue. We are sorry for this. We assure our readers that regularity in releases will be ensured from our issue dated January 1, 1972.

—ED.I.E.

This is the Rallis Tree of Fulfillment!



THE TRUNK of this tree represents the Rallis organisation,—with roots deep in Indian soil. It is a sturdy trunk that is a tower of strength to the Indian agriculturist, guiding him through his difficulties to achieve prosperity and plenty.

THE BRANCHES stand for the vast network of Rallis' stockists and dealers. Through them Rallis reaches the farmer in the farthest corners of the land helping to solve his problems and bringing him quality fertilizers and pesticides for the bigger, better harvest.

THE FRUIT of this tree is a symbol of the fertility and rich yield that the farmer gets by using Rallis products and services. This is the final benefit...the ultimate Fulfillment for which this Tree stands.



A Breakthrough in the Export of Process Equipment

Kaveri Structural, Tiruchi, shipped the first consignment of pressure vessels and furnace structures from Madras Port for an oil refinery in Iran. This is a major breakthrough in the field of export of such equipment for the process industry. It is indeed interesting to note that within a short span of two years India could begin export of an item which it has been importing hitherto.

The total value of the export order is around Rs. 50 lakhs. Certainly it is among the biggest exports of non-traditional items through the Madras Port. It was thus in the fitness of things that the Tamil Nadu Industries Minister who inaugurated the shipment on the 15th should have congratulated Kaveri Structural on their spectacular achievement.

It was interesting to hear from Mr. V. D. Swami, Managing Partner of the company, of the spectacular growth of his company in a short period. The factory was established adjacent to the High Pressure Boiler Plant of Bharat Heavy Electricals Ltd., at Tiruchi in 1962 purely as a structural fabrication industry. In the initial years of its establishment it supplied lot of structurals and other fabrications for the BHEL factory sheds. Thanks to the phenomenal growth of BHEL within a very short time, it was found necessary to off-load a good deal of fabrication work so that it could concentrate on the manufacture of steam generators. Kaveri made full use of this advantage and it is gathered, it executes today nearly 3,000 tonnes of fabrication work per annum for BHEL.

Mr. Swamy took full advantage of the initial start and with his rich background of the iron and steel industry quickly expanded the activities of his company. The wide range of works executed by Kaveri includes construction of the entire factory sheds and buildings of Bharat Earth Movers and KGF in Mysore State; manufacture and erection of penstock pipes for the Kodayar Hydro-electric Scheme in Tamil Nadu and 6,000 tonnes of structural steel works for Bokaro Steel Plant. It has also supplied a number of pressure vessels for Chemicals and Plastics Limited.

Good Contacts with Snam

The beginnings of the present export order can be traced to the execution of order for a crash delivery of certain pressure vessels for Snam Progetti of Italy who were the main contractors for the massive Madras Refineries. Obviously Snam had been satisfied over the quality and delivery schedule of Kaveri and so has entrusted the present export order for pressure vessels and furnace structures for a refinery it is building in Iran. The FOB value of the orders received so far by Kaveri is over Rs. 50 lakhs.

Labour-intensive Work...

Mr. Swami, in a chat with pressmen, explained that his industry was labour intensive. The value added by labour and processing is two times the cost of the materials. With labour cost relatively lower in our

country there should be very good prospects for expanding the exports of such equipment as the competitors in world market for these all belong to countries whose labour costs are very much higher than ours. The company is expected to have a total turnover of around Rs. 1.75 crores during 1971-72. Of those, over Rs. 40 lakhs will be accounted for by exports. A remarkable record indeed.

Another significant aspect that emerged was the fact that the company did not have any collaboration for this project. Mr. Swami was emphatic in this regard. "The talent within the country can take care of any such sophisticated job without inviting any foreign collaboration. I will not enter into any collaboration for such a purpose" he said.—S.V.

The Emerging Plastics Era

"Plastics, chemical and ceramics rank with steel or cement industry today. These three elements have come to play a greater role in recent times, in the context of steel scarcity, the need for import substitution and for the greater use of pipes and channels for reaching electricity, for conserving water, for directing water to needed areas," said Mr. K. K. Shah, Governor of Tamil Nadu.

While inaugurating an exhibition on Plastics, Chemicals and Ceramics organised by the Tamil Nadu Board of the All-India Manufacturers' Organisation, he considered our immediate requirement in this industry is to develop the plastic processing potential. In this context it is worth considering import of diverse machines needed for processing, he said.

Presiding over the function Mr. S. Madhavan, Tamil Nadu Industries Minister said that the Tamil Nadu Government is taking steps to install a ceramic complex in Vriddachalam area where an Industrial Estate is fast taking shape. The Government of India is considering the offer of the State for a joint venture with ICI for setting up a naphtha cracker at Manali. The Minister also referred to the scope for establishing a chemical complex at Neyveli.

The Minister invited small scale industrialists to come forward to start pharmaceutical units and he assured them maximum possible assistance from the Government. The State Government had already received a letter of intent for developing a pharmaceutical com-

plex at Manali in collaboration with ICI and a formal licence from the Centre is being awaited, said Mr. Madhavan.

The State Industries Promotion Corporation would finance upto Rs. 5 lakhs for new industries in any of the areas that the State has announced as 'backward' said the Minister. Its aim will be to create a sound industrial structure in the State, to implement the credit guarantee scheme with the help of nationalised banks, to organise consortium and capital formation, schemes and to provide land and other facilities to industrialists.

The Minister stressed the importance of organising such exhibition as the one organised by AIMO, and came out with the idea of convening a meeting of all industrialists to organise a joint exhibition of all industries in the State.

Mr. K. V. Srinivasan, Chairman of the State Board of AIMO announced a proposal to hold an exhibition on automobile industries, as it has got great potential in this State.

Earlier Mr. H. C. Kothari, Chairman of the exhibitions committee welcomed the gathering and Mr. Markand Desai proposed a vote of thanks.

About 35 participants are exhibiting their products of Plastics, Chemical and Ceramics at this exhibition and a look at these would reveal the emerging plastic era.—KBS.

A Good PR Effort

Much of the criticism against the public sector or for that matter even against major private sector undertakings about their contribution to the economy arises from the lack of adequate publicity to their achievements. The predilection of many newspapers to treat only sensation as newsworthy has also contributed to these corporations or companies hitting the headlines only in the event of a strike or a major breakdown in their activities. For example, the vast complex of Simpson group in the private sector, dealing with a wide range of productive and service activities, suffers from want of adequate public relations. In the absence of periodic press, and through this, public relations the only activity that attracts attention of the public is labour unrest to which the management might or might not contribute.

When even private sector units which have enormous discretion to promote such wide public relation efforts fail to make an impact, the ineffectiveness of a number of public sector corporations, who have many more restrictions placed on their way, in evoking sufficient appreciation from the public on their problems is understandable. If you take for example, Hindustan Steel, particularly in the southern region, situated far off from the steel plant locations has very poor supply of information on its problems and of the contribution it has made to the economy notwithstanding its failures. With

the result the idea the public receives are largely commentaries on published Balance Sheets which reveal only one side of the picture. No wonder people have very little idea of the size of a steel plant, the complexities of operating it, its impact on the local economy and the national economy and the tremendous changes it has been bringing about to thousands of people dependent on it.

Viewed in this context, it is certainly a commendable effort on the part of Hindustan Steel to have decided to make four documentary films. In our country of vast distances and teeming millions with a low literacy rate no other medium can have a greater impact than the visual. HSL has recently screened the first of these four films, *The Pulsating Giant* all over the country. The film deals in detail with the process of steel making from the stage of iron ore to that of rolling out different products at the end. Giving a history of the Indian steel industry, the film gives a view of all the major steel plants in the country including those in the private sector, iron ore mines, coal mines and washeries and the role of the railways. It also highlights the low level of steel production in the country ("with 15 per cent of the world population India produces only 1.2 per cent of the world production of steel") and to the efforts being made to double production within the next ten years.

The second film captioned *Steel—A Whole New Way of Life* deals with the tremendous transformation in the social and economic lives of thousands of people brought about by the location of the steel plant. The agricultural economy of thousands of years gives place to an industrial economy bringing with it many problems and, of course, vast improvements in standards of life. The film gives a graphic description of the changes it has brought in thousands of homes. The film also refers to the high success of its import substitution efforts (10 years back the plants were importing about 95 per cent of its spare parts and today hardly 15 to 20 per cent). The technique of interviewing a large number of people working with HSL, (The corporation employs over 120,000 people) has imparted some directness and is appealing. The cautious statement of the Chairman is convincing.

Shot in pleasing colour the films have been directed by Shyam Benegal. Advertising and Sales Promotion was in-charge of the production.

It is gathered HSL will also be producing two more films; one on the role of the Central Engineering and Design Bureau and the other showing in detail all stages and processes involved in steel making.

The film showed in Madras was arranged by the local office of Hindustan Steel. Mr. G. Ramachandran, Divisional Manager, HSL and Mr. Shanker Mitra, Chief Public Relations Officer, Hindustan Steel welcomed the gathering and explained the salient features of the films. —S.V.

Indian Ships Thro' Vizag Carry 19 per cent of Total Traffic

The working of the Visakhapatnam port upto March 1971 yielded a surplus of Rs. 2.5 crores which represented nearly Rs. 1 crore increase over that of the previous year, according to the Administrative Report of the port for the year 1970-71.

There was all-round progress in earnings and exports.

A capital expenditure of Rs. 7.5 crores was incurred during the year including an amount of nearly Rs. 3 crores on the outer harbour project.

Seventy-nine more ships touched this port this year than last year. Indian ships carried 19.94 per cent of total traffic, the report said.

The traffic handled at this port increased to 8.773 million tonnes compared to 8.312 million tonnes during the previous year. There was a negligible decrease in overall imports. While import figures for ammonium sulphate and urea increased, that for wheat showed considerable decrease. This was offset by the phenomenal increase in imports of other chemical fertilisers.

After a 2-year-long absence, sugar figured in exports during the year. Manganese and iron ores and molasses registered substantial increase. But pig iron, steel rails and other ores registered a decline in exports. Rice and tea also constituted new items of export during the year.

The working of the port railways showed a surplus of Rs. 68 lakhs as against Rs. 42 lakhs in the previous year. This was despite the fact that lesser number of wagons were received from the Railways this year than last year.

MMTC Proposes to Export 21 mil. Tonnes of Iron Ore

Minerals and Metals Trading Corporation has proposed to export 21 million tonnes of iron ore by 1972 as against 12.87 million tonnes last year.

MMTC Chairman S. Ramachandran told newsmen on October 22 that 15 million tonnes of iron ore was proposed to be exported in the current year, but because of inadequate railway facilities, dock strikes and lower rate of production, the quantum of export had to be scaled down.

He said the Corporation had achieved the foreign exchange target of Rs. 105 crores last year. But it would be difficult to reach the current year target of Rs. 123 crores because of many international factors, including lower off-take by steel mills in many countries.

Taiwan has agreed to take 1,30,000 tonnes of iron ore from India this year.

MMTC was hopeful of supplying 30 per cent of iron ore requirements of the biggest steel plant under construction in South Korea, he said. The Foreign Minister of South Korea had discussed the matter with the Indian authorities during his recent visit to the country.

During the first 6 months of the current year, MMTC exported iron ore worth Rs. 40 crores.

Iron ore production at Bailadilla would be about 3.5 million tonnes this year as against the estimated 4.7 million tonnes.

MMTC exported 4.6 million tonnes of manganese last year. Fifty per cent of the export was from Orissa. Manganese valued at Rs. 13 crores would be exported in the current year, he said.

Dieselising the Southern Railway....

The decision of the Railway Board to agree in principle to the suggestion of the General Manager of the Southern Railway, Mr. K. N. Chennabasappa, that the whole of this system should be dieselised should have been taken as a prelude to the complete electrification of major routes in the region. There was however a Cinderella treatment upto now of this railways' problems as, on the basis of narrow financial accounting, it was contended that a heavy loss was being sustained by Southern Railway every year. This loss has been increasing as the years passed by with a growth in the volume of traffic and an increase in railway freight rate. It was because coal had to be hauled over long distances and with the handling of larger quantities of coal and higher freight rate the losses became heavier.

The ideal course would have been to minimise the loss sustained on account of the use of coal and the introduction of faster trains for meeting severe competition from efficient road transport operators. The Railway Board, however, did not accord necessary priority to this problem. Instead it was more concerned with solving pressing problems in North-East India and paid considerable attention to the dieselisation and electrification of vast stretches in this area running through rich coal fields. As there was a limitation of resources, the Southern Railway could not gain its point and there was only limited diesel power for hauling goods trains and important express trains on the broad-gauge. With the sharp spurt in passenger traffic and a sizable growth in freight traffic the stage has arrived for streamlining the operations of this zone scientifically and allocate the necessary resources for acquiring diesel locomotives and also for electrification of those routes which are likely to be helpful in achieving a faster amortisation of capital expenditure.

It is claimed that there can be a saving of operational cost by as much as 30 per cent through dieselisation and of 60 per cent through electrification. Considerable advantage has already flowed from the electrification of the track between Tambaram and Villupuram and as a result of the modification of the signalling arrangements and additional loops the track capacity has considerably increased without doubling.

Conversion of Gauge

It will be worthwhile to examine the feasibility of conversion of the metre-gauge system into broad-gauge. Alternatively, it may be desirable to convert the Arkonam-Chingleput section into broad-gauge and have a second track in broad-gauge right upto Villupuram and convert the metre-gauge system beyond Villupuram upto Trivandrum into broad-gauge. The proposal for construct-

ing a new link from Karur to Tuticorin will also have to be vigorously pursued. If the break of gauge difficulties can be minimised the movement of bulk cargo will be greatly facilitated. It will also have to be determined how the electrification programmes should be carried out on a phased basis. The broad-gauge system will probably have to be given greater priority.

Meanwhile the dieselisation programme has to be completed quickly and it is learnt that this may be done within three or four years. A good beginning in this regard may be made early next year. In order to increase the availability of diesel locomotives from within the country, the capacity of Varanasi plant is being increased. There

will also have to be improved servicing facilities in the southern region for handling a larger number of locomotives. With the likelihood of bigger volume of originating traffic having to be handled in the late seventies when the Hospet and Salem Steel plants begin to function, there is need for planning in advance for improving the capacity of the system. It is encouraging to note, therefore, that there is greater awareness of the problems of the Southern Railway and the desirability of allocating larger funds for pushing through dieselisation and the electrification schemes. The constraint on resources will, of course, have to be removed and the outlay on railway scheme increased considerably. —FOC

LIC'S Business in Rural Areas up by Rs. 45 Crores

The Life Insurance Corporation has increased its business in the rural areas by Rs. 45 crores in the past year. The Corporation increased its new business from Rs. 1036 crores to Rs. 1303 crores in a year, marking an increase of nearly 26 per cent. The number of policies sold by the Corporation in the same period was 16.16 lakhs as against 14.01 lakhs the previous year. In 1970-71, the total book value of the Corporation's investments was Rs. 1717.59 crores as against Rs. 1528.66 crores in the previous year. Out of these, over Rs. 300 crores have been invested in the housing. The Corporation settled 3.54 lakhs claims in 1970-71 as against 3.21 lakhs the previous year.

Poor Investment Climate in India

Sir Norman Kipping, Senior Adviser on Overseas Affairs to the Confederation of British Industries, feels that the climate for investment in India is not as good as it was in the past.

He told a meeting of the Forum of Financial Writers on October 22 that some "readjustment in the policy" regarding import of know-how and technical collaboration was essential to improve the climate for investment.

He said there was no use India spending on developing the technology already developed in the advanced countries. Buying the know-how outright would be cheaper.

Sir Norman, who was here to prepare the ground for the next meeting of the Indo-British technological collaboration group scheduled to be held early next year, said there was scope for Britain to import certain components which were not of a very sophisticated nature.

He felt a country like India could better concentrate on production of such components instead of trying to manufacture sophisticated items which would take a long time to get into the markets of advanced countries.

He suggested setting up of a production engineering research association for design and manufacture of tools in India.

There was also great scope for "applications research" in India which could help adapt foreign designs to suit Indian conditions.

Seamless Steel Tube Plant in Hyderabad

The seamless steel tube plant in the public sector, originally proposed to be located in the steel belt, may now be set up in Hyderabad, according to Steel Ministry sources.

One of the reasons for locating the plant at Hyderabad is that seamless steel tubes manufactured in the unit could be utilised by the nuclear fuel complex there to store processed uranium.

BUSINESS BRIEFS

Stagnant Trends in Cement Industry

A.C.C. Earns Less

Associated Cement Companies Limited, the largest producer in the industry, could not benefit from an improved turnover during the year ended July 31, 1971 as earnings declined appreciably. Sales were sizably higher at Rs. 81.64 crores against Rs. 75.63 crores in the previous year with an increase in despatches to 54.50 lakh tonnes from 54.47 lakh tonnes whereas the installed capacity was raised substantially to 66.78 lakh tonnes from 61.96 lakh tonnes with the completion of many expansion schemes. It was not possible to utilise the expanded capacity more effectively due to difficulties over larger despatches because of non-availability of railway wagons and also due to the existence of accumulated stocks from the previous year.

Other income of the company also increased to Rs. 1.27 crores from Rs. 1.14 crores in 1969-70. But there was a big drop in the net profit, before depreciation and taxation, to Rs. 11.96 crores from Rs. 13.06 crores. The dividend on equity capital has, however, been maintained at 12 per cent taxable for which it has been necessary to draw on reserves. The increase in expenditure was marked in the case of raw materials, coal, packing materials, stores, etc., to Rs. 55.20 crores from Rs. 48.56 crores while the salary bill rose to Rs. 12.96 crores from Rs. 12.01 crores but interest charges were less at Rs. 2.90 crores (Rs. 3 crores) due to reduced stocks. Depreciation claims Rs. 474.18 lakhs (Rs. 504.82 lakhs) but development rebate reserve gets only Rs. 51.49 lakhs (Rs. 425.33 lakhs inclusive of Rs. 91.66 lakhs for expansion reserve). The allocation to deferred taxation reserve is Rs. 449.10 lakhs (Rs. 203.86 lakhs). The transfer to amortisation reserve is Rs. 2.72 lakhs (Rs. 2.74 lakhs) while general reserve gets Rs. 226 lakhs (Rs. 180 lakhs). The dividend will be paid out of the latter reserve absorbing Rs. 341.80 lakhs.

Tata Chemicals Excels

Sales and earnings of Tata Chemicals Limited have risen to new high levels during the year ended June 30, 1971. The directors have maintained the dividend at 15 per cent, taxable, on a capital increased by a one-for-five bonus issue. The amount required is, therefore, higher at Rs. 77.82 lakhs against Rs. 64.85 lakhs in 1969-70. Sales improved further to Rs. 13.38 crores from Rs. 12.23 crores while the net profit, before depreciation and taxation, rose to Rs. 360.27 lakhs from Rs. 335.24 lakhs. The provision for depreciation has been raised to Rs. 86.92 lakhs (Rs. 75.11 lakhs) and development

rebate to Rs. 55.50 lakhs (Rs. 20 lakhs). Naturally the tax claim is smaller at Rs. 104 lakhs (Rs. 117 lakhs). General reserve gets Rs. 110.35 lakhs (Rs. 120.63 lakhs) and contingencies reserve Rs. 3.50 lakhs (Rs. 2.50 lakhs). There may be a sizable rise in sales again this year as output of soda ash is being increased. Even in the first quarter, July—September, production improved to 57,847 tonnes from 48,658 tonnes while sales were substantially higher by Rs. 56.21 lakhs at Rs. 292.68 lakhs.

Crompton Greaves

Crompton Greaves Limited has increased its sales by 16 per cent in the year ended June 30, 1971 to Rs. 31.14 crores from Rs. 26.71 crores in 1969-70. But higher expenses and the inclusion of only one year's tax credit certificate under miscellaneous income against the accumulated benefit of the earlier four years in the previous year, have resulted in a slightly lower net profit of Rs. 2.79 crores against Rs. 2.92 crores. After setting aside Rs. 45.06 lakhs (Rs. 43 lakhs) for depreciation and Rs. 4.75 lakhs (Rs. 14.60 lakhs) for development rebate, there is a transfer of Rs. 6.60 lakhs (Rs. 3 lakhs) to doubtful debts reserve. The balance of Rs. 2.22 crores (Rs. 2.32 crores) has been taken to general reserve. The tax liability is estimated at Rs. 107.25 lakhs (Rs. 93 lakhs) and will be met out of general reserve when due. The dividend has been maintained at 10 per cent taxable.

Hindustan Photo Films

Hindustan Photo Films Manufacturing Company Limited could not prevent a larger loss in 1970-71 as compared to the previous year due to a setback in production and sales of films. Output of cine film positive and medical X-ray films, two of the main products, declined. In the case of cine film positive production was affected by a delay in the arrival of imported cellulose triacetate and problems relating to modification of two of the base casting machines arising out of the switchover to indigeneous raw material. In the case of X-ray films there were a number of technical problems. All these are being overcome through plant improvements and installation of balancing facilities. These will take some more time to bear fruit and the Chairman, N. J. Kamaiah has ruled out any improvement in the situation in the current year. The position in regard to cine film positive and photographic paper has stabilised, particularly in the case of the latter where near capacity production has been achieved in a short period. There are, however, marketing problems, mainly due to

liberal imports of photographic goods. The position in this regard is expected to improve in the next few months with stopping of further imports.

Straw Products

Straw Products Limited has been able to improve its production so far this year as compared to last year and there may be a significant rise in output and sales for the whole year. In spite of increased production costs, it is expected that working results will be satisfactory because of the changed pattern of products and the normal working of the new MG paper machine for making tissues, poster, kraft and other speciality papers. Production in the first eight months of 1971 was higher at 23,920 tonnes against 23,000 tonnes in the same period of 1970 while sales improved more markedly to Rs. 5.47 crores from Rs. 4.74 crores. The erection of the new MG machine to raise capacity by 7,500 tonnes has been affected by delayed supplies of indigenous machinery. There are proposals to further increase capacity under a crash programme. The company issued some time back right shares at a modest premium of Rs. 2.50 per share besides preference shares for Rs. 20 lakhs to meet part of the cost of new schemes. The bonus issue proposal in the ratio of one for two is awaiting Government's sanction.

Fish Industry Attracts Investment

Well-known industrial houses engaged in the manufacture of a variety of products like batteries, biscuits, cigarettes, cloth and refrigerators have chosen to enter the fish industry according to a spokesman of the Fisheries Department.

He said on October 22 that as many as six companies, including three from Kerala, had decided to set up prawn processing plants at Visakhapatnam. One of them had sent a proposal to the Union Government to set up a Rs. 8-crore project, which was awaiting clearance. Five other firms including two from Delhi and one from Calcutta were also interested in setting up similar projects here.

Japan—An Eager Buyer

The spokesman said this development was a consequence of the increase in the size of catch during the last one-and-a-half years, thanks to the introduction of as many as 56 mechanical boats and nylon nets. A quantity of 120 tonnes of prawns was being moved by rail to Madras every month by different companies and exported, mainly to Japan due to

Alucoln Omits Final

Aluminium Corporation of India Limited has passed over the final dividend on equity capital for the year ended March 31, 1971 and the interim payment of 5 per cent taxable is to be treated as the final one. The Company has however earned a larger net profit, before depreciation of Rs. 31.33 lakhs against Rs. 2.93 lakhs in 1969-70. (In the previous year, however, there was a prolonged closure of the Jaykaynagar Factory in West Bengal). After taking credit for unclaimed dividends for Rs. 16.304 (Rs. 1.36 lakhs) and transferring Rs. 75.35 lakhs (nil) from general reserve, a sum of Rs. 91.69 lakhs (nil) has been provided for depreciation for 1969-70 and 1970-71. Besides, development rebate reserve gets Rs. 3 lakhs (Rs. 24.118) whereas general reserve got Rs. 4.54 lakhs.

Deccan Sugar Skips

Deccan sugar and Abkhari Company Limited has reported much better results for the year ended May 31, 1971 as compared to the previous year. However, the dividend on equity capital has been omitted as there was a sizable debit balance brought in from the previous accounts and the disposable profit of the latest year has been utilised to reduce this. In 1969-70, however, there was an interim dividend of 3.4 per cent taxable but no final dividend. The company has earned a net profit of Rs. 16.28 lakhs after deprecia-

tion against a loss of Rs. 40.34 lakhs in 1969-70. After making some adjustments relating to earlier years, there is a disposable balance of Rs. 17.26 lakhs against a debit balance of Rs. 35.70 lakhs in the previous year. This surplus along with a transfer of Rs. 2.50 lakhs from taxation provision for previous years has helped in reducing the debit balance to Rs. 15.94 lakhs. The interim and final preference dividends are being paid with a transfer of Rs. 63,700 from dividend equalisation reserve. With an improved outlook for the current year, it can be expected that the debit balance will be wiped out and the company would resume payment of equity dividend.

Canvery Sugars and Chemicals

Another company in the E. I. D. Parry group, Cauvery Sugars and Chemicals Limited has also done better in the same accounting year though the net profit, after depreciation, is only Rs. 1.50 lakhs against a loss of Rs. 41.95 lakhs in 1969. The profit after some adjustments relating to earlier years is however Rs. 4.92 lakhs against a loss of Rs. 40.98 lakhs. The debit balance brought in from the previous accounts after adjustment with a transfer of Rs. 7.35 lakhs from taxation equalisation reserve, Rs. 12.30 lakhs from development rebate reserve and Rs. 2.68 lakhs from general reserve was Rs. 18.66 lakhs. This has been reduced further in the latest year to Rs. 14.66 lakhs using the small surplus. Both preference and equity dividends have been omitted as in 1969-70.

Trichy Distilleries Pays Same

Trichy Distilleries and Chemicals Limited can look forward to highly satisfactory working from the current year as there will be a good demand for both potable and industrial alcohol. There was, however, a slight decline in the net profit for the year ended May 31, 1971, after depreciation and before taxation, to Rs. 12.32 lakhs from Rs. 15.90 lakhs in 1969-70. The equity dividend has, however, been maintained at 15 per cent taxable though the preference and equity dividends require only Rs. 2.73 lakhs and are many times earned. Deferred taxation reserve gets Rs. 1.50 lakhs (Rs. 6.50 lakhs) development rebate reserve Rs. 2.50 lakhs (Rs. 6.50 lakhs) and general reserve Rs. 5.50 lakhs (Rs. 3 lakhs).

Indian Rayon

Indian Rayon Corporation Limited could increase its sales and earnings during the year ended June 30, 1971 though shareholders will not be benefited to any extent as the

surplus has been used to meet unabsorbed depreciation charges for 1963-64 and 1964-65. Thus it may be some years before the arrears in this regard for subsequent six years are absorbed and a dividend is paid on equity capital. In 1970-71, sales rose to Rs. 4.38 crores from Rs. 3.53 crores while the net profit improved to Rs. 68.28 lakhs from Rs. 50.03 lakhs. The current profitability is thus quite high but after transferring Rs. 6.87 lakhs for development rebate, the balance of Rs. 61.42 lakhs has gone to absorb depreciation arrears as stated. The directors have pointed out that the plans to achieve the licensed capacity are making good progress while the applications for manufacture of transparent cellulose film and rayon grade caustic soda are pending with Government. It has been suggested that while fixing rayon yarn prices, the Government should look not only into the cost of production of smaller units but the need for an adequate return on capital employed.

Rane Brake Linings

Rane Brake Linings will be doubling its capacity by the third quarter of next year and it is hoped that the licensed capacity of 480 tonnes would be achieved by the end of next

year when the turnover will be double that of 1970. Even in the current year production is expected to be much higher with intensified working on a double shift basis. The new scheme is estimated to cost Rs. 20 lakhs which may be met wholly from internal resources. Most of the required plant and machinery will be obtained from indigenous sources. The Chairman of the British Collaborator firm, Small and Parkes, Mr. F. P. Parkes, came to India recently to finalise the expansion.

The other two companies in the group—Rane (Madras) Limited and Engine Valves Limited—have also proposed expansion or diversification schemes. Engine Valves has received a letter of intent for raising its production by two million valves. Rane (Madras) will shortly be getting the approval of its shareholders for the proposed one-for-two bonus issue by capitalising Rs. 18.38 lakhs out of reserves. It has been indicated that it would be possible to pay a dividend of at least 10 per cent on the increased capital.

Cons. Coffee Pays More

Consolidated Coffee Estates Limited has done extremely well during the year ended June 30, 1971 with a big jump in the net

profit, after depreciation and taxation, to Rs. 50.47 lakhs from Rs. 30.92 lakhs in 1969-70. The directors have therefore decided to increase the dividend on equity capital to 18 per cent taxable from 15 per cent taxable previously. The transfer to general reserve is Rs. 55.13 lakhs (Rs. 31.18 lakhs) after taking credit for tax refunds and other provisions for Rs. 5.82 lakhs (Rs. 5.14 lakhs). In 1969-70 development rebate claimed Rs. 3,629.

Alkali-CAFI Merger Off

The directors of Alkali and Chemical Corporation of India Limited and Chemicals and Fibres of India Limited, both of the ICI group, have decided to drop the proposal to merge the two companies. The decision comes a long time after the scheme was mooted three years ago and follows a review in the light of the discussions with Government. The directors were prompted by "the reduced opportunities for investment in large projects in the two companies which was an important factor in the merger proposal." It is now felt that in the altered circumstances, the shareholders of both companies will not derive the full benefit of a merger. Instead, the two companies can now take up their own separate expansion schemes with their respective internal resources. Originally the merger proposal involved the ICI (India) Private Limited but later it was modified to include only ACCI and CAFI.

Ceat's Bright Outlook

The chairman of Ceat Tyres of India Limited, Mr. P. A. Narielwala, has painted a rosy picture of the company's prospects for the current year. There will be a big increase in output of tyres and tubes in 1971 with the completion of the expansion of capacity to 6.5 lakh tyres per annum. The plant is now being operated at the rate of 7 lakh tyres. Sales in the first nine months amounted to as much as Rs. 21 crores against Rs. 10 crores in the corresponding period of 1970 though last year there was a four-month strike. The turnover for the whole of 1971 is expected to be Rs. 29 crores against Rs. 17 crores in 1970 while the turnover in 1972 may rise further to Rs. 40 crores. The chairman is confident of maintaining the dividend on the capital increased by the rights issue. There is also a proposal to set up a new unit in a backward area in Maharashtra with a capacity of 3 lakh sets. A cycle tyre plant is under execution at Nasik.

Fertilizer Project Cleared at Haldia & Korba

The Union Government has cleared the Rs. 85 crore fertilizer project at Haldia. It has also cleared the coal-based Korba fertiliser project.

The Petroleum and Chemicals Ministry is recommending renewal of the letters of intent to the Tatas for the Rs. 55 crore fertilizer project at Mithapur.

Giving this information, Petroleum and Chemicals Minister P. C. Sethi told newsmen on October 30 that the problem on phosphoric acid import related to the Mithapur project would also be solved in another two or three weeks.

The Rs. 85 crore Haldia project included a Rs. 7.5 crore methanol plant also, he added. The project, when completed by 1975, would produce 1,52,000 tonnes of nitrogen, 75,000 tonnes of phosphatic nutrient and 40,000 tonnes of methanol annually.

The investment for the Korba project in the Fourth Plan would be Rs. 15 crores. The fertiliser plant will produce 2,29,000 tonnes of nitrogen completed. The Fertiliser

Corporation of India, he said, had sent a team of experts to the Soviet Union for purchasing equipment for the project. Work on this project would start in a couple of months, he said.

Mithapur Project

Mr. Sethi said the Mithapur project of the Tatas would produce 1,50,000 tonnes of nitrogen and 1,30,000 tonnes of phosphatic nutrients. The Tatas, he said, wanted to import phosphoric acid for some years, while the Government wanted it to be produced indigenously using rockphosphate available in the country. The matter would be settled soon, he said.

Mr. Sethi said a team of experts would go to New York for discussions with the World Bank for financial assistance for the expansion of the Gorakhpur fertilizer project of the FCI. Discussions on World Bank assistance for the expansion of the Nangal fertilizer plant were still going on. In agreement on World Bank assistance for the expansion of the Fertilizers and Chemicals (Travancore) Limited (FACT) would be signed soon, he said.

Unit Sales Touch 100 Mark

Sales of units by the Unit Trust of India have shown a slackening trend in the current accounting year though the Trust paid a satisfactory dividend for 1970-71. Sales in the first quarter ended September 30, 1971 amounted to a face value of Rs. 8.84 crores to 29,280 new investors against Rs. 13.65 crores under 37,000 applications in the corresponding period of 1970-71. Repurchases totalled Rs. 74.56 lakhs against Rs. 71.46 lakhs while non-residents accounted for sales of Rs. 14 lakhs. The total number of unit holders as on September 30 was 4,07,552 and the amount invested in units about Rs. 100 crores.

Swadeshi Polytex

Swadeshi Polytex Limited is making good progress with the work on its polyester fibre plant of Ghaziabad (U.P.). The foundation stone of the plant was laid by

President Giri in October 1970 while the Vice-President G. S. Pathak laid the foundation stone for the administrative building on October 12 this year. Construction of plant buildings is expected to be completed by next February. The imported and indigenous plant and machinery will be arriving shortly and erection work will commence thereafter. The company hopes to market *Jailene* early in 1973. The well-known German firm, Zimmer AG, a subsidiary of the Devy-Ashmore Group of U.K. is the foreign collaborator and will be supplying the plant and machinery as well as technical know-how. The plant will use the continuous process which is considered superior to the batch process from the cost and quality angles. Its capacity will be 6,100 tonnes per annum.

The estimated cost of the project is Rs. 12.72 crores of which Rs. 2.29 crores will

be in foreign exchange. The subscribed capital is Rs. 4.40 crores and the paid up capital Rs. 2.40 crores. The company proposes to raise rupee loans for Rs. 4.20 crores and Rs. 2.30 crores in foreign currency. The Industrial Development Bank of India will give Rs. 2.20 crores, Industrial Finance Corporation Rs. 50 lakhs and L.I.C. Rs. one crore. The Unit Trust will subscribe Rs. 50 lakhs to the company's debentures. The terms for conversion of part of the institutional loans into equity have been finalised. Under the term, the institutions will convert upto Rs. 60 lakhs or 14 per cent of their assistance into equity shares at par during 1976 and 1977. Sales in 1973-74, the first year of production, are expected to be Rs. 12 crores and a maiden dividend can be expected even for the first year of operations.



Never since the Italian attack on Abyssinia have the anti-social elements in the society of nations been so blatantly to the fore as in the context of the present Indo-Pakistan war. The hostilities between the two countries of the Indian sub-continent has taken a sudden or unexpected development. Its origins lay in the heartless resolve of the ruling clique in West Pakistan to rob the victors in the general elections of the fruits of their victory and to crush under its heavy heel the people of East Pakistan who aspired for their political freedom. India's interests in the turmoil springs from the heavy load of ten million refugees to whom she could hardly shut the door of mercy. Her involvement in the war of liberation becomes unavoidable, the moment it became clear that nothing short of the establishment of an independent Bangla Desh could provide a solution for the refugee problem. With Yahya Khan's behaviour and activity becoming more and more true to the type familiarised by Hitler and Mussolini, India had to guard her frontiers against surprise attacks. The increase in the scale and number of border incidents finally forced India's hands. The facts were there for all to see. Every foreign observer inclusive of American leaders like Mr. Edward Kennedy recognised the inevitability of war, if the great powers fail to range themselves on the side of right and strive for a just solution.

But what has happened during the last one week or fortnight has shown that the sway of cynicism in international politics has never been stronger than today. The meeting of the Security Council with Communist China as a permanent member has occasioned a public display, in the most formal manner, of the antagonism among the great powers and their irrational and unjust attitudes to the weaker nations. The hopes that were aroused after Mrs. Gandhi's tour to the foreign capitals that the U.S. will evince a sense of fairness to India and firmness towards Pakistan have been dashed to the ground. The U.S. has no compunction in laying the blame on India for the development of the Indo-Pakistan conflict. It has had no hesitation in stopping the sale of arms to this country by revoking the licences or in stopping economic aid altogether. And China, whom the U.S. is bent on wooing for no understandable reason has excelled her in blaming India. The Soviet veto has held up action in the name of the U.N. And the abstention of Britain and France from voting on the U.S. resolution permits the hope that decency in international politics may not be totally extinguished.

Though the motiveless malignity of the U.S. towards India may not be a potent factor in shaping the developments of the future, the attitude and intentions of China have to be viewed differently. The violence of the latter's attacks on India both

MOTIVELESS MALIGNITY

within the Security Council and without may be either a sop to Pakistan, for the disappointments of the Bhutto Mission or a threat to India, accompanied as it is by hints of Chinese intervention in the Indian sub-continent. India has invoked Soviet action under Article 9 of the Indo-Soviet Treaty. And it may be presumed that Russia would neither be inclined nor, for the matter of that, can afford to let China have her way. The chances of the Indo-Pakistan conflict escalating into a world war though they cannot be rated high, cannot be ruled out altogether.

For the present, the Government and people of India have perforce to concentrate on the successful prosecution of the war and the attainment of its main objectives. Beyond the establishment and recognition of Bangla Desh in the service of the ideals of democracy and for relief from the refugee problem, neither the political nor even the military objectives can be clearly stated. With the formal recognition of Bangla Desh, the former may be said to have been achieved. Our military authorities are positive that what remain now in erstwhile East Pakistan for them to do are virtually mopping up operations. Though the number of Pakistan soldiers in Bangla Desh is estimated at 70,000 the cutting off of air and sea communications with West Pakistan may be said to have sealed their fate.

It is in regard to the Western front that the position and prospects are not as easy to analyse. Up to the present moment, the course of the war is a little too one-sided to be regarded as quite a reliable clue to the future. India's defence forces have displayed definite superiority on land, sea and air. Any delay or difficulty in pressing the advantage home may suggest either restraint on the part of India or conservation of reserves on the part of Pakistan. Foreign observers have no doubt that Pakistan cannot stand up to Indian pressure for long. There are many who believe that Pakistan cannot survive the internal stresses and strains not to speak of the war with India which she provoked and that the inevitable process of disintegration of an unnatural entity is already well under way. The New Statesman has gone to the extent of dubbing Pakistan as "the State that never was". But the next question is whether the fait accompli which India may be able to present in East and West Pakistan would prove the basis of a stable settlement or the beginning of more serious challenges and conflicts with a large scale involvement of the great powers. It is still early to speculate on this question. But the moral of the present turmoil is clear, that India can lose no time or spare any effort in attaining the power and status of a great power to be classed with those whose smiles or powers she is now obliged to watch at every step she has to take.

Decision on Rayon Yarn Price Soon

The Union Government will accept the Tariff Commission's recommendations on the price of rayon yarn and its decision would be announced before the winter session of Parliament next month. This was indicated here on October 24 by Foreign Trade Minister L. N. Mishra to a party of Delhi journalists who visited some of the rayon yarn spinning units in Western and Southern India.

The Minister also stressed that the Government would not be averse to any voluntary arrangement arrived at between the weavers and the spinners on the price of yarn. An agreement is already in force and is due to expire in December this year.

Mr. Mishra told newsmen that the Government was keen to help rayon and synthetic fibre industry since there was urgent need to supplement availability of cloth to consumers. Because of shortage of cotton, cotton textiles industry alone was not in a position to meet the demand for cloth.

The Commission's recommendations have not yet been made public. It is understood they provide for 15 per cent return on the capital as against 12 per cent being pressed for by the Finance Ministry.

Against Price Control on Yarn

But more than the return on capital, it is the price which might be fixed by the Government that is causing nervousness in the industry. The industry is jittery over reports that the Finance Ministry is insisting on yarn being supplied to weavers at Rs. 9 per kilo.

The spokesman of the industry told the journalists that any price control on the yarn, without a corresponding control on the price

of the woven fabric would result in acute scarcity in the availability of yarn and in the attendant blackmarketing.

This apart, fixation of any "unrealistic price" below the current average price of Rs. 12 per kg. exclusive of excise duty would render at least four spinning units—the Baroda Rayons, Indian Rayons, J. K. Rayons and the Travancore Rayons—"uneconomic" and lead to a forced closure.

This would mean loss of jobs to 8,000 workers and a loss in production of about 10,000 tonnes. Indirectly, it would result in the unemployment of about 20,000 people in the weaving industry.

They also argued that an uneconomic price would be a definite disincentive for expansion of capacity. In fact, though the Government had invited applications for installation of additional capacities not a single application has been submitted so far, they pointed out.

Voluntary Arrangement

They said they would like to continue the voluntary arrangement with the weavers. But this might be difficult to bring about if the weaving industry felt the prospects of getting yarn at a cheaper price brighter.

Under the existing arrangement, 52 per cent of the entire production is made available to the weavers at Rs. 10 per kg. Ten per cent is made available to exporting units at Rs. 7 per kg. The remaining 38 per cent is being sold in the free market.

There is a difference of opinion among the larger and the smaller units on the expansion of capacities. The smaller units want a price increase to undertake expansion. But the bigger units like the National Rayons and

the Century Rayons are willing to expand capacity at the current price.

The production costs of the smaller units are also higher which is a strong point in favour of their being allowed to expand first. Not only do they have older technologies, but their wages to labour are also more. The Travancore Rayons pays for a skilled labour Rs. 12 per day.

A surprising feature which came into sharp focus during the visit is the permission granted to different units to import the same technology. Each of the 5 units visited had different foreign collaborators.

All the units except the South India Viscose, manufacture yarn from imported rayon grade pulp. Here too, the different units have a marked preference for American or Canadian pulp to Indian, Swedish or Finnish pulp.

The units contend these pulps are inferior but the SIV asserts that its yarn made from pulp of eucalyptus trees indigenously fetches a higher price in the market.

The industry's case is that Tariff Commission's recommendations are out of date because the cost of various inputs have increased since the submission of its report in December last year.

The industry is prepared for a fresh examination of price structure by an independent expert body like the Bureau of Industrial Costs and Prices. This, however, is unlikely to be accepted by the Government.

However, according to one version, the Finance Ministry is sympathetic to the industry's point of view that price fixation should be based on current costs. The Planning Commission is also reported to be favourably inclined to this view. —UNI

AN AMENDMENT OF FAR—REACHING SIGNIFICANCE

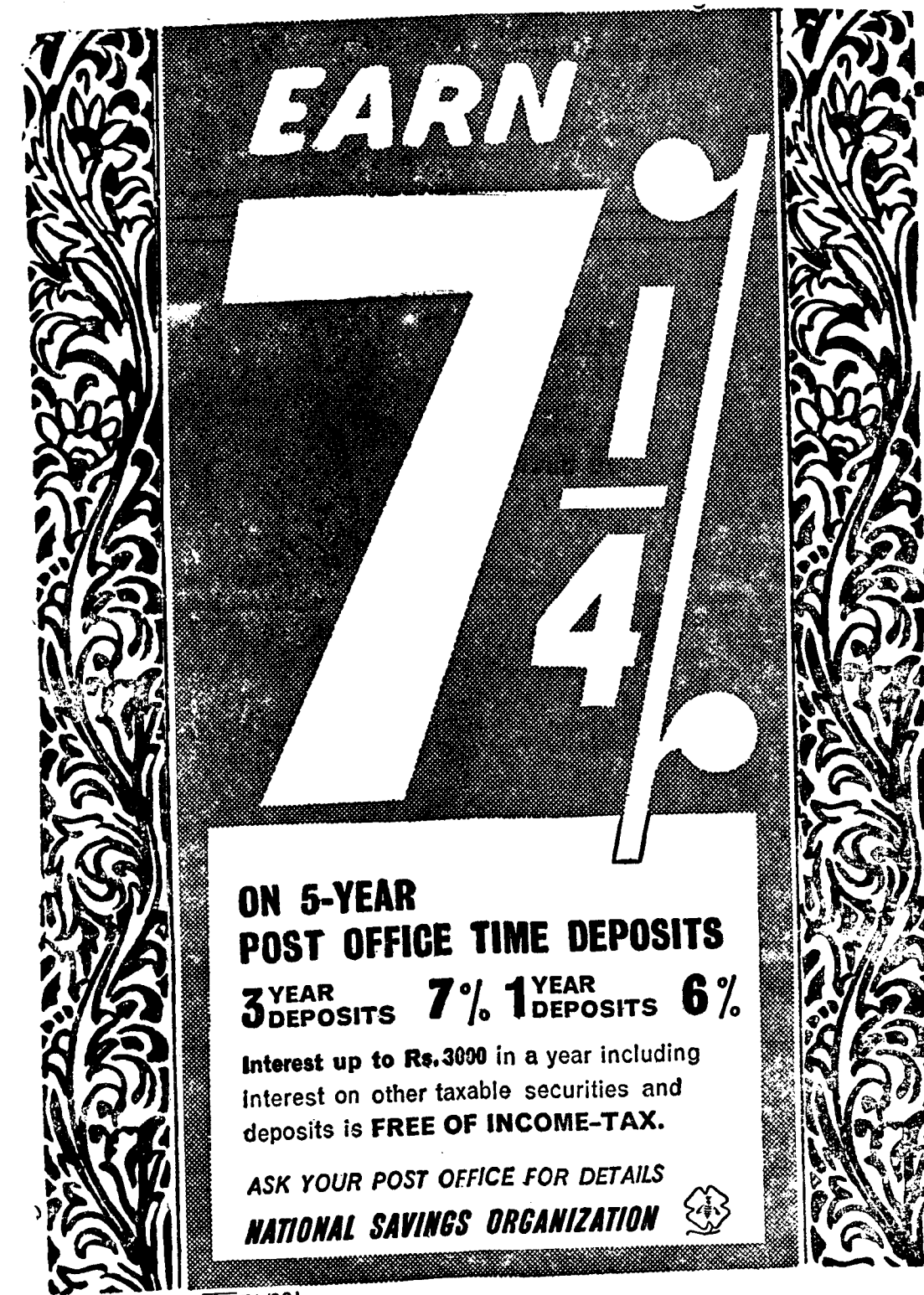
By a huge majority of 353 votes to 20, and 3 abstentions, the Lok Sabha has passed the Constitution (25th Amendment) Bill. The long sitting without a lunch recess suggests a strength of purpose and firmness of resolve which must be admired, while the virtual unanimity of support should discourage dissent at this stage as both futile and even cantankerous. But the issues involved are not robbed of their perpetual and basic importance by either circumstance. For this reason, the contentions of the sponsors of the Bill both in the Lok Sabha and without have far less significance than the basic issues. Both the Prime Minister and the Minister for Law were anxious to make out that, far from affecting the Supreme Court and the judiciary adversely, the Bill actually protects the judges from themselves by sparing them the occasion for delivering "political judgment."

The Prime Minister declared that the Bill represents, not a departure from the basic framework of the Constitution, but an effort to safeguard its intent. Apparently, Mrs. Gandhi is prepared to be quite dogmatic that the intention of the fathers of the Constitution is that the directive principles should override the fundamental rights and that, in removing the obstacles to such precedence, the Government is only helping the working of the Constitution in accordance with the intentions of the authors. It should be futile and impossible to attempt to read the minds of the Constitution-makers at this distance of time when it is the duty of the people and their leaders either to be governed by the Constitution which they gave to themselves, or consider the question de novo from the standpoint of basic principles and practical requirements. Even the claim that Mrs. Gandhi's party sought the suffrage of the people on this issue and gained a powerful mandate to proceed on these lines would not affect the obligation to keep constitutional changes in consonance with sound principles and real practical requirements.

Does our experience of the last two decades justify our reposing full confidence in the legislatures acting with wisdom and discretion not renouncing the curbs on their legislative power? Have we had any instance of a major return of socio-economic importance having been thwarted by the limits on the powers of the legislature? In our ideals of social democracy are not the principles of democratic freedom of the individual at least as important as the supposed needs

of socialist reconstruction? And above all, would not progress be more stable and sound for the pause which the limits to the powers of the legislatures might cause? The role of the judiciary is always limited to the interpretation of the statute laws and the law of the Constitution; and aggrieved parties whether they are governments or corporations or individuals, must always look to the judiciary for the redress which the law, as it stands, allows them, no matter who the transgressors may be. The courts can grant no redress which the law does not provide for. To drag the judiciary and the judges into this context is to befog the issue somewhat. Though the change sought by the Government can only be effected by keeping certain matters like compensation out of the jurisdiction of the courts, the role of the judiciary in a written Constitution cannot be altered except by a steady increase in such exemptions from the jurisdiction of the courts. Popular support is easily enlisted when property rights are involved. It would be less easy when other fundamental rights are gravely jeopardised, actually, and not alone on paper. When the rights of the constituent units are threatened, there are bound to be serious dissent on dissension.

The rule of law is far more important and vital to the body politic in a period of pressure for radical change done in a relatively calm period when reforms can be presented with more light and less heat. The sweeping nature of the 25th amendment and the dangers it portends to the freedom of the individual even apart from property rights and to the democratic governance of the country will be realized by the public only in course of time. The difference between compensation at market value and compensation as it will be decided by the legislature will certainly not break the back of the nation's finances. But the room for invidious treatment of different forms of property, of abuse of power by the ruling party in the Centre or in any State is a far more serious matter. The purpose of a written Constitution is to define the sphere and mode of action for each organ of Government and to leave it to the judiciary to decide whether the limits are respected. It may be exciting for the sponsors of the 25th amendment to claim that is revolutionary and that its passage is a historic event. But the health of national polity consists in the sense of restraint in the legislature. It is to be hoped that the legislatures will exercise that restraint, even after their powers have been enlarged.



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dayp 71/291

NCAER Calls for Restraint on Government Spending

The National Council of Applied Economic Research has called for a restraint on Government expenditure to prevent the price situation, which was causing widespread concern, from going out of hand.

The restraint should be accompanied by a simultaneous attempt to increase production all around to "restore full health to the price situation", the Council says in a mid-year review of the economy released recently.

It concedes that the suggestion of restraint "may appear a counsel of perfection" when the country was facing enormous difficulties

because of the influx of refugees from Bangla Desh.

"Even so, something has to be attempted by reducing expenditure wherever possible, phasing very long gestation investments and mobilising resources by borrowing and taxation."

Run Down Reserves

The Council has also suggested recourse to "running down of reserves" to deal with the price situation. From several points of view, some risk in this direction would be worth

taking this year. "It will enable increase of supplies and production and will simultaneously reduce the money supply."

The Council expressed grave concern over the industrial stagnation during the first half of the year. Idle capacity existed in several industries.

It noted there were problems due to process of recovery from the recession, temporary shortage of raw materials, industrial unrest and so on. "No doubt these factors continue to play a part but they are not enough to explain the phenomenon of slow growth."

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TO TAKE
A LONG TIME
TO GROW**



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 **INDUSTRIAL ECONOMIST**
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Hats off to Prof. Gaul. D. Feldman of Case Western Reserve University in Cleveland, U.S.A! *Walrus* has nodded approval of the recent outburst of the five foot-four professor against what he calls the cult of "heightism" in U.S.A. This is described as the irrational discrimination against the people of short, stock build and preference of tall men in all walks of public life in America, especially among the menfolk. He has made a number of interesting and significant observations and the deduction is as surprising as it is unassailable. In political affairs, he claimed that the taller man always had the advantage. Atleast since 1900 A.D., he proves that the taller of the two presidential candidates has always succeeded. Even the present incumbent in the office, Mr. Nixon is taller than Senator Humphrey, his Democratic foe of 1968. The obsession of heightism has even entered the business sphere. According to his survey conducted among the recent graduates from Pittsburgh University, men of height 6'2" and more, received an average starting salary 12.4 per cent higher than their unfortunate co-graduates who were less than six feet tall.

Shunned...and Shunted Out

Mr. Feldman, presenting a paper to the American Sociological Association on this subject has even taken exception to some common idioms and phrases used in everyday life which are offensive to the gentlemen on the shortside of the scales. "The ideal man is viewed as tall, dark and handsome. Impractical people are shortsighted, dishonest cashiers short-change customers, electrical failures known as short circuits and individuals with little money, no matter their height, will state of their impecuniousness, "I'm short." In all sports except horse racing a shortman is unwanted, shunned and even shunted out. Even in racing, a jockey, short perforce, is honoured only after the horse. "A jockey's face has never yet appeared on a bubblegum card."

In romance and marriage too the relationship is supposed to be smoother if the husband is taller as befitting the dominant partner who can "look down upon his mate." After comparing the plight of tall girls which is very similar to the short gents as the former are "deviant to their sex" and after pointing out the more imperceptible, yet stronger grip of "heightism" on society than even that of race, religion and politics, Mr. Feldman concludes that "there is nothing cute about a shortman or tall woman in our society."

The Cult of Heightism

Resistance to Midgetry

You may be making a tall claim, Mr. Feldman, but what you have said is the long and the short of the problem which is really universal. *Walrus* would add only few more remarks for the benefit of the Indian public in whose mind also is deeply planted this prejudice. He confesses that when he saw a press photo showing a certain national leader looking up to the face of a giant from afar and going round in a parade to receive salute for both, an involuntary shudder passed through him. But let it pass. Probably even our mythology and folklore have built up this resistance to midgetry. There is a proverb which places more confidence in a thief rather than a shortman. According to

my grandmother, a nonagenarian researcher of mythology, the no-confidence move is traced back to the story of Lord Vishnu who as Vamana, swindled the property of King Mahabali after extracting a promise from him. Luckily now, the tall ones also have started swindling the kings!

Walrus wanted to suggest an Indo-American venture to remove this prejudice against the short, but now the tide has already turned against the tall. The Indian people are slowly coming to the conclusion that tall Mr. Nixon has not been so trustworthy as short Mr. Kennedy in his policies dealing with democracies and dictatorships.

—*Walrus*

Out of the Inkwell

By RANDOR GUY

Humour in Thieves!

I have heard often that there was humour among thieves whether they belonged to soho, Harlem or gipsyland. Not having had any experience of thieving or honour for that matter—I cannot be sure. But I never thought the mugging fraternity had any sense of humour. Especially dacoits who are usually mean chaps burning your hair, sticking pins into your softer parts, forcing you to tell them where you have hidden wealth. (a very rare commodity, that, among writers). But there was a report the other day that some dacoits had used a Minister's car for looting. This reveals they do have a sense of humour. One cannot think of a more appropriate use, says a friend of mine, a politician and he should know! Should be very interesting, this Minister business . . .

Croc. Comes to Town!

I was really startled when I read the morning daily that a crocodile was seen in our Thames. Quite a sensation it caused in the city and to me that's rather surprising. We have a good number of crocodiles in Madras. The two-legged variety, I mean. More thick skinned, more dangerous and faster in shedding tears . . . Only one difference is that the skins of these "biped-crocs" are worthless. You can make nothing out of them, not even lampshades, as a German lady friend of mine did during Nazi days! Actually I wonder why this crocodile came to Madras with so many of the same species. Very stupid, these crocs!

Clunk, Clunk, no Cheers!

Now that prohibition has been suspended you can get gallons of grog everywhere. These wine shops—grapeyards, as one board reads—are appearing everywhere. The night before you see a dentist's clinic and the morning after there is a liquor shop instead! Rows of gleaming bottles of the health-giving manna greet you as you walk along. Somehow the fun in downing the frothy stuff litre after litre is lost. As my neighbour's wife says (and she should know!) the forbidden fruit is the sweetest, and now that it is no longer forbidden the grapes have turned sour! And worse, you have to pay for these bottles! One certainly longs for those good old days when you always had it on a friend and had a ready excuse for not returning it—no permit, buddy, you know, er . . . !

AN APOLOGY.....

Our printers are shifting their business from Mount Road to Mylapore. Due to this there has been some dislocation in our printing schedule. Hence this delay in releasing this issue. We are sorry for this. We assure our readers that regularity in releases will be ensured from our issue dated January 1, 1973.

—ED.I.E.

Imaginative Selection of Top Executives of HSL

Recently a number of major changes have been announced in the top management of Hindustan Steel. Mr. P. R. Ahuja who had been acting as General Manager, Bhilai Steel Plant since the departure of Mr. G. Jagatpati to ECAFE at Bangkok has been confirmed as General Manager. Mr. Ahuja has been with Hindustan Steel since 1956, and became General Superintendent in August, 1968.



Mr. P. R. Ahuja

Dr. P. L. Agarwal had also joined Hindustan Steel in 1956. In early 1969 he had been promoted as General Superintendent and posted to the Alloy Steel Plant at Durgapur. Since November 1970 however, his services were transferred to Bokaro Steel Limited as General Superintendent. He has now been appointed General Manager of the Rourkela Steel Plant.



Dr. P. L. Agarwal

Mr. C. S. N. Raju has also served Hindustan Steel almost since its inception.



Mr. H. Bhaya

For 11 years he had worked in the Durgapur Steel Plant and achieved outstanding production results particularly in the area of iron-making. In 1967 he was transferred to the Central Engineering and Design Bureau, Hindustan Steel and thereafter he was deputed to the Central Coal Washeries Organisation of Hindustan Steel in July 1968 as General Manager. Mr. Raju has now been appointed General Manager of the Alloy Steels Plant, a position which had been vacant since the sudden demise of Dr. A. K. Bose in July 1971.



Mr. C. S. N. Raju

The Durgapur Steel Plant in recent years has passed through a series of major reverses, a part of which could be said to be due to considerable industrial unrest. On the advice of the Chairman, the Government of India has now decided to appoint an eminent labour representative, Mr. Bagaram Tulpule who had also been a brilliant electrical

engineer before he entered the trade union movement in 1946, to the crucial position of General Manager, Durgapur Steel Plant. Mr. Tulpule, who is to assume charge on December 1, 1971 will bring with him a vast insight in the field of industrial relations. It is to be hoped that he will be able to guide the destiny of Durgapur Steel Plant to higher productivity with greater peace in the working place.



Mr. Bagaram Tulpule

In the past, the General Managers of the various plants of Hindustan Steel had been recruited from sources outside the company. A major change in Government policy, at the behest of Chairman Chandy and the Minister for Steel & Mines, M. Kumaramangalam, has resulted in experienced technocrats from within the company to steer the activities of the plant. As in the case of General Managers, the position to the next Chairman of Hindustan Steel is also to be filled from within the company. Mr. K. T. Chandy, who had been Chairman of Hindustan Steel since May, 1968, has retired. Mr. Hiten Bhaya, the former Director (Commercial), has taken over as Chairman. With his brilliant academic background, Mr. Bhaya joined Government service in 1944 in the Ministry of Defence, ultimately to become Director, Naval Armaments Supply in 1955. He was selected for the Industrial Management Pool in 1959 and has since served Hindustan Steel in various capacities. Before taking over as Director (Commercial) in 1970, for three years he had been General Manager of the Alloy Steels Plant at Durgapur.

A Letter to the Editor...

Sir, — We have gone through a cutting from your journal on "Some problems of agricultural advances" by Shri S. Viswanathan (Vol. IV No. 13-issue dated September 15). Under the heading "bogus pump-set loans" Shri Viswanathan has stated "with only the new-found enthusiasm to guide and with total absence of detailed guidelines for incorporating necessary checks, a certain degree of corruption has set in these advances". I am afraid absence of guidelines, while it can result in imperfect documentation, cannot be a cause of corruption. Corruption exists, despite checks and counter-checks in almost all walks of life, the only remedy for which is perhaps to be sought in screening recruits thoroughly as to their family background and tradition, avoiding recruits from families with chronic criminal records as much as possible and instilling into them a sense of loyalty to the institution they have been selected to serve.

It is also incorrect to say that there were no guidelines because the RBI had issued detailed instructions from the very beginning regarding the handling of the agricultural advances by commercial banks. It is elementary banking practice that when a supplier supplies inputs to a farmer or even to an industrialist on the basis of credit limits sanctioned by a bank, payment is made by the bank concerned direct to the supplier and certainly not to the customer. Probably the article did not attach importance to this practice obtaining among banks while writing the article.

Again in the last paragraph he has stated "a number of major banks insist that payments for pumpsets and other equipment should be made direct to the manufacturers and not to the dealer concerned." This is again incorrect. Normally it is not the manufacturer who supplies machinery direct to the farmer. It is only the accredited agent of the manufacturer who supplies machinery. As I have explained before, any bank will make payment to the dealer or supplier only after the machinery or pump sets etc. are actually handed over to the farmer. There is no chance of there being any loophole in this practice unless there is wilful collusion between the customer, the dealer and the bank manager. In other words while we are aware of the fact that bogus pumpsets loans have been made, the reasons are to be found in

human deficiencies and certainly not in the lack of suitable instructions to branch managers by the institutions concerned. Further such bogus loans can take place despite any detailed instructions which one may give if there is dishonesty at the lower level and similarly, even with no instructions from the Head Office such malpractice will not take place provided there is honesty at the lower level. In other words the writer might better have tackled the question from the point of view of the integrity and honesty of the borrower, the managers and the suppliers rather than refer to the absence of guidelines or rules and regulations therefor, assuming that this is true.

V. SIVARAMAN
Special Officer
Agriculture & Small Scale Industries
Allahabad Bank, Calcutta

...and a Reply to it

I am afraid, the writer of this letter has attempted to generalise the cause for corruption as sociological relating to the integrity and honesty of the borrowers, the managers and the suppliers. I believe, notwithstanding this, proper and detailed guidelines can help check this to a great extent. The great reduction in the number of bogus pumpset loans and the like in recent months compared to the period immediately following nationalisation, has been achieved, I gather, through greater caution exercised by the head offices of the banks. Does the suggestion to screen recruits thoroughly made in the letter want one to believe it is as if such embezzlements are possible only where the recruits are from families with chronic criminal records? The sense of inculcation of a loyalty to the institution is again an exercise backed by good intentions but from what we know of the record of a number of companies both in the public and private sectors that it is not all that easy. As I have pointed out in my article in the absence of deterrent punishment through criminal proceedings which can also freeze the assets directly or indirectly acquired by the corrupt manager concerned, it would be very difficult to check, on the part of these, the temptation to loot, to put it mildly.

I refer to the absence of detailed guidelines for incorporating necessary checks which, in

the instances referred to by me, have proved to be inadequate. I have also given the instances of bogus pumpset loans which have been defrauded on a number of branches of quite a few of the nationalised banks. Unless one is reconciled that this is a sociological phenomenon obtaining in every walk of life and takes a philosophical look at it, I am afraid, one has to refer to the need for sufficiently strong checks in the matter of exercising such discretionary powers. As I have mentioned in the last para of my article, happily, many major banks have introduced these through more detailed guidelines to the branches. I have mentioned of the steps taken by some of these towards this end. I have also suggested that "a decision on such loans might be made at least by two of the officials of the branch concerned—say the manager and the accountant or by the manager and his counterpart in the nearest branch office of his own bank."

If such a procedure can be brought into practice, the subject-matter of the writer in the last para of his letter will be made redundant. His reference that "any bank will make payment to the dealer or supplier only after the machinery or pumpsets were actually handed over to the farmer" refers to theory and the well meaning and good intention of how things should happen. But the fact is this expectation of the framers of the policy has been belied in a number of instances and hence my comments in the para on 'bogus pumpset loans.' The writer avers there is no chance of there being any loophole in this practice. But precisely to these loopholes I have referred in my article. In the instances cited by me, there have been wilful collusions between the customer, the dealer and the bank manager. Unless the writer wishes to keep his eyes closed to this, they exist, very much in reality. My plea is, suitable instructions to the branch manager should also take into consideration the human deficiency which has caused some havoc. Since I believe it is possible to do this as has been proved by the number of major banks who have taken steps to plug such loopholes, I have not raised up my hands in despair and said that is was a sociological problem that has to be tackled from the point of view of integrity and honesty of the people concerned.

S. VISWANATHAN

INDUSTRIAL ECONOMIST

The money market was never in such a comfortable position in the past few years as on the eve of the 1971-72 busy season. The Reserve Bank has, therefore, had no difficulty in framing its credit policy and the position will be reviewed again by the Governor, Mr. S. Jagannathan, by the end of January next year after holding consultations with the custodians and chief executives of banks. There was no need actually for announcing any policy except perhaps for restricting the availability of credit against commodities which are in short supply. This is because the banking system is not experiencing any pressure unlike last year and there is even confidence that the seasonal increase in demand for funds will be met out of owned resources and there will not be any compulsion to borrow heavily from the central banking institution. Actually, these borrowings amounted to only Rs. 7.99 crores during the week ended November 19 and investments and cash balances of scheduled commercial banks have been rising steadily with increasing deposits.

Impressive Growth in Deposits

It has been estimated by the Reserve Bank that there will be a growth in deposits by Rs. 475-500 crores and in advances to the extent of Rs. 480-500 crores during the current busy season. In actual experience, the additions to deposits may even exceed Rs. 575 crores as there has been an accelerated rise in the last year as a result of deficit financing in heavy procurement and larger incomes of agriculturists. On the other hand there will not be an increase in advances by even Rs. 333 crores excluding procurement finance of Rs. 120 crores.

It is felt, however, that some surprises may take place in food procurement notwithstanding the fact that there has been an increase in consumption due to influx of refugees from East Bengal. Having regard to the fact that there had to be procurement of over 5 million tonnes of foodgrains between November 1970 and July 1971, with an output of 108 million tonnes, it is quite likely that procurement purchases in an identical period in 1971-72 will have to be even 7 million tonnes of which 2½ million tonnes may have to be procured before April next. It is not improbable, therefore that the increase in advances during the busy season may be even Rs. 520 crores.

This demand for funds may not present any serious problem as banks will have their own funds for Rs. 380 crores after segregating about Rs. 195 crores for being invested in approved securities and for maintaining larger cash balances. The gap will therefore be only Rs. 145 crores which can be easily borrowed from the central banking institution. As outstanding borrowings on October 29, 1971 were only Rs. 18 crores and it has been stated by the monetary authorities that borrowing should not exceed Rs. 191 crores by the end of April 1971, there will be ample scope for manoeuvre.

INDUSTRIAL ECONOMIST

It may happen, however, that the growth in deposits will be uneven at some stages and borrowings may have to be temporarily at a high level during March. If procurement operations had a complicated effect, the Reserve Bank should allow full use of the refinance facilities during the periods of strain and prevent an unnecessary rise in short term rates. As the Government also has depleted its resources and there may be some delay in effecting disbursements towards the end of the financial year, it should not happen that there was an artificial squeeze in the money market on account of the locking up of huge funds in procuring foodgrains and the immobilization of large amounts in outstanding Government bills. If the difficult period beginning from March to the middle of April could be satisfactorily got over with the provision of discretionary refinance at the Bank Rate, there will be no problem of meeting demand for funds.

Expansion of Credit on a Large Scale

In the second quarter, however, there will have to be expansion of credit for procurement purposes on a larger scale than even in the corresponding period last year as fresh additions to stocks might well be 4½ million tonnes, as indicated above. This will necessitate expansion of credit for about Rs. 300 crores and if there happens to be also an increase in advances to other class of borrowers there may have to be a sharp increase in borrowings from the peak level of Rs. 191 crores and a peak level of Rs. 300 crores may be easily touched by the end of June.

It will, therefore, be clear from an examination of all aspects that there may be difficulty, if at all, in meeting demand for funds during the busy season only for a short period in March and unexpected developments will arise only as a result of heavy procurement operations. The Reserve Bank has, of course, provided refinance facilities on an equitable basis for this purpose as it has been pointed out that a larger number of banks will be participating in these operations in the current year. This is desirable as the State Bank of India and its subsidiaries mainly were handling these operations. As there will be refinance to the extent of 10 per cent against all procurement advances at the end of October and there will also be fresh expansion of credit for Rs. 520 crores against which refinance will be available to the extent of Rs. 170 crores, banks will be in a position to borrow on a concessional basis upto Rs. 210 crores. The problem of financing procurement operations will not therefore be keenly felt till the end of August especially as the additions to deposits in July-August also will be available.

Increase in Liquidity Ratio

Trouble, if any, will however arise only when it becomes necessary to give effect to

the new statutory requirement calling for an increase in the liquidity ratio to 29 per cent apart from the maintenance of 3 per cent of deposits of scheduled commercial banks with the central banking institution. This new increase will call for an immediate addition to the investment portfolio of banks by nearly Rs. 70 crores while in respect of deposits upto August next near from November 1, 1971 there will have to be investments for Rs. 230 crores. There will thus have to be a rise in cash balances and investments by Rs. 400 crores in an eight month period. If procurement advances were of the order of Rs. 520 crores and there was also a net increase in advances under other heads by Rs. 350 crores, there may have to be borrowing from the central banking institution for Rs. 279 crores. As the State Governments also will be floating open market loans besides issues of bonds by the State Electricity Boards and statutory financial corporations, fresh additions to deposits after August may have to be utilised mainly for this purpose.

Reducing Procurement Purchases

In the absence of an unexpected growth in deposit or a modification of the procedures relating to procurement finance it may be found difficult to reduce borrowings from the Reserve Bank to the level now prevailing before the end of the next busy season. As the Central Government will not be in a position to allocate larger budgetary resources for financing additions to buffer stocks, the only course open to it would be to reduce procurement purchases and decide to undertake only support operations. A decision in this regard can be taken before May next year.

It will, therefore, be seen that banks will not have any difficulty in meeting the needs of industry and trade during the current busy season as industrial production will be quickly absorbed and there will also be a more impressive growth in deposits. There will have to be a liberalisation of the movement of foodgrains, particularly rice, between zones and it will also have to be decided whether buffer stocks should not exceed a specific level. As budgetary resources will not be available for maintaining buffer stocks, after the heavy expenditure incurred on refugees and on the defence services, it will be incorrect to expect that the burden on the banking system can be reduced by the Central Government itself providing part of the required resources. In the light of new developments it will have to be decided whether there should be unrestricted procurement operations or whether these can be suspended after a particular level of buffer stocks has been reached. The Reserve Bank will have to examine the implication of unrestricted food procurement on the economic situation and advise the Government appropriately.

IOC TO ESTABLISH NEW REFINERIES

In the present difficult situation it is comforting to be told by the Chairman of Indian Oil Corporation, Mr. M. Rama Brahmam, that there is no worry about the availability of petroleum products for meeting civilian and defence needs and that there is also no fear of a stoppage of crude supplies from Iran, or other countries in the Middle East. All the inland and coast-based refineries are working at full capacity and it has even been necessary to ask the two oil refineries in the private sector in Trombay to process additional quantities of crude. It has been disclosed in the latest annual report of IOC for the year ended March, 1971 that there was an aggregate refining capacity of 18.49 million tonnes of all the refineries at the end of the year and that Indianoil accounted for a capacity of 5.75 million tonnes in its three refineries and over 5 million tonnes in respect of other two coast-based refineries in the public sector. The actual production during the year was 10.88 million tonnes and all the refineries functioned at or above rated capacity except the unit at Nunmati which had difficulty in marketing its products in the Siliguri area. The Koyali refinery was functioning efficiently accounting for a throughput of 3.4 million tonnes against the rated capacity of 3 million tonnes and Barauni for 2.14 million tonnes. Only at Gauhati the throughput was lower at 6.7 lakh tonnes due to the factors mentioned above. The Madras and Cochin Refineries functioned satisfactorily though they could have handled a larger throughput.

Stepping up Pipeline Output

In the current year new records are expected to be established as Koyali will be operating efficiently as well as Barauni. At Nunmati with a larger demand for petroleum products in its region and arrangements for larger supplies of crude throughput, the pipe line output can be stepped up significantly.

Spotlight on IOC

The Corporation has declared a dividend of 7 per cent for the fifth year in succession. The total dividend paid during these years amount to Rs. 23.87 crores.

Specialised ER studies are conducted on a continuing basis to look into costs, work-loads, and the problems coming up from time to time. This has enabled the Marketing Division of the Corporation to keep a firm control on staff numbers.

Delegation of authority has been effected on the basis of two scientific studies conducted internally in 1967 and 1970.

A lot of emphasis is being laid on manpower planning and training. Three to four courses are conducted concurrently on different facets of IOC's work.

IOC has signed two long term agreements with unionised staff. There is a regular chan-

The Cochin Refinery will be able to utilise its expansion facilities to some extent while efforts are being made to increase the output of Madras Refineries through the bottlenecking and larger imports of crude. The private sector refineries will of course continue to function satisfactorily. Serious efforts have been made to speed up construction work at Haldia which will be owned by IOC. It has now been indicated that this refinery will be ready on the fuel side in the first quarter of 1973 and on the lube side by the middle of the year. It is also proposed that the third million-tonne unit of Barauni should utilise imported crude and make full use of the existing facilities. The Barauni refinery is being modified to render possible the processing of imported crude which has a high sulphur content. The modifications, expected to be completed by the middle of the next year, would permit the processing of half a million tonne of imported crude along with 2.2 million tonnes of sulphur-free (known in industrial parlance as 'sweet') indigenous crude from the neighbouring Naharkatiya fields.

Mr. Rama Brahmam has observed that the product line from Haldia to Barauni will be used for transporting crude. Initially half a million tonne will be pumped through this line to Barauni and later after operations have been stabilised another half million tonne. There will be another product line between Haldia and Calcutta and the requirements of the former will be supplied by Haldia and also in the meantime it is expected that refined products will be moved from other regions by sea and sent through Haldia. It is obviously the intention to utilise the output of Barauni for meeting the needs of Bihar, Uttar Pradesh and the adjoining territories. A pipeline has also been constructed between Barauni and Durgapur for supplying larger quantities of naphtha required by the new fertilizer plant. Barauni is already meeting the requirements

nel communication with staff at all levels and at a time when the country has been facing a period of stress, IOC has, by and large, been able to avoid industrial strife.

In order to make available petroleum products to meet the requirements of agriculturists, IOC has established about 300 retail outlets for the sale of Light Diesel Oil and Lubricants. This has enabled the farmer to acquire his requirements at fair prices and without having to traverse long distances.

The manufacture of barrels for packing lubricants and bitumen was confined to certain parties who had a monopoly of this business. IOC is now constructing a barrel plant of its own at Madras and in addition, IOC has also encouraged other parties including Government undertakings to manufacture barrels. This has, to some extent, reduced the monopolistic nature of barrel manufacturers.

of the large fertilizer unit at Kanpur by sending naphtha through a pipe line. The pipeline network in Gujarat also is operating satisfactorily and the sizable quantities are being sent to Ahmedabad through this net work.

New Refinery in Assam

It is also being planned that there should be a new refinery with a capacity of 1 million tonne in Assam. It is expected that an early decision will be taken in regard to the location of a mammoth refinery not far away from Delhi in order to meet the needs of the north western region. The initial capacity of this plant may be even 5 million tonnes and it is planned that a big pipe line capable of handling even 8 million tonnes will be constructed at a cost of Rs. 75 crores over a distance of 800 miles. The pipeline will start from the west coast and it is obviously expected that imported supplies and offshore oil if located will be handled by this pipe line. The whole project is scheduled to take shape in 5 years from the date of decision. It will therefore be clear that IOC's hands will be full for several years and there will be a steady increase in refining capacity. The Madras and Cochin refineries too may be in a position to handle a throughput of 7 million tonnes in the next two or three years so that the aggregate capacity including Haldia at the disposal of IOC may easily be 14.5 million tonnes. This will indeed be a creditable achievement.

What is heartening to note is the confidence of IOC to find the funds required for the Haldia refinery out of its own resource. It is estimated that this refinery which will be on the lines of MRL will cost Rs. 65 crores and the whole of this amount can be found from the internal sources even after making the necessary repayments against earlier loans to the Government. In 1970-71 a new record was established with an increase in the turn-over to Rs. 720.01 crores from Rs. 631.41 crores in 1969-70. There was, however, a decline in the net profit before the depreciation and taxation and before interest charges to Rs. 31.32 crores from Rs. 36.20 crores in the previous year. Interest charges accounted for Rs. 4.76 crores against Rs. 4.85 crores and depreciation for Rs. 10.79 crores against 10.94 crores after allocating Rs. 10 crores against Rs. 14.41 crores for development rebate, the transfer to general reserve is Rs. 80 lakhs against Rs. 1 crore. The dividend was maintained at 7 per cent. The Company can therefore plough back large amounts out of current earnings and this will be useful for repaying debts and constructing also the Haldia Refinery. It has been explained that the lower earnings for 1970-71 were due to the higher cost of crude and heavier working expenses though it must be said that the profits were depressed to certain extent by expenditure relating to previous years in respect of crude supply.

Low Prices for Petroleum Products

There was also a loss of profit amounting to Rs. 7 crores due to the fixation of lower

prices for petroleum products on the recommendations of the Shantilal Shah Committee which allowed only lower margins for meeting marketing expense. It is clear that because of IOC's improved efficiency and lower operating costs, the margins as allowed under the pricing formula were reduced and this had its effect on the profitability of the Corporation which handled 52 per cent of the oil business in the country. Even though the profits of IOC may be lower, the exchequer has gained to the tune of Rs. 19.27 crores (which was

mopped up by the Government in the form of duties) annually as envisaged under the Shantilal Shah Committee Report.

The reduction of profits by about Rs. 5 crores in 1970-71 is no reflection on the operational efficiency of the Corporation. IOC has lower operating costs as compared to any other oil company and the productivity stands at 1351 KL per man compared to 1243 KL in 1969-70 and 686 KL 1965-66.

The fulfilment of social obligations like the offer of dealerships to unemployed gradu-

ates, creation of special facilities to provide agricultural inputs in areas not commercially profitable, the building of tankages in the interests of the country's defence, have had their cumulative effect in reducing the profitability.

It is expected, however, that there will be a further increase in turnover in 1971-72 and with efforts to secure economies in working expenses the level of earning will be definitely higher than in 1970-71. —(FOC)

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Achievements of the Vollrath Project

A colloquium on the Indo-German Export Promotion Project expressed disappointment that the project was not being extended in spite of what it accomplished during the four years it was in operation.

Organised by the Engineering Export Promotion Council, the colloquium noted the achievements made by what is known as the Vollrath Project (after the name of the West German expert who led the German counterpart programme).

The Project imparted training to Indian businessmen and officials of the Engineering Export Promotion Council with regard to the export of engineering goods to ECM countries including West Germany. A fact-finding and training phase was followed by a second phase which was result-oriented.

Mr. A. M. M. Arunachalam, Regional Chairman of the Council, inaugurating the colloquium placed on record the Council's view that the project had created a sense of export awareness in Indian exporters and given a momentum to export activities and also created an indelible impression in the minds of West European buyers. He was sure the lessons learnt from the project would serve as a practical guide to India's future plans for export promotion. He called on the exporting community to be cost-conscious as the crux of the export problem lay in cost reduction.

Dr. Klaus Schrameyer, Consul of the Federal Republic of Germany in Madras, was sorry that the scheme was not being extended. He was sure the Council's promotion staff would continue the good work done by the Project even though the West German counterpart people would not be there. He pointed out that West Germany was a leading aid giver to India. The aid covered all levels—grant, capital aid, contribution to financial institutions, collaboration between German and Indian private parties, etc.

Mr. H. Vollrath who is going back to his country at the conclusion of his labours as head of the German counterpart team, asserted that the expenditure on the scheme had been worthwhile. About 89 lasting connections between Indian manufacturers/exporters and West German buyers had been established. Even if new contacts would not hereafter be established as a consequence of the scheme not being continued, the connections already put through would be enduring, he said.

Representatives of export houses and officials dealing with export matters participated in the discussions that followed.

Labour—Industry Amity to Boost Production

Representatives of labour and industry agreed at a conference convened by the Labour Minister Mr. N. V. Natarajan that they would not do anything which would hamper production, cause detriment to the workers' interests or damage industrial peace during the pendency of the crisis now faced by the country with tension on the borders of India following the civil war in Bangla Desh and millions of refugees crossing over to India.

After the Minister explained the gravity of the present situation the assembled participants representing both the parties adopted a resolution to this effect.

The resolution said that the issue dividing the two parties would be resolved amicably through direct negotiations.

Employers' representatives expressed the view that there was no need for voluntary arbitration. They said that the existing machinery providing for arbitration by the Government under certain circumstances was adequate. Labour however said voluntary arbitration would be better.

Workers' representatives drew attention to the escalation of prices and said that unless the Government was able to keep the prices in check there was no meaning in talking about industrial peace, etc. One labour leader said the trade union movement should not plant leaders of particular party affiliation on the unions, he said.

The conference came in the wake of weeks of disturbed labour situation in the City and suburbs. Thousands of workers of the various units of the Amalgamations where the old union leader had been displaced by a new DMK leader had been agitating for a number of days calling for repudiation of the agreement which that leader had signed with the management and disowning his leadership. Many workers had gone on what the management termed 'illegal strike'. One of the units had been locked out because of labour strike and clashes between rival groups. Subsequently the Government referred the dispute in that particular unit to arbitration. Under the law after reference of the dispute to arbitration there could be neither strike nor lock-out. In the meantime labour leaders and others have gone to Delhi where some discussions are taking place on this matter. It is to be seen what effect the November 29 agreement is going to have on the Amalgamations labour situation.

—V.M.

INDUSTRIAL ECONOMIST

Healthy Agricultural Economy Helps Bear Political Brunt

The prevailing political situation has had unpredictable effects on the fortunes of growers of cash crops and it is now confidently expected that there will be a record output of jute and higher yields of raw cotton and oilseeds. Only in respect of sugar cane there will be a slight shrinkage in the area under the crop though it is quite likely that yield may not be appreciably lower than in 1970-71. As it is also expected that the output of food grains will be considerably in excess of 108 million tonnes because of good rabi crops, the 1971-72 agricultural season may prove to be the best for all time. If these expectations are realised it would be possible to effect considerable saving in foreign exchange expenditure on account of the displacement of imports to a considerable extent.

It is even expected that there will have to be considerable stock piling of raw jute as a ticklish situation has been created by the harvesting of a bumper crop within the country and heavy arrivals from Bangla Desh. It has been earlier estimated that the jute crop would be even 80 lakhs bales while arrivals from Bangla Desh might even be 25 lakhs bales. As the industry will not require more than 70 lakhs bales, there will be an excess of 30 lakhs even allowing for extra mill consumption of 5 lakhs bales. Since the marketing of the bulk of the jute crop is usually completed by the end of the year, the lack of buying by jute mills on a large scale has led to a heavy accumulation of stocks particularly in Bihar. With the difficulties relating to transport and the better quality of Assam and Bangla Desh jute the manufacturers have naturally been buying better grades of jute which did not involve long haulage. As there has been no compulsion to lay in stocks of jute, there has been a slump in prices in open market in spite of vigorous support operation by the Jute Corporation. The position is so grave that growers in Bihar and other areas will not be able even to recover the cost of cultivation as ruling prices are even reported to be around Rs. 20 per maund against the support price of Rs. 45.60 per maund.

Setting up Support Operations

The Union Minister for Foreign Trade Mr. L. N. Mishra, has therefore indicated in Parliament that the Government will step

up support operations and arrange also to export sizable quantity to the Soviet Union and the East European countries. There can also be shipments to West Europe and Britain though it may take some time to negotiate new contracts as India had not been a large seller of raw jute for some time. Indeed it has had to permit sizable imports at some stages in order to overcome shortfalls in internal production. Mr. Mishra has also indicated that prices for raw jute would be statutorily fixed and it would be penal offence if fresh purchases were made below the stipulated prices in the growing areas and in the Calcutta region. Middle men have been obviously busy making large purchases as gunnies are being exported at satisfactory prices and the quotation in Calcutta is around Rs. 49 per maund.

While there is no justification for such wide disparities between prices quoted in the growing areas and in the Calcutta region, it is incorrect to expect that statutorily fixed prices will be effective and it will be possible to avoid malpractices. There will necessarily have to be heavy purchases by official agencies for creating buffer stocks and securing the maximum gains out of the existing situation. These stocks can even be one million bales as exports may not be more than 15 lakhs bales. The maintenance of buffer stocks will be very helpful in stepping up production in the next two or three years as there may not be the same availability if there was a return to normalcy in Bangla Desh. There may also be an opportunity for maximising production of gunnies if there was better labour discipline in West Bengal. While it is difficult to predict the course of developments in the immediate future, the Government should not hesitate to provide funds for maintaining buffer stocks as these will not require more than Rs. 30 crores.

Big Drop in Cotton Prices

In regard to cotton also the Maharashtra Government has been anxious to prevent an undue decline in prices while in Punjab, there has been some forced selling due to fears of unsettlement in trading conditions if there was a direct conflict with Pakistan. There has certainly been a big drop in cotton prices in the growing areas from the peak levels touched early this year. But these are still quite

attractive and the situation in the cotton trade cannot be likened to that now prevailing in the jute industry. It may of course be pointed out that a big drop in prices at the beginning of the season may get accelerated when there are heavy arrivals in Feb-March. The position however is vastly different and with purchases by the Cotton Corporation of India to the extent of even 5 lakh bales, the downward trend in prices can be arrested. Besides, stocks with mills are very low and they can always be requested to increase them with suitable changes in credit policies and limits. What is however more important is the prospect of a big increase in the yield of the crop for current season. While the trade is inclined to the view that it may be 60 lakh bales, it may not be surprising if it was much higher at 63 lakh bales, exceeding even the previous record established sometime back.

Decline in Groundnut Prices

There has also been a continuous decline in prices for groundnut in the past few months in spite of reports that the new crop may not be larger than that of 1970-71. There has also been a larger coconut crop and oil prices are much lower than the peak levels while gingili oil too is quoting lower than the levels at this time last year. There has of course been a decline in offtake and it has been said that there has also been a virtual disappearance of the trade by smugglers across the borders to other countries due to the troubled border situation. But these factors by themselves could not have been responsible for a decline in prices by nearly 25 per cent from the levels of last year and it is quite likely that fresh lows may be touched in January. There is of course no need for support operations of other matters as the grant of adequate credit facilities to the vanaspathi units alone will take care of surplus stocks. What is most heartening is the likelihood of a big increase in the output of cash crops also side by side with foodgrains as the irrigation facilities in the important growing areas are being improved and better dry farming practices are being pursued. If there can be a virtual elimination of imports of raw jute, raw cotton and oilseeds, there can be a saving in the import bill by Rs. 200 crores annually.

MISCELLANY

Unit-linked Insurance Plan

With the launching of the Unit-linked Insurance Plan, 1971 investment in units will, for the first time, carry life cover. Applications in the prescribed form to join the Plan are being accepted from the public at all the four offices of the Trust at Bombay, Calcutta, New Delhi and Madras. The Plan is attached to a New Unit Scheme, 1971. Initially units will be allotted 'at par' i.e., at Rs. 10 per unit under this Plan. The amount collected will be invested in a fresh and separate portfolio of investments. The dividend is therefore, expected to be somewhat lower than on earlier units, at least in the beginning. However, the compensating feature will be the life insurance protection.

The duration of the Plan is 10 years. You decide to save anything between Rs. 3,000 and Rs. 12,000 over this period. You have to make regular yearly/half-yearly contributions to the Unit Trust. The minimum being Rs. 150 for half-yearly and Rs. 300 for annual payments and the maximum Rs. 600 for half-yearly and Rs. 1,200 for annual payments. Depending on your age, the Trust will pay a small premium (between 2.6 per cent to 8.95 per cent) to the Life Insurance Corporation for the first 7 years for providing insurance cover during the entire duration of the Plan. The bulk of your contributions will be invested in units. The dividend earned on your units will be automatically reinvested in more units. Thus in 10 years savings will have multiplied at a compound rate. Insurance cover is the difference between the contracted amount and the contributions already made, including contributions due but not made. You will be fully covered as soon as the first contribution is accepted (except that in the first 2 years the benefit will be somewhat restricted).

The Plan provides a convenient facility especially to a small man for regular savings in units with life insurance protection. He can earn a regular return on his savings and secure the targeted amount against the risk of premature death. This will help him to build up a capital for the security of his family, children's education or some other long-term need.

HOC'S Aniline Plant

India's first aniline plant, put up by the Hindustan Organic Chemicals, a Government of India undertaking at Rasayani, about 70 km from Bombay went on stream on November 14.

The plant, costing Rs. 1.48 crores, will produce 6,000 tonnes of aniline annually and save for the country foreign exchange to the tune of Rs. 1.8 crores every year, according to the Marketing Manager of HOC, R.R. Gune.

The plant is the seventh in the HOC to go on stream. The other six already in production are, acetanilide (2,000 tonnes), meta amino phenol (750 tonnes), sulphuric acid (23,100 tonnes), formaldehyde (15,000 tonnes), benzene hexachloride (3,000 tonnes) and hydrogen (6,000 tonnes).

The other three plants manufacturing nitrobenzene, chlorobenzene and nitrochlorobenzene are scheduled to go into production in 1972-73.

Mr. Gune said of the annual production of 6,000 tonnes of aniline, 4,500 tonnes would be available for sale and the remaining 1,500 tonnes would be set apart for captive use.

India's annual requirement of aniline is about 5,000 tonnes. With the aniline plant going into stream, the HOC would be able to meet most of the country's requirement of the chemicals.

Aniline is used in the manufacture of dyes, drugs, rubber chemicals, explosives and photochemicals.

Mr. Gune said at present there was no prospect of India exporting aniline since the raw material for its production—nitrobenzene—was imported. But when the nitro-benzene plant of the HOC was commissioned early next year, India would be in a position to export the commodity, he added.

Shortage of Trained Managers

The Indian industry is likely to face a shortage of trained managers in the coming years unless adequate and timely steps are taken to counter it, according to a study on managerial manpower in Indian industry conducted by the Economic and Scientific Research Foundation.

The shortage is likely to be felt more by new companies than by those already in existence. At the rate of progress attained during the last three Five Year Plans, the industry will need a little more than 133,000 managers by 1980, as against 99,000-odd it employed in 1969. That is, there will be need for over 3,000 managers additionally each year.

The study, which is based on a survey of 71 big companies in both public and private sectors, says that for every 5 managers in the public sector there are 3 in the private sector. In other words, for each 1,000 employees, there are 45 managers in the public sector and 27 in the private sector.

In public sector industries there is more emphasis on such management functions as

production, plant-maintenance and service, planning and design, research development and overall management. In the private sector, there is relatively more emphasis on marketing, purchase, sales, inventory, finance and personnel management.

Comparing India with other countries, the study says that in comparable industry groups the number of managers per 1,000 employees in India compares only with that in Japan. For every 1,000 employees there are 43 managers in India and 45 in Japan in paper, 83 in India and 77 in Japan in chemicals, 27 in India and 30 in Japan in engineering and 22 in India and 31 in Japan in textiles. In India, for the factory sector as a whole, there are 24 managers per 1,000 employees.

Some units employing as many as 1,000 persons, the study points out, cannot afford a full-time manager for each management function. One manager in 10 has to perform more than one management function and sometimes as many as four different functions. Since a large proportion of units in Indian industry employs less than 1,000 persons, the study underlines the need for suitable consultancy service organisations to fill in this gap.

Overseas Markets for Ceiling Fans

During 1970-71, exports of electric fans and parts stood at Rs. 14.25 million. About 52 countries buy fans made in India. In fact the country, which ranks as the third largest manufacturer of fans next to Japan and U.S.A. controls the best part of the world's ceiling fan markets. Principal customers include Kuwait, Iraq, Sudan and Nigeria.

Ceiling fans constitute the bulk of Indian exports in the line, accounting for about nine-tenths of total electric fan exports. In 1969-70, export of ceiling fans itself was valued at Rs. 15.7 million, important buyers being Iraq (Rs. 8.3 million), Kuwait (Rs. 1.9 million) and Sudan (Rs. 1.26 million). Among other purchases were Nigeria, Qatar, Saudi Arabia, Singapore, Thailand, Malaysia, Nepal, S. Yemen People's Republic, Iran, Australia, Bahrain Islands, Burma, Ceylon and Ghana.

Other export varieties include table fans (mainly to Sudan and Nigeria), pedestal fans, rail carriage fan regulators and parts of electric fans.

Export performance of fans rose gradually from Rs. 9.3 million in 1960-61 to Rs. 10.4 million in 1965-66 and Rs. 17 million in 1969-70.

In 1970, the installed capacity of electric fans was 1.82 million numbers and actual production was 1.62 million numbers. Production in 1969 was 1.55 million numbers. During the First Plan period, the production increased by 33 per cent and during the Second Plan period it almost trebled from 338,000 units to over 1 million units.

While many developing countries are themselves endeavouring to strengthen domestic production of electric fans, Indian manufacturers are now offering their technical know-how to foreign parties. Recently technical collaboration agreement have been finalised between Indian firms and those in Iraq, Nigeria and Sudan. An Indian subsidiary is producing fans in Ceylon.

Hydrocarbon to Export Rostam Crude

A leading Japanese trading firm has said that it had signed a contract to obtain 1,500,000 barrels of Rostam crude from India's Government-owned Hydrocarbon Limited, a subsidiary of the Oil and Natural Gas Commission.

The oil was originally obtained from Hydrocarbon's concession area in the Persian Gulf, off Iran. The concession area is owned 50 per cent by National Iranian Oil Company and the remaining half is equally divided between Agip SpA of Italy, Phillips Petroleum Company of the United States and Hydrocarbon, the officials said.

They said the crude oil, containing 1.5 per cent sulphur, would be delivered to Tonanryo Kogyo K. K. of Japan, beginning December 1971 to be marketed in Japan.

MISL to Manufacture Ribbed Tor Steel

The Mysore Iron and Steel Limited at Bhadravathy would manufacture shortly 2,000 tonnes of ribbed tor steel every month. The Chairman of the company C. Patel said recently that the use of this special steel would reduce the utilisation of mild steel in construction works by 30 to 40 per cent. At a later stage, the company would convert the entire production of mild steel for tor steel. During the current year, it would produce about 40,000 tonnes of mild steel.

Expected Fall in Iron Ore Export to Japan

There will be a shortfall in meeting the export commitment of Bailadilla iron ore to Japan by about 1 million tonnes during the current year. The Director of Production of National Mineral Development Corporation, Mr. S. Yegneswaran, said recently that there was going to be about a year's delay in commissioning the new iron ore mine at Bailadilla and it was expected to go into production only in the middle of 1974. He said belated commissioning of the mine was due to delayed supply of tunnel equipment.

He said the contractual commitment of export of Kiriburu ore to Japan, however, would be kept up during the year, and the quantity exported might even reach 2 lakh tonnes.

Mr. Yegneswaran said there was the problem of shortage of wagons supply for exporting Kiriburu ore leading to accumulation of ore stock to the tune of 1.8 lakh tonnes.

The NMDC was getting only 5.5 rakes of railway wagons as against the requirement of 7 rakes a day, he said. The NMDC, he said, would be able to export the planned quantities of iron ore through Visakhapatnam and keep up its commitments until 1976-77.

Indo-Ceylon Power Grid

India and Ceylon have practically agreed to link the two countries by a common power grid, announced Union Minister for Irrigation and Power K. L. Rao recently. He said it was proposed to exchange power between 100 and 200 mw similar to the arrangement existing between Britain and France.

Dr. Rao said the cost of the project would be Rs. 5 to 6 crores and it would take two to three years for completion. Officials of the two countries would later hold talks on the details of the power grid, he said.

Dr. Rao is understood to have told Mrs. Bandaranaike that in the initial three months of every calendar year South India could supply its electricity to Ceylon when the latter's productivity is very low and the island could similarly supply electricity to India in June, July and August when it is power-starved.

Indo-Malaysian Ventures

An Indo-Malaysian venture for the manufacture of electric motors has just gone into production. The joint venture, promoted by Messrs Kirloskar Electric Company, would also manufacture alternators, diesel engines and sluice valves.

By the end of this year, regular production of electric motors and sluice valves would begin. Production of alternators up to 10 kw capacity would be taken up during the first quarter of 1972.

Already, there are 21 joint ventures in Malaysia with Indian assistance of which 3 have gone into production besides the unit for producing electric motors. The ventures that have started functioning are for manufacturing steel furniture, precision tools and confectionery.

The other ventures would cover textiles, insulated conductors, electrical accessories, fans, sewing machines, pharmaceuticals, bicycles and industrial chains.

Export-Oriented Instant Coffee

The five-member Indian coffee market survey delegation to the Far East has negotiated for the setting up of an export-oriented instant coffee manufacturing plant in India in collaboration with Indian entrepreneurs in Hongkong. All the instant coffee to be manufactured by this plant would be purchased outright by the foreign collaborators.

The delegation has also negotiated for the export of a sizeable quantity of Indian coffee to Singapore. The delegation, led by Mr. A. C. George, Union Deputy Minister for Foreign Trade, had individual and collective talks with members of the Coffee Importers Association of Singapore and the local Indian Chamber of Commerce there.

The delegation was in favour of intensifying propaganda for Indian coffee in the Far East by organising demonstrations of the correct technique of coffee preparation and starting local coffee houses in Singapore, Bangkok, Hongkong and Japan.

A beginning in this direction would soon be made in Singapore and Hongkong by deputing from Coffee Board requisite personnel.

Singapore, Bangkok and Hongkong are the quota countries under the International Coffee Agreement, while Japan is a non-quota country.

The delegation feels that special efforts should be made to enter the non-quota Japanese market as Japan imports annually about 80,000 tonnes of coffee from all parts of the world.

Ultrasonic Leak Detectors

A process for the manufacture of Ultrasonic Leak Detector has been developed at the Defence Electronics Research Laboratory, Hyderabad. The detector which weighs about 1 kg. works on dry battery and its current consumption is 9 volts/5 mil. amps. The device has the advantage of detecting leaks in high and low pressure devices which are otherwise difficult to detect by conventional methods. Gas leaks in vacuum vessels, pressurised cables, pipes and such other high pressure systems, leaks in boilers and steam lines and electrical corona discharges produce ultrasonic energy. The ultrasonic leak detector picks up this energy with the help of a transducer and after due amplification converts it into audible range of frequencies. Also, after detection visual indication can be obtained on a motor. Like other commercial leak detectors, the instrument finds application in the following: Detection of leaks in (a) water-tight compartments, boilers, tubes and drums; (b) welds in air conditioning ducts; (c) gas supply lines; (d) valves and flanges in chemical pipelines; (e) hydraulic brakes and car tyres; (f) fuel systems; and (g) vacuum systems. The workshop facilities needed for the manufacture of the device included sheet metal shop printed cards or hand wiring facilities, assembly of electronic components and simple testing facilities for electronic circuits for lower ranges of ultrasonic frequencies. The estimated cost of production of the equipment is Rs. 1,300 which includes 100 per cent over-head charges.

Foreign Aid Agreements Amount to Rs. 356 cross

Foreign aid agreements signed during the first half of 1971-72 (April-September, 1971) amounted to 475 million dollars (Rs. 356 crores). Of this, non-project aid was 162 million dollars (Rs. 122 crores) and project

aid was 313 million dollars (Rs. 234 crores). Non-project aid included assistance in the form of debt relief amounting to 53 million dollars (Rs. 40 crores).

Country-wise details of the aid agreements signed during the first half of 1971-72 are as follows:

(In million dollars)		
Country/Institution	Non-project aid (including debt relief)	Project aid
Canada	47.26	2.78
France	19.40	12.60
West Germany	8.19	—
Japan	45.99	15.40
Netherlands	14.59	—
U.K.	18.00	—
U.S.A.	8.73	—
Sweden	—	5.00
IDA	—	277.00
Total	162.16	312.78
	(Rs. 121.62 crores)	(Rs. 234.59 crores)

Indigenous Design for Kalpakkam Plant

The first unit of the Kalpakkam atomic power plant near Madras would be commissioned in 1975. Chief Project Engineer of the project S. R. Srinivasan said recently that the design for the plant was being prepared by the Atomic Energy Department unlike the Tarapore or Rajasthan power stations which were designed by the collaborators.

The foreign exchange components in the Kalpakkam plant would be 20 per cent compared to 65 per cent for the other two plants. The 20 per cent imports would be high-grade stainless steel and alloy steel, which are not manufactured in India.

Dr. Srinivasan said the work on the construction of a 50 metre-long tunnel into the sea would be taken up in another 2 months. This would help draw sea water for the cooling system. He said the reservoir unit was also being set up in Kalpakkam with French collaboration which would devote itself entirely to the study of fast reactors.

Atomic Fuel Reprocessing Plant at Kalpakkam

The Atomic Energy Department has initiated plans for the construction of an atomic fuel reprocessing plant at Kalpakkam, Tamil Nadu, where an atomic power station is now under construction.

The reprocessing plant will be designed to process the fuel from a fast breeder test reactor which will annually discharge about 260 kg of plutonium contained in the irradiated fuel.

The reprocessing plant is planned to have a capacity of 500 kg of uranium with a

corresponding capacity of 2 kg of plutonium daily.

The double-unit Madras atomic power station of 440 mw capacity will discharge about 75 tonnes of uranium a year.

Construction work on the Kalpakkam reprocessing plant is expected to be over in 1973 and the plant would be in operation by 1977.

Reprocessing Facility

The Department is also planning to set up a reprocessing development facility at the Reactor Research Centre at Kalpakkam.

The facility is required because the existing know-how about reprocessing highly irradiated fuel is inadequate. It will test out various processes as well as equipment for reprocessing fast reactor fuel. These facilities will be tested with the fuel discharged from the fast breeder test reactor. Advance work is already in progress at Trombay on basic solvent extraction data with respect to high plutonium bearing fuel such as expected from fast breeder reactors.

Already a reprocessing plant with a nominal capacity of 30 tonnes of uranium a year has been in operation at Trombay since 1964. This plant cost Rs. 3.6 crores for installation and has an operating staff of 200.

The first reprocessing plant for power reactor is now under construction at Tarapur. With a nominal capacity of half a tonne of uranium a day this plant will treat the fuel discharged from the Tarapur atomic power station and the Rajasthan atomic power station.

Tarapur—An Expansion of Trombay Plant

The setting up of the Tarapur plant as the expansion of the existing Trombay reprocessing plant is considered inadvisable by experts because of environmental safety considerations and because of the problems in transporting irradiated fuel through thickly populated areas of Bombay.

As the site at the Rajasthan atomic power station has limited capacity to accept fluid rapid-active waste, the choice was restricted to Tarapur site. Transportation of irradiated fuel from the Rajasthan atomic power station to Tarapur would not also present any formidable difficulties as the two locations are connected by a direct railway line.

The Tarapur plant is expected to be operational by 1974.

Big Four Rush Arms to Poor—Not so Much Alms

A Study of the Arms Trade

The Stockholm International Peace Research Institute has done a valuable piece of work in producing a 910-page study of the arms trade which the great and near great powers have been carrying on with the third world in the sixteen years from 1952 to 1968. This is the period in which the advanced nations are supposed to have had a sincere yearning for peace, whatever their failure in the attempts to attain it, and however much they may have been pressurised by circumstances to increase their armaments. But supposition is obviously invalidated by the fact that four countries, the United States, the U.S.S.R., Britain and France accounted for over 90 per cent of the arms exported to the developing nations. The

U.S.'s share is half this total. Vietnam had a fifty times increase and was receiving armaments at the rate of 500 million dollars. The U.S.S.R. is not easily excelled in this game as Soviet exports of arms in the five-year period amounted to 2.01 billion dollars against 1.86 billion dollars of the U.S. The shares of Britain and France were 200 million and one million dollars respectively. That the arms exports to the developing countries amounted to nearly twice the average increase of the gross national product of the countries of the world is in itself a world of comment on the keenness of the poor countries for economic progress and of the advanced nations for the peace or the prosperity of the world as a whole.

Need for a Positive Approach to Industrial Truce

The spate of ordinances issued by the Central Government aims at mobilising resources for meeting expenditure on refugees from East Bengal and reviving closed industrial units mainly in West Bengal. The amendments to the Industries Development and Regulation Act attempted through an ordinance are far reaching in character and if the powers are not used properly they may create more harm than good. Already the formula of Union Labour Minister, R. K. Khaddilkar for paying additional bonuses without any legal sanction has led to widespread trouble and discontent in many industries and it has been wondered by industries how a further rise in costs can be prevented and productivity improved when large sums have to be distributed as bonuses even though there were no disposable surpluses. The amendments to the Bonus Act are eagerly awaited, as new legislation has been promised and may probably be enacted in the next session of Parliament.

Under the Ordinance the Central Government can take over the closed units without any investigation, declare a moratorium in respect of liabilities upto a period of five years and also take over the undertakings on the payment of a reserve price if there were no higher bidders. There will also be no compulsion to return the industrial units after rehabilitation to the previous owners if it was felt that such a return would result in a repetition of earlier mistakes.

Accentuating Inflationary Pressures

It has not been disclosed however by the Government whether a scientific investigation has been conducted for finding out the exact condition of the closed units, the capital employed in these undertakings and to what extent fresh investment would be helpful. There is no doubt that West Bengal has suffered seriously on account of the closure of these units but there is no point in Union Minister for Industrial Development Moinul Haque Choudhury bemoaning that there has been an increase in unemployment in West Bengal simply because the bigger industrialists have been shifting their activities to other regions and neglecting their interests in their earlier industrial units. It has been overlooked that West Bengal had the advantage of faster industrialisation in the first two Plan periods and even early in the Third Plan and the process of deterioration started only with political instability under the Marxist regime. But, the State has suffered grievously in the process and the country in the bargain. Apart from the closure of many small and medium-sized units the heavy loss of production in terms of steel, engineering goods and other items accentuated inflationary pressures in the country and created serious problems for other industries.

There are reports to indicate that the Government is finding itself in a difficult position and is unable to determine how many

units can be revived and whether the desired cooperation would be forthcoming from workers especially as it has been stated that the Industrial Disputes and Minimum Wages Act's also can be suspended if need be for improving productivity, production and minimising cost. It is stated that over 200 closed units are beyond redemption and it would be worthwhile to start new enterprises for providing employment to displaced workers rather than pouring good money in order to save a bad situation. The difficulties involved in bringing about a revival in economic activity in West Bengal will be understood if it is pointed out that only recently two major industrial establishments belonging to an important group have given notice of their intention to suspend work if labour did not cooperate properly and the shortages of raw materials were not eliminated.

Need to Avoid Misapplication of Resources

The objective of making the best use of resources which are remaining idle or going to waste is laudable at a time when unemployment has been increasing and there has been no great increase in investment in

the private and public sectors. It would be worthwhile however to appoint a Board of Experts, technical and financial, to examine which units can be revived and whether the fresh expenditure that will have to be incurred will not lead to misapplication of resources.

Though the jute industry is in a position to maximise its exports and secure larger foreign exchange earnings for the country, on account of the disturbed conditions in East Bengal, labour trouble or disturbances in Calcutta Port have been holding up the desired growth in export of gunnies. The output of engineering goods has been seriously affected by labour trouble and shortage of steel and components while the railways are adopting an unhelpful attitude when placing orders with wagon builders in West Bengal. The Durgapur Steel units and the major unit at Asansol are accounting for a loss of production of over half a million tonnes because of poor maintenance and labour trouble. There are only a few industrial establishments which are comparatively free from labour intransigence. Unless there is a positive approach to industrial truce for at least five years the declaration in the growth rate in industrial production noticeable in the current year cannot be reversed.

The Umbrella Industry

By C. VEERARAGHAVAN

The umbrella industry occupies an important place in the domestic market. Currently there are about 400 umbrella manufacturers in the country producing about 20 million umbrellas valued at about Rs. 25 crores per year. There are about 100 units in Bombay, 150 in Kerala, about 25 in Madras, about 35 in Delhi and 90 in Calcutta. Most of the units are small and function like a typical cottage industry. The labour force employed is about 15,000 but most of them are engaged as seasonal workers. The umbrella manufacturing season is normally of seven months December to June. In Kerala where it rains for 9 months in a year umbrella production period extends for nine months in a year in most of the factories.

Umbrellas of various qualities are produced in the country, their prices ranging from Rs. 8 to Rs. 150 a piece. However, the average cost of the common man's umbrella is about Rs. 10.

Of the nearly 20 million umbrellas made, 35 per cent consists of coarse cloth, 40 per cent medium, 25 per cent fine cloth and 5 per cent synthetic fibre like nylon and rayon umbrellas.

Major factors in the cost of production are the cost of cloth, ribs and labour. Umbrella cloth prices have risen by 20 per cent to 25 per cent. At present Century Mills, Bombay, the biggest producer of umbrella cloth, have the sole monopoly in the production of umbrella cloth.

Prices of ribs have gone up by about 10 per cent to 15 per cent as a result of the rise in the basic raw material whether steel or aluminium. Wages have also gone up by about 15 per cent. Umbrella manufacturers decry the rising cost of production which is not fully compensated for by the increase in selling prices, as they are mainly selling to the middle-class income group.

India has been in the export field for more than a decade and currently about a dozen exporters are in the market. Exports were valued at about two lakhs umbrellas or so last year.

Export Prospects

The industry has not been able to make an impressive performance in the markets abroad. India is still backward in this field due to lack of suitable quality, supplies, and services. The rising cost structure has affected the export of umbrellas. From about Rs. 4.6 million in 1965-66, the export earnings on umbrellas dwindled to Rs. 1.8 million before recovering to Rs. 3.5 million last year. The exports of whole umbrellas went down while that of fittings went up.

The main cause for decline in exports of umbrellas is the lack of modern type of frames and fabrics required in the Arab and African countries. India's exports of umbrellas, umbrella handles and ribs are mainly to Ceylon, Kenya, Nepal, Saudi Arabia, Tanzania and Burma.

TOWARDS A HIGHER GROWTH RATE

Addressing the Southern Indian Chamber of Commerce, Mr. Moinul Haque Choudhury, Union Minister for Industrial Development, rightly expressed regret over the poor performance on the industrial front relative to the breakthrough in the agricultural sector. Against the Fourth Plan target of an average growth rate of eight to 10 per cent, the actual achievement was less than five per cent. According to Mr. Choudhury the foremost cause was shortage of steel. There is a big gap between the total demand and the indigenous production of steel. As against an aggregate capacity of 9.9 million tonnes, the actual production in 1970-71 was a meagre 6.8 million tonnes of ingots or about 5.1 million tonnes of finished steel. But the total demand for steel has been estimated at about 6 million tonnes of finished steel in 1970-71. It is expected that the demand in the current year will be 7.2 million tonnes. By 1973-74 it can be easily put at 10 million tonnes. The NCAER estimates that steel availability in 1975-76 will be around 8.4 million tonnes as against a demand of 10.51 million tonnes. Thus, a serious shortfall can be anticipated in the not too distant future.

It must be borne in mind that the future industrial growth in India depends very much on the quantity of steel she is capable of producing. In fact, Japan's achievement of a 16 per cent growth rate was mainly due to the breakthrough she was able to achieve in her steel output. So long as this is not realised it will be difficult for us to think of a higher growth rate. The returns from public sector undertakings have not been satisfactory. "The Economic Survey" for 1970-71 frankly admitted that the returns from our public sector undertakings so far have been scarcely commensurate with the investment made. In 1969-70, the return was hardly 5 per cent compared with 4.7 per cent in the previous year. The Survey further adds that the problem of securing adequate returns from the public sector undertakings has to be viewed as an integral part of the wider strategy of widening and deepening the resources-base.

Problem of Management...

The most important problem of our public sector undertakings is the problem of management. Most of those who run these undertakings are deputationists from other areas. It is necessary to build up a cadre of managerial personnel who could provide

By C. S. MAHADEVAN

their entire time and energy for the efficient running of these concerns. It may be necessary for us to think of creating a management cadre for our steel plants which will be

more or less similar to that of the executives of the private sector companies. There can be a separate company for each steel plant. As much as 50 per cent of the Directors of these companies may have to be chosen from the private sector. If each company is call-

POPULARISING TOURISM

The invisible income from foreign tourists has kept growing. From hardly one crore of rupees a decade ago, it has risen to Rs. 20 crores in the last year. Millions of foreigners now visit India every year and spend five to eight days.

The above statement, welcome as it is, has a ministerial character about it. It is all right by way of rendering accountability to the nation in respect of attracting foreign tourists. As much as Rs. 20 crores have been spent on strengthening the infra-structure in the last decade. This is besides the huge investment on civil aviation (including acquisition of expensive aircraft) which caters also to internal tourism. Over 40 percent of this investment had been in foreign exchange. In the context of all this investment and the efforts made by people at various levels, the Government may be expected to be keen on showing a steady rise in tourist traffic. The growth of tourism frequently declared by Government spokesmen seems to be only for record.

An analysis of the world statistics clearly shows that not even 0.01 per cent of the increase that has taken place in world tourism is the share of India. (The 5000 odd more tourists hardly constitute a proper return. The country does not refrain from spending on schemes to lure foreign tourists. But a little more thoughtful view combined with investment of this order would be more fruitful.

Need for Holiday Resorts

The emphasis continues to be on selling monuments and temples to the foreigners. Except perhaps those who constitute a small minority among the foreign visitors, the tourists broadly are not interested in these. The younger question is in quest of holiday. Do we have many holiday resorts like the sunny beaches of Spain? Frankly, we do not have. Do we not have places which can make good holiday resorts? Yes. We have quite a few of them lending themselves excellently to being built up as tourist attractions. It may be asked why this has not been done. The few places in North India like Taj Mahal have been oversold to the foreign tourists. South, generally speaking, has been neglected in the matter of tourist development. All the southern State Governments have bitterly complained to the Centre about this and the Centre has not convincingly answered the State Government's points.

The south is also not served as well as the rest of the country in the matter of internal air services. The Indian Airlines is not thought of highly by the foreigners. Its flight timings do not mean anything. Often without alternative arrangements flights are cancelled.

Then there is a craze for five-star hotels. The top rich among the foreigners are not more than two per cent of those coming to India. About 40 per cent are those that can afford only a two star hotel. What they want is clean food, clean linen.

Tourism is not Uni Directional

While discussing tourism, one point to remember is that the tourist flow cannot be always uni-directional. Our Government wants only foreigners to come to India and spend their hard-earned moneys but imposes all kinds of restrictions on our nationals going abroad as tourists. It may be a cliché to say that foreign travel broadens one's mind. Well, there is nothing wrong with a good healthy cliché. A former foreign Minister boasted that he would see to it that even passports were abolished or at least given for the mere asking. He is no longer in office and you still need passports and need to hang around today to get them. The recent travel tax levied by the Government of India seals off even the little flow.

The competition among the international activities is becoming increasingly stiff. Many of them have spare capacity after introduction of the jumbos. In spite of the IATA a price war is going on and in the name of catering to groups the airlines offer concessions to a whole lot of passenger categories. They are not able to meet the competition from charter companies which are not bound by IATA regulations. In February the present IATA fixed fares and fare policies are scheduled to expire. Thereafter unless there was renewed agreement there might be a great scramble for passengers. Even in other respects foreign tours have become cheaper. Hotels in foreign countries offer all kinds of concessions in rates. There are package—all inclusive—tours (including local transfer, etc.). A foreign tour is less expensive today than it was, say five or six years ago. But the Indians not only suffer from old restrictions but have been presented with newer kinds of impediments like travel tax. This certainly does not augur well for foreign tourist traffic increase.

ed upon to account for itself, the performance will improve purely as a result of a competitive spirit.

Another aspect relates to expediting the work on the Salem-Hospet-Vizag steel complex. Until and unless these steel plants go into production, the problem of short-supply of steel will continue to remain so. Also, it may be necessary for one of these steel plants, particularly the Salem Steel Plant to concentrate on the production of alloy steel which is in great demand.

Apart, from these, we have also other problems such as the creation of a proper climate for economic development. Growth depends ultimately not on any kind of centralisation of industrial activity but on the decentralisation of the same. In this context, the view of Tamil Nadu Chief Minister Karunanidhi deserves consideration when he said that there is an urgent need for reviewing the industrial licensing policy and the working of the Industrial Development and Regulations Act.

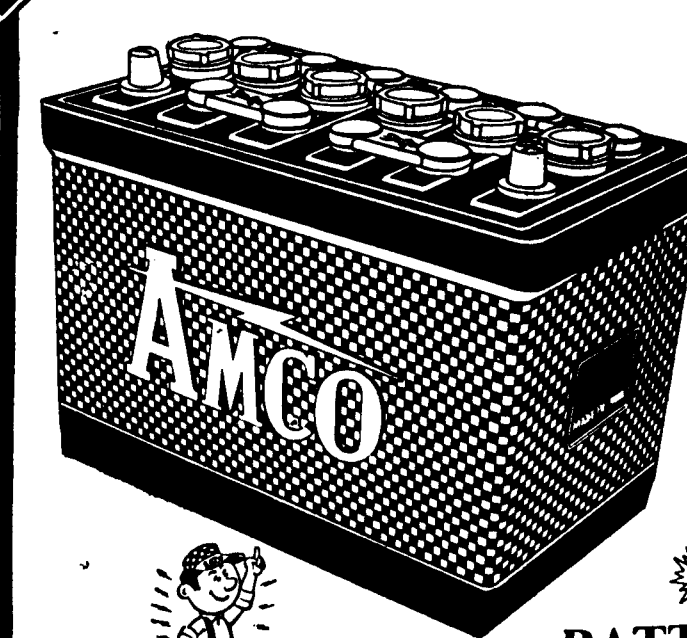
He observed that the review work should be entrusted to a high level Central-State Committee in which the State Governments would feel the pinch of licensing procedure adequately associated. According to him, the only way-out for our industrial problems consists in attempting a wholesale delicensing of many of the industries. A change in the licensing policy will go a long way to create a needed climate for a higher growth-rate.

Role of Private Entrepreneur

The role of the private entrepreneur has to be given due recognition in the process of industrial development. As pointed out by Mr. Karunanidhi many industrial activities could be safely handed over to the private sector. He firmly asserted that the forecast made by the Government of India about demand and need for fresh capacity often turned out to be untrue and unrealistic. At one time cement was in glut and at another time it was in short supply. The same was

the case with regard to the demand estimate of steel. As these official estimates have landed us in situations of improbability of supply or demand, it would be better to hand over a very large part of entrepreneurial activity to the private sector. As pointed out by Mr. Karunanidhi, "after all, the man who puts his money will take a more careful view than even the Government."

A right attitude to foreign technology will also help us improve the country's growth-rate. The nation has to keep its doors wide open and allow foreign know-how to flow freely into the country. If today, Japan was able to achieve a higher growth rate, it was because of the inflow of foreign know-how into their country. Following Japan, we have to think in terms of a free flow of foreign know-how needed for our country. So long as this not done, the needed climate for a higher industrial growth is not likely to be created.



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Expansion in Public Sector Oil Refining and Marketing

Indianoil Chairman M. Rama Brahman's Statement



Gentlemen,

On the occasion of the 12th Annual General Meeting of the Indian Oil Corporation it gives me great pleasure to welcome you and utilise the opportunity to recapitulate the performance of your organisation for the year 1970-71. The report of your Directors and the Audited statement of accounts are already in your hands. With your permission I propose to take them as read.

I took over as the Chairman of your Corporation only a few months ago. But I am emboldened by the feeling that I am no stranger to the organisation or to the oil industry with which I have been intimately connected for over a decade. My association with the Corporation had a brief break when I was called upon to head a modern, sensitive and sophisticated refinery in the South in which considerable Indian technical skills and expertise had gone in to bring about the fruition of another enterprise with Government participation.

Catalysts in India's Economic Life

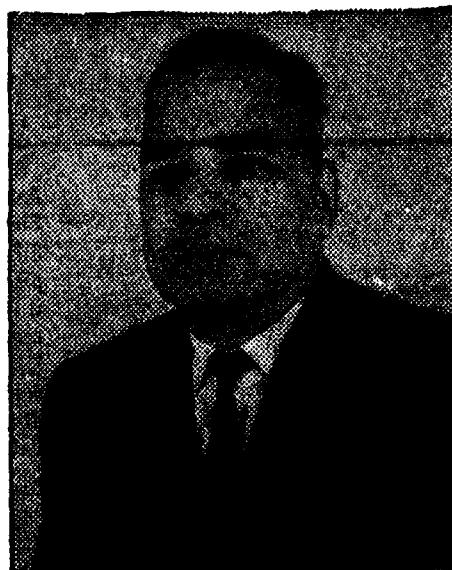
It gives me great happiness to lay before you the steady and phenomenal growth of your company, which, unmindful of the severe competition from established foreign oil companies, has come to be reckoned as the biggest oil refining and marketing organisation both in private and public sectors. The commissioning of the first public sector refinery in Gauhati in Assam in 1962 followed by a chain of public sector refineries, modern pipeline transportation of petroleum products and the nation-wide marketing network to undertake distribution of vital petroleum products to far flung corners had all acted as catalysts in India's economic life over the past decade.

During the year, your refineries processed 6.34 million tonnes of crude oil. The turnover of the Corporation for the year amounted to Rs. 720.01 crores as against Rs. 634.41 crores during the last year resulting in an increase of 13.49% over the previous year. In terms of quantity, the total sales of your Corporation during the year was 11.61 million kls as against 10.64 million kls during the last year; thus recording an increase of about 9.1% over the previous year.

This brings the all India market participation to 51.6%. Both on the refining and on the marketing side your company has improved its position of leadership in the industry.

Emphasis on Service

Your Corporation has laid a lot of emphasis on the service aspect of its operations. Provision has been made for trained staff to provide technical and sales service to the Corporation's vast body of Government and other customers spread throughout the length and breadth of the country.



Shri M. Rama Brahman

Profit during the year before providing for depreciation and interest amounts to Rs. 21.32 crores as against Rs. 36.20 crores for the previous year. Profit after depreciation and interest amounts to Rs. 15.77 crores during the year as against Rs. 20.41 crores during the previous year. In spite of the higher production and highest turnover, the profits of your Corporation were reduced from Rs. 20.41 crores in the previous year to Rs. 15.77 crores during the year showing a reduction of Rs. 4.64 crores.

Prior year's expenses increased from Rs. 2.06 crores to Rs. 4.55 crores showing an increase of Rs. 2.49 crores. Whole of this amount is on account of the retrospective increase in the price of crude oil since the inception of Gujarat Refinery, in respect of

crude oil supplied by Oil and Natural Gas Commission; there is also an element of a higher rate for crude oil payable to Oil India for the period of January/March, 1970.

The cost of crude oil as compared to the basis on which the payments were made in the earlier years was higher by Rs. 2.5 crores for the financial year 1970-71.

Thus the cost of raw materials accounted for reduction in the profit by about Rs. 5 crores.

The Corporation had to pay devaluation duty amounting to Rs. 97 lakhs which resulted in an additional burden during the year under review. There were also unavoidable losses totalling Rs. 2.89 crores resulting from under-recoveries of Inland Freight (Rs. 0.40 crores), Sales Tax (Rs. 1.39 crores) and Coastal transportation cost (Rs. 1.10 crores).

Outlook Promising for 1971-72

The foregoing reductions aggregate to a sum of Rs. 8.86 crores which would otherwise have been added to the over-all profitability of your Corporation. The outlook for the next year 1971-72 is promising and the Corporation will undoubtedly show better results.

Although the paid-up capital of your company is Rs. 71.18 crores, your Corporation has earned net profits aggregating to about Rs. 73.5 crores since the amalgamation of Indian Refineries Limited with Indian Oil Company in the year 1964. Your Corporation has also generated internal resources totalling about Rs. 119.88 crores and has repaid about Rs. 9.58 crores loan to the Government—thus reducing the loan capital to Rs. 44.15 crores. You will be pleased to know that the Haldia Refinery project estimated to cost Rs. 68 crores is being financed to a very large extent out of the Corporation's own internal resources. Outstandings were substantially reduced and amounted to Rs. 33.57 crores as against Rs. 39.71 crores at the end of the last year. Outstanding at the end of the year represented 15 days' sale as compared to 22 days' sale during the previous year.

Your Directors have recommended to you to maintain the dividend at 7% on the paid-up capital of the Corporation. This will be the fifth consecutive year during which the

dividend is being paid—the total amount of dividend paid during these years will be Rs. 23.87 crores, representing well over 33% of the paid-up capital of the Corporation, i.e. Rs. 71.18 crores.

May I now bring to your notice a few distinctive features of your Corporation?

Satisfactory Performance of Refineries

In addition to the three operating refineries—which are working very satisfactorily—construction of Haldia Refinery is progressing satisfactorily and it is expected that the fuel part of the refinery will go on stream in the first quarter of 1973 and the lube complex in mid 1973. The three existing refineries of Gauhati, Barauni and Jawaharnagar achieved crude throughput of 6.34 million tonnes. While your refineries at Gujarat and Barauni continued to operate at levels higher than their designed capacities, there was a slight shortfall in the throughput of Gauhati Refinery mainly on account of frequent interruptions in the unit operation due to failure and unsteady power supply and the difficulties of uplifting of products of Siliguri and restricted availability of crude.

At the request of the Ministry of Petroleum & Chemicals, your Corporation has prepared feasibility reports for two new grass-root refineries, one at Bongaigaon in Assam and the other in North-West Region of India.

It is a matter of satisfaction to all of us to note that a start was made to produce LPG in Gauhati Refinery for the first time in March 1971 and the production will be stepped up accordingly as the demand for LPG Assam develops. Again the Coking Unit of that refinery achieved a record run of 132 days, the highest so far achieved. In the matter of product recoveries in that refinery, a percentage of 90.1 was achieved against the anticipated recovery of 89.2%. The performance of Gujarat Refinery also continued to be impressive. During the year, 17,981 MT of LPG as against 11,087 MT in the previous year were marketed. Likewise, the Barauni Refinery has also recorded production above the installed capacity and the improved maintenance techniques have enabled the Phenol Extraction Unit of that refinery to achieve a record run of 327 days during the year which is the highest so far.

Pipeline Projects

The performance of the Pipeline Projects has been equally impressive. The Barauni-Kanpur Section of the Pipeline achieved a record throughput of 1,03,318 MT of white oil products in the month of March 1971. For the first time, black oil product, i.e. LDO was also transported alongwith the white oil products through this sector of pipeline in April 1971. All the four major pipelines together account for the movement of 2.62 million tonnes of petroleum products during the year. In addition, two feasibility studies for laying pipelines, i.e. a

product pipeline from Haldia to Rajbandh and a crude oil pipeline from a suitable port on the Western Coast to the proposed refinery in North-West Region together with off-shore facilities were prepared and submitted to the Government. The latter pipeline is expected to cost about Rs. 75 crores for transportation of imported crude to the proposed refinery in the North-West Region.

The foregoing programme impose a very heavy responsibility on your Corporation but I have every confidence that your staff and engineers who have now acquired adequate experience in handling new projects will live up to discharge these responsibilities in the most efficient and economical manner.

At the close of the year, your Corporation owned distribution facilities at 24 port and pipeline installations, 1 inland installation, 359 upcountry depots of all kinds, 68 aviation refuelling stations and 3004 retail outlets.

Aviation Fuel Business Improves Further

The Corporation has now developed sophisticated air refuelling facilities at 68 air fields and during the year the Corporation handled about 70% aviation fuel business in the country. During the year, the Corporation added 323 retail outlets—thus raising the number of retail outlets to 3004. The number of retail outlets, according to the planned target will be substantially increased by the end of 1974 which is the last year of the Fourth Plan. Indane marketing was extended to 13 additional towns during the year and presently the requirements of about 3.63 lakh Indane consumers are being met through 102 distributors in over 54 towns. It is also planned to extend marketing of Indane to about 100 additional towns during the course of next 18 to 20 months; thereby making available approximately 3.5 lakh additional Indane connections to customers. Your Corporation also continued export production and the value of products exported during the year amounted to Rs. 353 lakhs.

R & D Centre at Faridabad

Alongside the development and growth of refining and marketing operations, attention has also been devoted to research and development in these spheres. Accordingly it has been decided to establish a Research and Development Centre at Faridabad at an estimated cost of Rs. 250 lakhs. This Centre will undertake the work of product development especially in the sphere of lubricants and will also render technical services to our esteemed customers. The Centre is expected to be operative by the beginning of 1974.

The phenomenal growth in the all-round activities of your Corporation has underlined the need for manpower development and training in productivity, inventory control and controls over revenue expenditure, working capital, etc. During the year, 119 training courses were conducted at your Corporation's training centre at which training was imparted to 984 officers and 716 other

employees as well as 167 Defence Services Personnel. The Corporation also organised seminars for customers such as Railways, Steel Plants, etc. in the sphere of optimum utilisation of fuel and lubricants. Training Departments in the three operating refineries at Gauhati, Barauni and Gujarat continue to keep the refinery engineers and operators up to date with the refining and maintenance techniques.

It is gratifying to note that your Corporation has, by and large maintained harmonious relations with the trade unions consequent upon which it was able to avoid any serious industrial strife. Your Corporation has also evolved a system of communications with staff at all levels to keep them informed of the Corporation's programmes and policies.

20% Dividend from IOBL

Your Corporation's investment in Indian Oil Blending Limited yielded a dividend of 20% whereas the Corporation received a dividend of Rs. 1.70 per share from Indo-Burma Petroleum Co. Ltd., a subsidiary of the Corporation. The return of your Corporation on the investment of Rs. 75 lakhs in IBP was 8.8%. Indian Oil International Limited, a wholly-owned subsidiary of IOC started its trading activities from 1st November 1970 in Nepal.

The Corporation's scheme introduced during 1969-70 for giving dealerships and agencies to unemployed graduates belonging to low income groups is being implemented with determination despite the hurdles being encountered in finding finances and sites for the selected dealers. In order to achieve the social objectives underlying this scheme, your Board of Directors have relaxed certain conditions in the selection of dealers and sanctioned extra funds to facilitate establishment of more and more retail outlets. Under this scheme 69 Indane distributorships, 275 retail outlet dealerships and 86 kerosene dealerships have been awarded so far. The Corporation also helped to rehabilitate ex-servicemen and their widows by granting dealerships and distributorships to them.

In the world today, oil is a source of power particularly for mobile units on land, water and air and has become the most important factor to keep the communications alive. It is, therefore, a matter of special importance to us, both during the normal times where economic development has to be speeded up and during the critical days such as the period which the country is passing through now, that every effort is made to keep the supplies adequate and available at various locations with the least possible delay. In this, the efforts made by your company assume special significance and it is hoped that with the cooperation of the officers and staff we shall continue to keep the line of communications in tact and efficient.

One of the essential efforts of Indianoil has been to reach a stage of self-sufficiency,

particularly in the refining field. The progress made so far has amply demonstrated the ability of your company to deal with the rise in demands. However, the years ahead of us are likely to see greater and greater demands on our ability to cater to the needs of a rapidly developing economy. It is my hope that building on the experience gained during the last decade and keeping our technology abreast of modern developments abroad, we shall progress in the years to come with greater speed and efficiency and thereby serve the needs of our country and the society.

Evolution of National Fuel Policy

We are about to evolve a National Fuel Policy. Oil will continue to remain an im-

portant element in any such policy. To the extent that the increased use of petroleum products involves a drain on our scarce foreign exchange resources there is bound to be a constraint on our development. We can only hope that the intensified efforts being made for exploration both on-shore and off-shore will soon yield adequate quantities of crude oil to meet our growing needs. We on our side should press on with our efforts at expanding our refining and marketing activities so that your company will fulfil its role in the National Fuel Policy.

Exodus of refugees from Bangla Desh has caused a tremendous strain on the Nation's

resources. Your Corporation, realising the need for helping the refugees, contributed a sum of Rs. 5 lakhs to the Prime Minister's Relief Fund earmarked for refugees from Bangla Desh. Your Corporation also made contributions for the relief of flood affected people in the country.

In conclusion, I would like to thank all the employees, who by their sustained efforts and hard work, have contributed to the development and success of the Corporation.

With these observations, I now move that the accounts be adopted.

This is the speech delivered by the Chairman Shri M. Rama Brahman at the 12th Annual General Meeting of the Company held on the 16th November, 1971 at the Registered Office of the Company at Bombay. This does not purport to be a record of the proceedings of the 12th Annual General Meeting of the Company.

An Unconvincing Dig at the Judiciary

The address delivered by Mr. Mohan Kumaramangalam, Union Minister for Steel and Mines at the students union of Loyola College on November 4, was a rejoinder to the speech of Mr. N. A. Palkhiwala delivered from the same rostrum last month. On comparing the substances of them the Bombay lawyer seems to have given a better account of himself. For the speech of the Minister, except for some digs at "Mr. Palkhiwala and his like who burn incense at the altar of Americans" and for whose benefit he was quoting from "American jurists and men of eminence", carried more heat than light. Some of the remarks he made were startling and unconvincing. In justification of the abolition of princely privileges, he said that the grant of these was merely for the political expediency at the crucial time in 1947 and "we bought them for a day, only for a day and this is not a permanent commitment for us" and in the same breath demanded to have faith in the promises made by Parliament. To recall the speech of Mr. Palkhiwala, the promise to the princes in 1947 was meant to be sacred and inviolable that the privy purses were charged to the Consolidated Fund of India. Thus the repudiation of the whole affair coming from a Minister looked strange.

The Minister ridiculed the apprehension of Mr. Palkhiwala that after the passing of the

Amendments, even the shop of a small vendor may be taken over by the Government without adequate compensation. He assured that the Government did not care very much for such trivial takeover and it was only after the big set-ups, for example, the mining companies. Without passing the amendments the Government cannot nationalise such big enterprises without running the risk of long drawn-out litigations about the compensation in courts of law. One will presume that the example of Mr. Palkhiwala need not be taken literally, but only to question the ideology behind the move.

The Unkindest Cut

The unkindest cut was reserved for the judiciary which "is the most undemocratic organ because it cannot be removed" at the pleasure of the people. He posed the question if people are to the "left" and judges are to the "right" whose decision is to prevail. There was the inevitable reference to the massive mandate of the people for "progressive policies", the implementation of which may be retarded by the judiciary. He seemed to regret that when people have the right to reject a party out of power if not satisfied with its performance, they cannot do so in the case of a judge. The obvious thesis is that everything must derive its sustenance from "the people" directly and the judiciary

must not be a monolithic, immutable structure. The ex-Advocate-General of Tamil Nadu has the pleasure of degrading and despising the system which has successfully withstood the onslaught of politics till this day and an unbiased observer will see that it has delivered the goods so far. One wonders whether if would not have been allowed to continue its eternal vigilance over democratic rights of the people against the state, but for the Golaknath case episode—Walrus.

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BUSINESS BRIEFS

WILL COTTON MILLS DO BETTER?

The statement by the Foreign Trade Minister Mr. L. N. Mishra in the Rajya Sabha recently that the percentage of controlled varieties of cloth in total production had gone up from barely 2.6 per cent in the early months of this year to 20 per cent now and that the mills would be asked to increase the proportion that the industry has been able to work the voluntary subsidy scheme to compensate the losses on coarse cloth production satisfactorily. But the working results of some of the mills which have a sizable output of these varieties would indicate that it has not been possible to load this loss on prices for finer varieties due to stiff consumer resistance, particularly when demand for cotton textiles has been sluggish. The decline in prices for indigenous cotton in recent weeks following improved crop prospects for the current season may be felt to some extent only in next year's working of the mills. It is encouraging to find that some of the enlightened managements are making serious efforts to cut costs by better use of costly indigenous cotton and may be successful in this regard, particularly where modernisation has been carried out in the various departments. But a major factor for a recovery of the industry would be a vigorous growth in demand for cotton and cotton based textiles of which there is as yet no sign in spite of the growing rural prosperity. Any increase in exports is out of the question at least for the present, with the uncertainties over the import policies of major buyers like Britain and the U.S. and the protectionist policies of other developed nations. In this context, the move to canalise textile exports through State agencies can only aggravate an already depressing situation. The new credit policy also does not take into account the increased needs for working capital by the mills when they are trying to increase production.

The Government would meanwhile seem to be considering whether State wise quotas can be fixed for supply of coarse cloth besides asking mills to close down their retail shops in view of the complaints that these shops were selling controlled cloth at higher prices.

Golden Tobacco

Godden Tobacco Company Limited which intends to issue equity shares for Rs. 1.50 crores for public subscription to finance its Barods Cigarette unit now under construction has increased its sales in the year ended June 30, 1971 to Rs. 39.60 crores from Rs. 32.68 crores in 1969-70 while its net profit, before depreciation and while its net profit, before depreciation and taxation, amounted to Rs. 1.64 crores. The charge in respect of depreciation is Rs. 32.12 lakhs and development rebate Rs. 80,000 lakhs and taxation claims Rs. 80.10 lakhs. After taking into account tax credit certificates

and transfers from development rebate reserve, there is a surplus of Rs. 76.46 lakhs which has been taken to general reserve. A dividend of 10 per cent taxable is to be paid on the equity capital of Rs. 2.80 crores. Reserves after the latest allocations amount to Rs. 2.22 crores of which Rs. 70 lakhs will be capitalised for issuing bonus shares in the proportion of one share for every four shares held subject to the consent of the Controller of Capital Issues. The directors have expressed confidence that there will be a further improvement in turnover and it will be possible to maintain earnings at satisfactory levels.

Remco Turns the Corner

Radio and Electricals Manufacturing Company Limited has fared extremely well in the year ended March 31, 1971 thanks to a pick-up in sales of service meters, radios, etc., and only a shortage of components and raw materials prevented a more impressive rise in output and sales. The turnover was even then sharply higher at Rs. 3.02 crores against Rs. 1.76 crores in 1969-70. There was a sizable net profit, before depreciation, of Rs. 26.26 lakhs against a loss of Rs. 16.67 lakhs. Depreciation claims Rs. 17.29 lakhs (Rs. 17.81 lakhs) and the balance has gone to reduce the debit balance of Rs. 114.76 lakhs brought in from the previous accounts to Rs. 105.86 lakhs. There will be a considerable saving in interest charges hereafter following the conversion of a Mysore Government loan to the extent of Rs. 55 lakhs into equity shares while the State Government has also provided a loan of Rs. 20 lakhs for working capital purposes. With a more comfortable financial position and the new marketing arrangements, it is expected that turnover will rise further appreciably in 1971-72 and operating results also will be more encouraging with strict control on inventories and rationalised production. But there is a large debit balance besides substantial claims towards development rebate.

West Coast Paper

West Coast Paper Mills Limited has maintained the ordinary dividend for the year ended June 30, 1971 at 13 per cent taxable as the net profit, before depreciation and taxation, was not much higher at Rs. 202.91 lakhs against Rs. 201.50 lakhs in 1969-70. Sales were better at Rs. 813.26 lakhs against Rs. 752.59 lakhs following a rise in output to 42,651 tonnes from 41,000 tonnes, and higher selling prices. But increased costs of production nullified the additional benefit. The provision for depreciation is Rs. 62.10 lakhs (Rs. 54.45 lakhs) and development rebate Rs. 8.25 lakhs (Rs. 5.10 lakhs) while taxation claims a smaller sum of Rs. 78.50 lakhs (Rs. 86 lakhs).

General reserve also gets only Rs. 78.57 lakhs (Rs. 104.44 lakhs). The larger allocation to reserves last year was made possible by a transfer of Rs. 47.50 lakhs from development rebate reserve against only Rs. 18.50 lakhs this year. There is also a transfer of Rs. 6 lakhs (nil) in the latest year, being tax provision for earlier years no longer required.

Sakthi Sugar Doubles Dividend

The decision of Sakthi Sugars Limited to double the dividend on equity capital for the year ended June 30, 1971 and thus restore the cut of 6 per cent effected last year has come as a pleasant surprise to shareholders. The company's working results were favourably influenced by such higher recovery and improved selling prices. Thus though the output of cane crushed was slightly less at 4.35 lakhs tonnes against 4.60 lakh tonnes in 1969-70, sugar output improved to 40,158 tonnes from 38,704 tonnes, with a jump in recovery to 9.23 per cent from 8.41 per cent. Sales also were brisker, as the turnover rose sharply to Rs. 6.48 crores from Rs. 4.98 crores. (A part of the increase was due to higher excise duty which increased to Rs. 1.42 crores from 1.01 crores). The net profit, before depreciation and taxation, also jumped to Rs. 55.06 lakhs from only Rs. 10.31 lakhs in 1969-70. The provision for depreciation is Rs. 20.05 lakhs (Rs. 15.23 lakhs) and development rebate Rs. 7.22 lakhs (nil). Dividend reserve gets Rs. 10.56 lakhs (nil) and general reserve Rs. 17.19 lakhs (nil). In 1969-70 a debit balance of Rs. 4.93 lakhs was adjusted against general reserve while the dividend (Rs. 6.10 lakhs) was paid out of dividend reserve.

The outlook for the current year is even more encouraging as the expansion of capacity to 2,000 to 2,250 tonnes daily has been completed and there is enough cane for the enlarged facilities. A further expansion to 2,500 tonnes per day before the end of the current season at a cost of Rs. 26.65 lakhs is under consideration. (The Tamil Nadu Industrial Investment Corporation will be providing a deferred payment guarantee for the required funds. The company has also been allowed to set up a distillery with a capacity of 2 million gallons annually and the State Government has agreed to allot the required molasses from various sources. The project cost of Rs. 75 lakhs is to be met by issue of equity shares for Rs. 21 lakhs, preference shares for Rs. 7 lakhs and raising loans for Rs. 47 lakhs. The Industrial Finance Corporation will be giving a loan of Rs. 37 lakhs. Underwriting arrangements for issue of equity and preference share and for raising the balance loan sum are being negotiated with other financial institutions. This scheme is scheduled to be completed before the end of next year.

Binny Incurs Loss Again

Binny Limited has again reported disappointing results for the first half of 1971. The company has incurred a considerably higher loss of Rs. 144 lakhs for these six months, after depreciation, against Rs. 32 lakhs in the corresponding period of last year and Rs. 98 lakhs in the second half of 1970. The turnover was however higher at Rs. 20.57 crores against Rs. 18.55 crores in the first half of 1970. It has been stated in the interim report that apart from sluggish demand for textiles, prices for indigenous cotton were much higher than in the previous year which more than accounted for the increased loss. The higher sales were mainly due to enhanced selling prices. The results were also affected by a strike and consequent lay-off for two months at the Bangalore mills and the loss of profit on account of the strike alone is estimated at about Rs. 27 lakhs. Costlier credit also imposed a severe burden. Interest charges in the period under reference was higher at Rs. 82 lakhs against Rs. 67 lakhs in the first half and Rs. 74 lakhs in the second half, of 1970. Depreciation claims Rs. 64 lakhs (Rs. 65 lakhs). While turnover improved by Rs. 179 lakhs, manufacturing and other expenses, rose by Rs. 279 lakhs. (For comparison purposes, the expenses for 1970 have been adjusted to include the cost of the arbitration boards award on Second Textiles Wage Board's recommendations for B & C Mills).

Production and sales of the Madras mills increased but the Bangalore mills working was hit by the strike. The trading and agency division showed improved results despite the loss incurred by the Madras unit due to the take-over of cashew import by the Cashew Corporation of India. The engineering division also worked satisfactorily in spite of steel shortage.

The directors have explained that the textile division could not derive the anticipated benefit from the rehabilitation programme in the weaving departments. It has been realised that to obtain the maximum benefits from the new looms the quality and realisation of yarn should be improved and the output of cloths in the profitable range increased. Steps are therefore being taken for rehabilitation and modernisation of the pre-weaving and finishing sections besides changing the product pattern and strengthening the marketing division. The company also obtained the advice of the South Indian Textile Research Association to reduce manufacturing costs and SITRA's recommendations are being implemented. The benefits from these have already started accruing and their effects are expected to be felt increasingly. A similar study by SITRA has been conducted in the Bangalore mills and the suggestions are being implemented as far as possible. It is stated that in the second half of this year efficiencies in the Madras Mills have risen and the order book has shown a marked improvement. The financial results have

begun to improve and there is good reason to believe that, barring circumstances beyond the company's control, the results for the second half will be significantly better. But the overall results for the whole year will be disappointing as the problems of the textile division are likely to be brought under control in the last four months of 1971.

A. P. Paper Earns More

Andhra Pradesh Paper Mills Limited has been able to derive considerable benefit from its expanded facilities in the year ended June 30, 1971 and there has been a big rise in output and sales of paper. While production rose sharply to 51,179 tonnes from 36,907 tonnes, sales jumped to 50,433 tonnes from 37,617 tonnes. The turnover increased by nearly 50 per cent to Rs. 9.59 crores from Rs. 6.46 crores in 1969-70. (The net profit, before depreciation and taxation, also improved appreciably to Rs. 223.36 lakhs from only Rs. 91.16 lakhs. But the shareholders will not benefit as it has been decided to wipe out the arrears of depreciation for 1968-69 and 1969-70 at Rs. 153.39 lakhs (Rs. 119.07 lakhs for 1966-67 and 1967-68). After writing off preliminary expenses for Rs. 8.22 lakhs and transferring Rs. 13.69 lakhs to tax credit certificate reserve, the balance of Rs. 52 lakhs (Rs. 3.93 lakhs) has been carried forward. The current year may be equally satisfactory and it may be possible to declare a maiden dividend particularly as there is a large sum brought in from 1970-71. The large development rebate claims can be met when there is taxable profit.

Kothari Sugars

Kothari Sugars and Chemicals Limited has also benefited from the higher recovery and improved prices during the year ended August 31, 1971. But the equity dividend has again been omitted as there is a large accumulated loss. The company has a smaller quantity of 1.91 lakh tonnes of cane crushed against 3.06 lakh tonnes in the previous year, the output of sugar declined only to 18,456 tonnes from 22,769 tonnes as the recovery improved substantially to 9.67 per cent from 7.43 per cent. At the same time, sales were considerably higher at Rs. 4.09 crores against Rs. 3.25 crores thanks to higher selling prices and partly to increased excise duty. There was a profit of Rs. 23.14 lakhs against a loss of Rs. 17.78 lakhs in 1969-70. After setting aside Rs. 16.48 lakhs (Rs. 13.11 lakhs) for depreciation and providing Rs. 88,201 for expenditure in previous years, the debit balance of Rs. 24.10 lakhs brought in from 1969-70 has been reduced to Rs. 18.05 lakhs. Credit has been taken for Rs. 14,847 being provisions in earlier years no longer required. The working results for this year may be more encouraging. The company is understood to be going ahead with its scheme to set up a sugar unit in Bellary district in Mysore with an initial capacity of 1500 tonnes daily.

Hind Motors again Skips

Hindustan Motors Limited has not been able to overcome its various difficulties including unremunerative prices for cars and sluggish demand for its heavy engineering products. There was a slight improvement in the net profit, before depreciation for the year ended March 31, 1971 to Rs. 3.73 crores against Rs. 3.55 crores. But it was not adequate even to provide full depreciation of Rs. 3.81 crores (Rs. 3.77 crores). The dividends on equity and preference have been passed over while the preference dividend was paid last year. After transferring Rs. 11.50 lakhs (Rs. 66 lakhs) from development rebate reserve and Rs. 2.24 lakhs (Rs. 15.25 lakhs) being provisions no longer required the debit balance of Rs. 5.09 lakhs (Rs. 47.25 lakhs) has been adjusted against reserves as in the previous year.

Spencer Repeats

Spencer and Company Limited has reported less profitable working in the year ended June 30, 1971 due to reduced profit margins of the pharmaceutical division. The company's net profit, before depreciation and taxation, has declined to Rs. 28.60 lakhs from Rs. 33.18 lakhs in 1969-70. But the directors have maintained the equity dividend at 20 per cent, taxable. The provision for depreciation is Rs. 9.47 lakhs (Rs. 8.33 lakhs) and taxation Rs. 10 lakhs (Rs. lakhs) while the transfer to development rebate reserve is Rs. 1.50 lakhs (same) and capital reserve Rs. 46,851 (Rs. 5,296). There is however a transfer of Rs. 3.56 lakhs to profit and loss account, being provisions no longer required and Rs. 44,194 being excess provision for taxation relating to earlier years.

Kirloskar Electric Pays More

Kirloskar Electric Company Limited has earned a much larger profit for the year ended June 30, 1971 of Rs. 165.81 lakhs against Rs. 126.36 lakhs in 1969-70 following a rise in turnover to Rs. 11.62 crores from Rs. 10.14 crores. The dividend on equity capital has therefore been raised to 124 per cent, taxable, from 10 per cent, taxable even after strengthening the reserves substantially. Depreciation claims Rs. 52.38 lakhs (Rs. 53.81 lakhs) and development rebate Rs. 7.33 lakhs (Rs. 3.20 lakhs). The provision for taxation is larger at Rs. 7.58 lakhs (Rs. 30 lakhs) while allocations to reserve include Rs. one lakh (Rs. 3 lakhs) to capital redemption reserve, Rs. 2 lakhs (Rs. 2.5 lakhs) to loan redemption reserve and Rs. 28.87 lakhs (Rs. 14.17 lakhs) to general reserve. There is however a transfer of Rs. 5.17 lakhs (Rs. 5.30 lakhs), being excess tax provisions. The preference and equity dividends are to be paid out of general reserve.

Statistical Supplement....

RESERVE BANK OF INDIA

	18-12-70	11-12-70	19-12-69
BANKING DEPT.			
Deposits			
Central Government	279.51	153.12	199.51
State Governments	5.63	7.71	6.06
Scheduled Commercial Banks	200.65	184.77	172.99
Others	91.79	90.10	209.15
Bills Payable	61.10	51.14	52.95
Other Liabilities	76.08	72.52	65.34
Treasury Bills	29.10	23.42	154.64
Balances Held Abroad	109.04	101.58	201.56
Investments	97.80	93.64	105.83
Loans & Advances to			
State Governments	175.44	157.90	157.65
Scheduled Commercial Banks	326.18	208.28	99.64
Other Assets	35.71	35.27	35.85
ISSUE DEPT.			
Notes Held in the Banking Dept.	16.60	18.41	18.82
Notes in Circulation	4,036.24	4,068.05	3,616.22
Gold Coin Held in India	182.33	182.53	182.53
Foreign Securities	311.42	358.42	221.42
Rupee Coins	56.56	55.19	68.85
Securities	3,502.32	3,482.32	3,162.24

INDEX NUMBERS OF WHOLESALE PRICES — NEW SERIES

	5-12-70	28-11-70	6-12-69
Food Articles	201.4	201.5	191.7
Rice	189.2	195.2	188.2
Wheat	206.2	207.0	217.0
Liquor & Tobacco	183.9	184.4	184.9
Fuel, Power, Light & Lubricants	162.3	162.3	155.6
Industrial Raw Materials	201.1	197.6	170.8
Chemicals	188.2	188.2	180.0
Machinery & Transport Equipment	149.1	149.0	138.6
Manufactures	155.3	154.7	144.8
All Commodities	180.8	180.2	168.8

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