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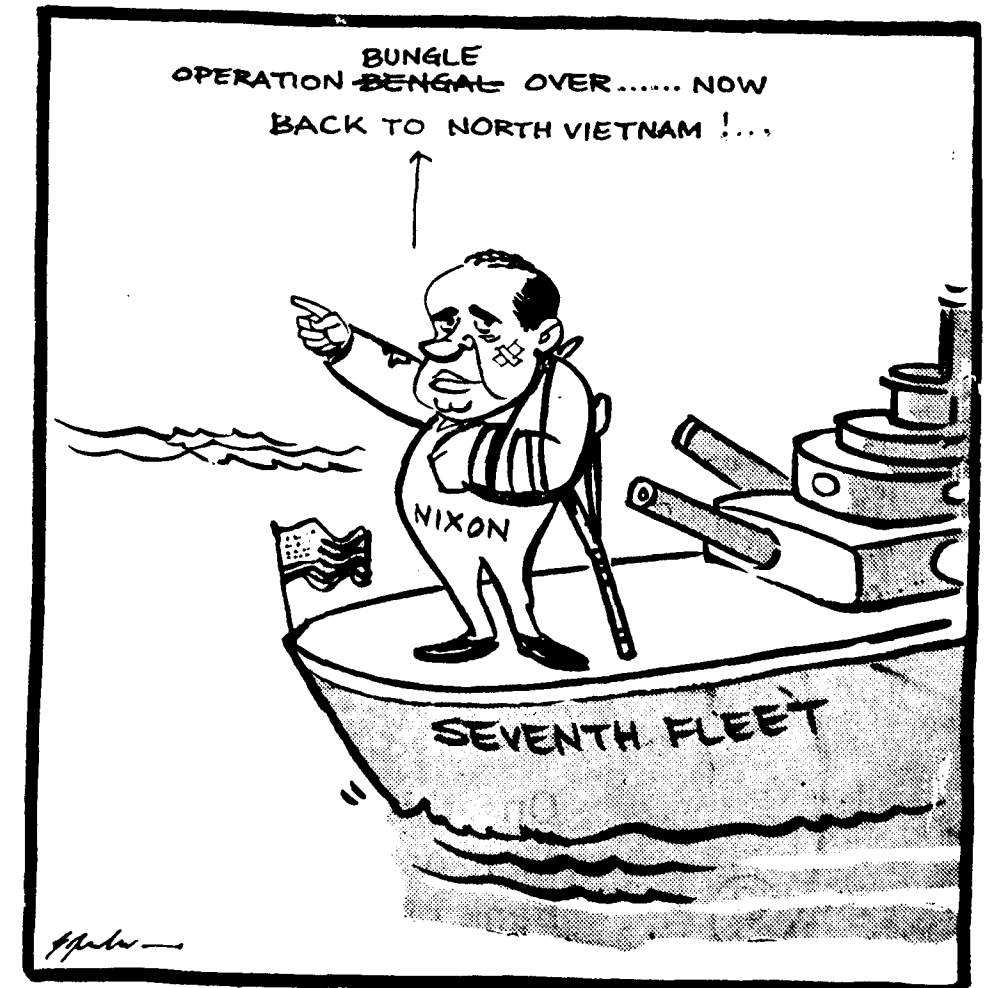
JANUARY 1, 1972

Price: 75 Paise

Impasse in Industrial Relations

Things have certainly reached an impasse in the affairs of the Simpson Group. Production has already been severely curtailed in the last six weeks. This means, for a Group employing 16,000 workers having an annual turnover of nearly Rs. 450 million, a loss exceeding Rs. 50 million. Simpson Group is the largest light engineering complex in South India with its production facilities extending over a wide range. Some of these are important components for Defence Services. A number of these have also developed rich export markets.

The basic cause for the present malaise is inter-union rivalry. The Group was happily free from outside political influence almost from its beginning upto last year, when the D.M.K. started taking active interest to acquire control over this most organised unit of South India. After the Government and permitted by the Management, the D.M.K. leadership was foisted on the Union without even an open election. Such a plan, of course, could not well be maintained for long and has erupted in violent resistance. Although, claims such as bonus or higher pay structure and the like, usually the cause of such uprisings, are relegated to the background. The main point of contention in the confrontation between the D.M.K.-led union on the one side and the combined forces of all the other trade unions on the other, is the date holding of the elections for a trial of strength. Much understandably, the D.M.K. leadership is opposed. Minister Karunanidhi must raise himself above party considerations and help secure industrial peace in this part of the country. The Management for its part must be bold to recognise, if necessary, another union which has wide influence on the workers, instead of looking on as a helpless spectator.



An exhibition of profitability—through perfection

"With the rapid growth of industry, the role of material handling though little appreciated, plays an increasingly vital role in reducing wasteful energy," commented Jairaj Shah, Batliboi & Co. Pvt. Ltd.'s young Sales Engineer who was instrumental in arranging an exhibition of Indef material handling equipment on the premises of M/s. Bue Mechanical Equipments (Pvt.) Ltd. at the Kandivili Industrial Estate in November this year.

The three days from November 4 to November 6 covered 24 productive hours of exhibition and demonstration of the versatile products of Hercules Hoists Ltd.: famous Indef Chain Pulley Blocks, Trolleys and Ratchets. Hoists manufactured in collaboration with Heinrich de Fries of West Germany (manu-

facturers of the world-renowned Hadeb brand of material handling equipment).

Large crowds of technical personnel from all industries gathered to take an educating look at the demonstration of the possible uses of the equipment on display. On hand to make the experience even more valuable was a German design engineer from Heinrich de Fries, who lucidly explained in his talks to the visitors how material handling through Indef Hoists could be positively an advantage. Particularly, he stressed the improved modern equipments which use spur gears instead of the outdated conventional worm gear arrangements—a process which reduces human effort to a bare minimum while simultaneously

giving a long lease of life to the pulley equipment.

The appreciation expressed by most visitors once again indicated the need for such demonstrations and exhibitions at reasonable intervals to keep industry abreast of latest techniques and developments.

Popular Wolf portable electric tools and Arco Whitney's Hydramic Metal Working equipment were also on show.

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THE BANK THAT MOVES OUT TO PEOPLE AND PLACES



The Birth of Bangla Desh

On December 16 Prime Minister Indira Gandhi announced in a measured but vibrant tone over the All-India Radio, the liberation of Dacca and the birth of free Bangla Desh. *Sonar Bangla*, the Golden Bengal, was born perhaps even on the fateful night of March 26, when the "Tiger of Bengal" Sheikh Mujib-ur-Rahman declared with a voice choked with emotion, over Swadin Bangla Betar Kendra the complete break-away of his sacred land from the tyranny of the dictators at Islamabad—a daring speech in the midst of more than 70,000 troops whisked away from West Pakistan in six shiploads to quell his rebellion in Dacca. Pakistan used the British base at Gan in Maldives, invoking its membership of CENTO to bring its troops to East Bengal for suppressing the "insurgence"—an insurgence of the whole people from the chief justice of the highest court to the farmhand in the village of Bangla Desh.

The poignant drama which started on March 26 concluded after nine months of misery for millions of people, on a note of rehabilitation, rejuvenation and rejoice. Strange to say, the hero still languishes in prison—his release subject to fickle fancies of international power politics and the man who was largely responsible for this has been bestowed with unlimited power which, unless used with wisdom born of chastisement, can still spark off a nuclear holocaust. Thanks to the "vaulting ambition" of Zulfikar Ali Bhutto, more than a million Bengalis were butchered, nearly ten millions of them crossed over to India in rags with bleeding limbs to the hastily constructed refugee camps. Their women were raped, children burnt, houses razed to the ground and all properties confiscated by the army. The wheels of history began to turn and in the brief but bloody war of 14 days and 24 hours ending at 20-00 hours on December 17, Pakistan lost a third of its planes and a quarter of its tanks. Above all it lost its face to champion the cause of Islam as the seventy-eight million people of secular Bangla Desh, the eighth largest country with the second largest Muslim population of the entire world, will testify.

In a perverse way, this kind of history was created by an individual who was not even aware of the opposite outcome which will issue later from his obsessive desire for power. Bhutto kept his Indian citizenship for eleven years to negotiate profitably about ancestral property in Bombay but an overdose of avarice—to become the prime minister of his country at the expense of a more popular, more legitimate leader cost him even more—the unity of his country.

The story dates back to the eventful elections in Pakistan last December. The Awami League of Sheikh Mujib-ur-Rehman swept the polls in East Pakistan with 288 seats out of 310 in the provincial assembly and 167 out of 313 in the National Assembly while the People's Party of Bhutto scored a victory in the West both in provincial and national assemblies with 85 seats of 313 in the latter. In fairness, Rehman should have become the Prime Minister of Pakistan—a post coveted by Bhutto who even went to the ridiculous extent of suggesting two premierships, one for the western and another for the eastern regions. The East Pakistan, smarting under the oppressive exploitation of the Punjabi and Sind sections of Pakistan, found its dynamic leadership in Rehman who drafted a six point programme, virtually granting complete autonomy to East Pakistan except in three fields—Defence, Foreign Affairs and Currency. The assembly was to meet in Dacca on March 3, but the then President Yahya Khan postponed it.



under the advice of Bhutto. On 6th he announced the postponement of the convening of the Assembly session to March 25, reportedly to coincide with the anniversary of abdication of power by Ayub Khan. Ironically, this later turned out to be the beginning of the termination of his power too.

On March 6, Air Marshal Asghar Khan, a retired Officer associated with SEATO and CENTO for a long time sounded a warning in West Pakistan about a possible division of Pakistan but what he said looks really strange in the light of subsequent developments—"Pentagon's interest demanded . . . it suited the global military intents of the U.S. if Pakistan was divided." Earlier, on March 4, Air Marshal Nur Khan in West Pakistan advised "to yield to East Pakistan's numerical superiority and share power with it." This was not to be. East Pakistan, angered at the postponement of the Assembly, started a historic civil disobedience movement under Rehman in the first week of March and the troops of Yahya Khan started indiscriminate shooting. On the night of March 2, Pakistan Army killed two, one of them for obstructing the way to airport. This led to serious clashes and to hundreds of deaths. The East Pakistan Rifles and Bengal Rifles at Barisal switched allegiance to Mujib who imposed four conditions to start a talk with Yahya's regime. They were: (1) The lifting of the martial law; (2) Recall of troops to the barracks; (3) Transfer of power to the civilian government and (4) Enquiry into the deaths at Dacca. On March 8, the notorious Tikka Khan, "Bomber of Baluchistan" arrived in Dacca to assume the post of Martial Law Administrator and before his arrival, the civilian cooks and bearers assigned for him refused to serve him. He had to manage with the military cooks on the day of his arrival. On the same day the radio in Dacca started calling itself *Dacca Radio* instead of "Radio Pakistan, Dacca". The Chief Justice B. A.

Siddiqui refused to swear Tikka Khan into Office. In spite of martial law in force, big processions defied the ban in the streets of Dacca and nurses, doctors, engineers, students, farmers, factory workers and all other members of society joined the processions shouting solidarity with Rehman. Banks worked to his order and telegraph workers accepted only telegrams within the province and the press cables. They refused private telegrams for West Pakistan or foreign countries. The pro-Peking National Awami Party Leader Maulana Bhasani gave a call for "Independent East Pakistan." On the night of March 10, Rehman sent a telegram to U Thant that "the build up has created an atmosphere of terror," appealing for his intervention. In this atmosphere of tension Yahya Khan arrived on March 12, in Dacca and drove to his place with grim crowds watching him without waving or cheering. On March 14, Rehman declared that the current struggle will continue "until such time as the people of Bangla Desh get their rights." On March 15, he declared that people may stop payment of taxes to Pakistan and start to pay the autonomous government.

All newspapers from Dacca published identical editorials supporting the leader and a paper in Tokyo, Japan predicted that Pakistan will have to reconcile itself to the loss of Bangla Desh. On March 16, Yahya and Rehman met for the first time and talked *in camera* for 2½ hours. Rehman bitterly complained about the treatment meted out to East Pakistan, the dismissal of the last Bengali Prime Minister in 1953 and the dissolution of the Assembly next year. Yahya might have considered Rehman as the Prime Minister except for the pressures of Bhutto. The sadness which filled the heart of Rehman was evident in his words: "Bengali people have no birthdays, only death days when they have no security", when asked about his 53rd birthday.



The Light That Leads ...
Prime Minister INDIRA GANDHI



He who laughs lasts ...
AFTER THE SUCCESS: (Right to left) Defence Minister Jagjivan Ram, Chief of the Army Staff General S.H.F.J. Manekshaw, Chief of Naval Staff Admiral S. M. Nanda and Chief of Air Staff Air Chief Marshal P. C. Lal caught in a happy mood of victory.



A robin red breast in a cage
Sets all heaven in a rage
THE TIGER OF BENGAL,
Sheik MUJIB-UR-REHMAN

INDUSTRIAL ECONOMIST

A WATERY GRAVE OFF VIZAG

The burly officer wipes his forehead, glancing at the three bodies brought before him. He nods meditatively when a subordinate hands over a sheet of paper found on one of the bodies. The writing is in Urdu and when freely translated it read: "We are far from home. When will we see our loved ones again?"

Alas, never! War is a cruel game of chance of kill or be killed. Indeed, if the possessor of this moving piece of poetry was successful in his mission, the quiet sands of Visakhapatnam seashore might have turned muddy with Indian blood. He was in the crew of *Gazi* the Pakistani submarine sunk off the shore of Visakhapatnam by the Eastern Naval Command.

On the fateful night of December 3 just before the Prime Minister's broadcast to the nation about the pre-emptive, treacherous air attack of Pakistan over eight Indian cities, a big bang occurred in the sea, rattling the window panel of the building in

In this period, gloom descended on Dacca. The arch enemy of Bangla Desh, Z.A. Bhutto arrived on March 21. The hatred with which he was confronted in Dacca is unbelievable, even if understandable. In the Intercontinental Hotel where he was to stay, angry Bengali youths wearing black badges harassed him as a kitten would a mouse. They pushed him into a lift in the ground floor racing to the seventh floor, and then he was pushed back into the cage and shot to the ground floor again, the dallying lasting for full six minutes. In that moment, the hatred Bhutto felt for the alien Bengali culture must have been reinforced. Perfidiously, Yahya broke the parley, returned to Islamabad with Bhutto and the massacre of Bengalis by the army began. The world was fated to witness its effect on Bengal for nine more months—a trail of blood, rapine and arson. Neither Bhutto nor the now discredited Yahya Khan with his

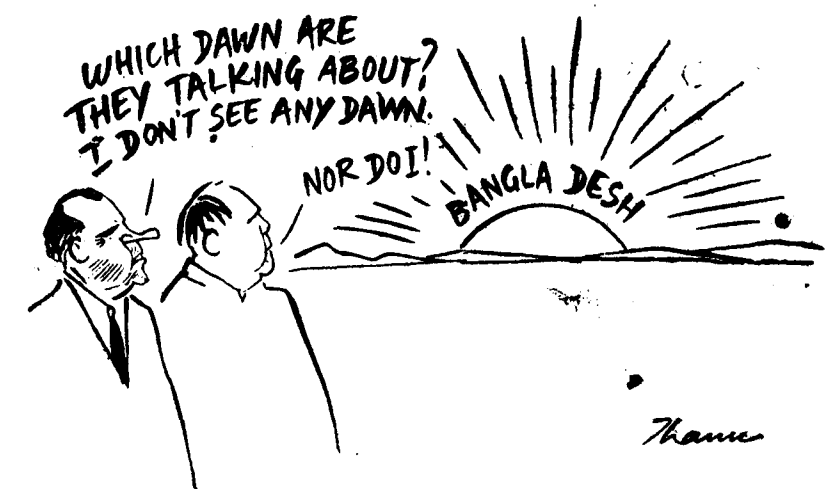
A Story of Colonial Exploitation

	West Pakistan	Bangla Desh
Population (1969-70)	61 million	71 million
Share in Defence Services	90	10%
Share in Central Services	85%	15%
Bank Deposits	Rs. 12,500 million	Rs. 2,500 million
Share in Development Expenditure	60%	30%
Share in Foreign Aid	80%	20%

INDUSTRIAL ECONOMIST

Visakhapatnam beach. Only a short time earlier, two ships of the Eastern Naval Command sailed out into the sea in alertness and on contact with an unidentified object, attacked it with depth charges. The pride of the Pakistan Navy, submarine *Gazi* got it squarely between the shoulder-blades. With its probable mission to sink *I.N.S. Vikrant*, the Indian aircraft carrier, foiled, *Gazi* breathed its last, and found its watery grave. It was known only a few days later when two Andhra fishermen, Chinthapalli Sathyulu and Chinthapalli Atchayya brought a life jacket and some debris to the naval authorities, while helping them in the search ordered. The jubilant Vice-Admiral N. Krishnan, Flag Officer C-in-C, Eastern Naval Command, announced a reward of Rs. 500 to each of them and promptly offered 108 coconuts to Lord Ganapati at Visakhapatnam. The loitering of *Gazi* near his base within seven hours of the air attack proved the cold-blooded preparation by Pakistan for war. The destruction of *Gazi* made a turning point in our naval manoeuvres in the Bay of Bengal.

hordes could prevent the birth of a nation which is destined for greatness in its own right. On March 29 itself, a German newspaper *Algemeine Zeitung* had forecast the separation of the two parts of Pakistan, culturally far apart. History has proved that, in spite of the brazen effort of two super powers, the Bangla Desh has emerged victorious in this war of ideals.



If Bhutto dedicates himself to the reconstruction of Pakistan now in shambles, all will be well. If his jingoism, oblivious to the permanent loss of Bangla Desh, goads him to further adventurism, there will come a time when Pakistanis will realise, in the words of American General Omar Bradley in another context that he was "fighting the wrong war, at the wrong place, at the wrong time and with the wrong enemy."

The Mounting Burden

If the attempt to explain away the liberation movement of East Bengal as a purely internal matter by the Yahya Government was absurd, the acceptance of this absurdity by a big power like the United States indeed baffles description. Numerous reporters of the American press, apart from Senators and personnel of the American Embassy who had easy access to the refugee camps and even to the interiors of Bangla Desh have grasped the realities of the spontaneous uprising in Bangla Desh demanding just the right of self-determination which is held sacred by the Americans. The daring exhibited by a number of American pressmen, who penetrated deep into areas of conflict in Bangla Desh—which was not attempted to a comparable degree by many of the leading newspapers of India—and their objectivity in reporting, surprisingly did not appear to have had any impact on the U.S. Administration. A better champion than Senator Edward Kennedy of the cause of Bangla Desh would be difficult to find. Many parliamentarians from Britain and newspapermen likewise reported on the growing strength of this movement and the justice behind it. Andre Malraux, a former Minister of France, and a literary luminary, went to the extent of raising an army in his own country to be of help to the Mukti Bahini. Certainly, these are all motivated by a sense of justice and what freedom-loving people cherished most—freedom from exploitation and the right to self-determination.



Unwept, unhonoured and unsung

THE SURRENDER: Lt. Gen. J. S. Aurora, GOC-in-C, Eastern Command and Lt. Gen. A. A. K. N'azi of Pakistan Army signing the surrender documents in Dacca on December 16, 1971 Vice-Admiral N. Krishnan, Air Marshal H. C. Dewan, Lt. Gen. Jagat Singh and Maj. Gen. J. F. R. Jacob are also seen in the picture.

I'm Hardy. You be Laurel!

A recent report by a panel of experts to the Planning Commission of Pakistan compares the progress made by West Pakistan with that of Bangla Desh. In 1956-60, the per capita income of West Pakistan was 32% higher than that of Bangla Desh. Over the next ten years, the annual rate of growth of income of West Pakistan was 6.2% while it was only 4.2% in Bangla Desh. As a result, by 1969-70 the per capita income of West Pakistan was 61% higher than in Bangla Desh.

During the last twenty years, out of the total revenue expenditure of the Government of Pakistan only about one-third was spent in Bangla Desh. Over the last two decades, Bangla Desh's share of Pakistan's total export earnings had varied between 50% and 70% while its share of imports had been in the range of 25% to 30% only. Of the total foreign aid received, about 80% had gone to West Pakistan.

An average West Pakistani citizen was estimated to consume about 19 times as much electricity, 8 times as much tea and petrol, about 6 times as many cigarettes, about 3 times as much of cloth and sugar, about twice as much paper and coal and buy about 10 times as many cars and about 76 times as many radios as an average Bangla Desh citizen. All these disparities were allowed to grow from year to year under the colonial administration run from Rawalpindi.

As if the independent public opinion created by the numerous newspapers, the Senators and others in the various walks of life of the United States was not sufficient, the Indian Government was continually apprising the U.S. Administration—as in fact it did in the case of so many other countries—of the increasing cruelty of the reign of terror the military regime of West Pakistan was inflicting on East Pakistan. Even unmindful of the tremendous problems her absence from the country at a very crucial period of confrontation would cause to India, Prime Minister Indira Gandhi set out on a three-week tour of important capitals of the West. The main aim was to explain the position of India in this conflict—the extent of burden it has to take upon itself as a result of this mounting refugee influx which was certainly not caused by this country. The Prime Minister was hopeful that the Western powers which wielded a good deal of influence with Yahya Khan's military regime would persuade him to evolve a political solution acceptable to the East Pakistanis. It certainly required a great deal of courage to undertake an extensive tour on an occasion like this with nearly 10 million refugees in our soil causing a very heavy strain on the already slender resources of this big

He died that others might live...

On the night of December 9, in the Arabian Sea three enemy torpedoes struck the 1,200 tonne anti-submarine frigate *Khukri* in the interval of a few seconds. The ship went under in less than three minutes and with it 18 officers and 176 sailors. The Captain, 45 year old Mahendra Nath Mulla from an Allahabad family well-known in judicial circles, preferred to die with his mates in spite of their requests to seek his escape. Today he lives in the memory of six officers and 61 sailors whom he saved by pushing them in water to escape and of course of millions of Indians.

country complicated by a hostile confrontation in the long borders, both in the East and the West, with Pakistan. Even a long time after the prompt announcement of the suspension of military aid, U.S. arms were clandestinely pumped into Pakistan under various escape clauses, or even through other Islamic countries, all the time preaching restraint on the part of India. As so beautifully put by Mrs. Indira Gandhi, "when everybody admires our restraint, we get the verbal praise, and others, who are not restrained, get arms support."

As if a period of over eight months' waiting which contributed to the exodus of nearly 10 million people into India, besides genocides and pogroms costing over a million lives were not sufficiently long, the United States Government has turned the accusing finger towards India that she had precipitated the issue leaving no time for its behind-the-curtain initiatives to bring peace. American newspapers such as *Time* have been warning very regularly about the explosive nature of the situation in the sub-continent. Is the Intelligence Department of the U.S. Government far inferior to the news network of newspapers? Or, knowing fully the prospects of a large scale confrontation, was the U.S. administration still expecting that it would get its own time for arriving at acceptable solutions? Or, did it still consider India and Pakistan as mere pawns in its strategical game of balance of power in the sub-continent? In any case it forfeited the confidence of liberal thinkers everywhere. As the *Time Magazine* beautifully summed up:

Because of blunders in both substance and tone, the U.S. has: (1) destroyed whatever chance it had to be neutral in the East Asian conflict; (2) tended to reinforce the Russia-India, China-Pakistan line up; (3) seemingly placed itself morally and politically on the side of a particularly brutal regime which is an almost certain loser; and (4) made a shambles of its position on the sub-continent.

The strain on the Indian resources was indeed staggering. The U.S. Press had more knowledge

INDUSTRIAL ECONOMIST

about this thanks firstly, to its own enterprise and vast resources available and, secondly, to the free access provided to its representatives to literally whichever place they wanted to go. What is the nature of this burden? Nearly 9.8 million people driven away from their homes in mortal fears of brutal mass-murders, into India. This number of refugees is larger than the population of many countries of the world. The estimated total expenditure to be spent on these refugees by India for the year ended March 1972 is Rs. 525 crores which is more than the annual budgets of many of our States. Nearly Rs. 200 crores had been spent even by November. The Indian public, already groaning under the weight of stiff taxation, had to bear additional taxation for supporting these refugees to the extent of Rs. 360 crores which is more than twice the extent of additional taxation suffered even in the stiffest taxed year. At least, could we have the satisfaction that the world was willing to share this burden to a substantial degree? Unfortunately, no. Though the total foreign assistance pledged was in the region of Rs. 187 crores, the total foreign assistance received in cash and kind amounted to less than Rs. 80 crores.

The impact of this burden on an economy which is just poised for substantial growth has indeed been disastrous. At the beginning of 1971 things certainly took a turn for the better. We had successfully solved the main problem of food production. For the fourth year in succession, we have been assured of a high level of food production which had given us confidence of dispensing with the imports and diverting the precious foreign exchange for expanding and modernising our industries. Remarkable growth has been achieved in a number of other sectors such as power generation, oil refining, fertilizer production, and scores of other basic industries. We had reached a stage of take-off in the matter of steel production. In fact, the spread of steel technology has been vast and with the facilities already created, the country was in a position to



This blessed plot, this earth, this realm
LIBERATION OF COMILA: A large crowd at Con
on liberation rejoicing

undertake big expansion in its steel output in an ambitious scale. No wonder stock-markets were turning to be more cheerful; the resource mobilisation efforts of the Government were also yielding very satisfactory results. A country more bothered about its own growth could have certainly sealed its borders and concentrated on its growth. Happily India was certainly different. Unlike some of the stronger and more developed nations which seemed to believe that what was good for them—in matters such as democracy—need not be good for others, India felt differently: That it should practise what it has been preaching. Hence its willingness to take on the refugees.

That India did not start the war should have been obvious in any objective analysis. The day on which Pakistan undertook the treacherous bombing of the major air force installations in the country, penetrating into as deep a city as Agra, the Prime Minister was away at Calcutta, the Defence Minister Jagjivan Ram was at Patna and the Finance Minister Y. B. Chavan at Bombay. Thanks to the alertness of our defence forces, the pre-emptive attack did not cause much damage and instantaneous retaliation crippled the military might of the enemy. For a problem created by the maladministration of East Bengal by the military regime largely abetted in by Bhutto which had antagonised the 71 million people of East Bengal, Pakistan was trying to make India responsible. For this folly it has paid a heavy penalty. It had been cut to its size for one thing and secondly the just cause of Bangla Desh has been achieved.



We have nothing to offer but sweat, tears and blood...
THE BOMB HAVOC AT ALAMGIR: Some villagers killed at Alamgir, Jullundur during a Pakistan air raid on the night of December 8, 1971.

Burial to Two-Nation Theory

The emergence of Bangla Desh has given the burial to the two-nation theory propounded by the founder of Pakistan Jinnah. The out-dated and old-fashioned concept of theocracy has been given a big jolt. The proclamation of Bangla Desh as an independent republic wedded to secularism, socialism and democracy is certainly an important milestone in the evolution of what was formerly a part of a State which is the anti-thesis of all these cardinal principles. For once the East Bengalis are rid of the domination of the West which has been exploiting it in every way. (See box items for the extent of exploitation). For the first time in so many years this nation can give the fullest scope for the blossoming of its own culture and language. Economically this new state has the ingredients of viability—in fact, it is much more viable than West Pakistan. The fertility of the Gangetic Delta contributed by the numerous rivers criss-crossing almost the entire Bangla Desh has few other parallels. It has rich sources of foreign exchange earners in its jute and tea. It is gathered that the country had an oil refinery of 1.5 million tonnes capacity, a steel plant (150,000 tonnes), 29 jute mills, 22 textile mills, seven sugar factories, a fertilizer plant, a paper mill, a newsprint factory, a cement kiln, a machine tool plant and several aluminium industries as at the end of March 1967. More than all these, this infant nation has one great asset which can bring all other assets: a grim determination of a large people who would like to survive and grow as an independent nation.

The Skeleton in the Cupboard

"East Bengal's share of the Government sector development expenditure stood at Rs. 300 crores and West Pakistan's at Rs. 998 crores. East Bengal's share of the disbursement of the Pakisaan Industrial Credit Investment Corporation (PICIC) stood at 24% of the Industrial Development Bank (IDB) at 20% and of the House Building Finance Corporation at 12%. As regards foreign loans and credits, only 16% went to East Bengal; as to foreign development aid, only 20%; foreign exchange earnings of East Bengal were Rs. 1,125 crores in contrast to West Pakistan's Rs. 815 crores; but East Bengal was allowed to spend foreign exchange worth only Rs. 540 crores in contrast to Rs. 1,400 crores granted to West Pakistan."

Syed Abdus Sultan, Member of the Pak. National Assembly from the then East Pakistan.

Let's Go Nuclear

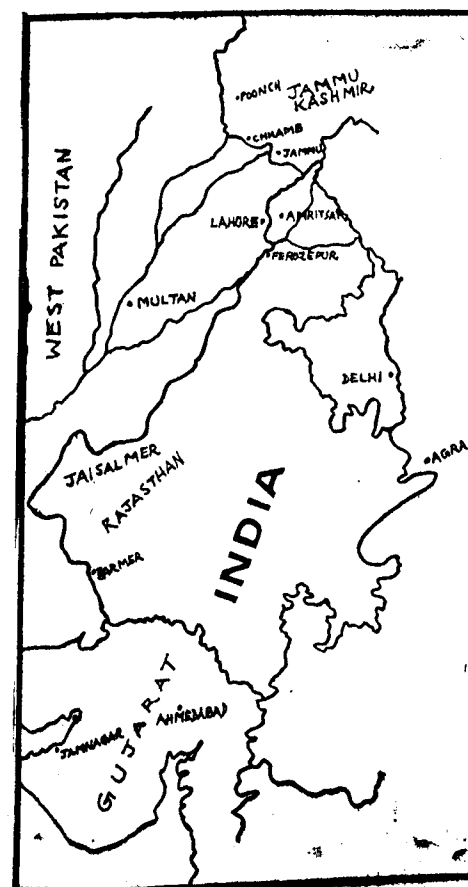
For India, the war with Pakistan has many lessons. We have learnt that for many nations justice and morality are almost the first casualties and that each nation is guided by its own self-interest. One possible reason for the buttressing in of Pakistan by J.S. unmindful of the fact that it was a dictatorship which had been suppressing a liberation movement, might be the innate apprehension of the emergence of India as a strong nation. The equation of India and Pakistan resorted to by the U.S. in such matters of confrontation is, to say the least, insulting. The over-zealous actions of the American President and his aides in appeasing China, the enormous fuss that was made about the Chinese in the U.N. and the large-scale reporting on the proposed visit of President Nixon to Peking all stem perhaps from a subconscious admiration in the minds of some Americans of one who is strong.

The blatant unfairness of restricting the permanent membership of the Security Council to five members on the basis of their military strength and the casual way in which the developing countries have been treated in matters such as currency realignment which have far-reaching impact on their economies go to prove the need for India to emerge strong both economically and militarily. Happily in these 50 years of planned development, alround growth has

been achieved. We have become self-sufficient in our requirements of a variety of goods and services. Our technological capabilities have also grown in enormous proportions that today we can undertake the building up of many sophisticated projects almost all on our own. As a consequence our dependence on foreign aid has also been reduced to a remarkable degree with the result one can feel confident of catching up with the developed countries of the world within the next three decades. In fact, this country has one great advantage which the other developed countries do not now possess. An economy such as West Germany, United Kingdom or Japan has to depend to a great extent for export markets for disposing of a substantial portion of domestic production and so the rates of growth over the present levels are restricted. For India, the internal market itself is so vast and the leeway to be made so much and the resources available so rich that, for many years to come, there can be unrestricted scope for development.

To buttress this, of course, we must emerge a stronger nation militarily too. The birth of Bangla Desh would help us modernise our defence forces at a faster rate. We have a border extending 3950 km with Bangla Desh and 2966 km with West Pakistan. With the need to contain a hostile Pakistan in both the fronts, we had to keep our jawans in alert in both these fronts. With the emergence of the friendly and free Bangla Desh, which has heralded an era of peace and co-operation in the East, we have only to tackle hostile neighbours in our western, north-western and northern borders. This will certainly be a more compact affair. Rather than reducing the total allocation on defence it is better if we concentrated on modernising the defence equipment. The first and foremost decision that would be necessary in this regard is to go nuclear. After all we have developed enormous capabilities on the peaceful use of the atom. We have already one atomic power station in operation, two others are being built and we are also planning to set up a few more. In this process we have put to practice the results achieved in our modern atomic research laboratories. More than our own innate strength the capabilities developed as a nuclear power would act as an effective deterrent. It is less likely that we would hear of the playboy type display of might by the prowling of nuclear ships such as *Enterprise* near our shores.

The most important gain to us, of course, is the psychological change the recent victory has brought in the minds of Indians. For the first time in 25 years, we have risen as a nation conscious of its strength.



Reconstructing Bangla Desh....

The problems relating to the reconstruction and development of the economy of Bangla Desh may be said to fall into three broad divisions: the repair of the damage caused by the war, the effective recovery, for her own benefit, of the advantages which West Pakistan appropriated to herself together with the removal of the handicaps which the policies of the ruling clique imposed on her and, lastly, the development of her natural resources through the efforts of her popular Government and the assistance of friendly nations in general and India in particular.

Resumption of Agricultural Operations

Viewed in this way, the immediate tasks would be the resumption of agricultural operations where they have been merely interrupted by the fighting or the exodus of the people or rendered difficult by damage to irrigation or other facilities, the revival of transport facilities and lines of road and rail communications and access to natural markets and sources of supply. In these respects, much constructive work has already been set afoot. A survey of inland waterways is said to have been undertaken by the Bangla Desh Government with the active assistance of experts from India. Damage to railway lines between East Bengal on the one side and West Bengal on the other has been declared by the Chairman of the Indian Railway Board to be far from serious and the first train has already run from Calcutta into Bangla Desh via Khulna.

The accessibility of these markets would be the first notable gain from throwing off the West Pakistani yoke. The most important one, of course, is the retention for her own benefit of the Rs. 140 crores of annual export earnings on account of jute and tea, which the ruling class in West Pakistan had been utilising for its own advantage. It should not, however, be forgotten that East Pakistan had in the past a trade deficit estimated at Rs. 51.4 crores in relation to West Pakistan and Rs. 30.7 crores with the rest of the world making for a total of Rs. 82.1 crores for 1968-69. But some of the items of her foreign trade lend themselves to a reshuffle such as might lighten the pressure, if not reduce the quantum, of her trade deficit. Bangla Desh's exports of newsprint might be diverted to India. She may also shift the source of supplies of coal from China and Poland to India with an advantage in price and availability of export earnings for her own development: While the import of coal from India made earlier cost her just around Rs. 35 per tonne; the Chinese have been supplying the same at Rs. 120. A bargain indeed for a preferred partner! Foreign aid, too, will not be provided through the channels of the West Pakistan Government, where in the past it dried up in great part. There is a

great deal of clear evidence that, whatever their political predilections or leanings, the aid-giving nations are fully conscious of the misappropriation of aid by West Pakistan.

Adherence to Socialistic Principles

The economic development of Bangla Desh, like that of other backward countries, has perforce to be on a planned basis with a reasonable adherence to socialistic principles and the ideals of reduction of economic inequalities and improvement of the living standards of the common man. The targets would naturally depend on the resources available from within and from the aid-giving countries. Internal resources have to be mobilised to the extent possible by the improvement of the tax system, the organisation of savings and the capital market. The potentialities in these respects are none too bright at present. The per capita income of Bangla Desh has been estimated by the Chief Statistician of the Financial Experts at Rs. 299 at 1959-60 prices as against Rs. 483 for West Pakistan and Rs. 339 for India. Tax revenues of the erstwhile East Pakistan have been put at Rs. 140 crores in 1968-69. Most of the tax revenue was derived from indirect taxes, the direct taxes constituting less than 10 per cent of the total tax revenue. The per capita tax revenue works out to Rs. 2 as against Rs. 7 for West Pakistan and Rs. 5 for India. Plan resources cannot for a considerable period be raised on the basis of a certain target of ratio of taxation to national income. It is clearly too soon to consider the division of the assets and liabilities of Pakistan between the two countries. Agriculture is the mainstay of the economy. Bangla Desh might well make a virtue of necessity and concentrate from now on agriculture and fisheries and depend on their direct relation to the welfare of the masses. While jute leaves little room for further expansion and cotton has limited scope, rice output can be increased by the use of improved seeds and fertilizers in which India can be of great assistance.

Utilising Indian Know-how and Capacity

For genuine industrial development, a carefully drawn up plan is, of course, necessary. It is a heartening thought that even if foreign aid were to be inadequate, much of the development, whether of the capital goods or consumer industries, can be achieved with the help of India which has the know-how for such industries and has a considerable surplus of capacity in her engineering and machine manufacturing industries. There has, of course, to be a transitional period in which Bangla Desh can draw from Indian sources her requirements of cotton textiles and other goods. The Indian business community has already given its pledge to Mrs. Indira Gandhi to play its proper role in the reconstruction and progress of the economy of the new Republic.

The Challenge Ahead

Whatever be the contradictions in the antics of President Bhutto, the fact remains that Pakistan has been compelled to recognise the emergence of India as a power to reckon with in its superpower role in this sub-continent. It is in this context that the motto of self-reliance as voiced by the Prime Minister assumes meaningful importance. The one harsh reality that has emerged out of the Indo-Pakistan war is that international conscience is an euphemism for vested interest. Obviously this makes international justice a plaything it was demonstrated to have been during the recent Indo-Pakistan conflict, of world political power groups. It follows that unless self-reliance becomes a reality, it will become difficult for our country to escape unsavoury external influences determining its activities as a nation.

We can Draw on S.D.Rs.

This brings in the question of how we can manage with a volume of aid much smaller than had been provided in the past. This is only another way of enquiring how trade can be made to make good any decline in aid. Exports in 1970-71 were at \$2042 million and bid fair to go up to \$2300 in 1971-72. Total imports in 1970-71 were \$2,161 million. Deducting \$28 million of food aid, the non-food imports in that year was \$1878 million. Total non-food imports in 1971-72 are expected to be at \$2,400 million. The gap between imports and exports therefore cannot by any computation, be too formidable to be bridged. Knowledgeable critics have

pointed out that since our reserve of gold, Special Drawing Rights and other assets are \$1,000 million, we can safely draw them down by \$400 million. Even if net foreign aid (not of repayments) is near zero—the present computation is that repayments in 1971-72 will be close to \$500 million—there may be no calamity, even if because of the revaluation of currencies and the need to maintain the desired 7 per cent growth in annual exports, we have difficulty in pushing up exports by an additional \$250 million for keeping our place while running.

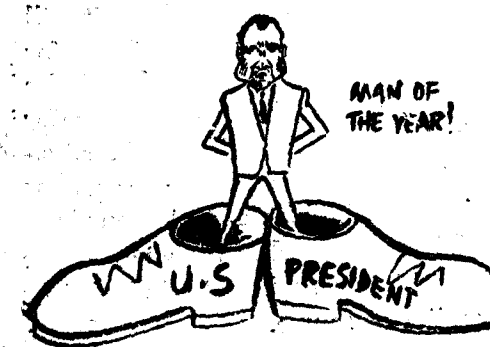
Excessive Emotion Against Aid

Whatever difficulty is likely to arise may consist in the failure to fulfil the prescribed, revised goals of export promotion. This failure is avoidable if the industrial units in the country are geared to the guideline of earning at least half a rupee more through exports for every rupee paid out for imports. This may appear elementary on the face of it, but equally elementary arithmetic will show that, having built up the export figure to over \$2 billion, further growth will require an all out effort all along the line. It is all the difference between earning a few marks more just above the pass-line and above the 60 per cent line. The stress has no doubt got to be also on import substitution. But, as past experience in this field has shown, there can develop drags on quality if the effort is over-ambitious vis-a-vis domestic capabilities. That is precisely why excessive emotion against receiving aid is unwarranted: Aid has been the means to acquire sophisticated know-how and equipment. Besides, since it is repayable and is being scrupulously repaid, and it is after all a particular way of raising foreign capital on more advantageous terms, than directly from the capital markets, there is no justification for any feeling of loss of prestige or pride. In any case, the international community having begun to realise that the new power equation in the Indian sub-

continent has come to stay, we can expect a thaw in the rigid stances on aid on the part of the lending countries. In any case when the thaw materialises, our reaction should not be marred by any petulance.

Need for Higher Defence Expenditure

In the decade ahead, the politics of international trade is likely to be vitiated by insularisation in blocs like the European Common Market, the European Free Trade Association and the Latin American Common Market. Though there will be a liberalisation of tariffs, there will be the persistence of quotas. At present the U.S. is the second largest buyer of Indian goods, after the Soviet Union. This position can be maintained only if, at the Lima meeting of the United Nations Conference on Trade and Development, developing nations evolve a more effective consensus on trade liberalisation than had emerged at UNCTAD I and II. The Indian Government, for its part, can relieve the burdens on the export effort by reducing the tax burden in a manner that it induces the enlargement of domestic output and *ipso facto* its foreign part. What is much more essential than all this is to spend more on defence than we have been accustomed to. A suggestion puts it that the figure of defence expenditure should be raised to to Rs. 2,000 crores from the current Rs. 1,200 crores. Whatever lacunae have been discovered in the quality of indigenous weaponry can be set right by inviting suitable foreign collaboration. All this will call for heavier sacrifices than we had been envisaging particularly in view of the Rs. 2,000 crores Bangla Desh requires for its rehabilitation. The emphasis in the future has therefore to be more on production and productivity than was made hitherto. —R.S.



INDUSTRIAL ECONOMIST



Academics sans Initiative

The two-day seminar held in the city under the auspices of the Association of University teachers may be deemed to be the first decisive attempt at identifying the educational modes of the decade ahead. The representatives of students and teachers alike took care to concentrate on the deficiencies of the academic system as are being witnessed at present. The basic cause of deterioration in academic standards has long been common knowledge. As a paper presented by a student on campus politics pointed out, much of the malady is traceable to outside influence which did not have either the competence or relevance for such interference. It is a pity that politics is the one profession which does not have prescribed qualifications. There will have been little concern over this but for the fact that those who climb to power by the political ladder automatically imagine it to be their social responsibility to reshape education or hold the scales in their own way in matters which should concern only academics.

That the interference of the politician induces a deterioration of standards is obvious from the manner in which academics are compelled to take stances in respect of the media of instruction as directed by the party in power. Very recently, an unsavoury aspect of such intervention has been brought to public notice by Dr. K. N. Raj, former Vice-Chancellor of the Delhi University. He has stated how, despite the absence of adequate laboratory facilities, the Dean of a Medical College was compelled to increase the number of seats in that college; how he was reminded that, being a government servant, he shall have to carry out government's wishes in this direction; how, when Dr. Raj objected to such pressurising, he was told that the entire thing was not seriously meant; and yet how, on the day of Dr. Raj's resignation from the Vice-Chancellorship, the Dean of the Medical College was transferred out of Delhi. It may be that all this could be explained as mere coinci-

dence, but can the coincidence be so exact as to reflect Government's umbrage over the Dean's stand having been endorsed by the Academic Council?

Providing Just Mental Competence

This occasions some consideration of the role of higher education. In a democracy, it may be illogical to talk about the dangers of democratising education, more so when the drift from school to college and to the higher levels of college education is in a sense a strategy to evade the problem of unemployment as long as one can afford to do so. The basic malaise of the Indian economy is that its policy-makers are not clear in their minds about what type of job-orientation there can be in education. It is fundamentally irrational to expect academic training to meet the technical or generalist requirements of each and every type of vocation. At best the school and the university can, within their allotted spheres, provide a mental competence—not essentially of a detailed kind—to fit the students concerned to tackle on learn-as-you-work basis the problems of initiation and acclimatisation in respect of the vocations they choose to enter. In a dynamic society, neither school nor college can really provide any greater assistance than providing such mental competence.

Granted this assumption, it follows that the responsibilities of school and college in this direction should be identified aright. In the artificial vocational atmosphere in this country, the degree of a university is stipulated as the minimum qualification for jobs which can be managed on the basis of the benefits provided to the mind by a course of general education. The justification trotted out is that, *vis-a-vis* the decline in standards, the degree holder has the basic minimum ability. The failure to rectify this anomaly results in the perpetuation of a vicious circle: Since the degree is the minimum qualification for most jobs, a mad rush develops for it which explains the annual gate-crashing at

admission time in colleges. The immediate task, therefore, is to firm up school and collegiate education. It was indicated in the seminar that the syllabi are being re-oriented accordingly.

A Conveyor-belt Offloading Crowds

If present intentions of the Government are translated into realities, the strengthening of English teaching from the third class upward should suffice to equip school leavers with the minimum competence for filling jobs at the clerical cadres in the Government and private sector. If the trend sets in to vindicate that the school leavers will merit selection for such jobs, the inclination to pressurise for securing admission in colleges will disappear. That will enable university education to fulfil its objective of providing the degree of specialisation for those who have both an aptitude and eagerness to merit it. Only in that circumstance, the school will cease to be the conveyor-belt to offload a massive crowd on the college and only then will the fact of free education upto pre-university or degree level not be misused by multitudes of students who do not really require specialised education.

Even more important is the urgency to align technical institutions at the pre- and post-degree levels in accordance with the emerging needs of society. Just like a matriculate, the product of a polytechnic should have the least difficulty in fitting into junior technical jobs, leaving it to the greater specialists to direct and mastermind at the higher levels of technical decision-making. There can, of course, be no complete dichotomy of engineering skills between the two levels. But, if the aim is to establish agro-industries and enlarge the coverage of the small-scale sector into spheres where it will both be a consumer and ancillary for the organised sector, it should be fairly easy to create satisfying jobs for all levels of skills. That is the situation in which much of the distortions in job opportunities and placements of technical personnel in the wide scatter of employments will get eliminated as a matter of course.

Needing a Good Deal of Persuasion

All this will require a good deal of persuasion. Instead of addressing themselves to this task, our politicians have been persisting in their hunger for cheap popularity by making it appear that every child born in this country has the prescriptive socialist right to receive the highest type of education and, therefore, free education should be extended step by step to the highest reaches of technical and non-technical qualifications. Nothing can be more wasteful of the resources of the country than this. On the contrary, what is required is to sustain individual volition to acquire the desired competence by making the degree qualification unnecessary except in a minority of cases. It is easy to whip up emotions by saying that such a policy is anti-commonman, being weighted in favour of the richer

classes of society. A moment's thinking should convince any one that there can be no sinister motive at all in this. If there is any motive at all, it is to ensure that the university degree does not become a laughing stock but is made to be what it should be, while the school leaver is at the same time assured that he does not have to suffer specialist instruction merely to attend to a job which does not require that type of knowledge at all.

All this reform cannot be carried out in a short time. Scholars of repute used to say that one should not meddle with any educational set-up unless it is inescapable because any change cannot be reversed for the better except after having made a good number of pupils and a good number of generations guinea pigs. We are paying now for our unwillingness to recognise this elementary wisdom. Consequently

youth is chafing at establishment and is in ferment all over the country. The immediate task is to eliminate this by evolving procedures for student-participation in universities to induce a sense of belonging to the institutions instructing him. At the same time, the ability of the teacher should be firmed up so that the lecture neither becomes a lullaby nor is drowned in the animated conversation about their private affairs among students occupying all rows of benches from the first to the last. Much depends on the freedom available for original initiative both for the teacher and the taught. At every seminar, there has been a warm sound of applause on the mention of this suggestion. It is up to the academics and the Government to transform the suggestion into a package programme at the earliest possible moment and within the shortest time possible. —SR

Headaches from the Revalued Rouble

The realignment by the Soviet Union of its non-convertible rouble with 22 foreign currencies lowering the value of all of them except the Japanese yen has thrown yet another spanner into the works so far as India's foreign trade is concerned. Since the rouble has gone up in value by 2 per cent against the British sterling and since under the rupee-pound parity, the rupee has already been devalued by 5 per cent, the latest Soviet decision involves our overall devaluation by 7 per cent. This implies that for earning the same quantum of roubles, India will have to export more while Soviet sales to India will have become costlier by the same count. This presents the future prospects of our rupee trade in a duller light than ever.

USSR—Largest Importer of Indian Goods

It may be recalled in this connection that foreign trade figures for 1970-71 showed that the Soviet Union had emerged as the single largest buyer of Indian goods pushing the United States, Japan and Britain res-

pectively to the second, third and fourth positions. The change in the direction of trade was due to a 19 per cent increase in export to the Soviet Union and a 13 per cent decline in exports to the USA. Indian exports to the USSR rose to Rs. 209.8 crores in 1970-71 against Rs. 176.4 crores in the previous year. This contrasts with the decline in exports to the U.S. to Rs. 207.3 crores from Rs. 238 crores during this period. According to the existing arrangement, Soviet purchases of Indian goods will increase by 8 per cent at best and by less than 7 per cent at the worst. Against the devaluation the rupee has suffered against the rouble, it can only mean that there will be no increase or only a marginal increase in Indian exports to the USSR. To provide for a 5 per cent growth in Indo-Soviet trade and to wipe out the adverse effects of the revaluation of the rouble, trade at a very much higher level than that contemplated in the recently initialled Indo-Soviet protocol will be necessary. How far the Soviet Union will be prepared to oblige can only be a matter of conjecture at present.

What is evident is, however, the unpalatable truth that the rupee trade can make-do for shrinkage in trade elsewhere. With large resources of gold and with an over-controlled foreign trade sector, the Soviet Union is likely to go in for garnering the maximum benefits possible under the circumstances of a higher gold price and a capability to keep trade surpluses bulging in the right dimension to sustain the revalued rouble. So far as India is concerned, new constraints are likely to develop with or without USSR agreeing to buy more. Larger purchases, as past experience has shown, will induce re-exports in much larger dimension than had been witnessed in the past to the mortification of Indian exporters in West European markets. Smaller purchases or purchases at the current level will introduce serious difficulties in servicing the same volume of imports from Russia or a much larger volume that may be necessary because of increasing inter-twining of the Indian economy with Russian supplies. Anxiety on this score is likely to be intense because, between 1955 when the Bhilai Steel plant was started and now, the

number of projects has grown to 70 from one.

If, as was stated in the two-day New Delhi seminar on "Nehru and economic co-operation with socialist countries" organised by the Institute for Social Education, "the growing economic relations with the East European countries and the Soviet Union are on the basis of complete equality and mutual self-interest" the time has certainly arrived now for the Soviet Union to demonstrate it is so. Much of past criticism in the Indian press about the costliness of Soviet goods and their comparatively poorer quality had been brushed as prejudiced. Yet time and again, during seminars on Indo-East European trade

and purchase management it was pointed out that a good part of the criticism was valid.

Closing the Gaps in Indo-Soviet Trade

What is more disturbing is the fact that the need to close gaps in Indo-Soviet trade at a very much higher level than had been envisaged originally is likely to create difficulties in keeping the pace of our export sales in free foreign exchange areas. In these areas, much of the trade liberalisation that is taking place under the generalised scheme of preferences is being offset by the revaluation of European currencies vis-a-vis the dollar and indirectly against the

Developing Countries May Face Stiffer Debt Problems

Both economically and politically, the Third World appears to be in for hard times. Some of them are singled out by one great power or other for positively inimical action. India, for instance, has to face the cessation of economic aid and supply of arms to her sworn enemy. Others, Israel or individual Arab nations or the divided halves of Indo-China have to face up to the hostile attitudes of one or more of the great powers. For their political troubles, the weaker nations are not altogether blameless. They do not mind being treated as pawns in the games of the super powers.

Interest of Developing Nations

It is, however, in international trade and finance and their own economic development that current trends appear to run more strongly against them than in the past. The Lima Conference was indicative of a new awareness of the dangers. And the demand was made that in the decision of the advanced industrial nations on currency parities and the dollar price of gold the interests of the developing countries should be given adequate consideration. But as things have turned out, "the almost exclusive preoccupation of the rich countries with their own problems delegates the development of the third world to that of being a casual by-product of out-

put and demand in the industrialised countries." Senator Perez Guerrero, the Secretary General of the United Nations' Conference on Trade and Development has stressed the fact the "the decision to increase the dollar price of gold from 35 dollars to 38 dollars an ounce has meant an automatic increase in the dollar value of the gold reserves of the non-Socialistic countries by 3000 million dollars, of which the developing countries only account for 275 million dollars."

The report of the UNCTAD has expressed the fear that the pressure of the debt problem of the developing countries may increase during the 'seventies and a larger number of countries than in the 'sixties will be faced with a difficult situation. During the period between 1965 and 1969, notwithstanding an increase in official loans and grants from 8.8 billion dollars to 10.2 billions, the net transfer of resources, after allowing for amortisation and interest declined from 5.4 billion dollars to 5.2 billion dollars. Amortisation and interest payments rose from 39 per cent of the inflow to 49 per cent. The poorest countries had the largest decline in the net receipt of resources from abroad. The loss on account of realignment of currencies can be compared with the loss which the developing countries sustained in the past as a consequence of the fall in the prices of primary products.

rupee. To the extent the rupee-pound parity has been marked against the rupee by 5 per cent and full advantage of the dollar devaluation for the rupee has not been taken, Indian two-way trade with Western Europe, the USA and Japan has been tilted against us. In this situation the two-fold problem confronting India is how best it can keep its hold on these markets and how soft it can keep its trade relations with the USSR. If the 7 per cent annual growth in exports is to be hit alongside of correcting the consequences of revaluation of foreign currencies in general, the trade plan has to be revised in order to provide a net addition of Rs. 200 crores per annum in export earnings.

The task is being rendered all the more difficult because export surpluses are becoming difficult of expansion. If shortages in supplies of steel and non-ferrous metals besides in agricultural raw materials like raw cotton, jute and oil seeds are not corrected by arranging for adequate imports and for increased domestic production, industrial output will not break-even in the requisite manner between consumption and exports. The remedy is not to deny the domestic consumer his supplies. Nothing can be more calamitous than this especially because domestic production requires such sustenance of domestic consumption to keep running, with exports still remaining only a small portion of this. The pacing up of the Green Revolution will have to concentrate on removing shortfalls in supplies of agricultural raw materials. At the same time the income generated by the Green Revolution should be allowed to fulfil its destiny, viz. a higher living standard involving expansion of consumption beyond the traditional area. Great problems are likely to be posed by our obligations to Bangla Desh which is said to require Rs. 2,000 crores for its rehabilitation. It is the responsibility of our ally, the Soviet Union, to assist us in this economic emergency with the same amount of sincerity and alacrity it had demonstrated during the recent Indo-Pakistan conflict. At the same time, the other industrialised countries cannot deny us whatever assistance is due to us, now that Bangla Desh has become a historical fact. —RS

INDUSTRIAL ECONOMIST

CITY CORNER

The End of the Eight-Month Long Agony

Madras with the rest of the country greeted the liberation of Bangla Desh. Processions, parades and public meetings marked the celebrations of the historic triumph of the Indian armed forces and Mukti Bahini over the occupation forces of West Pakistan. People in all walks of life and of all shades of opinion heaved a sigh of relief that the tragic suppression of the citizens of Bangla Desh by West Pakistan colonialists and the war which had been forced on India by Pakistan had ended bringing to a close the eight month agony of the Bengalis in what was once East Pakistan.

The State Assembly adopted a resolution congratulating the Indian armed forces on their remarkable victory, praising the Prime Minister's direction during the critical days and admiring the heroic sacrifices made by the people of Bangla Desh to win their freedom from West Pakistani colonialism. Apart from the contribution made to the Defence Fund by industrialists, workers of all categories and institutions like the banks, the State Government is organising a special collection of Rupees ten crores. It is being planned to get the Prime Minister to visit the City at her earliest convenience so that this sum could be handed over to her personally at a function.

The fine performance of the Madras Regiment which gave a telling blow to the Pakistan army in Bangla Desh and collected a huge ordinance bounty was a matter of particular satisfaction to Tamil Nadu whose factories and farms worked overtime during the emergency to support the war. Gunner Arumugam from this State showed rare courage and was awarded posthumously Maha Vir Chakra. There were quite a few others from the State who were similarly honoured for their valiant role in the war.

The Avro Tragedy

The City received with great shock the disaster which overtook the Indian Airlines Avro aircraft on a scheduled flight from Trivandrum to Madurai on December 9. The plane went down to its doom taking with it the lives of 16 passengers and all the four crew.

The cause of the accident is not known. As usual, an official enquiry into the plane crash has been instituted. The investigators will no doubt benefit from the first hand account of the passengers who were fortunate enough to survive the disaster and try to establish the cause. The question of Avro's airworthiness is likely to figure in the enquiry. But the local IA Manager drew attention to the good chat given by the Government of India to the Avro aircraft basing its decision on the findings of an expert committee and a task force set up by it. Still a section of the pilots of the airline clings to the

view that the aircraft's operation is subject to deficiency or defect. The controversy is about the capability of the Avro engine in relation to the load the IA management has set for this aircraft. The Commercial Manager of the IA at Madras has reassured the travelling public that the enquiry will be thorough and the correct cause exposed and the last thing they will do is to take liberty with the lives of the passengers.

In the meantime the enquiry into the plane crash by Mr. Justice Sadasivam commenced in the City. A number of persons including a couple of survivors in the crash gave evidence before the Judge. Pilots working with The Hindu Aviation Department deposed before Mr. Sadasivam. According to the evidence tendered by independent pilots, the transmitters and other communication equipment at Tiruchi and Madurai were faulty on the day of crash. They flew planes on that day near Madurai and Tiruchi and found they could not be heard at these airports in spite of their shouting from the flying aircraft.

The Pallava Transport Corporation

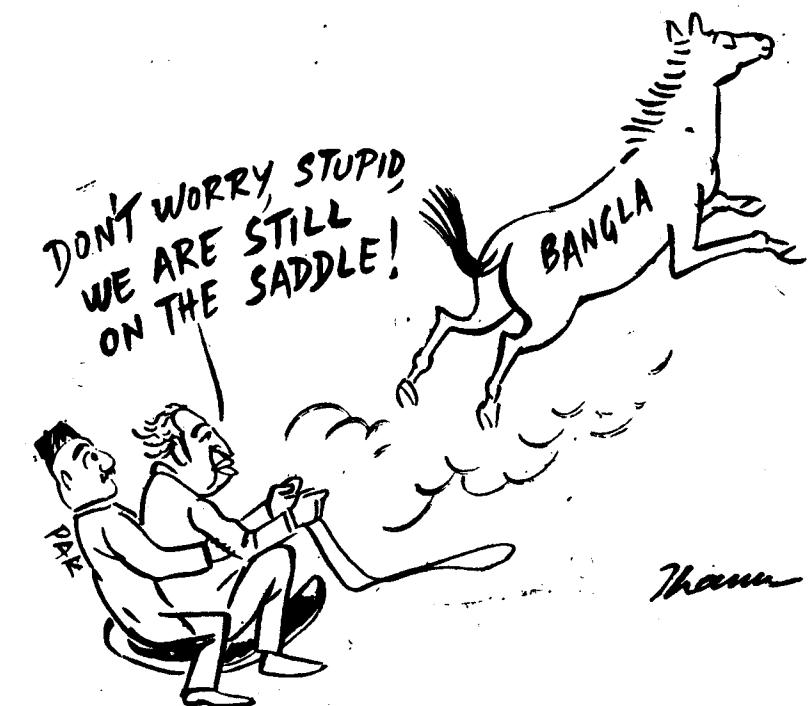
A State-owned Pallava Transport Corporation will begin functioning from January 3, 1972. The Corporation has already been registered. It is taking over the management of the nationalised bus services in

Madras and Chingleput districts. The Government of Tamil Nadu is introducing a new type of luxury bus for long distance travel on that occasion. The new model 51-seater luxury coach with special type of seats and cushion is being built at the State Transport Workshop in Chromepet. The first of the series is already ready and it is to be put on the Madras-Nagerecoil night service. In some months this type of bus is expected to replace the existing types of buses on the long-distance routes. The Transport Minister S. Ramachandran announced to newsmen a series of super express bus services on the long distance routes to be operated during nights. He expressed the hope that the people would find them very useful.

Implementing Sugar Wage Board, Recommendations

At a tri-partite meeting of representatives of management, labour and government, it was decided that the recommendations of the Second Sugar Wage Board should be implemented with retrospective effect from November 1, 1969. The sugar mills in the South have agreed to pay the wage arrears before January 19, 1972.

It was pointed out by the sugar mills' association that the higher wage demand and "retaining allowance" during the off season would be left for negotiations and referred to the Government if there was no agreement.



INDUSTRIAL ECONOMIST

Augmenting Tamil Nadu's Power Potential

The Tamil Nadu Electricity Board has to think of further ambitious expansion schemes for creating generating capacity in the current decade in order to meet a growing demand which is expected to increase at a faster rate than has been recorded so far. Presenting the Annual Report of the Board to the Assembly, the State Minister for Electricity, O. P. Raman indicated that in spite of big additions to generating capacity in the past few years, it was still found necessary to purchase power from outside source. As the purchases from Kerala and Mysore cannot be made on the same scale and will not also be available for all time, it has been emphasised that for meeting immediate requirements the capacity of the Ennore Thermal Station should be increased by installing a fifth set. The third unit of 110 MW is expected to be ready by the middle of next year and the fourth sometime thereafter. In view of the delays that may be experienced in implementing entirely new schemes it is felt that there should be advance planning for erecting the fifth set. It will be helpful if this capacity can be much higher at 150 MW or even 200 MW.

Delay in Implementing Kalpakkam Station

There has been some delay in implementing the Kalpakkam Atomic Power Station. It is expected that the first set will be ready only by 1975. The second unit should be commissioned immediately thereafter. The facilities at Kundah are also proposed to be fully utilised by creating additional capacity while it is hoped that with the augmentation of the storage levels of the reservoirs at Pykara and Moyar, additional energy can be made available with the same generating capacity. In the Parambikulam-Aliyar project too some improvement can be effected while it is hoped that both the units of the Kodayar Project will be making their contribution to the grid. With a better use of the capacity of the neighbouring thermal stations, the immediate requirements can be met without difficulty especially as there will also be export of power from Kerala and Mysore.

It has, however, been estimated that even with the creation of new capacity, there will be a gap between demand and availability and the gap will become more pronounced as the years pass by. The State Electricity Board is naturally anxious to execute new hydel projects which, though not as economic as the earlier ones, will still be cheaper than thermal stations. There will also be the advantage of reducing dependence on imported coal. Thus the Saravallur Project under the upper Thambaraparani Scheme and the Suruliyar Project in Madurai District are proposed to be taken up besides investigation on other schemes. It is also felt that a pump storage scheme in the Aliyar-Parambikulam Project can be implemented for creating 100 MW capacity. But these projects will take time to be implemented. Meanwhile, in order to take care of future demands it has been

suggested that a large-sized thermal station based on a second mine cut at Neyveli should be brought into being.

Second Super Thermal Station at Neyveli

The idea of a second super thermal station in the Neyveli area has been mooted for sometime and it is necessary to start work on the second mine cut if the adequate quantities of lignite are to be available for supporting another thermal station with a capacity of 600 MW if not 1000 MW. The earlier proposal for another thermal station at Tuticorin has also been revived besides a proposal for establishing a second atomic power station in one of the southern districts. It will be clear, therefore, that new capacity will be mainly in the form of thermal or atomic power stations and the aggregate capacity will have to be easily 2000 MW calling for an investment of over Rs. 600 crores. This will call for an intensive mobilisation of resources and a strengthening of the finances of the Electricity Board.

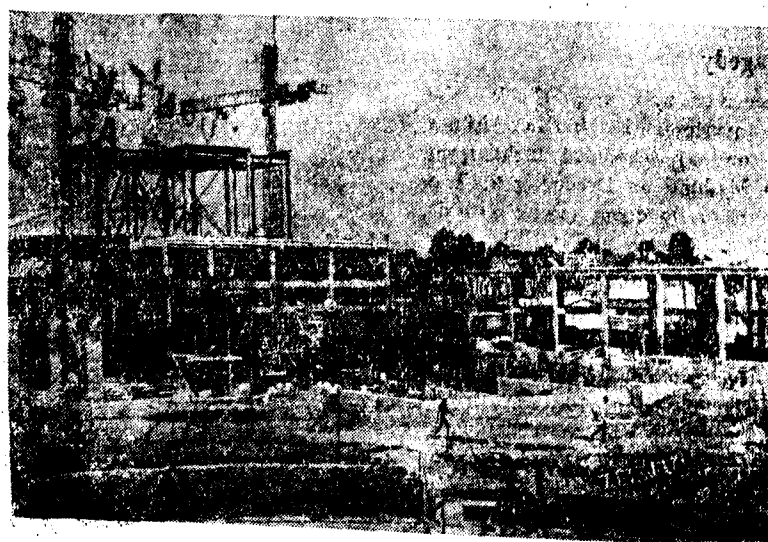
Energising 50,000 Pumpsets a Year

In view of the heavy subsidies involved in the supply of power for agricultural purposes and rise in generating costs, the Board has been obliged to charge fairly stiff rates to its consumers particularly in the thermal areas. As its generating costs will rise further, with an increase in the capacity of the Ennore Thermal Station and Neyveli Lignite Corporation also is demanding an increase in the price for its supply of power, the Board's operating margins will be affected adversely if it did not reduce its commitments in respect of agricultural loads. This commitment is increasing every year as more and more pumpsets are being energised. Even by March 1971, 5.3 lakhs sets were in operation in Tamil Nadu accounting for over 33 per cent of all pumpsets electrically driven in

the whole country. The objective is to energise additionally 50,000 pumpsets every year. There is also the programme of rural electrification of villages. An intelligent scheme has been formulated by which four districts will be completely electrified before 1971 end and it is now confidently expected that all hamlets and villages will have power by the end of 1972. With the construction of a vast network of transmission lines and distribution facilities, there is naturally loss of power which is estimated at 17 per cent against the allowed proportion of less than 14 per cent. Fresh investment will have to be effected for avoiding this loss apart from the building up of loads in weak areas.

The Board is aware of the problems at issue and a working group has been examining how the Board's finances can be strengthened. Fortunately, increasing sales of power in many directions have enabled a smart increase in revenues and interest charges are expected to be covered in the current year to the extent of nearly 65 per cent.

As the Board can expect assistance from Rural Electrification Corporation and World Bank only if its schemes were viable and its finances in good shape, a practical approach will have to be adopted. There can at best be marginal concessions for development purposes after sustaining industries in their earlier stages of growth. Since Tamil Nadu has special disabilities, it has not much scope for sustaining heavy subsidy. Alternatively, the Government should be prepared to meet these subsidies out of the revenue it derives from the duty on consumption.



The Atomic Power Project at Kalpakkam is taking good shape. The first phase of the project will bring in a capacity of 200 MW of power by early 1975. Picture shows a view of the Turbine Building for Unit 1 under construction. The second phase will have another 200 MW capacity.

Plenty of Power for Pumpstes

Against the total of 15.65 lakh pumpsets energised in the whole country, Tamil Nadu's share is 5.14 lakhs. By any standards this is an impressive record. This not only reflects the earnestness of the State Government in bringing power to augment agricultural production, but also the enthusiastic response of the farmers.

It is interesting to analyse this position in the State, districtwise. Table I shows this clearly. North Arcot, with 2,46,052 wells, takes the first place in the State; more than one lakh wells have been energised. The district with the least number of wells is the mountainous Nilgris and even here a major portion has been energised. In relation to the population, this State has the maximum number of wells in the country and as at present, 47.5 per cent of them have been energised.

Rural Electrification :

In the whole of the country, Tamil Nadu takes the third place in rural electrification, accounting for 79.5 per cent electrification in relation to the entire rural area. The first two States are Haryana and Kerala.

As with lift irrigation, even here the performance of the State has been making good progress. Making a modest beginning with 1495 villages on March 31, 1951 it has reached an impressive figure of 11,171 villages in an area of 14,124 villages, as on March 31, 1971. This is to be contrasted against the performance of all-India, where the 1,50,000 villages electrified account for only 18 per cent of the total villages as on March 31, 1971. Before the end of 1972, the Government proposes to cover the entire State.

A perusal of Table II will indicate this position clearly and also show the achievements of Tamil Nadu in this regard.

All through the Plan periods this has consistently progressed. While the annual rate of energising wells during the First Plan was 3,600, this has made a spectacular progress during 1970-71 by reaching 60,000. The Government proposes to increase this year by year at this rate. Already the impact of this imaginative programme has yielded rich dividends in the form of higher agricultural yields.

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INDUSTRIAL ECONOMIST

The Fortnightly on Industry & Finance—

Published from Madras

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MADRAS-17

TABLE I

WELLS ENERGISED IN THE DISTRICTS OF TAMIL NADU

District	Area Sq. km.	Population Lakhs	Wells	No. energised as on 1-7-71
1. Chingleput ..	8,171	28.89	67,363	46,550
2. Nilgris ..	2542	4.91	182	153
3. North Arcot ..	12,148	37.38	2,46,052	Over a lakh
4. Tirunelveli ..	11,415	31.94	58,544	33,769
5. Madurai ..	12,610	39.31	80,368	52,697
6. Coimbatore ..	15,603	43.57	1,48,763	1,01,043
7. South Arcot ..	10,899	36.06	1,30,657	54,268
8. Kanyakumari ..	1,672	12.28	800	569
9. Tiruchi ..	14,236	38.44	1,34,302	43,071
10. Salem ..	8,574	29.86	1,59,897	64,370
11. Thanjavur ..	96,845	38.32	35,676	6,990
12. Ramanathapuram ..	12,506	28.57	39,975	24,082
13. Dharmapuri ..	9,628	16.74	40,689	15,818
TOTAL ..		386.27	11,43,268	5,43,380

Percentage of wells energised in relation to total wells: 47.5

New Tariff Structure for Power

The Tamil Nadu Government has taken a decision on the rationalisation of the power tariff structure which will be effective from the beginning of the new year. The Tamil Nadu Electricity Board had difficulty in reconciling conflicting objectives and preventing also an undue increase in electricity charges. As the Working Group's recommendations have been largely accepted, the Government could avoid an undue increase in the charges in many directions. There will, however, be a heavier burden on

the users of electricity in bulk for non-industrial purposes while there will be an increase in the basic rates by 10 per cent even for industrial purposes other than electro-chemical processes, in both the hydel and thermal areas.

Surcharges Merged with Basic Rate

Under the new arrangement, all the surcharges have been merged with the basic rate while the Government has been agreeable to the incorporation of the whole of the

TABLE II

RURAL ELECTRIFICATION IN TAMIL NADU

S. No.	Year	Census villages electrified				Percentage to total	
		Tamil Nadu	All-India	Tamil Nadu	India	Tamil Nadu	India
1.	Upto March 31, 1951 ..	1,495	3,623	10.6	0.64		
2.	I Five Year Plan upto March, 31, 1956 ..	2,430	9,609	17.2	1.89		
3.	II Five Year Plan upto March, 31, 1961 ..	5,919	25,453	42.0	4.50		
4.	III Five Year Plan upto March 31, 1966 ..	7,208	44,494	51.0	7.90		
5.	Upto March 31, 1970 ..	10,272	86,176	72.0	15.90		
6.	Upto March 31, 1971 ..	11,171	1,50,000	79.5	18.06		

Tamil Nadu India

Total number of Census Villages: 14,124 5,66,878

electricity duty in the rate applicable to low tension consumers and 50 per cent of the duty in the rate concerning high tension consumers. There will be an increase in the rate for agricultural load inclusive of the duty by 11 per cent. Domestic consumers, however, will get some marginal relief and electro-chemical industries may heave a sigh of relief as they will not have to bear a heavier burden immediately.

The State Electricity Board has done the best of a difficult job though it may be legitimately complained that the rates in Tamil Nadu are higher than those in neighbouring States particularly for industrial purposes. Heavy chemical, fertilizer, calcium carbide, aluminium and other industries will be developed further only if there was an assurance that there will be no upward revision in the rates in the foreseeable future. As a result of these adjustments, the Board will be getting an additional revenue of Rs. 5 crores while there will be a transfer of Rs. 7.5 crores from the Government to the Board as a result of adjustments in the duty. Even so the Board will be losing Rs. 8 crores annually as a result of subsidised supply for agricultural purposes. The farmer may grudge to pay 12 paise per unit against 10.8 paise levied until recently. But even the revised rate will entail a loss of 8.2 paise per unit because it has been estimated that the cost of power at the terminal point is 20.2 paise per unit. If the Board had not brought into force the revised rates there would have been heavy arrears in interest charges which it was estimated would swell to Rs. 17 crores by 1973-74.

Industrial Economist

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1972

I BELIEVE...

A Piece of Redundant Legislation

I believe that the proposed bill of the Union Ministry of Health and Family Planning to raise the age of marriage of boys to 21 and of girls to 18 from 15 is likely to be mistaken for redundant legislation. This is because, in recent years, our boys and girls have been postponing marriage until they can be sure of standing on their own legs or unless they have completed the desired course of education. The census of 1971 has made a study of these trends in one per cent of the rural development blocks and 2 per cent of urban blocks. It finds that the average age of marriage is between 16 and 17. Which means that we have travelled a long way from the days of the 1929 Sharada Act banning child marriage.

The point, however, is that the average would have been higher but for the pull exerted by lower average marriage age figures for backward areas. In fact the gulf between these areas and the rest of the country is very wide indeed. In the lower middle income groups, the restraint on the marriage has been either the dowry or the dependence of the family on the income of its unmarried daughters. In these and other higher income tiers, youth has begun to postpone marriage by choice as well in view of the mental reservations of the educated young against tying up their personal budget into uncertain and, in many cases, irresolvable knots. So far as the backward areas are concerned, the trend has been in the opposite direction, which is the main reason

why a bill to amend the Sharada Act has been proposed.

Last year it was reported that, in Haryana, 69 per cent of the girls and 38 per cent of the boys got married before they were 15. The reason for this is the blind accord with tradition which demanded that marriages should be celebrated before any feeling of lust could develop. In many cases, marriage being fixed by parents, the emphasis is on securing matches within the given subcaste or sect. And whenever there was a fear that brides or grooms were likely to be in short supply, there developed a scramble for matches irrespective of the age of the couple concerned.

Providing Teeth to Sharada Act

The Union Ministry of Family Planning's new bill seeks to provide teeth to the Sharada Act. Not only provision is to be made to educate people about the unwisdom and the economic risks of child marriage, but the enforcement machinery is to be vested with the responsibility of bringing to the notice of the Government for suitable action, breaches of the law. There is a proposal to make punishment for the offence much more rigorous than at present. There can be no doubt that, with proper cognisance of the offence and the awarding of suitable punishment, some wholesome fear will be instilled in the minds of would-be law-breakers. The question, however, is: will it be enough? This is because, sociological

backwardness in ideas being what it is, evasion is likely to be more powerful than the law. The path of evasion is always many-sided. In this case, two such sides can be identified: One is that corruption may be the means to induce collusion in the breach of law even on the part of the enforcement machinery. The other is that, traditions being capable of dying hard, offenders can somehow get political pressure to bear upon the Government to desist from action. Both these dangers have to be carefully guarded against, if the bill is not to become an ineffective weapon.

In the explanations offered by Government spokesmen, much is said about how the bill can help hold down population growth through postponement of marriage. What should not be overlooked is, however, basic truth that the lesson of family planning has been sunk well in large areas of the country. But child marriage is a different kettle of fish. It is forced by the lingering sociological crudities. Precisely for this reason, it will be better if educating the masses about the objects of the bill is given primary importance, without sacrificing whatever deterrence is possible by utilising the services of the minions of law and order against child marriage.

—Horace.

Steep Rise in Price of Rice

In spite of the repeated observations by the Union Minister of State for Agriculture, A. P. Shinde, that the output for 1970-71 constituted an all time record at 107.8 million tonnes and there is the prospect of a further rise in output to 112 million tonnes, there has been an awkward increase in prices for rice in some parts of the country where production has been affected by adverse weather conditions. It is naturally complained by consumers that not much tangible benefit has been derived by them out of an improved food situation and that pulses and rice are quoting at the highest levels in recent years. This has naturally given rise to doubts about the veracity of the estimates of production. Alternatively it is argued that excessive procurement of wheat and some other cereals has created needless shortages while it is feared that there may even be large scale smuggling across the borders. The additional requirements for feeding refugees from East Bengal may have also been responsible for a reduction of the actual surplus.

Marginal Decline in Wheat

It must be said, however, that no difficulty has been experienced by the Food Corporation of India and other agencies in procuring wheat and coarse cereals and stocks of foodgrains rose by nearly 3 million tonnes to 8.7 million tonnes between March and July

this year. Mr. Shinde has actually stated that even with releases from stocks held by the Food Corporation and the States, aggregate stocks stood at the end of September last at 7.5 million tonnes. This situation has come about in spite of a reduction in imports. There were only a little over one million tonnes of stocks upto the end of September. An analysis of the price trends shows that there was even a marginal decline in wheat and only in respect of rice there has been a spurt recently. With the damage caused to the standing crop in Orissa and a reduced output in Andhra Pradesh due to drought conditions there may be a return to normal conditions only after the Kharif harvest begins to be marketed. It must be known whether there will be an increase of at least 2 million tonnes in the output of rice to 47 millions tonnes and whether it would be possible to feed the population completely with its needs of wheat after imports are suspended completely.

There should have been sizable marketable surplus in the last year if the estimates were realised. For, between September 1970 and September 1971 advances against procured foodgrains by the scheduled commercial banks rose to Rs. 375.2 crores from Rs. 164.9 crores representing a net increase of Rs. 210 crores or the equivalent of

3 million tonnes. This clearly indicates that the additions to buffer stocks of this order in 12 month period came about even with the removal of statutory rationing of wheat in Maharashtra and the consumption of cereals by about $\frac{1}{2}$ million tonne by refugees. It may not, therefore, be incorrect to say that self-sufficiency in food production was reached in 1970-71 and there was even a marginal surplus.

A good portion of the increase in production in 1971-72 should be surplus to the immediate requirements of the country. It may even happen that there would be a marginal surplus of wheat as between 1964-65 there has been a doubling of wheat production. If it is assumed that consumption in the former year was 15 million tonnes including imports, it would be legitimate to presume that there would have been an increase in consumption for not more than 25 per cent. Even allowing or a higher standard of consumption and a switchover to fine cereals from coarse grain, it is on the cards that there is even a sizable surplus in wheat production and this is the main reason for the ease with which procurement operations could be completed by the Food Corporation in April-July last year.

Shortage of Railway Wagons

There will, therefore, be need for procuring at least 2 million tonnes of wheat in 1971-72 if the output rose to above 24 million tonnes. In respect of rice, there may not be any

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surplus as the consumer would be grateful if there was freer availability and the promised breakthrough in rice cultivation took place. If there was also an increase in the yield of coarse cereals by over one million tonnes, the Food Corporation may have to procure sizable quantities of these grains as well. Already it has been reported that there has been slump in prices for coarse grains and gram in Rajasthan due to bumper harvest and difficulties to the movement of harvested

produce. The shortage of railway wagon due to the use for defence services may have been partly responsible for the fallen prices. But it is expected that similar trends may emerge in other States, as it has been indicated that the standing crops are good in Punjab, Haryana and Uttar Pradesh in spite of heavy floods.

There was, therefore, the paradox of heavy procurement operations out of kharif and rabi

crops in respect of wheat and coarse cereals, while the rice situation will become normal only if there was an increase in production by more than 1.5 million tonnes. The developments in the next six months will, therefore, clearly indicate whether self-sufficiency in food-grains had been comfortably reached and larger marketable surpluses would be available even if there was the prospect of production in 1972-73 being maintained only at 112 million tonnes.

MISCELLANY

The Union Government has issued a letter of intent to the Andhra Pradesh Industrial Development Corporation for setting up a Rs. 6 crore mini steel plant in Khammam district of Telengana, Andhra Pradesh. The APIDC had applied for licence to start a sponge plant along with the mini steel plant at a cost of Rs. 2.5 crores. It is hoped that the Centre would shortly issue a letter of intent for this.

A nylon factory was proposed to be set up in Rayalaseema and steps were being taken by the State Government in this regard.

Sectional Tyre Eliminates Blow-outs

The invention of an ingenious "sectional tyre" has eliminated the problem of flat tyres in the United States.

The tyre consists of 12 segments, each self-contained and inflated through its own valve. The novelty of this tyre is that it will continue to function normally even if one of the segment is ruptured. There is no danger of high speed blowouts and the necessity of carrying a spare wheel is eliminated.

A few extra segments is all that is needed for emergency replacements. During winter the sections can be rotated slightly to offset their edges for aided traction on snow.

Polyester Foam Project in Andhra

A letter of interest for manufacturing polyester foam laminated cotton-silk-leather-PVC fabrics in Andhra Pradesh has been issued by the Centre to Indian Foam Industries.

The firm has been issued the letter of intent on the recommendation of the State Government. The capacity of the new industrial undertaking would be 700,000 metres per annum and 480 tonnes of polyester foam cushions and the like.

The capital cost of the project is estimated at Rs. 15.2 lakhs.

REMCO to Produce Tape Recorders

The State-owned Radio and Electrical Manufacturing Company (REMCO) will produce tape recorders from April next, Mr. N. R. Doraiswamy, Managing Director of the Company told newsmen recently. He said the tape recorders should not cost more than Rs. 300 to 350. He said the company had received an order for 10,000 car radio sets from the USA.

o—Bulgarian Trade Protocol

India is to export to Bulgaria steel wire mesh, steel pipes, iron and steel castings, machine tools, textile machinery, industrial machinery, hand-tools, sewing and knitting machines, bicycles components and spare parts, various chemicals, drugs and pharma-

Mini Steel Plant for Andhra

ceuticals, paints and pigments, in addition to traditional goods and new items like sports canvas shoes, consumer items like pins, needles, scissors, silk fabrics, readymade garments and handicrafts under the 1972 trade protocol signed recently.

The protocol envisaging a trade turn over of Rs. 65 crores, also provides for import from Bulgaria of urea, rolled steel products,

caprolactum, chemicals and pharmaceuticals. The new items of imports will be polyester fibre and yarn, photographic base paper, ships, soda ash and straw and viscose cellulose.

The protocol, effective from January, 1, 1972, also envisages the possibilities of furthering industrial and technical cooperation to diversify the trade between the two countries.

Scientific Evaluation of Purchasing Department

by

PROFESSOR SHAKOOR KHAN

AND

A. B. ARUNACHALAM

Modern business in many respects resembles a machine with its parts separately functioning, but interlinked to generate motion to achieve the manufacturer's purpose for which it is designed. Especially, an industrial organisation being of complex nature, each function assumes its own importance and responsibility. Purchasing of material and its preservation is important. If it is not managed efficiently, the effect of that will undoubtedly reflect adversely on overall functioning of the organisation. Thus, purchasing function is an essential ingredient of all commercial planning including manufacturing, advertising and marketing. Its evaluation, unlike the evaluation of sales and production departments, is more difficult, as there is no yardstick or method by which we do this job. Merely by looking at the ratio between the total value of materials purchased and the total expenses of the purchasing department, we cannot conclude whether there is an improvement or deterioration.

Impossible to Establish Absolute Yardstick

In 1947, the Commission on Development of Methods for evaluating the purchasing function of the National Association of Purchasing Agents (U.S.A.) reported that it was impossible to establish an absolute yardstick or mathematical formula for evaluating performance. However, it is now an accepted fact that the performance of purchasing management and its allied operation can be appraised by a thorough examination of the objectives of purchasing, of the performance of the head of the purchasing department and by evaluating data about processing time and routine, the total expenses of running the department, materials, cost ratio, volume of transactions, etc.

An appraisal of the purchasing performance must give due weight to its unique

profit making potential. While doing so, wherever commendable work is done by the buyer and his subordinates, they should be congratulated by the top officials and mistakes, if any found, should be brought to the notice of the person concerned to avoid recurrence.

A question would arise as to who can evaluate and how. There are two ways of evaluation. One would be for the management to appraise periodically and the other would be to call in competent outside individuals or groups once in every three to five years. The management can constitute a team as Management Audit in the former case, to evaluate the purchasing and materials management. The head of the purchasing department can also control and see the performance by analysing the statistical reports prepared every month by statistical cell of the purchase department. In the latter case, public enterprises as HMT, HEIL, etc., may invite experts from outside, who have been doing consultancy service in India and abroad.

Random Audit

A Management Audit Group has been established in HEIL, Bhopal for main production planning division, to make a random audit of the performance of the inventory management, but this group does not appraise the performance of the purchasing department. In many public enterprises post auditing has been entrusted to the Accounts Department of that undertaking who minutely check the actions taken by the personnel in purchasing department. But their check will be only from the financial point of view and will not bring out any solution. There is a growing feeling that the Accounts Department is very much interfering in the day to day smooth functioning of the public sector undertakings.

It is further suggested that management of public undertakings should arrange for the evaluation of the purchasing department every year, which would further assist the one which is already in more or less scientific manner.



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Fair Price to Cardamom Growers

The Union Government proposes to offer support price to cardamom in view of the fall in price in the internal market and record production, Union Deputy Minister for Foreign Trade A.C. George told newsmen recently.

He declared that the Government would not fight shy to enter the cardamom trade to ensure a fair price if there was a steep fall.

Mr. George attributed the crisis partly to the fear of Indian exporters that their goods might not reach their destinations in view of the threat of war in the sub-continent.

The international price has fallen steeply, he added.

Mr. George said besides offering the support price, the Government was also contemplating to give subsidy for pesticide and fungicide to the cardamom growers.

Mr. George said it was also proposed to extract cardamom oil and produce cardamom coffee which had good market in the Scandinavian and West Asian countries.

Mr. George said he had recently inaugurated a scheme to help the cardamom growers to tackle the slump in the market, under which three banks would advance credit to the extent of 75 per cent of the value.

Custom-made Babies in Utopian Motherhood

An American embryology professor says future scientists may be able to eliminate accidental pregnancies and produce custom-made babies by deepfreezing female eggs and male semen.

A woman could hire a "mercenary mother" to grow her egg into a baby, writes Prof. Rober Francoeur in his book "Utopian Motherhood", published recently.

At puberty, Prof. Francoeur says, girls could be given a fertility treatment to "shock" them into producing several dozen eggs at once. These could be labelled and stored in deep freezers. Boys' sperm will get the same treatment.

The youngsters then would be permanently sterilized, the embryology professor predicts. When a couple later decided to have a baby, the eggs and semen from each could be unfrozen, the egg fertilised and then planted into the woman's womb. From that point pregnancy would be normal.

The book says the use of a "mercenary mother" may seem unlikely but would be possible once breeding techniques were worked out and the eggs and semen maintained frozen without deterioration.

BEL Equipment for IAF

The major equipment developmental programme to meet the requirements of the Indian Air Force has been entrusted to the Bharat Electronics, Bangalore and this has

progressed significantly. The BEL Research and Development Department has been able to design and develop over 80 different items successfully.

The percentage of foreign exchange content of completed production of the company has been on the rising side. Compared to 29.98 per cent in 1965-66, the foreign exchange content has risen to 35.36 per cent in 1968-69.

It has been recommended that effective and remedial measures should be taken to reduce dependence on imported components in this vital industry.

It is hoped that the newly set-up Electronics Commission would take special note of the recommendations made by the National Conference of Electronics held in Bombay last year and would take concerted measures to promote self-reliance in the industry not only to meet defence requirements but also to develop export potential. It urged that there should be very close cooperation, which has been lacking so far, between BEL and the National Physical Laboratory.

Rise in Electrical Equipment Export

Registering a notable improvement in export performance, electrical power machinery and circuit apparatus including switchgears earned a foreign exchange of Rs. 44.68 million in 1970-71 against Rs. 28.65 million in 1969-70.

The items in the export trade are generators and parts, electric motors, transformers, rectifiers and apparatus, choke coils, circuit breakers, motor starters, switch, fuse units, relays, switch board and control panel, control and switchgears.

The share of electrical power machinery amounted to Rs. 26.53 million while electrical circuit apparatus brought in Rs. 18.14 million.

One of the exporting units in the line Hindustan Brown Boveri Ltd., Bombay have, during May 1970-April 1971, secured an order worth Rs. 8 million from Iran for supply of conductors. The order is currently under execution. A repeat order for 220 KV air-blast circuit breakers has been received by the company from the Electricity Department of New Zealand after the successful completion of a previous order. Against stiff global competition, an order from East Africa for arc furnace worth Rs. 2 million has also been secured by the firm.

Soviet Aid to Expand Kotah Plant

The Soviet Union has agreed to assist India in further diversifying the product range at the Instruments India Ltd. at Kotah. This would enable the plant to manufacture sophisticated and modern range of products like control valve. These items are at present by and large imported for use in precision measurement and control instrumentation schemes. This diversification is expected to help greater self-reliance.

The precision instrumentation plant at Kotah was set up in 1968 with Soviet technical and financial assistance. It showed a profit of Rs. 20 lakhs in the first year of commercial production and in 1970-71 its profit shot up to Rs. 1.55 crores.

The turnover of the plant in 1970-71 was of the order of Rs. 5.3 crores. It is expected that the turnover would rise to Rs. 11 crores in two to three years.

India Can Dispense with Economic Aid

The Indian economy will be able to take in its stride the decision of the United States, Japan and Belgium to cut off aid to this country, according to knowledgeable sources. In recent years, the Indian economy has been moving towards import substitution, self-reliance and earning foreign exchange through expansion of exports. In any case, the net aid has been showing a perceptible downward trend from 1967-68.

As a percentage of investment, gross foreign aid rose from 6 during the First Plan to as high as 37 in 1967-68, but has fallen to 18 during the Fourth Plan. The net aid was still lower—rising from 5 per cent in the First Plan it went to as high as 27 per cent in 1967-68 but fell to 13 per cent in 1969-70 and to 8 in the Fourth Plan period.

Denied on Extraneous Consideration

The sources expressed surprise at the decision of these countries to cut off aid on extraneous grounds. They said it controverted the claim that aid was given without any strings attached.

Indian economy had been able to sustain itself against the falling rate of net foreign aid because of diversification and in fact, aid had lately become "less important". A major objective of the Fourth Plan is to reduce dependence on foreign aid by half.

There has, moreover, been uncertainty about US aid commitments following the August 15 package measures announced by the US President in disregard to the repercussions on the economies of the developing nations. The sources said the US decision was not totally unexpected following the world monetary crisis after the US package programme.

It is not clear which loans would be effected by the US decision—whether project or non-project aid.

The Japanese yen credit stood at Rs. 182 crores from 1958. But India had repaid as much as Rs. 159 crores—Rs. 105 crores in hard currency and the remaining amount through rescheduling. The Japanese credit is for non-project commodities like steel, components for manufacturing plants, trucks, tractors and power tillers, fertilisers and chemicals. It carries a 5 per cent loan to be repaid in 20 years.

The Japanese decision would hardly have any impact since most of these items could be produced indigenously with effort.

Company Meeting:

THE NATIONAL NEWSPRINT & PAPER MILLS LTD.

REGD. OFFICE: NEPANAGAR (M.P.)

Speech delivered by Shri Hari Singh, Chairman, Board of Directors, at the 24th Annual General Meeting of the Company held at Nepanagar on Friday, the 31st December, 1971.

Gentlemen,

It gives me great pleasure to welcome you to the 24th Annual General Meeting of your Company. The Directors' Report and audited accounts for the year ended 31st March, 1971 have been in your hands for some time now, and with your permission, I shall take them as read.

OVERALL PERFORMANCE

The Profit and Loss account for the year, shows a net loss of Rs. 52.25 lakhs after providing for depreciation of Rs. 56.83 lakhs and interest on Government loan amounting to Rs. 22.06 lakhs, as against a loss of Rs. 92.45 lakhs in the previous year. In my speech to you at the Annual General Meeting last year, I had mentioned that the use of imported pulp was not economical owing to its high cost, and as such your Directors had decided to limit the production to the availability of pulp from our existing plants. I may mention that the stoppage of the use of imported pulp has resulted in substantial savings as reflected in the drop in the loss during the year.

As interest charges on Government loan are a heavy burden on the financial structure of the Company, your Directors have already approached the Government of India for converting a part of the loan into equity capital.

The total accumulated loss upto 31st March, 1971, to be set off against future profits, is Rs. 90.14 lakhs. Besides, the Company is also entitled upto 31-3-1971, to a development rebate of Rs. 141.29 lakhs. To obtain a substantial benefit in Income Tax, arising out of our entitlement to development rebate, the Company is required to create a reserve of Rs. 105.47 lakhs by debit to the Profit and Loss account. However, due to losses in the last two years, no reserve could be created, apart from Rs. 23 lakhs set aside in 1968-69. Thus the balance reserve of Rs. 82.47 lakhs will also be a charge on future profits.

PRODUCTION

The production during the year, from both the machines, was 37,270 tonnes, including 1,057 tonnes of writing and printing paper, as against 39,275 tonnes of Newsprint in 1969-70. The drop in production during the year is due to the stoppage of the use of imported pulp. The Caustic Soda Chlorine Plant, with a rated capacity of 3,600 tonnes of caustic soda and 3,000 tonnes of chlorine, produced 3,354 tonnes of

caustic soda and 2,986 tonnes of chlorine during the year, as against 3,091 tonnes of caustic soda, and 2,743 tonnes of chlorine in the previous year. Your Caustic Soda Chlorine Plant, is a captive unit and as such its production is restricted to our actual requirements for the production of newsprint.

COST OF PRODUCTION

Though a substantial saving of about Rs. 181 per tonne was achieved during the year by stopping the use of imported pulp, the overall per tonne production cost during



SHRI HARI SINGH

the year showed a decrease of about Rs. 73 only when compared to the previous year's cost of production. This is due to a higher burden of overhead charges on lower production, and to an increase in the cost of wires and felts, chemicals, stores and rise in salaries and wages.

SALES

Sales during the year were 35,645 tonnes of newsprint and 1,040 tonnes of writing and printing paper fetching a revenue of Rs. 419.65 lakhs, as against the previous year's sale of 39,275 tonnes of newsprint yielding a revenue of Rs. 434.37 lakhs. Though the quantity sold during the year was less by 2,712 tonnes, which would have normally resulted in a decrease of Rs. 29.83 lakhs in revenue at the selling price of Rs. 1,100 per tonne, the actual decrease in revenue was only Rs. 14.72 lakhs. This was due to the extra revenue earned by the sale of writing and printing paper at Rs. 1,950 per tonne and to the revision of selling price of newsprint to Rs. 1,362 per

tonne in respect of the sales made through the agents.

The selling price of newsprint to the Press remained unchanged during the year under review. However, as a result of the repeated representations made by the Company, urging the need for revising the selling price of newsprint, I am happy to report that the Government of India has very kindly increased the selling price of newsprint to Rs. 1,362 per tonne with effect from 1-9-1971.

EXPANSION AND DEVELOPMENT

During the year under review the erection work of the causticizing plant was completed and the plant was partly commissioned. Except for a few items which are expected to be received shortly, all equipment for pulping and recovery plants have been received at site. The civil construction of the buildings for these plants is, however, held up owing to the non-availability of structural steel. Vigorous efforts are being made to procure steel through the help of Government of India. The expansion scheme is estimated to cost Rs. 1,269.13 lakhs, out of which the cost of machinery received and the civil construction works completed since the commencement of expansion upto 31st March, 1971, was Rs. 916.94 lakhs, of which Rs. 724.11 lakhs has been paid by that date, the balance being payable mainly on deferred payment terms. It is now expected that the entire expansion scheme will be completed by the end of 1973-74.

RAW MATERIALS

As you are aware, your Company holds on a long term lease certain bamboo forests in Khandwa, Hoshangabad and Betul Districts of Madhya Pradesh. The Company was also allotted from 1963-64 onwards seven bamboo felling series in the same districts on an annual basis, the lease being renewed each year. To meet our increased requirements consequent on our decision to base production only on pulp produced in our own pulping units, the Government of Madhya Pradesh allotted to us 13 bamboo coupes again in the districts mentioned above, for the working season 1970-71. Efforts to procure all the Bamboo and Salai areas required by us on a long term lease and to settle the rates of royalty and other terms with the Government of Madhya Pradesh are being made.

As mentioned in my speech last year, we worked certain bamboo coupes departmentally last year instead of through our

tractors. Departmental working of selected bamboo coupes was continued during the year under review also and a quantity of 8,918 tonnes of bamboo pulpwood was extracted, resulting in considerable savings in the cost of extraction.

EMPLOYEE RELATIONS

Ex-gratia payment of Rs. 4.61 lakhs at the rate of 1¼ months' pay and allowances, subject to a maximum of Rs. 360/- per head was made during the year to the employees, the figure for the previous year at the same rate being Rs. 4.12 lakhs. I am glad to inform you that our relations with our employees continue to be happy and cordial.

Company Meeting :

SAKTHI SUGARS LIMITED

Regd. Office: 72, Sengupta Street, Ramnagar, COIMBATORE-9.
Factory: Sakthinagar-Appakudal (Coimbatore District).

Text of speech delivered by Chairman Sri N. Mahalingam, B.Sc., M.I.E. at the Tenth Annual General Meeting held at Coimbatore on December 24, 1971

Ladies and Gentlemen,

I welcome you all to the Tenth Annual General Meeting of the Shareholders of your Company. The Accounts and Directors' Report for the year ended June 30, 1971 have been with you for sometime and with your permission I shall take them as read.

We are meeting here during a period of momentous developments which have far reaching significance from the national and international angle. No one could have visualised early this month what would be the outcome of the calamitous happenings on the Western and Eastern borders and in Bangla Desh as for the third time, in a decade, the sub-continent was plunged in a direct conflict with a neighbour and there was an outbreak of hostilities with Pakistan for the second time within six years. There was a general anxiety that there should be no international complications and that the country's economy should not be obliged to bear a burden which would have a shattering effect because a war has to be fought on this occasion on two fronts.

Fortunately, thanks to the sagacious and bold guidance of our illustrious Prime Minister and the united will of the nation, the war lasted barely a fortnight and as the Prime Minister has appropriately observed the victory is due to the valour of our armed forces and correct ideas of those who are guiding the destinies of the nation. India has emerged out of the ordeal as a first rate power in this part of the world and Bangla Desh is now a free and indepen-

MANAGEMENT

Shri M. A. Khan, our Government Director from Madhya Pradesh, resigned during the year and in his place Shri B. V. Vora was appointed as Director. I join my colleagues on the Board in placing on record our sincere appreciation of the valuable advice and guidance given by Shri M. A. Khan during his tenure of office as Director.

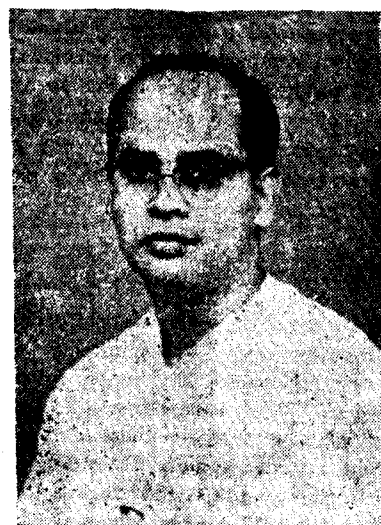
On behalf of the Shareholders and the Board, I wish to thank all the workers and staff for the hard and conscientious work put in by them in maintaining the high standards of the performance of the Company. Your Board of Directors appreciates that the shareholders have had to go without dividends for a second year in suc-

cession. I would request you on their behalf to bear with us for some more time, as we have undertaken a large expansion programme, requiring a heavy investment, and I have no doubt, that very soon we would have passed a difficult phase and a brighter future will emerge.

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

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

dent nation. Our Prime Minister, who has rightly been described as a chosen leader of our valiant nation and of all political parties, richly deserves the highest honour of Bharat Ratna conferred on her. With our cherished ideals of democracy, socialism, and secularism, it can be safely expected that with a friendly young nation on our eastern frontier and with new efforts that are being and will be made to develop friendly rela-



SRI N. MAHALINGAM

tions with West Pakistan, there will be lasting peace in the whole sub-continent and devoted attention to intensive and co-ordinated economic development which will be helpful in bringing about the maximum

use of the rich resources of the different regions. While I am confident that greater attention will be paid to the implementation of Plan schemes henceforth, and in spite of the various hurdles encountered in the first three years, the Fourth Plan will be a great success. We have a special responsibility in the present context to increase industrial production significantly even with the existing facilities. As it has been amply demonstrated during periods of political crisis that the country will rise as one man to meet challenges from outside that same will and energy should be made to fight the war on poverty which is the task now before us. There can easily be an increase in industrial production by 10-12 per cent annually against less than 2 per cent noticed in the first half of this year if only there was intensive use of existing capacity. As in 1971-72, the output of commercial crops also is likely to be satisfactory along with that of foodgrains, a matching growth in industrial production can have a revitalising effect on the economy in many directions. We should now address ourselves to this task and I am confident that appropriate fiscal and economic policies will be fashioned by our Government.

1. WORKING RESULTS

Let me now turn to the working results of your company which has achieved a remarkable performance. You will be happy to find that these results for the year ended June 30, 1971 are quite gratifying and the improved operating results for the year

under reference were due to a big increase in the recovery of sugar to 9.23 per cent from 8.41 per cent in 1969-70. There was a comparatively shorter crushing season as apart from continuing operations from July 1, 1970 to August 20, 1970, crushing for the 1970-71 season commenced on November 1, 1970. The recovery percentage would have been even higher but for the poor experience in the closing weeks of the previous season. The adjusted recovery for the period between November 1, 1970 and June 30, 1971 will be higher at 9.41 per cent. The quantity of cane crushed during the accounting period was slightly lower at 4.35 lakh tonnes against 4.60 lakh tonnes. The output of sugar was, however, sizeably better at 40,158 tonnes against 38,704 tonnes in 1969-70 and with larger releases and a brisker off-take, sales were higher at Rs. 6.48 crores against Rs. 4.98 crores. But for the opportunity for effecting larger sales, there would have been a heavier accumulation of stocks at the end of the year. It is also noteworthy that the output of your Company has actually risen by 3.7 per cent when there has been a drop in all India production by nearly 12 per cent. This satisfactory performance was due to the availability of better quality cane, efficient functioning of your factory and also the good co-operation of the workers.

With higher sales and a better recovery, the net profit before depreciation and taxation has jumped to Rs. 55.06 lakhs from 10.31 lakhs. Your directors have, therefore, decided to recommend the payment of a dividend of 12 per cent taxable on equity capital against 6 per cent taxable for 1969-70 and thus restore fully the cut imposed last year. Even after paying the higher dividend out of current earnings, the amount of Rs. 6.10 lakhs withdrawn from the reserves, for paying the equity and preference dividends, in respect of 1969-70, has been completely replenished. What is more, the debit balance of Rs. 4.93 lakhs adjusted last year, against general reserve after providing for depreciation has also been made good. This is because after setting aside a larger amount of Rs. 20.05 lakhs (Rs. 15.20 lakhs) towards depreciation, there is a transfer of Rs. 7.22 lakhs (nil) to development rebate reserve. After crediting Rs. 10.56 lakhs (nil) to dividend reserve general reserve gets a hand-dend reserve of Rs. 17.19 lakhs (nil). The reserves of your company have, therefore, been considerably strengthened, the total of general reserve and development rebate reserve amounting to Rs. 72.80 lakhs as compared to Rs. 48.39 lakhs in 1969-70. The paid-up equity capital as on June 30, 1971 is Rs. 74.14 lakhs. It can be confidently expected that there will be further strengthening of the financial position in the current year as trading conditions are more favourable and it is hoped that the quantity of cane crushed in the 1971-72 season will be much higher at over 5 lakh tonnes. There

is also reason to believe that the recovery will again be satisfactory. With the full use of expanded facilities, presently over 2,000 tonnes of cane are being handled daily and crushing operations for 1971-72 commenced on September 29, 1971. This is much earlier than usual. Crushing operations for the last season ended on August 12, 1971.

2. PROGRESS OF EXPANSION

The expansion programme for raising capacity to 2,000-2,250 tonnes daily has been fully completed and the mill has been functioning satisfactorily with its expanded facilities. It is a matter for gratification that there will be assured cane availability at a time when there is fear of a diversion of cane for being converted into gur. This is due to the helpful policy adopted by your Company for encouraging cane cultivation as also the active co-operation of the ryots.

Meanwhile, the crushing capacity is to be increased further to 2,500 tonnes daily with an outlay of Rs. 29.11 lakhs. As only balancing equipment has to be installed in some sections, this programme can be completed with the deferred payment guarantee given by the Tamil Nadu Industrial Investment Corporation and there will be no difficulty in effecting repayments against these arrangements. There will be adequate generation of internal resources in the coming years. This programme is expected to be completed in time for the 1972-73 crushing season. We will be able to crush 2,500 tonnes daily and handle a quantity of 6 lakh tonnes for 1972-73.

3. DISTILLERY UNIT

The shareholders will also be glad to know that the efforts of your Directors for establishing a distillery with an initial capacity of 2 million gallons annually have been successful and the Tamil Nadu Government have issued orders for the allotment of molasses to your factory. Your Company will have the whole of its production of molasses for use which will keep the distillery operating at 70 per cent of its capacity and about 15,000 tonnes can be secured from the neighbouring sugar mills or, if necessary, from the neighbouring sugar mills or, if necessary, from the neighbouring States. Your Directors feel confident that this new venture, which will lead to an effective utilisation of an important by-product, will improve the working of your Company significantly besides making available alcohol for industrial purposes. Our proposal is to manufacture alcohol for industrial and pharmaceutical purposes only.

The distillery project is estimated to cost Rs. 75 lakhs including working capital and as has been indicated by your Directors in their report attached to the accounts, the Industrial Finance Corporation has agreed in principle to grant a loan of Rs. 37 lakhs. The Tamil Nadu Industrial Investment Corpora-

tion with its usual helpful attitude has agreed to grant a loan of Rs. 10 lakhs. The balance of Rs. 28 lakhs will be mobilised by issuing new equity shares at par for Rs. 21 lakhs and redeemable cumulative preference shares for Rs. 7 lakhs. Your Directors are sure that capital can be raised through underwriting arrangements with Unit Trust, The Life Insurance Corporation of India and other statutory financial corporations, which are now in progress. It is our aim to bring this distillery into production very early.

Your factory has been able to maintain crushing operations of cane at a high level due to the steps taken by the cane department to help the agriculturists in various ways such as the construction of new roads and advance to cane growers for current expenditure in the season. What is more your Company has constructed many roads by taking contracts at Government rates and they have been executed with the active co-operation of ryots who generously gave the required land needed for the purpose of widening the roads.

These efforts over a long period have yielded good results and if your factory is in a position to handle a quantity of 5 lakh tonnes in 1971-1972 and plan for handling 6 lakh tonnes in the next season, it is due to the good work of the Cane Department and active co-operation of the ryots. I am happy to announce that a higher price of Rs. 80 per tonne of cane will be paid to growers in the current season. Thus, it is our endeavour to cultivate good relationship with the farmers continuously. In fact, we have shared with them the profits earned in good years.

I have pleasure in mentioning that the seed cultivation and processing department is making steady progress and we are proud to say that we supply quality seeds to the ryots who wish to raise hybrid crops in order to increase food production in the country so that we may become self-sufficient within a very short time.

4. TOWARDS A BETTER POLICY

As there was acute shortage of sugar in 1967-68, the Government adopted a policy of partial control under which 60 per cent of current production was earmarked for controlled distribution and the balance of 40 per cent for free sale. This resulted in the increase of output and open market prices came down sharply from Rs. 425/- to Rs. 250/- per quintal. There was actually a substantial increase in production from 22.48 lakh tonnes in 1967-68 to 42.62 lakh tonnes in 1969-70. Unfortunately, the policy in regard to levy of excise duties in 1969 discouraged the industry. The levy of 37.5 per cent excise duty on free sugar in 1969-70 created a situation when selling even free market sugar entailed a loss to the mills. Many producers preferred to lapse their quotas as larger sales were only adding to their losses. Due to the accumulation of

sugar stocks, payments to cane growers were delayed. Thus, in the year of peak production, it was ironical that many factories had to face a loss and even your unit has to draw from reserves to pay a dividend of 6 per cent. The situation became so frustrating that many producers resorted to legal redress which eventually resulted in the Government deciding to lift control over sugar prices in May this year. The objective of the Finance Ministry to secure merely the revenues brought about a sizeable fall in the output in 1970-71. Even in 1971-72, there is no prospect of reaching the peak production in spite of the new excise rebate granted. What is really needed is a long-term policy for the industry and the ideal course will be to fix a minimum price of Rs. 75/- per tonne with a recovery of 8.5 per cent and below with an increase of 80 paise for every 0.1 per cent increase in the recovery. The Government has fought shy of a pragmatic change in the cane prices policy and instead has decided to grant a rebate in the excise duty on sugar at the rate of Rs. 17/- per quintal for the first two months of the current season and at Rs. 16/- per quintal for the remaining 10 months in respect of that quantity which is in excess of 80 per cent of production in the corresponding periods in 1970-71. While this policy is to be welcomed, it would be more helpful if a bigger rebate was granted in respect of the qualifying output of sugar secured after April as there will be a sharp drop in the recovery, in the summer months. Again, it is imperative to revert to the old system of levying a specific excise duty on sugar instead of the existing *ad valorem* duty in order to eliminate uncertainties and ensure equitable distribution of incidence.

The incidence of cane cess, in Tamil Nadu particularly, is very high. The original intention of imposing the cane cess was to spend the entire amount on the development of the roads surrounding the factory area in order to facilitate easy transport of cane which otherwise would get delayed causing driage and reducing the recovery of sugar. This is resulting in a serious loss of production to the nation. It is, therefore, necessary that at least 80 to 90 per cent of the amount collected by way of cess, if not the whole, should be spent on the construction of roads. It is also necessary to bring down the incidence of cane cess on par with other States in order to reduce the cost of cane to the factory.

5. PROSPECTS FOR TAMIL NADU

As regards the further development of this industry, in Tamil Nadu, the State Government should take efforts to help the establishment of a dozen new factories in different districts in the next ten years so that the agriculturists in Thanjavur, Tiruchirappalli, and Tirunelveli will be able to secure a larger income through a cash crop. Besides, in order to facilitate export

of sugar to marketing centres in Bombay and Calcutta, the Tamil Nadu Government should grant a rebate in respect of purchase tax on cane involved in this sugar export. Also, the existing factories can be enabled to increase their crushing capacity to 4,000 tonnes daily and adequate quantities of cane should be grown with the availability of water for ten months with the co-operation of the Irrigation Department.

6. BAGASSE UTILISATION

An important by-product which can be profitably used and which is now being utilised for raising steam in boilers is bagasse. If boilers are provided with alternative fuel at equal cost, bagasse can be used for making paper pulp. Fuel oil without excise duty will have to be given to the sugar mills in the South while coal can replace bagasse in North India. For achieving this objective, early steps will have to be taken by the Union Government.

7. CREDIT FOR THE INDUSTRY

The credit policy of the Reserve Bank of India must be modified in such a way as to enable the industry to develop on right lines. I fail to understand why the Reserve Bank should fight shy of financing purchase of cane by suitable expansion of credit against sugar stocks when they were accumulating, as this is one form of procurement of cane and providing an assured income for growers. There should be no hesitation to adopt a pragmatic credit policy. Then only the output of cane and its processing into sugar can be increased substantially.

8. CONSUMERS' INTEREST

Another important question that has to be tackled is the selling of sugar to consumers at reasonable prices. Hotels, bakeries and fruit processors depend very much on sugar for the manufacture of their end-products which cannot be marketed profitably if sugar prices fluctuate widely. Hence, it is essential for the industry to follow a policy of distribution of its output at a stipulated price for its large and bulk consumers. In this context, I am happy to inform you that the industry has agreed to release 60 per cent of its current production for distribution as desired by the Union Ministry of Food and Agriculture at an agreed price to the consumers which are well below the ruling market rates. Also, if large urban centres can be fed with sugar at a suitable price by steady marketing arrangements, we can create a goodwill towards the sugar industry. If we do not think about the difficulties of the consumer, it will only create a bad feeling and the industry will lose its long-term advantages. The Indian Sugar Mills Association (ISMA) and the South Indian Sugar Mills Association (SISMA) should evolve a long-term

policy regarding the sale and distribution of 40 per cent of the free-sale-sugar so that an assured future for the industry can be created.

9. AWARDS

I am indeed very glad to inform you that your factory has been the recipient of many awards both at the State as well as at the National level. The State Safety Award for the longest accident-free period, National Safety Award for the longest accident free period, State Safety Award for the lowest frequency rate and Certificate of Merit for the reduction of accident frequency rate from the State Safety Awards and Rewards go to your factory. This is really a very proud record for a young factory like yours of which all of us can legitimately feel proud.

10. WELFARE ACTIVITIES

The Sakthinagar Elementary School has been upgraded to the status of a High School and it is functioning from the academic year 1971-72. The number of students who sought admission to the higher classes of this school is large and I am happy to say that a new building will be ready shortly.

Our Hospital is making itself a very useful institution not only to the workers and their families to get treated in the hospital but even for other people to have the benefit of the medical staff. We have introduced a leprosy control wing attached to the hospital and the Government officers of the Health Department are making periodical visits to help us in tackling the problem effectively.

The house journals are making a useful contribution in propagating news in respect of not only cane cultivation but also of other crops. The information given in these magazines regarding panchayat boards has been very useful in propagating the responsibilities of local self-Government in the very initial stages. The English edition known as the *Sugar News* has been very well received and widely circulated.

11. LABOUR-MANAGEMENT RELATION

We have received excellent co-operation from the workers and staff in running the factory without any major break-down through the very long period of more than ten months of the crushing season. This is a record for our factory and I hope labour will continue to extend its unstinted co-operation in the future also. There has been good understanding between the labour and management and the various problems connected with labour have been settled by mutual negotiations.

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

INDUSTRIAL ECONOMIST

Progress of Industrial Advertising

By P. S. V. JELAM

the dissemination of scientific and technological information assumes added importance in a developing and democratic set up like India.

We have only few journals in India devoted to science and industry and according to the Press Registrar's report for 1969 there are 101 journals devoted to science, 344 for health and medicine, 167 for agriculture, 184 for engineering and technology and about a 100 for transport and communication. These journals are not members of the ABC and the combined circulation of these journals as per report is round about 16 lakhs. There are no scientific journals in languages.

Consequently these 900 scientific, industrial, economic and trade journals serve the necessity of imparting all kinds of information for trade and industry in the respective fields and there is no special interest for the common educated man for these journals. The various industries and scientific personnel should obtain these journals for their particular field

of activity to keep abreast of times and also use them as technical media for their advertising.

Change in Approach

A considerable number of Indian manufactured goods including engineering items are exported to several foreign countries. The fast changing demand and the increasingly competitive conditions in export market have given considerable importance to publicity in export promotion and led to significant changes in export publicity. The primary aim of export promotion is to develop export markets and export publicity which include dissemination of commercial intelligence and commodity-wise and area-wise market research which forms the effective tool of export promotion. Export publicity is handled by governmental machinery and trade and industrial bodies in those countries where there is liaison between the government commercial representatives on one hand and the institutions working for export promotion on the other.

OF TAIWAN...

To Grieve

The island of Taiwan is out of the U.N. on the obvious ground that two governments cannot represent the same area. Taiwan should abandon its claim to the mainland and Peking should accept the island's separate identity. Then Taiwan could re-enter the UN. That is the technical position.

Though small in area (less than a third of the area of Tamil Nadu), its economy has been well developed by Chiang-Kai-Shek. His republic has developed a show-case economy that is growing at a ten per cent annual increase. It has also been laying projects for more steady development during the 70's. Its exit from the UN and President Nixon's proposed visit to Peking have brought a chill to Taiwan which is not just political, but economic. Foreign companies which are aware of Peking's adamant claim to Taiwan are likely to be more reluctant in investing big money at a time when relations between Peking and Washington are shifting very rapidly.

There seems to be a "wait and see" attitude among the US investing companies because of a lingering hope that the US would hold to its commitment to Taiwan. In the last one decade, foreign investment in Taiwan was of the order of Rs. 416 crores of which the US share was about Rs. 160 crores. Taiwan's exports climbed from Rs. 136 crores to Rs. 1,200 crores and Gross National Product shot up about 4 times.

In 1970, India's exports to Taiwan amounted to about Rs. 1.90 crores, about 0.5 crores

more than in 1969 and non-traditional items contributed mostly to this. Imports from Taiwan have not been very significant.

There is a possibility of major countries shifting their imports from Taiwan to China. Canada is one such. If the Chinese manage to penetrate the Canadian market, they will do so at the expense of Japan and Taiwan.

...Not to grieve

China is one of the "five great economic superpowers" that among them will "determine the economic future and, because economic power will be the key to other kinds of power, the future of the world in other ways in the last third of this century". "The very success of our policy of ending the isolation of mainland China will mean an immense escalation of their economic challenge. 800 million Chinese, open to the world, with all the communication and the interchange of ideas that inevitably will occur as a result of that opening will become an economic force in the world of enormous potential." That was indicated by President Nixon in recent speech to Kansas City editors. The generation long estrangement is coming to an end and both sides have a real interest in this. President Nixon has thus almost dramatically reversed the premises on which the US attitude towards Asia was based right from 1949. The political ramifications will be felt all over the world—from Vietnam to the USSR. The economic implications, however, will be more far-reaching.

—Vasanthi Ramakrishnan

INDUSTRIAL ECONOMIST

LAG IN FERTILIZER CONSUMPTION

While the fertilizer industry has made commendable progress in adding to the capacity on a continual basis, it has not been possible to avoid imbalances between supply and demand which crop up frequently. As a result of expansion of existing units and setting up of new units, both in the public and private sector, a steady increase in production of various kinds of plant nutrients has been possible and imports have been brought down substantially. But most of the units have not been able to utilise their expanded or new capacity effectively, partly due to technical troubles but mainly due to the failure of demand to catch up with production. It is disturbing to learn that while the whole agricultural strategy has been based on increased use of fertilizers, consumption of plant nutrients has been growing at a slow pace. This would call for a serious effort to promote fertilizer use even while fresh capacity continues to be created. Some of the deficiencies in fertilizer distribution policy have been studied by expert panels. The latest study by the National Commission on Agriculture has suggested a number of measures in its interim report to remove these deficiencies. It also calls for a special team to make a realistic estimate of the fertilizer requirements in the coming years so that return capacity installed at heavy cost may not remain idle. Such an assessment would also enable organisation of production, imports and distribution in a more rational manner. Another major recommendation of the Commission which has already received official support and is being implemented is the gearing up of production not only to meet growing demand but facilitate balanced application of fertilizers. Future fertilizer units may be asked to see that their production includes complex fertilizers and fertilizer mixtures which are in greater demand than straight nutrients. The commission also calls for a much larger promotional effort and an intensive soil analysis programme by Government and popularisation of fertilizer use by producers. At the same time, more attractive incentives by way of increased margins have been suggested to boost sales through co-operatives and private agencies, while ensuring reasonable prices for the farmer. The distribution network will also have to be strengthened by maintaining intermediate storage depots near consumption centres and better supply facilities in the interior and backward areas. The existing producers will have to look at the promotional aspect more closely and extend allied services to the ryot if they are to encourage the fertilizer habit. They may also have to provide adequate credit facilities wherever necessary as the government machinery has been found to move very slowly in this regard. Only then fertilizer units can hope to operate on a reasonably profitable basis.

Fertilizers & Chemicals (Travancore)

Fertilizers and Chemicals (Travancore) Limited could not derive any benefit from the fourth stage expansion as it was considerably delayed due to various reasons. Ammonia output of the old plants also was marginally lower at 50,323 tonnes against the target of 51,000 tonnes but was slightly better than the previous year's production of 49,475 tonnes. There were major difficulties in the phosphoric acid plant due to varying quality of rock phosphate supplied by MMTC. Power interruptions also continued to affect production besides causing increasing maintenance of equipment. Modifications have been effected on the basis of recommendations of the Bangalore Institute of Science to reduce the effect of voltage droppages while the Kerala Electricity Board is also implementing modifications to its system. However, the output of various end-products was higher. The turnover improved sizably to Rs. 31.71 crores from Rs. 26.06 crores in 1969-70. Sales included 89,261 tonnes of nitrogen, 13,083 tonnes of phosphoric acid, 7,727 tonnes of potash and 1,22,436 tonnes of NPK mixture and complex. Sales of nitrogen included 1,29,796 tonnes of urea under the Cochin project's seeding programme. But with higher working expenses and interest charges, there was a larger loss of Rs. 37.52 lakhs before depreciation against Rs. 8.04 lakhs. After providing Rs. 151.86 lakhs (Rs. 159.02 lakhs) for depreciation, there is a debit balance of Rs. 189.37 lakhs, taking the accumulated losses to Rs. 365.68 lakhs.

The fourth stage expansion to raise ammonia capacity to 340 tonnes a day and 181,000 tonnes of ammonia phosphate a year was delayed due to delayed supply of indigenous and imported equipment. The additional facilities will be available soon while modification to the 300 tonnes phosphate plant will be taken up after the new plant goes into production. A major programme costing Rs. one crore is under way to improve efficiency of various plants on the basis of recommendations of World Bank experts. Already, the ammonia and sulphuric acid plants have achieved designed capacity production.

Cochin Phase I

Work on the Cochin Fertilizer project to produce 330,000 tonnes of urea per year was delayed further and it is now expected that the plant would be commissioned shortly. There has been an increase in the cost of the project to Rs. 54 crores, mainly because of the delay of two years. The phase II of the project envisages production of 485,000 tonnes of NPK complex fertilizers at a cost of Rs. 35.8 crores. A phosphoric acid plant is to be erected under this phase for which the World Bank has agreed to give a loan for

Rs. 15 crores. The FACT Engineering and Design Organisation has been given a contract worth Rs. 12 crores for designing and erection of a sulphuric acid plant, a phosphoric acid plant and a triple superphosphate plant at Khetri.

K.C.P.'s Good Showing

The improved working of the sugar and cement divisions has enabled K.C.P. Limited to overcome a sharp setback in its engineering division during the year ended June 30, 1971. Sales of confectionery and industrial alcohol were also higher. Output of sugar improved considerably to 45,148 tonnes from 39,921 tonnes in the previous year despite only a marginal increase in cane handled to 4.44 lakh tonnes from 4.37 lakh tonnes as the recovery jumped to 10.16 per cent from 9.15 per cent. Output of cement also improved to 2.14 lakh tonnes from 1.91 lakh tonnes. The total turnover rose appreciably to Rs. 16.97 crores from Rs. 14.63 crores in 1969-70. Sales of sugar increased to Rs. 9.15 crores (Rs. 6.15 crores) and of cement to Rs. 3.53 crores (Rs. 2.97 crores) but there was a sharp fall in the engineering workshop's turnover to Rs. 3.74 crores from Rs. 5.17 crores. The net profit, before depreciation and taxation, improved significantly to Rs. 249.27 lakhs from Rs. 184.92 lakhs. But the equity dividend has only been maintained at 10 per cent taxable. The provision for depreciation is Rs. 84.97 lakhs (Rs. 97.99 lakhs) and development rebate Rs. 6 lakhs (Rs. 10 lakhs). Taxation claims as much as Rs. 90 lakhs (Rs. 43 lakhs). General reserve gets Rs. 23.25 lakhs (Rs. 10 lakhs) and capital redemption reserve (Rs. 40.79 lakhs (nil)). There is also an appropriation to dividend reserve of Rs. 25.40 lakhs (Rs. 25.41 lakhs) from which the equity and preference dividends will be paid. In 1969-70 gratuity reserve got Rs. 15,000. The appropriations in the latest year have been helped by a transfer of Rs. 4.94 lakhs (Rs. 48,478) being excess provision, apart from an income of Rs. 1.66 lakhs (Rs. 1.40 lakhs) relating to earlier years. However, expenditure relating to previous years had to be provided for Rs. 12.58 lakhs (Rs. 1.31 lakhs).

Premier Auto

Premier Automobiles Limited could have the advantage of the interim price increase for three months during the year ended June 30, 1971. Sales of cars and commercial vehicles were also higher at 17,560 units against 15,970 units. Production of cars improved to 12,381 units from 12,063 and sales to 12,530 from 12,034 while output of diesel trucks rose to 3,025 from 2,528 and of petrol vehicles to 1,976 from 1,479. The turnover naturally rose appreciably to Rs. 37.82 crores from Rs. 32.27 crores in 1969-70. The output of trucks could have been raised further but for inadequate supply of diesel engines. But with steep rise in cost of production the net profit, before depreciation, improved only modestly to

Rs. 35.80 lakhs from Rs. 17.80 lakhs. Development rebate claims Rs. 29 lakhs (Rs. 17.50 lakhs) while there is a provision of Rs. 35.75 lakhs (nil) for unserviceable items, after taking into account the balance of Rs. 29.81 lakhs (Rs. 29.38 lakhs) brought in from previous accounts. No provision has been made for depreciation amounting to Rs. 143.68 lakhs. The total arrears in this regard come to Rs. 724.63 lakhs while statutory development not provided so far is about Rs. 99 lakhs. The dividend declared for 1965-66 has been challenged in court by a member.

The outlook for the current year has improved following the recent Supreme Court judgment allowing for adjustments in car prices for higher costs. There may also be a larger output of cars and trucks while efforts are being made to improve efficiency of operations. The USAID has agreed to defer the instalments of loan repayments in 1970-72 and one instalment this year. The interest charges have, however, been paid promptly.

Premier Auto has sought Government permission to increase its production of cars to 18,000 units from the present rate of 12,000 at an estimated cost of Rs. 4 crores. The statutory financial institutions have been approached for loan assistance. If the project is approved, it can be completed in two years. The Managing Director Mr. S. T. Raja, said recently that there is also a proposal to take up manufacture of a new Fiat model with an annual production of 25,000 units.

Parrys Confectionery Pays Some

Parrys Confectionery Limited has maintained the equity dividend at 18 per cent taxable for the year ended September 30, 1971 with the announcement of a final payment of 11½ per cent. In spite of lower prices, sales were not changed at Rs. 3.30 crores but net profit, before depreciation and taxation, declined to Rs. 23.44 lakhs from Rs. 28.31 lakhs in 1969-70 due to higher working expenses. Depreciation claims Rs. 7.93 lakhs (Rs. 5.91 lakhs) and taxation Rs. 9.40 lakhs (Rs. 15.65 lakhs). The transfer to development rebate reserve is Rs. 39,000 (Rs. 6,000) and general reserve Rs. 50,000 (Rs. 1.66 lakhs).

Associated Battery

Associated Battery Makers (Eastern) Limited is one of the few consistent performers with a very good record of sales and earnings. The company has again done well in the year ended August 31, 1971, with a 17 per cent rise in sales to Rs. 11.68 crores while its net profit, before taxation and after depreciation, has improved by a larger margin to Rs. 198.20 lakhs from Rs. 162.55 lakhs in 1969-70. A final dividend of 12 per cent taxable is to be paid which makes a total of 20 per cent, same as per the previous year. Besides, it is proposed to capitalise reserves and issue bonus shares in the ratio of one-for-three subject to Government sanction. Development rebate claims Rs. 3.32 lakhs (Rs. 3.50 lakhs) and taxation Rs. 117 lakhs (Rs. 96.43 lakhs).

S. I. Shipping's Interim

South India Shipping Corporation Limited has announced an interim ordinary dividend of 10 per cent, taxable on the present capital of Rs. one crore for the year 1971. The company has obtained Government's approval for making its equity shares fully paid up into shares of Rs. 100 each. As it was indicated at the recent general meeting that the percentage dividend on the doubled capital as a result of capitalisation of reserves for Rs. one crore would be unchanged at 15 per cent (paid for 1970), it can be expected on the increased capital. The Rs. 50 shares have been quite active latterly with sellers at Rs. 195.

Cochin Refineries

Cochin Refineries Limited, a joint sector undertaking, could not even maintain its earnings in the year ended August 31, 1971 due to increased cost of crude and a lower throughput which averaged 54,795 barrels a day against 55,153 in 1969-70. The net profit, before depreciation, has declined sharply to Rs. 355 lakhs from Rs. 421.96 lakhs in the previous year. The provision for depreciation is Rs. 1.80 crores (Rs. 1.74 crores). An equity dividend of 16 per cent is to be paid out of tax-exempt profits and there will be no deduction of tax at source. The company paid a gross dividend of 18.6 per cent of which 37.69 per cent was tax-exempt. The net dividend distributed in the few years since inception is as much as Rs. 5.36 crores on a paid up capital of Rs. 7 crores. At the same time it has been possible to reduce the loan liability by 50 per cent to Rs. 10.90 crores at the end of 1970-71. The company's exports in the latest year totalled Rs. 1.40 crores.

India Forge Skips

India Forge and Drop Stampings Limited could not avoid a loss in the year ended June 30, 1971 even with an increase in sales to Rs. 173 lakhs from Rs. 154 lakhs in 1969-70. With higher interest charges of Rs. 15.29 lakhs against Rs. 10.09 lakhs and increased working expenses, there was a loss of Rs. 4.80 lakhs, before depreciation, against a profit of Rs. 23.14 lakhs in the previous year. It has not been possible to provide for depreciation of Rs. 16.74 lakhs (Rs. 17.57 lakhs). Both preference and equity dividends have been omitted whereas there was a payment of 6 per cent taxable on the equity capital for the previous year. There will be a distinct improvement in working results for the current year as it is learnt that the large orders, including those from the Defence Department will enable better use of the expanded facilities. Efforts are also being made to improve productivity while there is no problem of raw-material as adequate stocks exist.

South India Steel and Sugars

South India Steel and Sugars Limited has again skipped its ordinary dividend for the year ended June 30, 1971. There was, however, a smaller loss in the sugar division of Rs. 28.85 lakhs, after

depreciation, against Rs. 38.38 lakhs in 1969-70 while the steel division earned a profit of Rs. 5.88 lakhs against Rs. 7.62 lakhs. Thus the net loss was Rs. 22.97 lakhs against Rs. 30.70 lakhs. This has been reduced to Rs. 16.62 lakhs, being excess provision of sales tax and tax provision no longer required. In 1969-70, the loss was converted into a profit of Rs. 7.63 lakhs after providing Rs. 1.13 lakhs in respect of short provision for tax in earlier years with the help of an excess provision of Rs. 38.77 lakhs for depreciation. It was also possible to take Rs. 6 lakhs to general reserve. However, only the preference dividend was paid last year.

Jeypore Sugars

Jeypore Sugar Company Limited has earned a larger profit of Rs. 61 lakhs, before depreciation and interest charges, for the year ended June 30, 1971 against Rs. 44.92 lakhs for 1969-70. But with an increase in interest charges to Rs. 45.83 lakhs against Rs. 37.77 lakhs and a provision of Rs. 24.86 lakhs (Rs. 29.87 lakhs) for depreciation, there is a debit balance of Rs. 9.69 lakhs against Rs. 22.72 lakhs in 1969-70. This has been adjusted with a transfer of Rs. 1.65 lakhs from development rebate reserve and Rs. 8.60 lakhs from general reserve. In the previous year the loss was converted into a surplus of Rs. 7.05 lakhs after transferring Rs. 12.25 lakhs from development rebate reserve and Rs. 18.20 lakhs from general reserve. The dividend reserve got Rs. 7.57 lakhs. The equity dividend for the latest year has been maintained at 10 per cent taxable.

Ashok Leyland Repeats

Ashok Leyland Limited has been able to increase its turnover in the year ended September 30, 1971 in spite of difficult raw material supplies and labour trouble for a short period. Output of vehicles was higher along with better prices. But the net profit, before depreciation and taxation, was marginally lower at Rs. 284.62 lakhs against Rs. 287.75 lakhs in 1969-70. The dividend on equity capital has been maintained at 9½ per cent, taxable. The provision for depreciation is Rs. 73.19 lakhs (Rs. 69.39 lakhs) and development rebate Rs. 8.05 lakhs (Rs. 3.36 lakhs) while taxation claims Rs. 110.50 lakhs (Rs. 106 lakhs). The transfer to debenture redemption reserve is Rs. 17 lakhs (same) and general reserve Rs. 76.43 lakhs (Rs. 18.48 lakhs). The dividend will be paid out of this reserve absorbing Rs. 73.99 lakhs whereas there was a separate provision on the previous occasion for this purpose.

Expansion Plans

Ashok Leyland has plans for doubling its Comets capacity to 10,000 a year. The company is now stepping up its production of heavy-duty vehicles to 1,000 units per annum and this is expected to be achieved shortly. The details of the expansion scheme are being worked out and work on the project will be taken up after Government

approval. Lord Stokes, Chairman and Managing Director of British Leyland Motor Corporation was in Madras in the first week of December for talks on the expansion which may cost £5 million. Lord Stokes has been responsible for the rapid indigenisation of the Comet range which is 97 per cent indigenous and also the earlier expansion schemes. The doubling of Comet capacity, if approved, is likely to be achieved by 1975-76. Ashok Leyland has made a successful export effort in Ceylon which is taking more and more vehicles while an intensive export drive is being under-

taken in East Europe, West Asia, Africa and Far East with the assistance of the British parent company's export department.

British Leyland Motor Corporation is the biggest auto complex in U.K. with sales of over £1,000 million a year and Britain's largest exporter. The group ranks as the second biggest in Europe and the fifth largest in the world.

It is not known how the cost of expansion which will be completed in three or four years is to be financed. There may have to be fresh issue of equity and debenture capital

and if the general policy to reduce foreign equity participation in joint ventures thinking of expansion is pursued there may be a lower or nil share for the British company in any new equity issue. The foreign exchange required to buy only some special purpose machines can be secured from the financial institutions. The expansion is proposed to be carried out in two phases, first to 7000 and then to 10,000 Comets. The Ennore foundry will also be expanded to meet the increased casting needs at a cost of Rs. 1.8 crores.

Sirpur Paper

Sirpur Paper Mills Limited will be paying a higher dividend of 6 per cent taxable on equity capital for the year ended June 30, 1971 against 3 per cent taxable in 1969-70. There has been a big increase in the net profit, before depreciation and taxation, to Rs. 1.50 crores from Rs. 1.06 crores. The claim in respect of depreciation is lower at Rs. 64.12 lakhs (Rs. 82.25 lakhs). There was also some provision for arrears on depreciation in the previous year. The allocation to development reserve is as much as Rs. 34.97 lakhs (Rs. 1.93 lakhs) contingency reserve Rs. 15 lakhs (nil) and general reserve Rs. 14 lakhs (nil).

Rallis India Pays More

Rallis India Limited has been able to increase its turnover in the year ended August 31, 1971 to Rs. 53.10 crores from Rs. 46.44 crores in 1969-70. The company has also earned a much larger profit of Rs. 154.12 lakhs against Rs. 101.10 lakhs with improved profitability. The sum set aside for depreciation is Rs. 16.04 lakhs (Rs. 15.38 lakhs) and development rebate Rs. 77,000 (1.65 lakhs) while taxation claims as much as Rs. 94.50 lakhs (Rs. 40 lakhs). The dividend on equital has been raised by one per cent to 14 per cent taxable.

Indian Explosives

Indian Explosives Limited increased its sales substantially during the year ended September 30, 1971 to Rs. 33.09 crores from Rs. 25.46 crores in 1969-70. But the net profit, before taxation and after depreciation, is lower at Rs. 2.49 crores against Rs. 2.83 crores. The tax provision is only Rs. 3 lakhs (Rs. one lakh). The total dividend on equity capital has been maintained at 15 per cent taxable, with the declaration of a final payment of 7½ per cent but the amount required will be much higher at Rs. 3.22 crores (Rs. 72 lakhs) as the 'A' shares were not eligible for dividend last year.

Alkali & Chemicals Does Well

Alkali and Chemical Corporation of India Limited has also done extremely well, with a sizable rise in turnover in the same accounting period to Rs. 24.77 crores from Rs. 21.51 crores in 1969-70. The net profit before taxation and after depreciation has increased to Rs. 2.69 crores from Rs. 2.38 crores. The tax liability is estimated at Rs. 1.64 crores (Rs. 1.44 crores). A final dividend of 10 per cent taxable, is to be paid making with the interim, 17½ per cent, taxable, for whole year against 15 per cent, taxable, previously.

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An Exhibition of Profitability Through Perfection

"With the rapid growth of industry, the role of material handling though little appreciated, plays an increasingly vital role in reducing wasteful energy," commented Mr. A. M. Bhukhanwala, Batliboi & Co. (Pvt.) Ltd.'s young Sales Engineer who was instrumental in arranging an exhibition of indef material handling equipment on the premises of M/s. BUC Mechanical Equipments (Pvt.) Ltd. in the Kandivli Industrial Estate in November last year.

The three days from November 4 to November 6, 1971, covered 24 productive hours of exhibition and demonstration of the versatile products of Hercules Hoists Ltd.: Famous Indef Link Chain Electric Hoists "Baby" ½ tonne capacity with Electric Trolley, Roller Chain Electric Hoists "Lift-boy" ½ tonne capacity with 1 tonne Pull Push Trolley, Triple Spur Gear Chain Pulley Blocks 1 tonne 5 tonne & 10 tonne capacities with Geared Trolleys, and Ratchet Hoists 750 kg, & 3,000 kg manufactured in collaboration with Heinrich de Fries, G.M.B.H. West Germany (manufacturers of the world famous "Hader" material handling equipment).

Large crowds of technical personnel from all industries gathered to study the intricacies of the material handling equipment and also the demonstration of the uses of the same on display. On hand to make the experience even more valuable was a German design engineer Mr. Steiner, from Heinrich de Fries, who lucidly explained to the visitors how material handling through Indef Hoists could be positively an advantage. Particularly, he stressed the improved modern equipments which use spur gears instead of the outdated conventional pin gear arrangements—a process which reduces human effort to a bare minimum simultaneously giving a long lease of life to the pulley equipment.

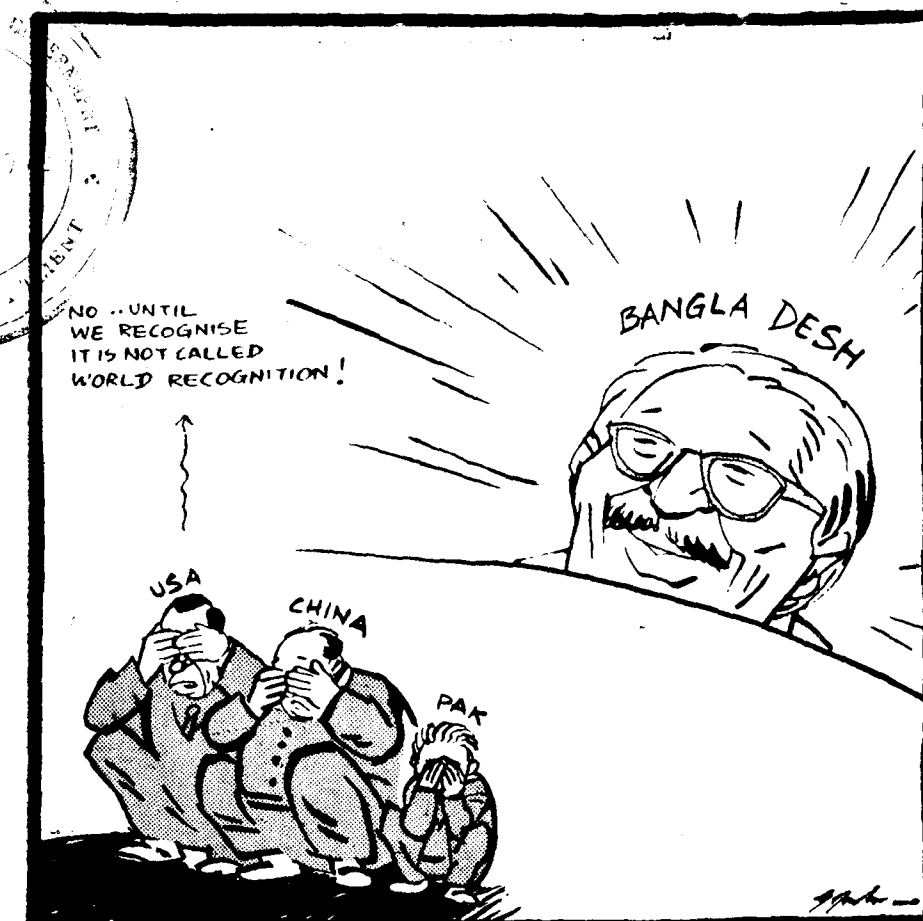
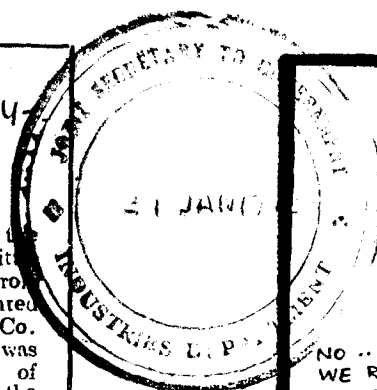
The appreciation expressed by most visitors once again indicated the need for such demonstrations and exhibitions at reasonable intervals to keep industry abreast of latest techniques and developments.

Other products exhibited and demonstrated on this occasion were as follows: Wolf portable electric tools comprising Portable Drills with Stands (1"–1½" capacity), Angle Grinders (7" & 9"), Flexible Shaft Grinder, Hand Grinders (4" & 6"), Lathe Grinder, Sanders/Horizontal, Vertical & Orbital, Nut Setters/Screw Drivers, Valve Refacer, and Portable Blower with Suction Attachment; and Aero Whitney's hydraulic metal working equipment—the Mobile fabricator comprising of 20t Punch Press operated by means of 5,000 psi power unit, 18t Shear capable of shearing all rolled sections and 18t Coper Notcher Bender operated by means of a 1,500 psi power unit.

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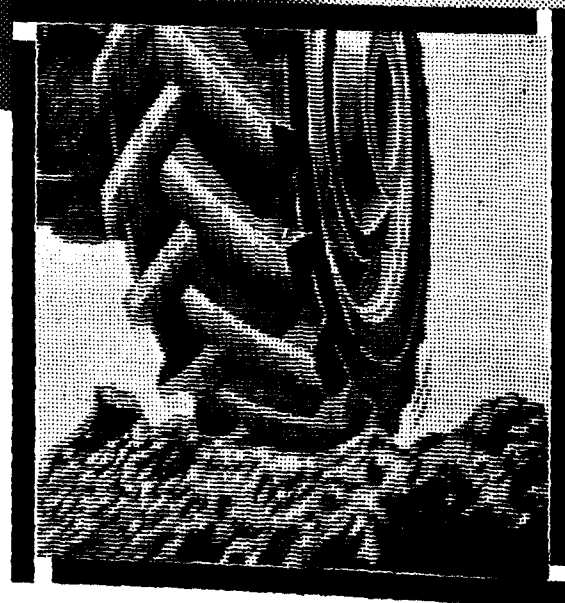
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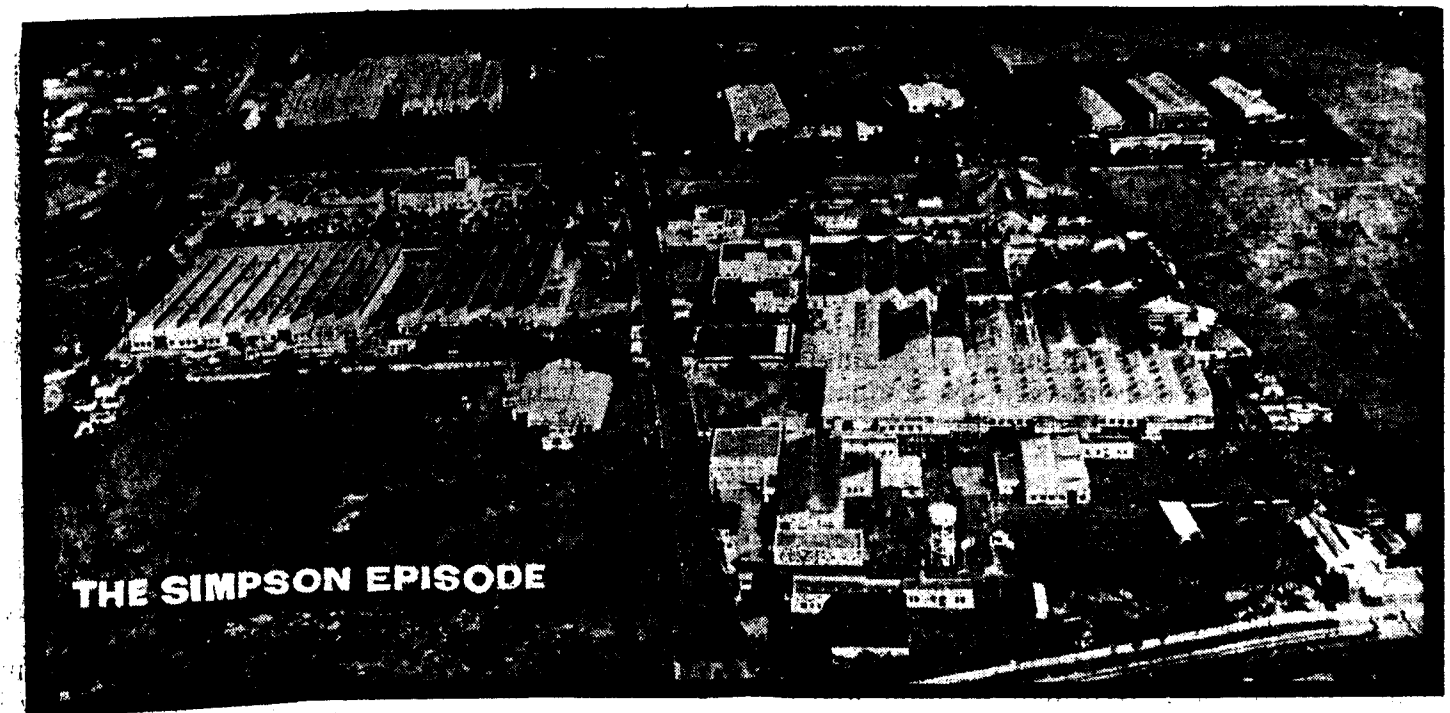
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INDUSTRIAL STRIKES AND POLITICAL STRIFES

After causing serious loss of production in some essential industries and upsetting the livelihood of nearly 16,000 workers, accord has been reached in the Simpson labour unrest. The news on the settlement was very welcome in the relief it has afforded to the families of the numerous striking workmen and to the management which had a limited role to play in solving the dispute and, of course, to the national economy which needs production from every quarter at the present stage.

The Simpson labour unrest set up many precedents. It was also unique in many respects. Usually disputes between labour and management will hinge around higher emoluments or better service conditions; in this case, these were relegated to the background. A large number of workers and staff of the Group desired a change in the leadership vested in the Labour Progressive Federation (of DMK), as a consequence of an agreement the leaders entered into with the management which in their opinion, betrayed the employees' interests. To understand the rationale for these demands, one has to analyse the background of the labour-management set-up in the Group and its evolution over the years.

The Simpson Group of companies comprise 27 units which together constitute the largest light engineering complex in South India. The parent company, Simpson, established nearly 130 years ago, manufactures diesel engines for tractors and commercial vehicles; Tractors and Farm Equipment Limited

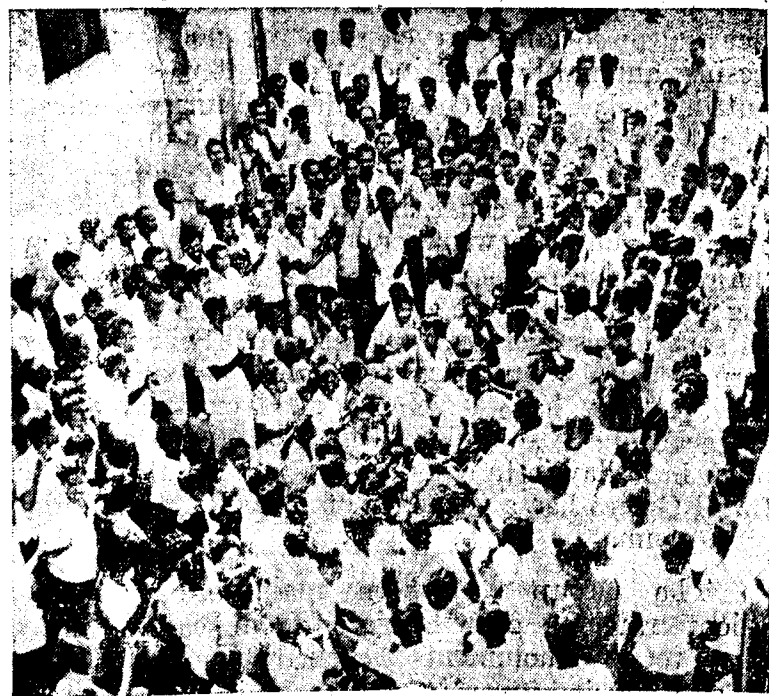
has capacity to produce some 7,000 Massey Ferguson tractors per annum. Addison & Co. Limited turns out a variety of engineers' cutting tools and drills and industrial diamond products. India Pistons produces pistons, rings, cylinder liners for automotive and industrial engines worth some Rs. 6 crores every year. There are other units producing paints, chemicals, lacquers; bearings and bushings; fly-wheel ring gears, clutch plates, assemblies and repair kits; heavy drop forgings, bicycle rims and spokes, synthetic resins, automotive and industrial batteries, diamond cutting tools. The Group units also turn out garage equipment and body building kits. They operate, besides, a road transport undertaking, a large printing press, several coffee and tea plantations and also run an evening newspaper. Many of the units are major producers in their respective fields, accounting for a large share of total Indian production—in some cases even over 60 per cent. Some of these turn out vital components for defence-oriented industries. A few have developed good export markets. In fact India Pistons is setting up a piston assembly plant in Malaysia in co-operation with local interests. In all Group has a turnover of some Rs. 450 million per annum.

The Group has been maintaining an excellent rate of growth right from early 'fifties. The total emoluments earned by a worker in a year in many of these units were about the highest in this part of the country. The main element of this was the annual bonus dis-

bursed before the Deepavali. The employees of some of the unit companies used to receive as much as 56 per cent of the basic wages for the year as bonus. By and large industrial relations were on a peaceful footing until recent years.

Simpson Group enjoyed the advantage, a very big advantage, of having one strong union without political affiliation and its leader was himself an employee of Simpson & Co. K. Gurumurti was the unquestioned monarch of this Union whose members had implicit faith in him for long years. The collective strength enabled the management and the labour to discuss problems in an attitude of give and take. The Union also helped the fixing up of minimum bonus levels for a number of relatively sick companies though by their own financial strength they could not have afforded anything more than the minimum. On its own, the Union also introduced a number of important benefits to its members—a large building of its own in the heart of the city, giant co-operative stores in Madras, Coimbatore and Bangalore.... The Union also took steps to provide housing on a co-operative basis. Thus for long, the Simpson and Group Cos. Workers' Union was a model for trade union organisation in many respects.

There has been a steady growth in the turnover of the Group during 1960-67 when it increased from around Rs. 24 crores to about Rs.40 crores. Due to the recession in engineering industries there has not been much increase in the turnover in the subsequent years. This stagnation in growth levels experienced subsequent to 1966-67 had perforce been reflected in the quantum of bonus. This in turn led to frequent skirmishes between labour and management. During



Protesting workers of Simpson Group taking out a procession.

1968, the Group declared a lock-out which lasted for over a month, largely arising out of a difference in the claim for bonus and the amount offered. In the subsequent years there had been widespread 'go-slow' resorted to by the employees contributing to serious decline in production in all units. No wonder, these resulted in lower turnover and reduced profits, which again meant a lower quantum of bonus for the next year. This vicious circle enlarged into the fast developments of 1971.

Union President Gurumurti had his own share of contributions to the deteriorating labour-management relations in the Group. For a number of years he was an acknowledged trade union leader and he occupied many important posts. He was the President of the Madras Productivity Council for successive terms. He attended many seminars both within the country and outside connected with trade union activity. Though personally he was a Congressman, he zealously kept off politics from his Union. All these continued up to 1967.

Perhaps, as a consequence of almost unlimited power and influence enjoyed by him for a fairly long time, Gurumurti was tempted into entertaining political aspirations. He agreed to contest the South Madras Lok Sabha seat in the 1967 elections against the former Chief Minister the late C. N. Annadurai. As events subsequently proved this was a fatal error. The first casualty of this move was the principle he had been holding sacred for so long, viz. keeping off politics. The moment he decided to contest elections he commandeered Union members both overtly and covertly into campaigning for him. Annadurai with his charismatic personality had a sizable following in every cross-section of people. No wonder quite a number of workers of the Simpson Group resented the attempt to drag them also into campaigning against Annadurai. This was the first sign of a crack in the unquestioned leadership of Gurumurti. The rout of the Congress in the 1967 elections and the catapulting of the DMK into power, caused further discomfiture to Gurumurti. Even though Annadurai was far above personal prejudices, many in the party could not easily swallow the audacity of a Gurumurti campaigning against their leader *par excellence*. Understandably, they were also worried at the enormous power and influence commanded by Gurumurti in the conduct of the election campaign. Thus the 1967 elections formed the starting point of the decline of Gurumurti's leadership. Organising a DMK wing among the workers of the Simpson Group followed as a matter of course. The lower quantum of bonus also came in handy for the disgruntled section of the workers, who were affiliated to the DMK, to protest louder against the failure of the Union leadership.

In these days of enormous dependence on the Government for the successful conduct of any indus-

try or business, any management has to be in the good books of the Government. With characteristic shrewdness, the DMK leaders made use of every available opportunity, in the confrontation between the Union leadership and the management, to spread their influence.

The End of an Era

For the first time in so many years, widespread violence was indulged in to intimidate workers to align with the one section or the other of the Union. There were many instances of clashes between the group leaders of the Union and the DMK dissidents. Because of a certain antagonism of a personal nature with the management, Gurumurti could not prevent these with its help; and because he incurred the wrath of the DMK leaders for his opposing the DMK in the elections he could not establish any rapport with the Government either. As a consequence he was not in a position to afford any protection to his loyal followers when they were attacked. This contributed to the gradual undermining of his capabilities as a leader. Early last year, when things went so much beyond the point of any control by him, he resigned the Presidentship of the Union and got out of its activities.

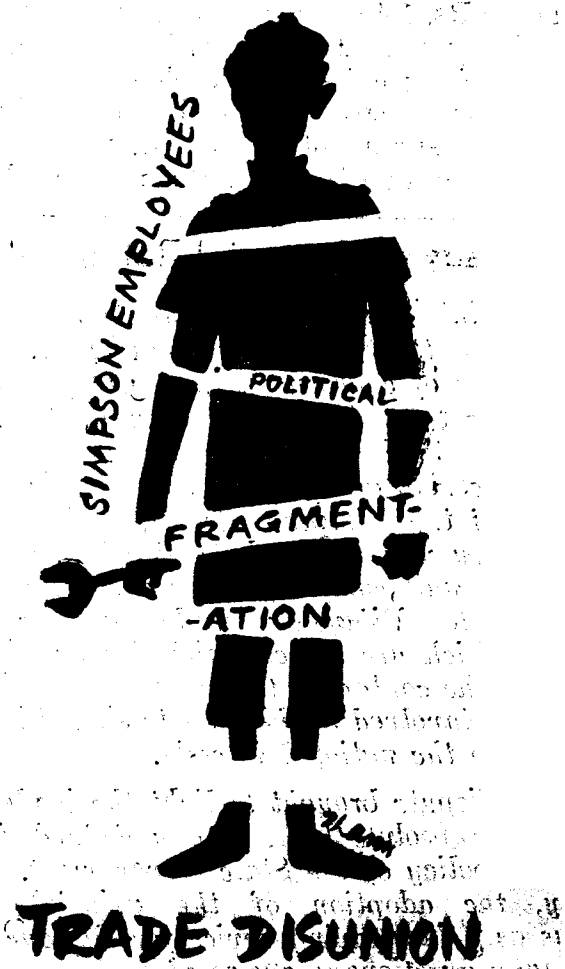
Enter Kattur Gopal

On his abdication, Kattur Gopal, a leader of the Labour Progressive Federation of the DMK assumed charge as President of the Simpson Group Cos. Workers' Union. No elections were conducted and as a consequence the strength of the respective followers of the DMK and Gurumurti could not be ascertained. Many members of the staff and workers reconciled to the new leadership largely on the basis of a convenient expediency; they found Gurumurti unable to successfully negotiate either with the management for better emoluments or with the Government for ensuring industrial peace. In the hope that the new leader belonging to the party which was ruling the State would better their lot they reconciled to the stepping down of Gurumurti who had certainly done them a lot of service. (Even during the period of unrest, workers of one of the unit companies broke away from the Simpson & Groups Cos. Workers' Union and formed a separate union affiliated to the INTUC.)

Sacrificing a Sanguine Principle

The unnatural planting of the leadership from outside could not understandably take strong roots. For one thing it sacrificed the sanguine principle of non-political trade union organisation; for another the President being an outsider leading a few other trade unions, could not give all his best for a 16,000 strong work-force engaged in a variety of complex trades. Within a few months of his assuming charge, Kattur Gopal had to negotiate the complicated bonus issue. He concluded a package deal of agreements

with the management which attempted to solve a number of outstanding disputes. One of the clauses of the agreement, it is gathered, related to the refixing of the rate of D.A. To avoid cumbersome calculations, the arrears of D.A. were fixed at a consolidated and uniform rate of Rs. 200 per head; the Union agreed to withdraw the case that was pending with the Court relating to the legality of the lock out of 1968. There was also agreement on a payment of Rs. 80 per head to be paid in three instalments once a year—1972, 1973 and 1974, for maintaining good industrial relations. One of the clauses of the agreement, it is gathered, attempted a reorganisation of the industry through rationalisation of man-power with a view to achieve optimum level of production. The retrenchment notice of 123 persons at the SRVS which was one of the major causes for the unrest was effected on the above basis. It is also gathered that the agreement had made a mention of the extent of over-staffing in one of the unit companies as high as 44 per cent. The Union leaders, it was stated, also agreed to the employees working every Saturday at single wage rates to make good for the loss in production incurred during the period of lock-out in 1968. This one clause of the agreement was resented to most by the employees and formed the starting point of the agonising period of the subsequent 70 days. Once the Union leadership sensed the spreading of discontent as a consequence of this clause they tried to salvage the situation by securing over-time



wages for work done on Saturdays. But by then the confidence in the leadership was already very much shaken.

There was also widespread unhappiness at the steep fall in the total quantum of bonus negotiated. It was claimed that the quantum of bonus for 1970-71 seen as a percentage of total profits was really larger than what it was in the previous year. (For example, if the total profits are 100 units and bonus declared 25 units, the bonus works out to 25 per cent of the profit. If the profits declined to 80 units and the quantum of bonus negotiated comes to 22 units, the bonus calculated as a percentage of the total comes to 27.5 which is a higher percentage than the previous case). In the absence of convincing explanation from the Union leadership the workers could not so readily reconcile to this steep fall in the quantum of bonus which was the lowest in recent years. A typical example can be seen from the decline in the case of one of the very important manufacturing units of the Group: The quantum of bonus for the employees of this unit declined during 1967-71 from approximately seven months of basic wages for the year to six months, five and a half months, three and a half months and 1½ months respectively in these years. The steep fall in total earnings can be better understood by the experience of an employee whose basic wage is say Rs. 200 per month. In the last five years on account of the drop in bonus alone there was a decline in his total annual income from about Rs. 1,400 five years ago to approximately Rs. 250 last year. The Group has been enjoying a high reputation for its high levels of average emoluments. This progressive decline certainly contributed to the spread of discontent, particularly due to the absence of efforts on the part of the Union

Inadequacy of Industrial Relations' Policy

Many intricate problems have come to light in the course of the Simpson labour dispute. The first was the lack of concern on the part of powers that be over the total disruption to production, extending for over 50 days, in what is easily the largest light engineering group in the country. Many of the products of the Simpson Group, such as tractors are in very big demand; and pistons manufactured by a unit company are supplied as original equipment to Vijayanta tanks and commercial vehicles which are all essential defence industries. Atleast in the context of the emergency, political considerations involved in the dispute should have yielded place to the national interests.

The dispute brought to light the inadequacy, or rather the absolute lack, of any defined industrial relations policy of the State Government. Unfortunately, the adoption of the principle of consensus as a face-saving device for all concerned has left many questions unanswered.

leaders to explain as to why the bonus quantum declined and with an assurance that the things would brighten up with better performance. The disappointment of the workers was manifested through go-slow tactics. A section of employees started opposing the directive of the Union leadership to work on Saturdays from October 30. Without understanding the basis of discontent, the Union leadership tried to use force to correct recalcitrant employees. This, naturally, contributed to the fast spread of the resistance.

Free Entry for Other Union Leaders

In the absence of any other group of employees recognised by the management, the whole field was thrown open for the free entry of other trade union leaders. It was very natural for them to jump into the fray and try to make capital out of the situation. In retrospect one wonders whether the unhappy consequences that followed could not have been prevented from happening if the management boldly decided to pick out another strong section of the workers and accorded recognition to a second Union.

The ease with which the DMK gained control over this prize Union of Simpson Group caused a good deal of anxiety and fear on the part of other trade unions. Knowing the capacity of Karunanidhi for organisation they were worried a lot on the DMK gaining control over many other unions and so they decided to come together to fight the DMK leadership as a single unified force. The DMK leaders had become a bit complacent over the opposition parties getting reduced to shambles after the 1971 elections; the Ruling Congress and CPI were the allies of DMK and were largely toeing its line; and for all intents and purposes Kamaraj and therefore Congress (O) appeared to have been thoroughly demoralised. So, the DMK was a bit over-confident. It did not anticipate the extent to which the unified action of the different trade unions could grow in strength. Afterall the DMK cannot afford to forget the fact that it was largely the strategy of aligning with like-minded parties thereby avoiding split in votes that contributed to its victories at the polls both in 1967 and 1971. Somehow it failed to foresee a like development when all the other trade unions formed a Joint Action Committee to fight the Labour Progressive Federation.

Subsequent developments took place rather fast. On November 22, there were major clashes in Sembiam and a majority of employees stayed out of work. The situation at the Sembiam Estate where a number of units of the group are located, the situation continued to be tense in the following days with the two groups of workers—belonging to the LPF and those opposing the leadership—indulging in widespread violence which could not be prevented inspite of the deployment of police in their hundreds.

All Other Issues Forgotten

All the other issues were forgotten. The only demand of the Joint Action Committee was the scrapping of the agreement and the holding of the elections to test the strength of the leadership.

In these developments the management was helpless. Perhaps this was understandable as the dispute related to the Union leadership. The Government was not willing to intervene as it was afraid of facing the reality of the need for ordering fresh elections. In fact the Tamil Nadu Labour Minister, N. V. Natarajan said on December 1 that the Government could not intervene in the strike as there were no industrial disputes involved in it. If a matter involving the livelihood of 16,000 workers which in turn must be affecting directly atleast a lakh of people did not deserve the attention of the Government, one wonders whether there could be any more deserving cases of industrial disputes that would qualify for such an intervention. Afterall, the Government took the responsibility to maintain industrial peace by the deployment of several hundreds of policemen all over. The public was also treated with the figures of attendance and the like at the unit companies by high-ranking police officials (mark! This did not come from the management spokesmen nor even from the Ministers but from a Police Chief!) Again rather than the management spokesmen, the Chief Minister was freely making commitments in regard to the reinstatement of retrenched workers, lifting the lock-out and the like.

By December 7, the Chief Minister appealed to the striking workers to get back to work. He told the State Assembly: 'I am prepared to examine the grievances as soon as they report for duty.' He ruled out any discussion with "outsiders" who had nothing to do with the Union in the various units. Warned Karunanidhi: "If the leaders persisted to attempt to foment trouble, the Government would have no alternative but to put them down firmly." The Chief Minister also reiterated that the industrial establishments would be free from such troubles if "outsiders" were not allowed to become presidents of labour unions. Alas! it was precisely the planting of an outsider by the DMK into the leadership of a union free from political affiliations that contributed to so much of an upheaval.

The shrewd politician he is, Karunanidhi could not agree to the suggestion of the Joint Action Committee to order the fresh elections. He knew that it was not certainly the opportune moment to hold these. He certainly needed some time for the party to regain the confidence it had been losing with the workers. This was the major reason for his sticking to the last to the holding of the elections, only in March.

Things turned for the worse on December 16 when widespread damage to property was also

caused. Karunanidhi flourished a number of photographs to the Tamil Nadu Assembly members on December 18 to show the extent of damage caused to glass, furniture and to some cars and air conditioning equipment in the factory at Sembiam and estimated the loss of property at Rs. 1.5 to Rs. 2 lakhs. There was a gherao of some of the officers till about 1-30 a.m. with the object of ensuring the safe return of one section of employees.

Trade union activity in Simpson Group used to be free from personal clashes and violence for long. In the recent unrest unfortunately, this healthy precedent was given the go. About a dozen persons sustained injuries in the clashes of December 16 alone. Many more were reported injured in the period of unrest.

The strategy to stagger the re-opening of the different units in Sembiam to avoid a large influx of workers simultaneously also did not work. Over 10,000 workers of the group went on an indefinite strike from December 27. After due warning, the management issued notices of termination of service to 325 workers on charges of continuous abstention. But these did not have the desired effect. Right through the agitation the solution eluded because of the attitude of the Government which tried to treat the symptoms rather than the disease. Obviously the threat of mass victimisation of workers could not succeed.

C.S. and Mohan Join the Fray

By this time it had become evident that the trade union leaders other than DMK were treating it as a fit case to test their strength. Their involvement as also that of the DMK was so deep, that it was not possible for either of these to withdraw honourably. The Union Ministers C. Subramaniam and Mohan Kumaramangalam who visited Madras, promptly jumped into the fray and assured that they would support the genuine demands of the workers. But for their interest to capitalise on the situation, they would certainly have tried to discuss the problem with Karunanidhi before addressing the TNCC (R) members on January 2. C. Subramaniam was reported to have told the meeting that he would hold discussions with the Tamil Nadu Ministers on January 3. However, he was not sure whether an amicable situation could be arrived at. Kumaramangalam even went to the extent of saying that as a trade union leader he had never come across such an agreement which went against the workers. The Minister also stated that with production so much disrupted in a vital concern like the Simpson Group of companies, the (Central) Government could not be silent over the matter. This was more than enough provocation for Karunanidhi to retaliate. He said that responsible Central Ministers should not make "rash speeches" on matters relating to the State without ascertaining the facts. He could not also reconcile to the

Alliance Parties participating in hunger strikes and other forms of direct action against the DMK Government. He had also no hesitation in criticising the Central Ministers for the failure to evince the same amount of interest in the Cauvery waters issue, the Salem Steel Project or the re-opening of the closed textile mills. Karunanidhi affirmed: The people had not forgotten how long the Indian Airlines' strike during the Chairmanship of Mr. Mohan Kumaramangalam who prefers to approach the Simpson issue "not as Union Minister but as a trade Union leader."

The expected meeting between the Tamil Nadu Chief Minister and the Union Ministers did not come through as was to be anticipated. At this juncture a new element entered the point at issue: viz., the jurisdiction of the Centre in a labour dispute. From this point the Joint Action Committee started concentrating its efforts to get Central intervention through petitions to the Governor and the Union Labour Minister. On January 4, Chief Minister Karunanidhi forestalled possible Central intervention by taking recourse to the Defence of India Rules which declared a number of Simpson Group of companies as belonging to essential services.

In his strategy of confrontation with the Centre, Karunanidhi adopted shrewd dichotomy: Criticism of the intervention of the Central Ministers from Tamil Nadu and placing faith on the Prime Minister's dedication to democracy (which he interpreted as non-interference in a State's affairs). A number of trade union leaders met the Labour Minister in Delhi (the meeting called by the latter was boycotted by the Tamil Nadu Labour Minister) and arrived at an accord on certain programmes to salvage the situation. The Simpson Group Chairman, A. Sivasailam also had a discussion with Labour Minister R. K. Khadilkar. He also contacted some of the labour leaders and also the Chief Minister and Industries Minister of Tamil Nadu.

A Face-saving Compromise

The usual principle of arriving at a consensus was adopted and a compromise was evolved with as much face-saving as possible for all the parties concerned. For the Joint Action Committee comprising all the non-DMK trade unions, it was a success in that it could dislodge the leadership of Kattur Gopal; for the DMK Government there was relief that they could still have the elections in March so that it will leave them time to retrieve its image.

In talks lasting 150 minutes it was settled that a six-men committee consisting of Messrs. K. Manoharan (Labour Progressive Federation), R. Rangaswami (INTUC), Mrs. T. N. Ananthanayaki (Cong. O), G. Balaram (H.M.S.), Umanath (CITU), and P. M. Ramaswami (AITUC) would function for an interim period till the regular elections for

the office-bearers of the union were held. (It has been announced subsequently that the Labour Progressive Federation will be having as its representative M. V. Narayanaswamy instead of K. Manoharan. In the light of the wider experience of Narayanaswamy in trade union activities this change is indeed logical.

This committee would be competent to negotiate with the management all the disputed items in the settlement. It could also take up urgent day-to-day problems, if any. The committee was required to take all necessary steps for the early conduct of the elections as per the constitution of the Simpson Group Companies Workers' Union.

The agreement provides that the assurances already given by the Chief Minister will stand. These include the cancellation of the disciplinary proceedings taken against workers, withdrawal of all cases pending against them and reinstatement of retrenched SRVS workers within a month.

Not a Happy Culmination

Alas! It was not certainly a happy culmination: It has left many loose ends untied: apart from other agonies, the strike also caused irreparable loss in production valued at some Rs. 7-8 crores.

The control of the Union which passed from non-political head from within the organisation (K. Gurumurti) to a political leadership from outside (Kattur Gopal) has been handed to a group of leaders with strong political affiliations. The inclusion of leaders like K. Manoharan and Mrs. Ananthanayaki who have had no experience in trade union activities would inject politics to a degree which was far worse than what obtained earlier.

The composition of this committee is sure to filter down: one can reasonably predict that intense activity will be begun by the different trade unions to win the loyalty of the different sections of the employees. The results may be disastrous: There might emerge a situation in which there will be several unions in the group, each too much preoccupied with its own problems of survival to be of any use to its members.

The compromise has left unanswered questions as to the jurisdiction of the Centre and the State in matters of industrial disputes like this. With the result, either party can shape any industrial disputes to its advantage depending upon the conditions prevailing.

Lack of Labour-Management Communication

The whole dispute also brought to light the almost lack of communications between the management and the workers of such a large group such as Simpsons. There was an almost total absence of any effort on the part of the management to educate

Degenerating to a Common Pattern

The events of Simpson have unfortunately set in a retrograde motion the concept of trade unionism: The ideal condition will be to have one strong non-political union having its leadership from within the industry or group. But unfortunately the normal pattern one often comes across in trade union set-up in many industries in the country is multi-union political organisation controlled from outside. The ideal condition had already obtained in the Simpson Group for a long number of years; and this has unfortunately degenerated into the common pattern of trade dis-union.

the public on the importance of the Group companies to the national economy or on the details of the points at dispute though the entire field was open for politicians of every shade.

The disturbed conditions in the various units of the Simpson Group have contributed to a certain stagnation in an otherwise fast expanding organisation in the last four years. For the first time in so many years a flight of middle management personnel has taken place. Since such personnel are the backbone for any company there is need for this company to boost the morale of this class of its employees.

It is a fact that there has been over-staffing in a number of companies making deep inroads into the profitability of operations. To ensure viability, the management and the Union will have to tackle this aspect.

Also the Group is a conglomerate of units which do not have many things in common that would permit the organisation of its activities on a functional or viable basis. The time may come for the Group to rationalise its activities on the basis of common functions rather than burdening itself with a number of unprofitable and non-viable operations. It may even necessitate the Group shedding some of its non-viable operations.

In the political sphere of Tamil Nadu the whole episode served as a barometer for gauging the strength of the different parties. The political parties did not bother either about the great loss in production or the untold sufferings under went by the thousands of workers involved, but used the opportunity to strengthen their respective positions.

A Good Opportunity to Strengthen the Congress

The rift that has taken place between the Ruling Congress and the DMK might, perhaps, contribute to the polarisation of political activity in the State. As events have shown, with Kamaraj completely demoralised after the 1971 elections there is no leader of any stature attempting to organise a strong opposition to DMK. Thanks to the decision of the Ruling Con-

gress to sacrifice all claims for the Assembly seats in the 1971 elections, just being content with an allocation of 10 Lak Sabha seats, it was not a potent force all these months. Obviously, such a situation cannot continue for long unless the Ruling Congress was willing to reconcile to be a satellite of DMK so far as the local politics was concerned. With the widespread popularity of Indira Gandhi, it can now start building up the party in the State as an effective opposition to the all too powerful DMK.

Tarnishing the State's Industrial Image

It was unfortunate that a trade union dispute should have been allowed to assume such a large proportion and with so much of politics impregnated into it. This and the earlier labour dispute of Standard Motor Products of India, where troubled conditions persisted for months together leading to the closure of the plant for ten months, had received such wide notice as to cause misgivings on the part of prospective investors interested in the State. Viewed against rich infrastructural facilities available in the State such as power and transport and the large complement of highly skilled and educated workers, outside investment in Tamil Nadu was certainly low. The neighbouring State of Mysore, for example, had attracted widespread investments from all over the country. The Birlas, in particular, have made large investments on cement, fibres... The Kirloskars have likewise established a number of manufacturing industries in Mysore.

Allowing local disputes to grow in dimensions to all-India level is certainly not conducive to the image of the State as one ensuring industrial peace. The State Government will do well to settle amicably such disputes before they assumed large proportions.

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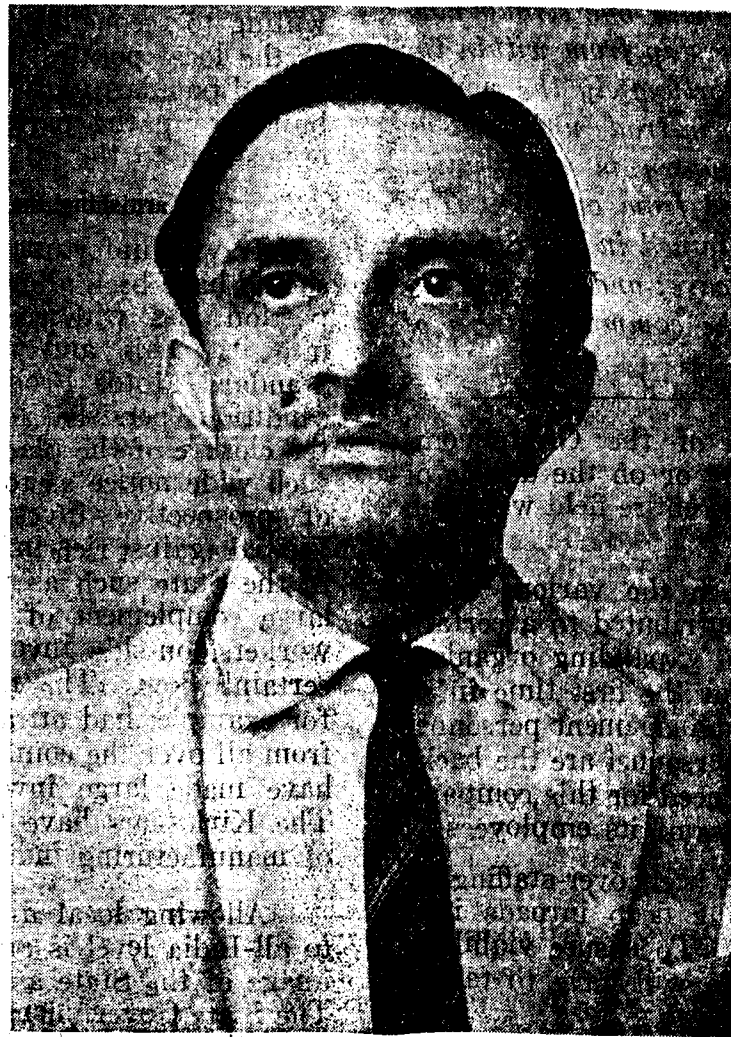
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A Void Difficult to Fill



Dr. VIKRAM SARABHAI

Over the last five years, the Atomic Energy Commission has had to bear the shock of losing two eminent Chairmen, Homi J. Bhabha and Vikram Sarabhai. Both died when they were at their keenest to introduce a high degree of dynamism in the country's nuclear programming. While the succession of Dr. Sarabhai had in a way filled the void left by Dr. Bhabha's death, it does not appear to be as easy to fill the void left by the former's untimely demise while on official duty in Trivandrum. Dr. Sarabhai took his Natural Science Tripos from Cambridge in 1939. From 1939 to 1945, he worked on cosmic radiation under Sir C. V. Raman in Bangalore. Thereafter he went to Cavendish Laboratory, Cambridge to work on nuclear physics. In 1947 he received his doctorate from Cambridge. On return to India, he joined the Physical Research Laboratory, Ahmedabad as Professor of Cosmic Ray Physics and became Director of the Laboratory in June 1965. In early 1962 he was entrusted with the responsibility of setting up the Thumba Equatorial Rocket Launching

Station and the Experimental Satellite Communication Earth Station at Ahmedabad. He also initiated a programme for the manufacture of the French Centaure sounding rockets in India and proposed the setting up of a Space Science Technology Centre for designing and developing Indian rockets, Indian payloads and supporting scientific instrumentation and equipment. He became the Chairman of A.E.C. after Dr. Bhabha. The first nuclear power station was commissioned under his aegis at Tarapur on January 19, 1970. An important development in the space programme under Sarabhai was the NASA-DAE satellite ITV Experiment Project which entails the beaming of India-prepared programmes from NASA Satellite ATS-F for about one year in 1972-73 to 5,000 television sets located in rural areas of some selected regions. He died in harness of heart failure leaving behind his wife Mrs. Mrinalini Sarabhai—the internationally famous exponent of Bharata Natyam—a son and a daughter besides his aged mother.

The Year in Retrospect

The year that has ended had queered the pitch in a number of directions in the national and international sphere. So far as the nation is concerned it witnessed the success of the Ruling Congress in the mid-term poll in a dimension unwarranted by predictions of political prophets and knowledgeable journalists. The general tendency, immediately on the falsification of "expert predictions" ranged from blaming it on the fickleness of mass emotions to the voicing of sinister doubts about the fairness of the election practices. The fact remains, however, that the Prime Minister has been able to demonstrate convincingly that the nation was behind her. This inclined conservative opinion to the view that she would carry through ideology-oriented reforms irrespective of their significance from the standpoint of feeding hungry mouths or improving per capita income as economists would describe it. This foreboding has been vindicated by the manner in which the right was restored to Parliament to amend the Constitution, restraining the jurisdiction of the courts. The most disturbing aspect of the amendment consists in equating compensation with any amount the State may deem fit to award in the event of take-over of private property and in denying the citizen the privilege of seeking redress of grievances by the Court.

Putting Posterity in Strait-Jackets

Despite all the heart-warming talk about the Government being wedded to exercising the power only when it had to be so inevitably exercised, none can be beguiled into accepting that one has not lost a fundamental safeguard against State encroachment to one's detriment but that it is only stunt-prone reactionaries who will have him believe so. The line of demarcation between law as such and the Constitution has been wiped out in the teeth of competent criticism that a Parliament which has a short life term of 5 years can have no authority to meddle with a charter which is intended to take care of the rights and privileges of countless generations to follow. Outside totalitarian societies, India perhaps provides the singular instance of a Government putting posterity in strait-jackets to oblige the momentary whim of the party in power.

On a par with such legislation, two other bills were sought to be pushed through, one relating to the abolition of privy purses and privileges of former rulers and the other seeking to amend the Constitution to enable the President to declare a state of emer-

gency in any particular part of the country instead of over the entire country. The first has since been enacted; the second has been held over for the budget session this year because of adverse criticism from all sections of the legislature. In both cases, the urge was provided by certain practical imponderables. Because of the adverse verdict of the Supreme Court, it was felt necessary to jump the provisions relating to the jurisdiction of the courts. When the argument was mooted that the Government will be rendering Nehru's assurances to the rulers worthless and that confidence in such government assurances would be shaken for ever and that, in any case, the abolition of purses would not contribute anything towards augmenting per capita income, government spokesmen put on the expected 'holier than-thou' attitude sermonising on how a socialist society should steer clear of perpetuating anachronistic relics of the past. Evidently the steam roller majority of the Government is being used like a big axe to cut an apple merely because the axe had just been got ready and had to be tested somewhere before it lost its polish.

Cavalcade of Floor—Crossers

As for power politics and the in-fighting within political parties, the only difference between 1970 and 1971 consists in the proclivity of many politicians to becoming aware of the virtues of the Ruling Congress. Thus many began to jump on to the bandwagon. The Congress, which till the split was a political monolith, has become so in more vigorous and with a bright change of colour. In the Southern region particularly, the D.M.K. won a famous victory which was as breath-taking as the decision of the Ruling Congress was not to set up any candidate for the State legislature. Congress (O) has verily gone into oblivion and even at the moment of this writing, there is clearing of the decks true to the proverb that rats desert a sinking ship. In the latter half of 1971 there were crude expectations that a confrontation between the Ruling Congress and the D.M.K. would explode. Those who felt so did not take into their ken the fact that Congress in the south is Mr. Kamaraj's Congress and so unless Mr. Kamaraj himself joins the P.M.'s camp, there is not going to be any fireworks! Of course, the hopes of a confrontation were not also entirely baseless as is witnessed by the manner in which the approaches of the Centre and the State Government to the Simpson strike are deviating widely.

The North-eastern region did not see any relief from President's rule. West-Bengal continued to be the 'problem province' as of old and, murder, arson and rape had recurred as usual. The layman had always wondered why the Centre was unable to do much especially when the law and order situation worsened. There is no point in tracing this passivity to the needs of the political game among the major parties in that region. This is because, over and above any plausible absence of the will to govern, the political milieu of West Bengal has remained so confused that none could take a safe bet as to the wisdom of extremely stern measures on the part of the Centre. One thing that has emerged clear is the fact that lawlessness has become a malaise and that it does not necessarily have to be labelled as Naxalite. Only time can show how soon and how far the will to govern will begin to tell.



Prime Minister Indira Gandhi with Sheikh Mujib-ur-Rehman when the latter passed through Delhi on January 10. Mujib was accorded a big welcome at Delhi. Addressing a large gathering he gave eloquent expression to the part played by India in liberating Bangla Desh.

Birth of a Brave New Land

Against this sombre backdrop, the eruption of disturbances in East Pakistan threw into our lap a crore of refugees. For a time—that is between March 25 and December 3—it looked as if President Yahya Khan had succeeded in fulfilling Jinnah's dream about exchange of population and in the process converting a political crisis of Pakistan into an economic crisis for India. He could have got away with it but for the oddities of his foolish decision to imitate Adolf Hitler in terrorising the local population and destroying its cream so as to make rehabilitation—political and economic—well nigh impossible. It was this that made the Mukti Bahini a threat to Pakistan's integrity. The threat would not certainly have become as effective as it had become but for yet another costly mistake of Yahya Khan. Seeking to emulate Israel, he ordered a pre-emptive strike on Indian airfields without realising that India was only waiting for him to do so to recognise Bangla Desh and assist the freedom fighters

directly and on a massive scale. The military solution to the refugee problem was made thus more equitable than it would otherwise be. The 14-days' war gave the world a taste of what a united India could do and revealed the superiority of our defence forces which had been held on tight leash all these years.

Indo-Soviet Treaty

It is in this context that the Indo-Soviet Treaty should be assessed. Most columnists take the view that it was the first step in Mrs. Gandhi's long-term scheme to crush Pakistan. It is, of course, true that, but for the Treaty and but for the warning issued by Mr. Kosygin that the Big Powers should keep off the Indo-Pakistan conflict, Pakistan could have got the breather for which it was languishing and, India, a bigger challenge than the 14-day-war. The fact cannot, however, be gainsaid that the opinion of the masses all over the world was adverse to Pakistan, while Britain and West Europe felt that the military junta in Pakistan had gone too far. It was this that contained the adventurism of China, the U.S.A. and some of the Arab States.

No Babes in the Wood

1971 will be remembered for the many incidental, but nevertheless valuable lessons. As U.S. critics have put it, Mr. Nixon's blunders surpass all credence. In some American papers, the idea is sought to be instilled that the blunders were committed because Mr. Nixon thought Mrs. Gandhi's U.S. visit was a smoke-screen to hide her military preparations. He acted on vic-with-all the consequences which such hot-headed action entailed. This cannot be true entirely. If Mr. Nixon or the State Department thought that military intervention was avoidable, they should be babes in the wood. Those who have long memories would recall Mr. Nixon's associations with McCarthyism and his consequent detestation of communist or socialist ideology. The detestation was aggravated by the Indo-Soviet Treaty and by the threat to the national solidarity of Pakistan, a military ally, who was willing to dance to the U.S. tune unlike Mrs. Gandhi.

If the Anderson papers are true versions, Mr. Kissinger did not class our P.M. among Soviet satellites. He considered her far too tough. The secret of U.S. blunders lies in the enormity of the task it undertook to discharge; the Indo-Soviet Treaty, would ensure against China's intervention in the Indo-Pakistan conflict. The U.S. had to interfere somehow to redress the balance against India and in favour of Pakistan before India could have time enough to establish its superiority in the subcontinent. But, how was the U.S. to intervene without being dubbed an aggressor? Mr. Nixon thought that this could be done by calling India the aggressor and by moving the Seventh Fleet to the Indian Ocean to terrorise India. The consequence of this decision is now common knowledge: No country can emulate

the U.S., a democracy, in supporting rickety militarist regimes. Washington, Lincoln and Roosevelt must be turning in their graves.

Sinister Writing on the Wall

The war has also demonstrated the uselessness of the United Nations. Even as a talking shop, its record has not been very gratifying. When 104 nations sought to impose a cease-fire, they were motivated by what the permission of secession could mean to their multi-lingual population. This explains Yugoslavia's vote against us. It could not have behaved otherwise with its recent headaches over Croatia. In any case, in international politics, it is not principles but interests that count. So long as this is going to be the case always, no nation can have any faith in the competence of the U.N. The fact that a powerful country like the U.S. can itself deem it proper to pressurise the U.N. threatening to reduce U.S. contributions to the U.N. budget is the sinister writing on the wall which countries like India cannot afford to overlook. As for international conscience, it did not buy bread for the refugees, except marginally. While it felt hurt by India's retaliation to Pakistan's military action, it did not melt at the sight of large-scale arson, rape and loot of 75 million people.

This has made two more things clear: First, indifference to others' worries is common and is not influenced by race or colour of the skin. Secondly, Governments are not necessarily representative of the voice of the people. If so, Mr. Nixon could not have done so much to undermine Indian strength even to the point of exploring for indirect channels for the flow of U.S. arms to Pakistan. In sum, the war has underscored the unpalatable truth that, in the world of today, the victor is respected ultimately.

Charity Should Begin at Home

The political scene in other countries in 1971 represents a hang-over of 1970. The U.S. involvement in Vietnam is being reduced. Even here, the U.S. has been compelled to use highly destructive bombs besides questionable tactics. Hitler was defeated. Germany lay prostrate after the defeat. The Allies could therefore, organise the Nuremberg trials for liquidating generals and politicians. The U.S. is still very much alive and strong and so Mr. Johnson or Mr. Nixon cannot be brought to trial for their war crimes. These crimes involve decimation of foliage, destruction of arable land beyond recuperation and massacre of civilians under the pretext that they were aiding communist guerillas. Only when Bangla Desh seeks to try its war criminals, India and Bangla Desh should be sermonised about the higher values of forgiveness and the decencies of the quality of mercy.

In the United Kingdom, Heath has scored a famous victory. The changes in that are the victory at the polls has transferred the economic ills from the Labour Party to the Conservative Party. Much

depends on how soon Britain gets into the European Common Market as the E.C.M. represents the only chance for improving income and productivity of British industry. Being a nation of shop-keepers the British require to set up shop somewhere for some time or always. In Western Europe, the most significant event is the entente between Mr. Willy Brandt's West Germany and the Soviet bloc. This has resulted in making the NATO alliance a costly luxury for the Europeans. No wonder they have been looking for every line of argument to prove that the U.S. presence in Europe need not be shared, in the field of its military expenses and in "the exaggerated proportions" suggested by Mr. Nixon. At the same time, the fear persists that U.S. withdrawal will make for insecurity against the Soviet Union. The Europeans have been saying that they do not want to throw away the baby with bath-tub. What the Americans have rightly been pointing out is the fact that the bath-tub is as important as the baby.



And these jawans helped a big boost to the morale of Indians by their valiant fight against the enemy.

Bull Enters the China Shop

The most significant political development for Asians, concern China. Mao's China has been admitted into the U.N. which has ejected Taiwan. This is a result for which we have been sedulously working in a spirit of complete self-abnegation. Yes. Otherwise, how could we have worked for China's admission knowing full well that we will thus be providing that country with a wider and more important forum to accuse and abuse India in season and out of season? The major difficulty is going to be for the Soviet Union because of the Chinese penchant for dirtying others' linen and then washing it in the public. Those who expected that China would be brought round to behave right, by being

forced into the U.N. should be eating humble pie after having listened to the recent speeches of the China's delegates and its permanent representative.

Outside the political sphere, the arena, both national and international, is quite unenchanting. India has suffered the biggest drops in economic growth with industrial production dipping to 3 per cent (per annum) from the targeted 8-10 per



India-made Vijayanta tanks on the move in Western sector. Vijayantas have knocked out a large number of Pakistani tanks during the current operations.

cent growth rate. Industrial unrest has been holding to ransom steel production. These are legacies of 1970 carried over into 1971. The engineering goods sector has consequently been partly idle. The biggest problem in 1971 was the pressure of inflation, shortage of resources for development and increases in spending on account of cyclone relief besides refugee care. The emergency at the end of the year gave a pep to growth which is sought to be reinforced now by a more liberal policy of licensing. It is not that pragmatism of the right type has come about. For, even now, a mental reservation against large firms, which are the only ones capable of delivering the goods, is writ large in the proposal to constitute a task force to go on case by case basis into applications from them for expansion of capacity. If this negative attitude is not shed and in time too, the industrial sector will remain as ever in the red, which is good neither for the government nor for the economy. The agricultural sector acquitted itself creditably in 1971. It was indeed the brightest segment of the economy. It has as yet a long way to go before it can extricate itself from its dependence on monsoons and provide for such progressive increases in output of foodgrains and raw materials as can enable self-reliance.

Oh, What a Fall, Dollar!

In the international sphere, the major event is the shake-up of external parities. President Nixon's package deal, delinking dollar from gold (for con-

vertibility); imposing a 10 per cent import surcharge and providing tax credits to boost internal trade at the expense of external trade forced a realignment of currency parities via floating exchange rates. There is no denying the fact that this was dollars' most bitter moment, for, at one stroke, the dollar was devalued by 7.9 per cent and the international gold price was raised to \$38 dollars an ounce from \$35 dollars—a rise of 8.57 per cent. The rouble, the yen and the mark have been revalued upward. For reasons best known only to its Government, India has revalued the dollar parity to Rs. 7.2 from 7.5, while it has devalued the rupee against the British pound by 5 per cent. Our reserves are large enough, we have been designated for supplying SDRs in exchange for convertible currencies. Exports are moving upward. Yet the Government has gone in for devaluation. Only future events will show whether this is ultimately good for our foreign trade. In any case, whether for India or for the other countries of the world, the present adjustment in parities is a breather. It cannot be presumed to be capable of solving exchange rate uncertainties over the long term. International monetary conscience will have to recognise the need to link exchange rates with facts rather than illusions about national economies. So long as nationalism thwarts this exercise, the world monetary system will begin to crack and get torn asunder from time to time, according to the distortions in parities vis-a-vis domestic costs of production. —R.S.



Sabash Jawans! Prime Minister Indira Gandhi visited forward areas of the Western sector on January 3. She is seen talking to a Jawan at the military hospital in Jodhpur.

Aftermath of Dollar Devaluation

(By a Special Correspondent)

The crisis in the international monetary situation has at last been resolved with the U.S. Administration deciding to devalue the dollar by raising the price of gold to \$38 per ounce after 37 years. This step was long over due though the U.S. Government was fighting shy of it because of political consideration. Even now the increase in the price of gold would have been more pronounced but for the novel and equitable procedure of revaluation of the strong currencies of West Germany, Japan, the Netherlands and Belgium. It is only in recent years that the technique of floating strong currencies has been successfully tried and there has been no attempt at drastic devaluation of reserve currencies as happened when the British pound was devalued in 1967. The West German Deutsche Mark was allowed to float two years ago and the Government of that country, has reluctantly agreed to a revaluation of its currency by about 7 per cent.

With recurrent crises in the international monetary situation and the weakness of U.S. dollar, it, however, became necessary to devise new methods for bringing about a realignment of the different currencies and remove obstacles in the way of a regular expansion of international trade. For over four months there has been complete confusion in the foreign exchange markets and many countries have suffered grievously on account of a slowing down of exports and changes in their value. The U.S. Government was obviously bargaining for reciprocal concessions as it felt that its difficulties were not of its own making and only due to the liberal foreign aid extended over two and a half decades and through heavy expenditure on the Vietnam war.

Adjustments in Exchange Parities

The discussions for bringing about the necessary adjustments in exchange parities have necessarily been prolonged and each one of the Group of Ten, viz., the ten richest nations was seeking to protect its interest and drive home the point that the U.S.A. was adopting double standards and should not stand on prestige when economic issues were involved. The U.S. Government has no doubt succeeded in bringing about a pronounced revaluation of the yen and the mark but its earlier expectation that it can get away without a revision of dollar price for gold and avoid outright devaluation has not succeeded. The clever playing of the cards by the nine rich countries against the tenth rich country viz., the U.S.A., has resulted in the eventual devaluation of the latter's currency by raising the price of gold by 8.57 per cent to \$38 per ounce. The U.S. dollar got devalued in the process by 7.89 per cent.

There would have been a bigger rise in the price for gold to over \$40 per ounce if, on the lines of Britain, U.S.A. was compelled to devalue its currency by about 12 per cent which it is now stated to be the average devaluation. Political considerations and a feeling that greater stresses will develop in the form of sizable current devaluation that many currencies will have to effect, were perhaps responsible for the more intelligent readjustments that have now been completed. Apart from this equitable compromise, the holders and large miners of gold like the Soviet Union and South Africa have been prevented from earning sizable profits on the sale of gold in international markets. The wisdom of this step will be proved only by the developments in the coming years. Meanwhile it has to be determined whether there will be a continuing supply of newly mined gold and whether any artificial restriction of production on account of an attractive price, in the face of rising costs, will not create serious problems again at a later stage.

No Change in Dollar - Rupee Parity

The Government of India has decided immediately after Mr. Nixon suspended convertibility of the dollar into gold, that there should be no change in the dollar-rupee parity. It is not clear what Mr. Chavan meant when he said that the decision to float with the dollar was taken with a view to avoiding the change in the gold parity. But it was clear all the time to discerning experts that the gold parity of the dollar would have to be changed with a higher price for gold and that if the rupee adhered to the parity with dollar it would also have to be concurrently devalued. It was soon found that the dollar had depreciated even against the British pound and Indian exporters had to sell more in terms of rupees where selling quotations were involved, and there was actual devaluation by 5.4 per cent. The depreciation is naturally more pronounced against the West-German and Japanese currencies.

As the U.S. dollar price for gold has been eventually raised and Britain and France have not changed their gold parity, the Indian Government has been obliged to devalue the rupee against the sterling by 5.4 per cent taking into account the rate that prevailed in the foreign exchange markets before the decision was taken by the U.S. Government to devalue its currency by 7.89 per cent. When Indian exports have been picking up well and there was a record value in the first six months of the current financial year, the Reserve Bank should not have adopted the weak policy of allowing the rupee to float down with the dollar and unnecessarily complicate the export effort by compelling a larger volume of exports for securing the same quantum of foreign exchange earnings.

Why Devaluation Against Sterling

It has been explained by Mr. Chavan that the latest decision has been taken in order to ensure continuity with the recent past and encourage exports and discourage imports. When a regulatory duty 2½ per cent has been imposed on all imports and this duty is even higher at 10 per cent on selected items, there was no need for an additional discouragement to imports in the shape of confirmed devaluation against sterling. The British Government has actually decided to maintain its gold parity at the previous level though the sterling at particular stages was commanding only a premium of 4½ per cent in relation to the dollar. Now it is at the premium of 8.57 per cent over the previous dollar parity. When exports to the United States consist mainly of gunnies on which a heavy export duty is being levied, there is no justification for the implied general devaluation of the rupee by 5.4 per cent and much more stiffly against the mark and the yen.

Economists' Views

The orthodox economists may of course contend that there has been a sharp rise in

Realignment of Currencies

UPWARD VALUATION IN TERMS OF U.S. \$

1. Deutsche Mark	4.61 per cent
2. Swiss Franc	4.61 "
3. Belgian Franc	2.76 "
4. Dutch Guilder	2.76 "
5. Finnish Mark	2.40 "
6. Japanese Yen	7.06 "

DOWNWARD VALUATION IN TERMS OF U.S. \$

1. U.S. Dollar	7.89 per cent
2. Italian Lira	1.00 "
3. Swedish Kroner	1.00 "

NO CHANGE IN PARITY—

1. British Pound	
2. French Franc	

While the RBI are working out the exchange rates with respect to various currencies, they have given the following two as for Dec. 31, 1971.

U.S. \$	= Rs. 7.270
£	= Rs. 18.9077

internal prices in the past two years and slight devaluation will be helpful in boosting exports. This argument, however, cannot stand close scrutiny as the import parities of steel, aluminium and regular items are higher than internal prices while no serious disability is being experienced by exporters of gunnies, steel, coffee, cashew nuts and many other products. Incentives have of course to be given for sustaining exports of tyres, engineering goods, textiles and some other items which do not constitute more than 20 per cent of total exports. For bringing about a higher level exports of these items alone, there need not have been a lowering of the external value of the rupee especially when barring Japan, West Germany, Belgium and the

Netherlands, there has been concurrent inflation in many countries. The mistake perhaps arose on account of the fact that the dollar rupee parity was maintained in the hope that there may not be a change in the dollar price for gold. The expectations in this regard have not materialised and there is now need for boosting exports at least by Rs. 100 crores in order to secure the same quantum of earnings. This would mean that over and above the normal growth there will have to be a further increase in order to achieve plan targets. The correctness of the latest decision will therefore be borne out only by subsequent developments though it is now fairly clear that there has been needless cheapening of the rupee.

Sustaining a Steady Increase in Sugar Production

The sugar industry has to shoulder a new responsibility which will call for considerable advance plan in regard to the cultivation of cane in the required quantities and qualities and the creation of additional capacity. It will no longer be advisable to leave matters to chance as new trends in consumption have emerged and for some time it will be necessary to plan for a regular annual increase in production by 10 per cent with a basic requirement of 45 lakh tonnes in the current crushing season. The Government, however, does not seem to be aware of the need for boosting production to 5 million tonnes annually without delay as even early this year.

Scramble for Cornering Supplies

With gur and khandsari consumption also at a high level even in the face of a larger intake of sugar by the population, a small production in the availability of cane has led to a scramble for cornering supplies of cane by paying higher cane prices. In view of the fact that the monthly release of 3.25 lakh tonnes of sugar is being easily absorbed and exports also will require about 2 lakh tonnes, the aggregate consumption including exports and the special requirements of the festival seasons, will be easily 44 lakh tonnes. Adding to the requirements of Bangla Dosh over and above production in that region, an output of 46 lakh tonnes cane be easily marketed. Against this demand, however, the output in the current season is not expected to be more than 36 lakh tonnes which indicate that even taking into account the sizable carryover of 14.5 lakh tonnes in the last season, total availability will not be more than 50.5 lakh tonnes. The carryover will, therefore, have to be drawn upon liberally to the extent of 1 million tonnes and stocks at the end of the year may decline to the very low level of 4.5 lakh tonnes.

In the next season, total requirements will be much higher at 50 lakh tonnes if there was again a satisfactory output of food grains and cash crops, as it is necessary to have a basic stock of at least 7 lakh tonnes; total availability will have to be of the order of 57 lakh tonnes. Assuming that there has been building up of stocks with traders for about 3-4 lakh tonnes of sugar, it may be assumed that total stocks including those with the industry will be around 8 lakh tonnes leaving a balance of 49 lakh tonnes to be produced in 1972-73. The Chairman of Sakthi Sugars Limited, Mr. N. Mahalingam, has drawn forcefully the attention of the Government for thinking on bold lines and recognising the new importance of the sugar industry. If the output of sugar in 1972-73 should be higher than in the current season production by nearly 40 per cent, there will have to be a large extension of the acreage under the crop besides the raising of better varieties of cane. The previous record of 42.80 lakh tonnes will thus have to be exceeded by at least 6 lakh tonnes in the next season.

The details relating to the output of sugar in different states show that the short fall of 5.40 lakh tonnes was mainly due to slackness in Uttar Pradesh which achieved an output of only 12.99 lakh tonnes against 16.24 lakh tonnes. The States of Andhra Pradesh, Mysore and Bihar between themselves accounted for a drop of 1.12 lakh tonnes while Maharashtra and Tamil Nadu were successful in bettering even the performance in the previous season. It will therefore be seen that a big effort will have to be made for securing a production of 49 lakh tonnes. Even if Uttar Pradesh and Bihar succeeded

in producing 2 million tonnes between themselves, Maharashtra, Tamil Nadu and Andhra Pradesh will have to make big effort to raise their output by 6 million tonnes over the levels achieved in 1969-70.

Problem of Availability of cane

The capacity may be available but the problem will relate to the availability of cane. Fortunately the Government has pursued a rather pragmatic policy latterly and, without reintroducing control, it has been agreed that 60 per cent of current production should be made available to States for a fixed price of Rs. 2 per kg., while the balance of 40 per cent can be sold without any restriction in the open market.

Need for More Cane

As the State Governments have been agreeable to purchase sugar at Rs. 150 per quintal, ex-duty and ex-factory, the Ministry of Agriculture has suggested that mills all over the country should pay a minimum price of Rs. 85 per tonne with suitable adjustment for higher recovery. As in Uttar Pradesh and elsewhere the cane price may even be Rs. 90 per tonne and the arrears of payments have been largely cleared, the growers may decide to cultivate cane over a larger area. The attraction of a higher rate by itself may make for increased availability of cane for being handled by sugar mills. But it will be advisable to depend on a natural development as a crop of 185 million tonnes of cane will have to be ensured which will be 20 per cent more than the record of output of 1969-70.

Need for a Liberal Credit Policy

The sugar mills can hope to secure their requirements without actively competing with the manufacturers of gur and khandsari only if they took an active interest in the cultivation of cane in areas adjoining factories and the growers were helped with agricultural inputs, technical advice and financial assistance. The banking system should not hesitate to lend block credits for use by farmers on the understanding that such credits will be recovered from farmers when they were paid by sugar mills. It is lack of a proper credit policy that has created needless difficulties for the sugar industry and brought about a retrograde trend in production in the last two seasons. If liberal credits are forthcoming, there is no reason why cane cultivation will not improve substantially, which in turn will augment sugar production.

GLIMPSES...

Settling Down to Rapid Reconstruction

The Government of Bangla Dosh is apparently determined not to allow grass to grow under its feet, so far as the repair of war damage and reconstruction of the national economy are concerned. While there may be hurdles to cross in the way of according formal recognition to the new republic, there is among most foreign nations a readiness to help in reconstruction and revive and improve trade relations which the Bangla Dosh Government is keen to make the most of. The immediate tasks are, however, the revival of communications and transport facilities, the undoing of the mischief caused by the West Pakistan Government both during the war and during the two decades of its domination over the eastern wing. The incredibly stupid destruction of State Bank notes which had not been put into circulation, which was carried out by West Pakistani soldiers in the belief that they were thereby causing a heavy loss to Bangla Dosh, calls for no action. But it has been made known that the currency notes that will be required for Bangla Dosh will be printed at the Nasik Press. The Government has also fixed the par value of its currency (to be known as the *Taka* at Rs. 18.9677 or equivalent to one pound sterling. Transport facilities have been resumed without any delay. According to a Defence Ministry release, Chittagang harbour is now open to ships of 20 ft. draught and 80 per cent of the harbour facilities has been restored. The estuary is being cleared of mines while all inland waterways are now open to traffic.

Some Important Economic Measures

On New Year Day, the Bangla Dosh Government lifted the ban on the sale of raw jute which had been imposed by the Martial Law Administration. All foreign contracts for raw jute and jute goods entered into by exporters, whether mills or traders, were also declared null and void. And importers will have to enter into fresh contracts at varied prices while the current minimum price is to continue. Export loans on raw-jute or jute goods has been withdrawn, while the bank accounts of the twenty jute mills located at Dacca, Khulna and Chittagang have been frozen. The Tea Board has been directed to take charge of the country's tea industry in all its departments, warehousing and distribution and the like as also the two broker agencies. The Government has taken out the management of 18 cotton mills with immediate effect, while the nationalisation of the undertakings has also been announced. All this is in conformity with the understanding between Bangla Dosh and the Government of India that the new republic will be wedded to the principles of secularism and socialism which India holds aloft. Taking advantage

of the readiness of foreign countries, particularly the East European nations to do business with Bangla Dosh, two barter agreements have been concluded with Czechoslovakia for such goods as boilers, diesel generating sets and diesel locomotives. Bulgaria and Soviet Russia have offered trade pacts. So far as trade and commercial relations with India are concerned, Mr. L. N. Mishra, the Union Minister for Foreign Trade, has stated the Government has no intention of acting in a hurry, thus exuding complete confidence in the two nations forging strong and lasting links between them.

India-UK Textile Tangle Eases

Britain's withdrawal of the notice of the termination of the Indo-U. K. Trade Agreement of 1939 and its continuance with a few changes agreed to by India must be welcomed for more reasons than one. It marks a good beginning in the New Year for the political and commercial relations between the two countries, which have both had second thoughts on a subject which for six months and more had been the cause of acrimonious differences, some M. P.'s in India going to the point of asking for India's withdrawal from the Commonwealth. Britain's display of sympathy and fairness to India during the Indo-Pak war has induced India to waive the clause which prevents Britain from levying a 15 per cent duty on her imports of cotton textiles from India and some other countries. Britain, which has always found itself in a dilemma in regard to the problems of Lancashire's cotton textile industry, has recognised the reasonableness of India's concern over the future of her cotton textile exports to Britain which amounted to Rs. 20 crores last year. By offering India, through a quota system an assured market for Indian cotton goods, Britain has provided a valuable chance to strengthen its competitive capacity. The offer is most opportune since our exports of cotton goods to Britain during January-November 1971 amounted to only Rs. 94 crores as compared to Rs. 105 crores for the corresponding period of the previous year. The reasons for such loss of ground are not far to seek. Difficulties in the supply of raw material and prolonged neglect of modernisation as part of official indifference to the plight of the organised industry, not to speak of the sick mills and problems of unemployment are the more prominent causes. The respite now afforded will have, of course, to be utilised with vision and courage.

Sparring the Nation to Fresh Efforts

Perhaps, the most valuable result of the victorious war with Pakistan is the whole-hearted recognition by the Prime Minister and the Union Government of the paramount

importance of maximising production around. Strangely, enough, it is a sense of achievement rather than frustration, that spurs a nation to fresh efforts. Apart from the fact that in the hostilities with Pakistan, we may not prove to be quite out of the wood, the record output of food and, presumably, of all the defence industries and the unity and spirit of co-operation which activated the civilian population and the defence services make us at once more eager and more hopeful to improve on past achievements so that a recrudescence of active hostilities would find the nation even more powerful than in December last. While some Ministers have even hinted at comparative indifference to the spirit of the Monopolies Act and more liberal licensing in the interest of higher levels of production, Mrs. Indira Gandhi has laid full emphasis on the importance of a moratorium on strikes, lockouts and other agitations for two to three years with a view to making the country self-reliant and self-sufficient. The strike in the Simpson Group with its crop of unedifying side issues draws attention to the spade work necessary for the acceptance of a moratorium and adherence to it. A standstill in regard to wages after the resolution of the more pressing issues would be a more appropriate method of securing industrial peace.

Mr. Nixon's Dilemma

Mr. Nixon's visit to Peking is being shrouded, more and more as each day passes, in mist, murk and muck. Mr. Jack Anderson's disclosures have confirmed what one could only vaguely surmise from the circumstances attending the outbreak of the Indo-Pakistani war and the eventual cease-fire, that in these affairs Mr. Nixon's hands were neither clean nor efficient. The reputation of the White House for veracity in its releases to the public or straightforwardness in its dealings with other nations has never been at a lower ebb than today. Access to the official papers for effective use by Mr. Anderson must have been made possible by high placed officials who thought that it was in the highest and most genuine public interest that the blundering and underhand ways of the Administration should be made known to the public. It is a matter for the American leaders to decide how a repetition of this kind of folly should be prevented. But the world at large which accepted the U.S. aid and U.S. domination in the belief that by such acceptance they were helping themselves as well as the emergence of a better world order is now sadly disillusioned. The U.S. too must by now have realised that all its foreign aid, colossal as it is, is neither a mutual justification for its playing ducks and drakes with the weaker nations nor a dependable means of ensuring their docility. Talks of "hard look" at the revival of foreign aid will cut no ice. India, for her part, is learning to rise above the

need for it and has even accomplished it to a considerable extent.

Problematic Fraternisation

What must worry Mr. Nixon and his aides is that the President's attempt at fraternisation with China has created more problems than it can be expected to solve. Japan is visibly shaking herself free of the American influence. While the summit meetings with the heads of West European Governments may, to all appearances, have gone off smoothly their attitudes to the Indo-Pakistani war indicate their new stance in world politics. Soviet Russia is unlikely to be mollified by Mr. Nixon's praise of her role in bringing about the cease-fire when that praise is needed to buttress his own false claims in this regard. Meanwhile, Peking is reiterating its former stand in regard to Taiwan, the same as Mr. Nixon has done. Will the visit be only a costly publicity or something much worse? Or, will it be called off at the last moment?

Restraint of Careerists Essential for Scientific Research

Though sweeping changes in the higher rungs of the organisation of scientific research in the National and other laboratories were expected in the wake of the Sarkar Committee's report on the subject, the decision of the Union Government to abolish the Board of the Council of Scientific and Industrial Research and the existing Executive Councils of the National Laboratories under the Council seems somewhat precipitate. What is more, far reaching changes are in prospect since the Government has accepted 34 recommendations of the Committee and will be implementing

them without delay. Action has already been taken in this direction.

All the laboratories will now have executive committees which will be appointed by the governing body of the Council and assisted by a number of standing committees in charge of matters like finance, merit promotion, personnel, patents and royalties and appointments. Other organisational changes are the constitution of a National Commission for Science and Technology and the assignment of routine administrative matters to administrative officers so as to provide relief to the Director. In this respect the reorganisation of the CSIR headquarters as a technical secretariat and the substitution of institutional consultancy in place of personnel consultancy are noteworthy. It is of course claimed that project evaluators will be given full freedom. Some of the recommendations of the Sarkar Committee like the one for transfer of some of the CSIR laboratories to other research organisations and bringing some outside laboratories under the council have been rejected by the Government, while a Personnel Policy Committee is to go into the recommendations dealing with personnel problems. What the average man will look for in the Government's action is some sign of the recognition of the remark of the dissenting member of the Sarkar Committee that its report is a report by the Directors for the Directors.

The progress of research depends upon such delicate matters as restraint on the careerists who have worked their way to the top and freedom for research workers of high calibre and great enthusiasm.

Wheat Wealth, Rice Riches...

The fear that rice may lag behind wheat at a disconcerting distance in our march to food self-sufficiency with comfortable surpluses in the principal foodgrains has now been dispelled by the Union Agriculture Ministry and its experts. They have stated categorically that, for the first time in the history of India, the country has become self-sufficient in rice and that from 1972 onwards the country will not import rice for domestic requirements, in the estimates of which the needs of Bangla Desh have also been taken into account. Imports of rice in 1970 amounted to two lakh tonnes as against 7.80 lakhs in 1965 and 1970-71 witnessed the achievement of an all time record production of 42.45 million tonnes. With wheat having already exceeded its target and the agriculturists of Punjab and Haryana taking to the production of rice as well, the outlook of foodgrains production is now remarkably reasoning. What is most gratifying is the fact that the rise in rice production is due not so much to the increase in acreage as to the increase in yield per acre. West Bengal can claim the credit for making the highest contribution to the country's granary, namely, 6.1 million tonnes of rice,

while Tamil Nadu has even brighter laurels, having achieved a yield of 1974 kg of rice per acre. With the steady increase in the annual output from 39 million tonnes in 1968-69 to 40 million tonnes in 1969-70 and 42.50 million tonnes in 1970-71, the Central and State Governments have together a stock of 1.6 million tonnes of rice which is considered to be sufficient to meet any shortages if and where they may occur.

With the achievement of food self-sufficiency, it behoves the government to relate it to the problem of agricultural development as a whole and to the tasks in regard to the economic and social progress of the people. It is essential to be clear, in the first place, about the extent to which it simplifies other problems and lightens the other tasks and to take full advantage of this favourable impact food self-sufficiency, especially when it is attained by increase in yield per acre, release the energies and resources for being turned to similar development in the cash crops, particularly cotton, for which plans and programmes have been got ready. Stoppage of imports of rice and reduction of those of cotton would make

large savings in foreign exchange, which can be turned to imports of other essential goods, which will contribute to further industrial development, instead of merely making up for current shortages. The importance of effecting such savings in foreign exchange and maximising export earnings by increasing the export of cotton goods at favourable, but competitive, prices is vastly enhanced by the certainty, as it now seems, of the U.S. deciding to cut off foreign aid altogether. American reluctance to continue aid and India's decision to rise above the need for it, no doubt, date back to a few years ago. But the element of political animus on the one side and a sense of immediacy on the other were both lacking; and they are now potent forces as a result of the Indo-Pakistan war. India has to view the question of priorities in the light of these new developments. The programme for the establishment of new industries and the diversification and levels of output of different industries have to be dovetailed into the plans which the government of Bangla Desh may draw up for the economic progress of the new Republic.

Problem of Pricing

More complicated and ticklish problems will also have to be faced in regard to prices, since the government will have to work for the apparently incompatible objectives of holding the price line and providing incentives to the agriculturists for achieving production at the requisite levels. "Incentives" are a distressingly over worked cliché which is also emotionally over-charged in respect of the agriculturists. But the time has arrived to check this emotional extravaganza and take an objective view of the problem in all its aspects.

Agricultural Income within Tax Net

The drive for providing liberal and cheap credit for the agriculturists must now be leavened by recognition of the improvement in their capacity for repayment of loans and in the increase in their net income. There is no reason for allowing the age of poor repayments to co-operative banks, through which the nationalised banks are now funneling credit for the agriculturists, to continue any longer. Nor is there any reason for allowing agricultural incomes to escape the tax gatherer's net as they have done hitherto. Methods of financing and taxing agriculture have to be carefully worked out. So far, though the Centre is continuing the enquiry into a single tax for agricultural and non-agricultural incomes at grave risk of incurring displeasure of State Governments, there is no sign yet of attempts at putting agricultural finance and pricing of agricultural products on a more economic and realistic footing. The achievement of food self-sufficiency brings these problems to the fore, but in a less forbidding light.—PRS

The Dominant D.M.K. A POST ELECTION APPRAISAL

By S. VISWANATHAN

If the people had any doubt on the capabilities of the Dravida Munnetra Kazhagam, their success for the second time in the elections held early last year should have dispelled these. In fact 1971 can be described as an important year of consolidation for the DMK, particularly for its leader, M. Karunanidhi. Even before the current elections, Karunanidhi was very well-known as an election strategist, excellent campaigner and a highly successful fund-raiser. Much of the credit for the organisation of the party from the grass-roots level goes to Karunanidhi, who has an uncanny knack of gauging public reactions to policies and also effectively reaching the people through tremendous publicity drives.

A Shrewd Move

The DMK had a very comfortable majority of 138 seats in the dissolved Legislative Assembly of 235 members. Unlike Indira Gandhi who had the problem of managing a minority Government which resulted from the earlier break-up of the Congress into two, Karunanidhi enjoyed a very comfortable majority of a disciplined party. Like Mrs. Gandhi, he had a keen understanding of the political climate and announced the holding of elections one year before they were due. He derived two main advantages out of this: First to catch the opposi-

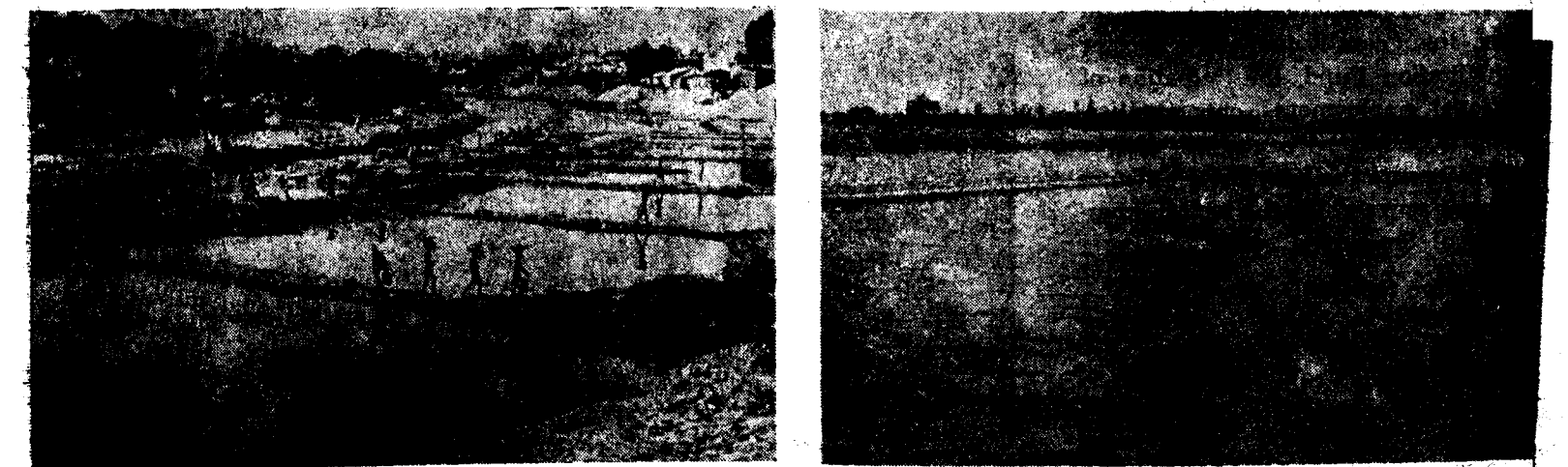
tion parties napping; particularly this denied time for them to organise the election campaign on an extensive and organised basis. He also derived immense advantage out of the split of the Congress which denied the Ruling Congress any organisational framework. Though the Organisation Congress under the leadership of Kamaraj had the benefit of this, it lacked good strategists and leaders of calibre. Due to the short time available, the Ruling Congress did not have any alternative except to align with the DMK more or less at the latter's terms. In fact, the Ruling Congress leaders of the State made such a mess of the whole negotiations that the terms of the alliance appeared a sort of capitulation. The Ruling Congress had resigned itself to the pitiable position of going without any allocation of seats to contest for the Assembly for getting an allocation of 10 Lok Sabha seats. The second major advantage Karunanidhi derived out of his decision to order for the elections in 1971 was to concentrate on the election campaign in full co-operation with the Ruling Congress and made full use of the popularity of Mrs. Gandhi. The results were indeed, magnificent for him—he reduced the strength of the opposition to a handful number. Thus 1971 raised the stature of Karunanidhi to the same high levels in the State as it did in the case of Mrs.

Gandhi at the national level. The return of a much larger majority, strengthened his hands to form a homogeneous ministry giving representation to a wider cross-section of party members this time.

The most important factor that has been responsible for the sustained growth of Tamil Nadu was stability of Government. The return of the DMK with an absolute majority has helped the State to maintain this trend of orderly growth. Karunanidhi with a clear mandate from the people, could take up fiscal measures which he would not dare initiate at the penultimate year of the elections. In the budget he presented to the Assembly, unlike his predecessors, he not merely undertook big schemes for implementation, but saw to it that he derived the returns through widespread publicity for these.

Where the Previous Governments Failed...

Many of the good things the Congress had done prior to the advent of DMK Government in the fields of power generation, education or industrialisation have not been properly publicised. Very great emphasis has been laid on power generation by successive Congress Governments; thanks to this Tamil Nadu has emerged today as the State with the highest per capita consumption of power. Again, due to the liberal provision made for education the State enjoys today free education up to the Pys University course. (The Congress



The Cooum Beautification Scheme, which was planned several years ago, has been taking concrete shape after the assumption of charge of the DMK. The scheme envisages the narrowing of the width of the Cooum stretch within the city and lining its banks with cement and continuously flushing sea water using giant pumps at the mouth of the river. The scheme originally estimated to cost Rs. 1 crore might exceed this estimate. Still, the effort is worth making.

Government had provided for free-education upto the completion of Higher Secondary stage). In this sense Tamil Nadu was unique in having implemented the Directive Principles of State Policy well in advance. In the field of industrialisation also the previous Congress Governments had done widespread, solid work. In fact if one takes into consideration the dispersal of industries, Tamil Nadu has spread these to an extent which is not seen even in advanced States like Maharashtra. But for want of a good strategist, a high calibre publicist, these good work done were familiar only to the intelligentsia, who did not of course, matter much in a democracy like ours.

Benefits to Have Wider Reach...

In presenting his budget for 1971-72, Karunanidhi initiated a series of major fiscal, economic and social measures. His decision to scrap prohibition largely with a view to improve the revenues of the State, his announcement of nationalisation of all passenger transport divisions of transport undertakings having 50 or more bus permits and limiting the number of buses of private operators to 10, his proposal on the distribution of Pattas to the landless poor for cultivation, his proposal to confer legal ownership of house sites occupied by the agricultural labourers in Thanjavur, an increase in the outlay of Harijan Welfare Schemes and for Backward Classes, distribution of implements free of cost to a thousand dhobis and barbers, provision of around Rs. 4 crores for the eradication of slums, the constitution of a Beggar Rehabilitation Fund, the creation of additional employment opportunities, among others were conceived with a view to ensure the benefits of a democratic set up reaching the widest cross-section of the people.

Imaginative Scheme to Eradicate Slums

The programme of eradication of slums within the time limit of about seven years to make the city rid of these is indeed highly imaginative. Likewise, the Cooum Improvement Scheme focussed, for the first time in so many years, attention to make the

city beautiful. The widening of roads witnessed in almost all parts of the city is another major improvement towards the orderly flow of traffic. The beggar rehabilitation programme is yet another interesting attempt to approach a social problem in a new light. In fact little attention had been given in the past to such an important social problem. The programme to extend electricity to all villages and hamlets before the end of 1972 is yet another imaginative attempt. The beautification of the Marina, at least the portion around the Anna Samadhi, has again brought out certain green spots in the water-hungry city. The scheme to augment the water supply position in the city through bringing water from Veeramam, some 150 miles from the city, is another instance of an imaginative programme to provide this basic necessity of the people. Even such simple acts as lighting the Mount Road well and providing big name boards for all the main roads and streets (may be this is just an imitation of what is already existing in Delhi; but this need not detract the immense use for this) have all been done with a view to be of help to the large masses of people. Karunanidhi has also correctly understood the root cause of many of our problems of economic growth,



No major industrial city is free from the eye-sore of slums with all the unhygienic atmosphere of squalor and poverty about these. The Tamil Nadu Government has set up a Slum Clearance Board, unique in the country, with the task of rehabilitating the slum-dwellers in well-built apartments within a period of seven years. The scheme will cost about Rs. 40 crores and will help eliminate the "cheris."



A good deal of attention has been paid to ensure a smooth flow of traffic. Many roads in the different parts of the city have been widened. The fly-over at Gemini will considerably ease the traffic congestion at this important point of the city. Picture shows a view of the Gemini fly-over under construction.

namely a continually exploding population. For the first time in so many years Family Planning has been given a highly purposeful direction. Instead of concentrating the resources and efforts on urban centres, which are already conscious of the problems of a large family, Karunanidhi has taken it to the nooks and corners of the State. In fact, it is the villager and not so much the educated urbanar that needs to be told on the advantages of a small family. The approach of Karunanidhi in this direction is very purposeful besides being imaginative. In a recent visit to some parts of Tamil Nadu, I was able to see at first hand the excellent spread of this Family



Another novel scheme of Tamil Nadu Government is the Beggar Rehabilitation Programme. Picture shows, the Leprosy Beggar Rehabilitation Centre at Paranur.

Planning message even in many of the interior villages.

Publicity Conscious...

I have referred to the keenness of Karunanidhi to make capital out of many such good schemes. With the advent of the DMK into power, the one thing, I believe, that has been thriving enormously must be the printing industry. Every other day we see attractive and fairly expensive colour posters depicting the Chief Minister sending across an important message—on the clearance of the slums or rehabilitating the beggars or on one of the other achievements of the DMK Government. Basically one cannot take exception to this approach;



Karunanidhi is well-known as a fund-raiser. His announcement of the target of Rs. 10 crores as the contribution from Tamil Nadu towards National Defence Fund was spontaneous.

Picture shows Karunanidhi collecting nidhi for Beggar Rehabilitation

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afterall as a political party the DMK has got to tell continually its record of achievements with a view to keeping the masses informed of the benefit they are deriving out of the Government. It is up to the opposition parties likewise to convey in a convincing manner the areas where they could have done better.

Stabilising Agricultural Yields

As in so many other fields, Karunanidhi has rightly grasped the need to increase food production. It is no mean achievement that during the five years of DMK rule the State has emerged from a stage of marginal deficit in its foodgrain requirements to one of very comfortable surplus. Agricultural yields have been stabilised at higher and higher levels, thanks to better agricultural practices such as improved inputs, better water management...

The State has the largest number of power-driven pumpsets accounting for over a third of the total number in the country. This has contributed to districts like Chingleput, which did not have any dependable water supply, to achieving fantastic levels of food production—through three crops—in recent years.

A similar attempt is being made to improve the water management of Thanjavur district which is the granary

of the State. For centuries agricultural production in this district has been depending on rains and the water flows in Cauvery. Steps have been taken to reduce dependence on the freakish nature of these by the sinking of thousands of tube-wells with a view to advancing the agricultural season to help increase the number of crops to three.

Not All Policies Above Board...

Not all the policies of the DMK Government are above criticism. The scrapping of Prohibition, for example, was a retrograde step. For several decades the poorer class of people both in the industrial and agricultural sector were kept away from the evil of drink through Prohibition. This had certainly contributed to a vast improvement in the standards of living of the people throughout the State. The average agriculturist was able to afford a fairly good standard of living—he was certainly better fed, better clothed and could afford a good portion of his money for his family for entertainment such as cinema. Since the classes of people who could afford the luxury of a drink were even otherwise expending on this both through 'permits' and without, these have not been affected to any great extent by the scrapping of the dry law. It is perhaps too early to assess the impact of this decision, but the tremendous demand for liquor immediately in the wake of the repeal had demonstrated the diversion of a large quantum of money on a positively unproductive and injurious habit.

Labour: Need to Hasten Slowly

Another area where Karunanidhi has come across some obstacles and stiff resistance is labour. The DMK did not have an organised trade union for a long number of years. With the result it could not wield much influence among industrial workers. It is but natural that the party must be interested in spreading its influence in such a vital field as labour. But the attempt to force the pace of this has resulted in the first big jolt to the DMK Government. As the events of labour unrest in the Simpson Group of companies have shown, it was rather

too early for the DMK to have attempted to plant its leadership on a strong union from outside utilising largely its influence and power derived from the Government. Its success as a political party was largely due to its organisational strength built over a very wide base. This parallel must have been observed even in fields like trade union activity. The party must cultivate a strong band of loyal workers who have faith in the trade union policies pursued by the DMK before

it attempted to test the strength of its leadership.

The First Crack...

The handling of the Simpson episode has given the first crack to the image of the DMK. The immediate problem for the party is the opportunity this event has provided for the major opposition parties of the State to come together and fight it. In fact the success of DMK both in the 1967 and in the 1971 elections was

largely due to its ability to divide the opposition, taking to its side the major parties in the State thereby avoiding splits in voting. The opposition parties, unless they were reconciled to the waning of their influence on a permanent basis, cannot obviously remain indifferent to an excellent opportunity such as the one offered by the Simpson Group unrest. No wonder the Union Ministers, C. Subramaniam and Mohan Kumaramangalam jumped into the fray. If there are any hopes for the Ruling Congress to come to power in the next general elections, the Party must develop a personality of its own, and start wooing the masses right from now. The ineffectiveness of Kamaraj who appears to have been demoralised to a point as a result of the 1971 elections, has left the State without an effective opposition party. The only hope for any opposition to grow in the State is the Ruling Congress, which alone has the leadership, though it lacks organisation. Particularly in the context of the party having no representation in the Legislative Assembly it will require a great deal of effort to build up from the grass-roots right from now.

Karunanidhi has to face the criticism of the opposition that he is spreading a personality cult. The other ministers are depicted often as pigmies. Perhaps, it is inevitable in the light of a dominant personality of the Chief Minister. Nevertheless, Karunanidhi must confine this to limits so that possible cracks within the party can be avoided. Again, the rate of growth of industries in the State has slowed down in the last five years. It may be part of the general recessionary trends that affected Indian industries all over the country towards the latter half of the 'sixties. But one certainly feels the absence of the dynamism that was seen in the approach to industrialisation made by R. Venkataraman, an ex-Industries Minister, who was an important architect of industrialised Tamil Nadu. Karunanidhi must take the help of people like him who are now depoliticalised to a great extent and create a brains-trust of people who would endeavour to achieve quickly the economic prosperity of the State.

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Joins the Nation to Salute its Valiant Soldiers who scored a Spectacular Victory.

Pledges to strengthen the Second line of our Defence by dedicating to help our Farmers Grow More Food.

Will produce within Time Schedule substantial quantities of Fertilizers to cover approximately 25% of the South Indian Demand.

Has gone ahead with the design, procurement and construction of one of the largest projects of its kind in Asia and Europe on Non Turnkey basis with no Foreign Management or Technical or other Collaboration.

"SPIC GROWS TO SPAN THE NATION"



Southern Petrochemical Industries
Corporation Limited
MADRAS-14

Advertising in the March...

By NIRAJ

Every day, on a rough estimate, some Rs. 15-20 lakhs are spent on newspaper advertising alone. Pressure on space, at least on the national major dailies, is mounting. With many consumer products changing from a sellers' to a buyers' market, there is keen desire to resort to widespread publicity programmes. A whole tribe of well-qualified executives has emerged in the last two decades specialised services in a variety of modern advertising. The levels of sophistication reached in certain directions are indeed high.

Though quantity-wise advertising has increased phenomenally, one is rather struck by the poor quality of advertising. How often one is able to recollect the advertisement one saw in the newspaper in the morning? The answer in many cases is vague blinking. To this extent thousands of rupees spent on advertising do not bring back the desired returns.

It is rarely that one comes across an ad. in which the lay-out, heading, illustration and copy matter all have come out well. Often the advertisements in language papers are poorly translated without deference to local idioms and the extent of such infructuous expenditure is indeed colossal.

INDUSTRIAL ECONOMIST is introducing this new section to review some of the advertisements of the previous fortnight. We will be thankful to the reaction of our readers to this feature. —Ed. I.E.

Off the Off-beat Cliche

Philips and Murphy have nearly exhausted all cliches in their ads. Infinite were their visual and its impact is tremendous. You fancy each radio set. No wonder then their market is an ever-expanding one inspite of stiff competition. What little area they left uncovered, REMCO has taken over to advantage.

In recent years, REMCO is actively engaged in the production of radio sets. It has now come out with an altogether different type of ad. Featuring the photographs of famous musicians, the copy reads: "The great musicians of India would like to hold a 'live' performance in your home."

The popular appeal for film and classical music lovers is there. Not just that. There is also the unique selling proposition: Cross-over sound technology. The body copy defines the term clearly. The element to arouse curiosity is also introduced: The radio will soon

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be available in India for the first time. At the time of review the new Remco Jugabandhi radio has come to the market. The photographs have come off very well in the visual and its impact is tremendous. You fancy that the great musicians will actually be performing before you and you will not be just



listening to a radio. Space has been made excellent use of. An off-beat and highly interesting ad and the credit goes to Sistias.

The Sublime and the Ridiculous

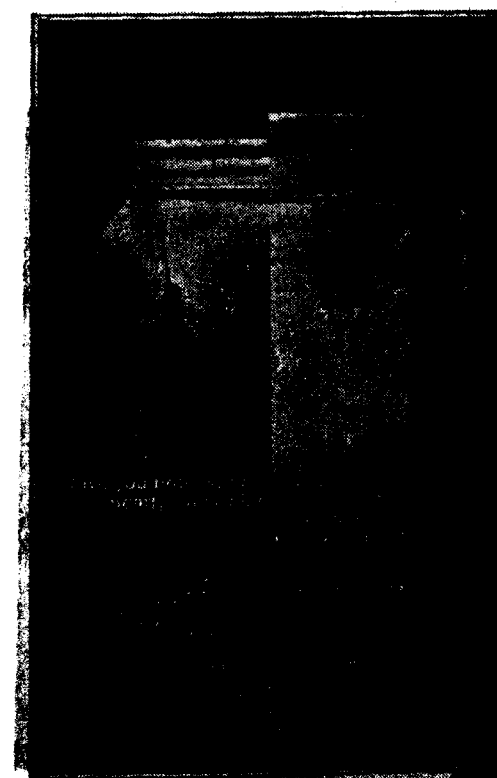
The staggering, puzzling and, in some respects revolting ad of Binny's covering a near full-page in the newspaper with the copy "If it wasn't for Binny, he wouldn't be here" ultimately turns out to be only funny. In one illustration, a lady clad in bikini holds the portrait of her hubby in a locket attached to a chain. In another, the portrait is tucked up in the socks. The most atrocious third ad too followed. Here the lady has relegated her hubby's portrait to the hip pocket of her panties. "Man, the Monarch"—once an ad boosted the ego of man thus—now inside a woman's panties! In safe custody, perhaps! "If it wasn't for Binny's, he wouldn't be here." Suppose the reader too turns militant and retorts: "Why should I wear Binny's only to secure this exalted position?"

In striking contrast to the usual, the illustration is only a torso. The idea is to boost Binny's fabrics. In one visual, the portrait is an apology for a handsome person; in the other two, he is a Casanova. In the first two ads, the Binny fabrics he wears do not stand out as something distinctive or prominent. In the third, fortunately, attention has been bestowed on the dress material, which is heartening indeed. The logic behind the copy is, however, not quite sound. Is it that if he had not been wearing Binny's (say, he had been dressed in Mafat-lal's), she would not have married him? In advertising, new techniques are quite welcome. But only if they are appealing and stand to reason. No intelligent linking of the copy with the purpose in view is possible in the instant case. The copy too is just routine affair. In fine, much cry and little wool!

No Costly Breakages

To make the world a better place to live in, Polychem has come out with STYRON—a new synthetic sensation in packaging. The visuals are a glass jar with a breakage in the middle and alongside an attractive STYRON jar, bright and spotless. The headline copy reads—

"Have you noticed how nearly everything is being made a lot better, lately."



Straight and simple, the copy achieves its object of making the reader to go further. And the body copy gives all the plus points of STYRON—lighter, yet not easily breakable; clearer yet available in varied colours (a feast to the eyes); a piece of decoration. STYRON is thus a boon to the housewife who today wishes to combine beauty with utility in household articles. A two-in-one attraction. A straight, good ad.

The Executive and the Executioner

Raymonds have come out with a different kind of ad with just the minimum copy: "The first step in becoming sensitive is to recognise the importance of being sensitive," coming from the mouth of evidently an Executive. The Executive deserves a bouquet indeed for this observation, only if the copy hints at the human aspect in managerial relationship. But the trouble is that copy is rather baffling. For one thing, doubt arises as to the interpretation of "to recognize the importance of being sensitive"—sensitivity in whom, in himself or others? Secondly, being sensitive—does it do any good for anybody? Well, psychological analysis apart, what has this statement to do with Raymond's suitings? Certainly the idea behind the ad is "Raymond's suitings are different from the rest." But has this idea been clearly brought out in the copy?

A Great way to Greet!

The New-Year Greetings ad. of TELCO was among the best of the 'Greetings ads.' The stress on peace for a country just returning from a war was very appropriate.

The full blown-up picture of the dove with sharp, small copy lent much beauty to the message. Congrats, MAA!

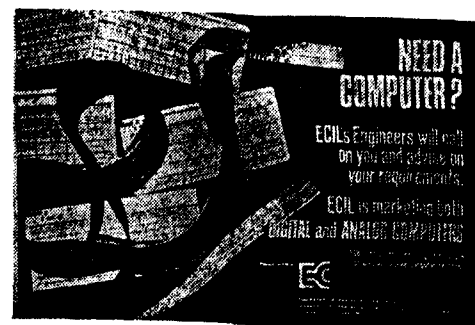


Rather Puerile

Now to the puzzle posed by Dinesh Mills. Who is the boss? Very difficult indeed to pick out from the illustration, in which only one of a group is holding a phone and others surrounding him pampering him; and the only one wearing a suit! The one who is in Dinesh suitings is the boss, says the ad. So, none but the bosses should go in for Dinesh! The 'poor' reader of the ad may well infer that 'Dinesh' is not for him. Does the ad desire that?

Care for a Computer?

Computer has come to stay in India inspite of stiff resistance. During the days of Industrial Revolution in England, machines were broken by members of the opposition group, chief of them being the 'Luddites'. Industrial Revolution emerged successful in the end and today, the world is only happier for that. So is the case with computer revolution. Computer has become a 'must' for big industries, since the system combines speed and efficiency.



ECIL—Electronics Corporation of India—has come out with a nation-wide campaign—"Need a Computer?". It offers Digital and Analog computers and also undertake to design and supply special purpose computer systems. The visual is a display of punch-cards and a Magnetic Recorder. The visual impact is immediate, and in this, the illustration is ably aided by plain, clear copy. Marketing Advertising Associates have produced the ad.

Projecting the Product...

"Godrej Steel Castings" ad has come in a big size and strikes the eye in a big manner. The illustration of the casting is arresting with a good background and clear impression. What is important in casting, i.e. better finish and soundness in casting are prominently indicated in the headline copy and later elaborated in the body copy. The reputation of the House of Godrej is already there and stressed too in the copy. A prominent

visual plus chiselled copy are the special features that mark the ad. There has been great emphasis in recent years on focussing attention on product display with small, short copy. This ad is yet another proof of the effectiveness of this concept.



What has Confidence to do with it?

How long or how short can a copy matter be used is the question. It may be a question of 'to be or not to be' in the field as well. The ad of Elpar fabrics is a question in point. For quite some time, the copy reads the same: 'Buy Elpar with confidence—Wear Elpar with confidence.' Sometimes the illustration is the bust of a Prince Charming flanked by shirtings and suitings; on other occasions, a royal lady besieged by dress materials of different designs. The body copy too is a routine affair—all the usual plus points. The novel feature of the ad is a hitherto unknown guarantee in the textile line: "We'll refund fabric cost plus tailoring charges, if you find any manufacturing defect or if your Elpar loses its colour or shape." Looks funny too. How to prove a manufacturing defect or how long to wait for the colour to fade? Any time limit set for the refund please? By the way, why not the headline copy be re-arranged: "Buy confidence with Elpar—Wear confidence with Elpar."

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Rs. 15!**

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CITY CORNER

A. P. Chief Minister's Appeal to Tamil Nadu Entrepreneurs

The new Chief Minister of Andhra Pradesh Mr. P. V. Narasimha Rao during his first visit to Madras in this capacity appealed to entrepreneurs of Tamil Nadu to come and invest in a big way in his State. He promised all concessions to them. He said his State lacked industrial bias and motivation and entrepreneurs from a more developed State like Tamil Nadu could certainly infuse this bias. Speaking at a reception given him by the Andhra Chamber of Commerce, the Chief Minister said very soon a decision about taking up—Somasila irrigation project as part of the bigger Nagarjunasagar project would be announced. This could be an Andhra Tamil joint project for shared benefits. He also proposed to discuss with his Tamil Nadu counterpart a scheme for deepening the inter-State Buckingham Canal. Mr. T. S. Santhanam, Managing Director of TV Sundaram Iyengar & Sons, presented to the visiting Chief Minister a cheque for Rs. one lakh being the contribution of his group of companies operating in Andhra Pradesh to the National Defence Fund.

Just a Change in Name?

The Government Bus Transport operating in the Madras and Chingleput regions became from the new year a commercial corporation. Known as the Pallava Transport Corporation, the new set-up would cater to a million passengers and would operate nearly 1,400 buses. The Chief Minister Mr. M. Karunanidhi who inaugurated the Corporation on January 3 assured the travelling public that the new organisation though subject to sound business principles would not merely look for profits but would go out of the way to provide all the conveniences needed by the passengers. He hoped a new era in urban transportation would begin with this new set-up. It was however difficult for his audience to imagine how a simple change of name would do all the trick, the staff the rickety vehicles and the maintenance continuing to be the same. But people would prefer to wait and watch and defer judgment.

Victorious Return of Vikrant

Tamil Nadu had the unique distinction among the States of welcoming the victorious aircraft carrier INS Vikrant to its port-City Madras straight from its triumphant battle with the Pakistani craft in the waters of Bangla Desh. It came into the harbour on the last day of 1971 to a tumultuous welcome by the citizens. There were deafening cheers as it docked on the main quay. The Commanding Officer of the ship, Capt. Prakash described to pressmen the successful pounding of enemy targets by the seahawks of Vikrant. He said there was perfect coordination between the Navq, Air Force and the Army and the enemy had no alternative but to surrender.

Bigger Plan Outlay for Tamil Nadu

Mr. M. Karunanidhi returning from a discussion in Delhi with the Planning Commission told the press that the State Government had been permitted a bigger Plan outlay during the year 1972-73 than had been earlier agreed to. This was however subject to the condition that it raised more than its share of Rs. 58 crores. The Central assistance would be Rs. 39 crores representing a three per cent decrease from the current year's figure. The outlay of Rs. 117 crores, he pointed out, fell short of the proposal of the State Government by Rs. 5 x crores, but exceeded the figure earlier recommended by the Planning Commission by Rs. three crores. The Chief Minister said that the Commission found plan execution and the physical performance in Tamil Nadu much better than in most of other States. He reported one point of difference between the State Government and the Commission. While the Commission criticised Tamil Nadu for its overdraft on the Reserve Bank which stood at Rs. 60 crores, currently he argued a case for increasing the ceiling for the ways and means advances. Such a rise in the ceiling would greatly relieve the State Government's burden. Any method for putting an end of this situation, he warned the Centre, should pro-

vide for orderly liquidation of the overdraft without upsetting the delicate financial position of the State.

Mr. Karunanidhi expected early clearance of the pending projects. He said the Prime Minister had agreed to visit Madras at an early date for accepting Tamil Nadu's contribution of Rs. ten crores to the National Defence Fund.

Seminar on Decision Making in Marketing

There was an interesting seminar on decision-making in marketing. Organised by the Institute of Marketing and Management, the seminar had the benefit of the experience and marketing expertise of Dr. Wendell R. Smith, Dean of the School of Business Administration, University of Massachusetts (US) who conducted the proceedings. The seminar analysed the different types of customers and discussed the appropriate marketing method to suit each type. The conventional decision-making criteria were considered inadequate. These criteria included enough repeat business for market growth, long life cycle of products, response to effective advertising and consumer behaviour. It called for new criteria not as replacement but as addition. Among the new criteria may mentioned generation of interest in new products, product quality to correspond to description, complaint procedure to be simpler, after-sales service to be effective and rapid, better business bureau, warranty procedures to be unambiguously worded and lastly, spare parts of guaranteed quality to be ensured without interruption. The seminar also discussed the traditional distribution channels and the need for creating newer channels. Dr. Smith was of the view that any channel involving direct retail sales by the manufacturer himself would mean expensive duplication of the already tried network built by the trade, and to that extent these new arrangements were bound to be reflected in higher prices for the consumer. —N.M.

BUSINESS BRIEFS

Government's Anxiety to Step up Industrial Output

The Government has latterly realised the need to gear up industrial production which has been lagging far behind the Fourth Plan annual targets. As against the targeted growth rate of 8 to 10 per cent, the rate was just 4 per cent in 1970-71 while there has been a further declaration in the current year, and the growth for the whole year may not be more than the previous year's rate. The recent announcement of Government to allow existing units to increase their production upto 100 per cent above licensed capacity and provide the required raw materials, both indigenous and imported, subject to foreign exchange constraints, should make a marked impact on the growth of industrial production in the coming months. It has, however been pointed out that the scope for utilising hidden capacity is limited to a few of the 54 critical items listed by Government and hence creation of additional capacity should also be allowed on an urgent basis by installing balancing equipment wherever possible and expansion or setting up of new units as the case may be. The present buoyancy of the stock markets can be taken advantage of in raising fresh rupee resources to finance new industrial ventures and there will also be no difficulty in marketing a much higher level of output of various goods, particularly as the new State of Bangla Desh can be expected to provide a big market whatever be the mode of assistance that New Delhi may decide upon to help the reconstruction of that country's shattered economy. Stepped up production also assumes added urgency in view of the reduced prospects for foreign aid following the U.S. decision to suspend economic aid to India.

Large Number of Licences

It must however be noted that the Government has recently issued a large number of licences to create additional capacity for the manufacture of some of the essential commodities like paper, sugar and vanaspati while licences have also been given for creation of fresh capacity for even items like nylon yarn and staple fibre where it is feared that Plan targets have been found to be under-estimates of likely demand. In the first fortnight of December alone, additional sugar-cane crushing capacity for much as 5,600 tonnes a day was licensed. Of these three are new units with 1,250 tonnes capacity each, two to be located in Gujarat and one in Haryana. The other two licences are for expansion of two co-operative factories in Maharashtra and Gujarat.

Additional Vanaspati Capacity by 700 t.p.d.

As many as 17 licences are stated to have been issued for a total additional vanaspati capacity of over 700 tonnes a day in the same fortnight but all these are to be located in northern India. In paper, Ashoka Paper in Assam, Andhra Pradesh Paper and Punalur Paper Mills in Kerala have been given expansion licences for the manufacture of pulp, writing and printing paper and some speciality papers. Rohit Pulp and Paper Mills will be expanding its capacity for writing and printing paper from 8,100 tonnes to 10,000 tonnes and pulp capacity correspondingly.

Big Expansion in Capacity for Nylon Yarn

In the case of nylon yarn, licences and letters of intent have been issued to increase capacity from 14,000 tonnes to over 50,000 tonnes in view of the upward revision of the demand estimate and the possibility of some of the licensed units not going into production. While the licensed capacity has already gone up from 14,000 tonnes to 27,000 tonnes, letters of intent are being issued to 11 States to set up units each of 2,100 tonnes capacity. These are Tamil Nadu, Mysore, Andhra Pradesh, Kerala, Gujarat, Haryana, Punjab, Orissa, Madhya Pradesh, Bihar and Assam which have no nylon units at present. Besides two existing firms—Nirlon Synthetic Fibres and Chemicals and Garware Nylons have been allowed to step up their capacity from 2,500 tonnes to 4,200 tonnes and from 2,000 tonnes to 4,200 tonnes respectively. Both units will however produce 360 tonnes each of polyester filament yarn out of the additional capacity.

As many as 15 units have been licensed to expand or set up new capacity for calcium carbide in which the shortage is likely to get acute. The licence is for 14,850 tonnes per annum in each case. Jaipur Udyog will be setting up a cement plant in Rajasthan with a capacity of 6 lakh tonnes while a slag cement plant with a similar capacity will come up in Durgapur. Madras Cements has received a licence to expand its capacity substantially from 2 lakh to 6 lakh tonnes Southern Asbestos Cements will be setting up a plant in Dharwar district of Mysore to make asbestos cement corrugated and semi-corrugated and flat sheets and accessories as also irrigation and rain water pipes and fittings. National Tobacco is to set up a factory in Andhra Pradesh for producing 4,500 million

cigarettes per annum. Toshiba Anand Lamps has been allowed to increase its capacity at its Kerala factory for GLS lamps substantially and also make train lighting, pigmy, night colour decoration and candle lamps. Indian Explosives has got a licence to set up a plant for producing 23 lakhs of detonating fuse based on its own design and engineering.

India Meters which has its factory in the Ambattur Industrial Estate will be proceeding with its plans to expand the capacity for single phase meters from 38,000 to 50,000 and polyphase meters from 90,000 to 1.5 lakhs per annum. Textile Machinery Corporation will undertake the manufacture of pressure vessels and heat exchangers for Rs. 112 lakhs per year at its Calcutta factory. Grindwell Abrasives will be setting up a new unit in Bangalore for making 2,500 tonnes of silicon carbide (synthetic abrasive grains). Kannani Brothers have got the licence for their carbon black unit near Madras to produce 30 million lb. per annum. Hyderabad Allwyn Metal Works will take up manufacture of 6,000 refrigeration equipment at its Sanatnagar factory.

Carborundum's Good Show

Carborundum Universal Limited has further improved on its previous year's performance during the year ended September 30, 1971. Sales rose to Rs. 6.74 crores from Rs. 6.27 crores in 1969-70 while the net profit before depreciation and taxation, was better at Rs. 238.58 lakhs against Rs. 218.25 lakhs. The dividend on equity capital has, however, been maintained at 12 per cent taxable. The dividend will be exempt from tax to the extent of 44.45 per cent. In the previous year it was entirely tax-free. Depreciation claims Rs. 25.64 lakhs (Rs. 23.77 lakhs) and development rebate Rs. 7.25 lakhs (Rs. 4.50 lakhs). The provision for taxation is more at Rs. 120 lakhs (Rs. 105 lakhs). The dividend is to be paid out of general reserve which gets Rs. 87.32 lakhs (Rs. 85.14 lakhs).

A P.I. Pays Same

Automobile Products of India Limited has reported a sizable growth in sales of scooters, and other auto ancillary items during the year ended August 31, 1971 to Rs. 12.13 crores from Rs. 10.92 crores in 1969-70. There is also a jump in the net profit, before taxation and after depreciation, to Rs. 56.37 lakhs from Rs. 22.96 lakhs. The dividend on equity capital has, however, been only maintained at 10 per cent taxable. The provision for development rebate is Rs. 22.50

lakhs (Rs. 7 lakhs) while taxation claims Rs. 10 lakhs (Rs. 1.50 lakhs). There is an additional allocation of Rs. 7.29 lakhs (Rs. 71,000) for taxation in respect of earlier years. The company produced 25,214 scooters and 6,673 three-wheelers. There are a number of schemes to expand capacity in existing lines and diversify into new lines. Government has approved the expansion of capacity of the clutch and brake divisions and these are being shifted to the new factory being set up at Aurangabad in Maharashtra. The State Industrial and Investment Corporation of Maharashtra has given a loan of Rs. 55 lakhs for this project while interest free loan against sales tax will be available for Rs. 40.37 lakhs. As regards the substantial expansion of scooter capacity, the Monopolies Commission has completed its work and clearance may be forthcoming in the next few weeks. API will also be associated with Innocenti S.G. of Italy in a joint sector scooter project. The plant is proposed to be shifted from Italy to India and if the scheme materialises, the factory can produce one lakh scooters annually. There is also a scheme to produce tractors in collaboration with British Leyland Motor Corporation at a factory to be set up in U.P. A proto-type of the new tractor has been successfully tested and an application has been made to Government for a capital goods licence. When all these projects come into fruition, there will be a substantial increase in sales and earnings of API.

Precision Bearings

In line with the experience of the ball bearings industry, Precision Bearings Limited has done better in the year ended August 31, 1971 and the directors have declared a maiden dividend of 8 per cent taxable on equity capital. Output of bearings improved to the full extent of the licensed capacity of 19 lakhs. As a result, sales improved to Rs. 2.20 crores from 1.98 crores in 1969-70. The net profit, before depreciation, was also much higher at Rs. 71.56 lakhs against Rs. 60.96. The provision for depreciation is Rs. 14.43 lakhs (Rs. 14.25 lakhs) and development rebate Rs. 25 lakhs (Rs. 6.28 lakhs). On the previous occasion, a debit balance of Rs. 25.93 lakhs brought in was wiped out and Rs. 11.49 lakhs was taken to general reserve. Also, a sum of Rs. 4.99 lakhs was written off preliminary and miscellaneous expenses. The Rs. 100 share is quoting around Rs. 190 in Bombay.

Premier Auto's Outlook

Premier Automobiles Limited may benefit by an increased output of cars this year and higher prices but truck production has been affected by shortage of diesel engines due to labour trouble at the supplier's plant. Sales of cars were higher in the first five months at 5,406 against 5,143 in the same period in 1970-71 but those of commercial vehicles declined to 1,940 from 2,012. The turnover was however, better at Rs. 16.33 crores against Rs. 14.82 crores while sales of spare parts improved to Rs. 1.18 crores from Rs. .83 lakhs because of

higher prices. The Rs. 4 crores project to expand capacity to 18,000 cars is awaiting Government sanction. There is also a proposal to take up manufacture of diesel engines for trucks to dispense with outside supplies but the project will cost Rs. 10 crores and it will be a difficult task at the present moment to raise resources to this extent.

Associated Battery's Plans

Associated Battery Makers (Eastern) Limited has plans to raise the output of the Chinchwad Factory in Maharashtra to 2.4 lakhs batteries annually. A container factory may also be set up in the same area to ensure self-sufficiency in manufacturing facilities. The Shannagar unit in West Bengal will be turning out more sophisticated batteries. The scheme is awaiting Government approval. The technical collaborators have promised required assistance. The company has doubled its exports to the East European and West Asian markets in 1970-71. The Managing Director Mr. J. Sen Gupta, has urged the Government to adopt a helpful attitude in clearing export-oriented projects promptly.

Albright Morarji

Albright Morarji and Pandit Limited has reported a big increase in turnover in the year ended October 31, 1971 to Rs. 4.11 crores from Rs. 3.05 crores in 1969-70. The net profit, before taxation and after depreciation, also improved appreciably to Rs. 103.44 lakhs from Rs. 80.15 lakhs. The dividend on equity capital has been raised to 16 per cent from 12 per cent and the whole amount will be tax-free at source; being paid out of tax-exempt profits. On account of the emergence of taxable profits even after fully providing for development rebate and taking advantage of the tax-holiday there is a tax claim of as much as Rs. 45 lakhs (nil) including surtax of Rs. 2.70 lakhs. Development rebate reserve gets Rs. 120 lakhs (Rs. 29.55 lakhs) while the transfer to general reserve No. 2 is Rs. 4.55 lakhs (Rs. 30.45 lakhs) and general reserve No. 1 Rs. 52.68 lakhs (Rs. 20.15 lakhs). In view of the growing demand for sodium tripolyphosphate from detergent manufacturers, it is proposed to double the capacity of this plant after Government's approval.

Best Tyres' Outlook Bright

Best Tyres of India Limited is expected to have a big increase in its sales and profits for 1971. Even in the first nine months, sales were much higher at Rs. 20.93 crores against Rs. 17.31 crores for the whole of 1970. The pre-tax profit is estimated to be as much as Rs. 159.34 lakhs against Rs. 85.93 lakhs. There was, however, a prolonged strike for 4 months in 1970 which affected output considerably. Even then the turnover for 1971, put around Rs. 28 crores will be substantially higher. The tax liability is placed at Rs. 87.64 lakhs (Rs. 40.75 lakhs) for the first nine months. Output in the last quarter particularly was kept at a high level with effective use of the expanded facilities. The cycle tyre plant coming up at Nasik is expected to be ready by the middle of this year.

There are also plans to set up a new factory in a backward area outside Maharashtra.

Alkali and Chemical

Alkali and Chemical Corporation of India Limited of the ICI group did extremely well in the same accounting period with a 15 per cent increase in sales and pre-tax profits over the previous year. All the divisions except chlorine based chemicals improved their performance. While output of polythene rose by 18 per cent to touch a new high with higher efficiency of operations, rubber chemicals also set up a record. The offtake of paints was also high due to an unsatisfied demand and the new unit at Hyderabad contributed to the turnover to some extent. Sales of BHC were however affected by poor demand while there was a fall in caustic soda output due to shortage of graphite electrodes.

The company's exports were substantially higher during the year while it has secured a contract for erecting a paint unit at Jakarta for ICI Indonesia on a turn-key basis. There are also plans to take up basic manufacture of ethical drugs and a herbicide within India besides expansion of rubber chemicals capacity. There projects have been hit by procedural delays in respect of licensing. The main hurdle relates to dilution of foreign equity and methods of financing. The chairman has expressed the hope that as the company's proposals in this regard conform to the Government's policies, there would be no undue delay over clearance of the schemes.

Kothari Group's Plans

The Kothari group of Madras, which has interests in plantations, textiles and sugar is thinking of diversifying into newer fields, in the coming years. There is a proposal to set up a tyre factory at a cost of Rs. 16 crores probably in Gujarat as a joint sector project while other ventures include a Rs. 3 crores watch unit and a Rs. one crore brewery. Kothari Sugars and Chemicals has plans to set up a new sugar factory in Bellary district of Mysore with an initial capacity of 2,000 tonnes daily. This unit costing Rs. 4 crores is expected to be ready in 1974 and may be expanded subsequently to 4,000 tonnes capacity by 1977. The present factory near Tiruchi is likely to fare much better this year with a larger output and more remunerative sales.

Widia India's Maiden

Widia India Limited has announced a maiden interim dividend of 10 per cent, taxable, for the year 1971 with much better working results. It is estimated that the net profit, before depreciation for the first 11 months amounted to Rs. 32.56 lakhs. The accumulated losses of Rs. 15.46 lakhs have been wiped out and after providing Rs. 1.60 lakhs for depreciation and Rs. 3.20 lakhs for development rebate, there is a surplus of Rs. 12.40 lakhs available for distribution. It has been stated that there will be no tax liability.

Creditable Performance of Sakthi Sugars

Sakthi Sugars Limited has the unique distinction of crushing the largest quantity of cane and producing maximum sugar for any mill in Tamil Nadu in the 1970-71 season. With plentiful availability of cane and a higher recovery, the working results for the year ended June 30, 1971 were extremely gratifying and it was possible for the company to report a big increase in earnings and also restore the cut in dividend on equity capital imposed in 1969-70. The outlook for the current accounting period is even more encouraging as it has been indicated by the Chairman of the company, Mr. N. Mahalingam, that a quantity of over 5 lakhs tonnes of cane is expected to be handled in 1971-72. The quantity of cane handled now is around 2,000 tonnes daily and the expansion scheme recently completed is proving to be useful. The capacity is being further raised to 2,500 tonnes daily. It is even being examined how the capacity can be raised to 4,000 tonnes daily.

The long term plan in regard to the development of cane cultivation has made possible the full utilisation of the crushing capacity. The diversification of the activities of Sakthi Sugars should also improve the profitability of working. It is expected that the distillery having a capacity of 2 million gallons annually will be completed at a cost of Rs. 75 lakhs including working capital by the third quarter of next year. Orders for the required equipment have been placed with the indigenous suppliers while civil construction work is already in progress. The Chairman also indicated at the annual meeting held recently that there was a proposal for erecting a board mill by utilising surplus bagasse. The plea has been put forward that the Central and State Governments should provide the necessary incentives for utilising by-products and also for development of exports of sugar to Maharashtra and West Bengal with the grant of a rebate in respect of the purchase tax on sugar exported.

Indian Explosives

The working results of Indian Explosives Limited in 1970-71 were adversely affected by disruption to the Kanpur fertilizer plant due to labour trouble and increased costs of raw materials particularly naphtha and wages. There was also a sharp rise in interest charges to Rs. 2.39 crores from Rs. 1.61 crores due to the heavy borrowing for the fertilizer project. The chairman of the company Mr. D. G. Owen has told the shareholders that there was a squeeze in profit margin of the plant due to higher costs and lower price for urea. There may be an improvement in output as a three-year agreement has been reached with labour which will enable absorption of higher costs. The output of explosives at the Gomia unit was however a record at over 30,000 tonnes. Sales also were satisfactory at 29,000 tonnes in spite of restricted demand for mining operations owing to unprecedented monsoons. It is however, felt that there may be a pick-up in demand in the coming years with intensified mining of many minerals and

there may be a shortfall by 1974-75. The company has therefore proposed setting up a new plant in one of the backward areas of central or Western India. The capital expenditure and foreign exchange needs will be minimal as no foreign know-how or collaboration will be needed. The production of detonating fuse has been established at Gomia based on indigenous design and engineering. Design and development work for a 1000 tonne nitro-cellulose plant has been completed and the project is awaiting Government approval.

Rich Diversification of the Kothari Group

The Kotharis with interests in textiles, chemicals and fertilizers, plantation and textile engineering with an annual turnover aggregating to Rs. 30 crores and employing about 20,000 people have schemes for expansion and diversification at a cost of Rs. 20 crores. The expansion relates to their sugar unit at Sirugappa in Bellary District, Mysore State, which is expected to go into production in 1974 with an initial crushing capacity of 2,000 tonnes of cane per day and reach the capacity of 4,000 tonnes of cane per day in 1977. Their diversification is in respect of three new units, viz., a tyre factory with an outlay of Rs. 16 crores, a watch factory with an outlay of Rs. 3 crores and a brewery with an outlay of Rs. 1 crore. Work on these is expected to begin shortly.

Crompton Greaves Wins Libyan Contract

Crompton Greaves Ltd., Bombay, have secured against stiff international competition a contract for the electrification of a Textile Weaving and Finishing Complex in Libya on a turnkey basis in collaboration with Star Trading Co. (Pvt.) Ltd., who are setting up the plant for the General National Organisation for Industrialisation of Libyan Arab Republic.

This type of contract helps the country to export both the visible and invisible goods. The foreign exchange earned in this deal will be more than a million dollars.

This is a major breakthrough for the country's electrical manufacturing and contracting industry as it proves the quality of our engineering in the international markets.

Kamani's Second Unit Commences Production

Kamani Brothers (Pvt.) Ltd., the Bombay based engineering company, have commenced regular production at their second unit in Bangalore on January 2. With a licensed capacity to produce 8,000 tonnes of ferrous items per annum, this unit has been set up for cold re-rolling and finishing hot-rolled flat products of low carbon steel, aluminium, besides copper, brass and other copper alloys. Rolling can be done here in thickness ranging from 2.5 mm to 0.2 mm with a width of 3/8" to 14", soft annealed to full hard.

It may be noted that they have set up a plant at Manali, near Madras City, for production of 2 million tonnes of carbon black annually.

Cement Price Increase

The regulatory duties imposed on packing materials from the month of December, 1971 have pushed up the price of cement by Rs. 2.90 per tone. As a result of this, the price charged to the public has been raised from Rs. 204.72 to Rs. 207.62 per tonne; to the Government from Rs. 202.24 to Rs. 205.14 per tonne and to the public sector undertakings and the semi-Government bodies from Rs. 202.72 to Rs. 205.62 per tonne. This rise in price will have its due impact on the retail price charged to consumers.

Credit Control on Sugar Tightened

In a press issued recently the Reserve Bank of India has announced certain modifications with respect to credit controls relating to:

sugar, gur, khandasari; foodgrains; and oilseeds, oils thereof and vanaspathi.

While the control on advances against sugar gur and Khandasari has been tightened from 50 to 65 per cent on margins in view of the continuous increase in prices recently, there is a modification with a view to improve the supply position in regard to foodgrains. In regard to oilseeds etc., the existing framework of controls has been retained with minor changes to promote smoother movement.

In all these cases, an attempt has been made to help small borrowers who have come into the field newly. Also, there is an exemption in regard to the operation of the above controls in cases where the guarantee scheme of the Credit Guarantee Corporation of India operates, subject to the proviso that the trader has dealing with only one bank.

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INDUSTRIAL ECONOMIST

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Price Hike of Newspapers

The Government has decided to reduce the allocation of newsprint to newspapers with effect from January 1, 1972. The reallocation is to be made on the basis of average number of pages per issue not exceeding ten, in the case of major newspapers. Particularly in the light of the efforts of the Government to curb monopolistic trends in the newspaper industry and encourage the dispersal of ownership to a wider cross-section, this step appears to be reasonable. After all, if a newspaper has been giving to its readers 16 pages a day, nearly ten pages of these are accounted for by advertisements. If the number of pages is restricted to 12 and an average of 50 per cent space is allowed for advertisements, the reader will still get six pages of reading material. After all, in these days of increasing complexities people do not have very much time to scan more than a couple of pages of important news items per day. So limiting the number of pages to 12 may not cause much of a diminution in the service to the readers.

The practice resorted to by major newspapers in buying paper from the Indian mills has also contributed to a high pressure on the limited availability of paper in the markets. This also appears to be a ruse to circumvent the policy of newsprint allocation based on the average consumption of a newspaper.

Less Pages but no Reduction in Price

As a consequence of recent decision of the Government to reduce allocation of newsprint which will restrict the average number of pages of a major newspaper like *The Hindu* to around 10 and, thereby, remove one of the major items of high cost, one was hopeful of a reduction in the price to a level of what obtained prior to November 15,—in the case of *The Hindu* from the present 27 paise to 20 paise plus the excise duty 2 paise. But one is told no such reduction will be forthcoming.

Plus A Steep Surcharge on Advertisements

Far from it *The Hindu* has come out with a steep surcharge on its advertisement rates of 35 per cent with effect from January 15. One often comes across a perpetuation of levies and surcharges introduced as an *ad hoc* measure in the case of so many other industries and of course the Government. The IENS surcharge of 10 per

cent introduced years ago has come to stay; to this is to be added now a 35 per cent "surcharge." If this increase is warranted by higher costs why not absorb these into the basic rate of advertisements? Let us take the complexity of the present rate of *The Hindu*: Contract rate: Rs. 18.25; plus surcharge 10 per cent = Rs. 20.075; plus 35 per cent surcharge, (sur-surcharge!) which takes the total to Rs. 26.4625 per col. cm.

Certainly newspapers belong to that privileged class which often tenders advice to very many people on very many subjects. It should certainly have occurred to them to rationalise this in a simplified form. So long as it is their privilege to decide on the rates, nobody can prevent them, for example, from rounding this off to Rs. 26.50 per column cm.

One wonders whether economies cannot be effected in other aspects of expendings. It is a well-known fact that *The Hindu* is maintaining a prestigious air delivery system with its own complement of aircraft which ensures early delivery of copies in distant centres such as Madurai, Cochin, Trivandrum, Tiruchi, Vijayawada ... With a predominant city-circulation, these services, rendered at least to the far-off cities, are made without any difference in rates. i.e., a subscriber in Trivandrum gets *The Hindu* delivered at his place early morning through these costly air services at price which is the same as that for a Madras city reader. The newspaper can certainly introduce an air-surcharge for these readers and need not unnecessarily fleece the Madras city reader. Or it can help the formation of satellite newspapers in far-off places with local participation in the form of collaboration, and develop local readership to a greater extent. Like manufacturing industries, the newspaper industry has also grown to huge proportions both in circulation and advertisement revenue without passing on any economies derived out of these to the consumer in the form of modest prices.

At any rate, the common practice resorted to by newspapers is to avoid questions of newsprint allocation and the like, by growing horizontally; that is to diversify into a cluster of periodicals thereby ensuring the tapping of the advertisement revenues to a greater extent. Recent developments will, perhaps, intensify the spread of this. —S.V.



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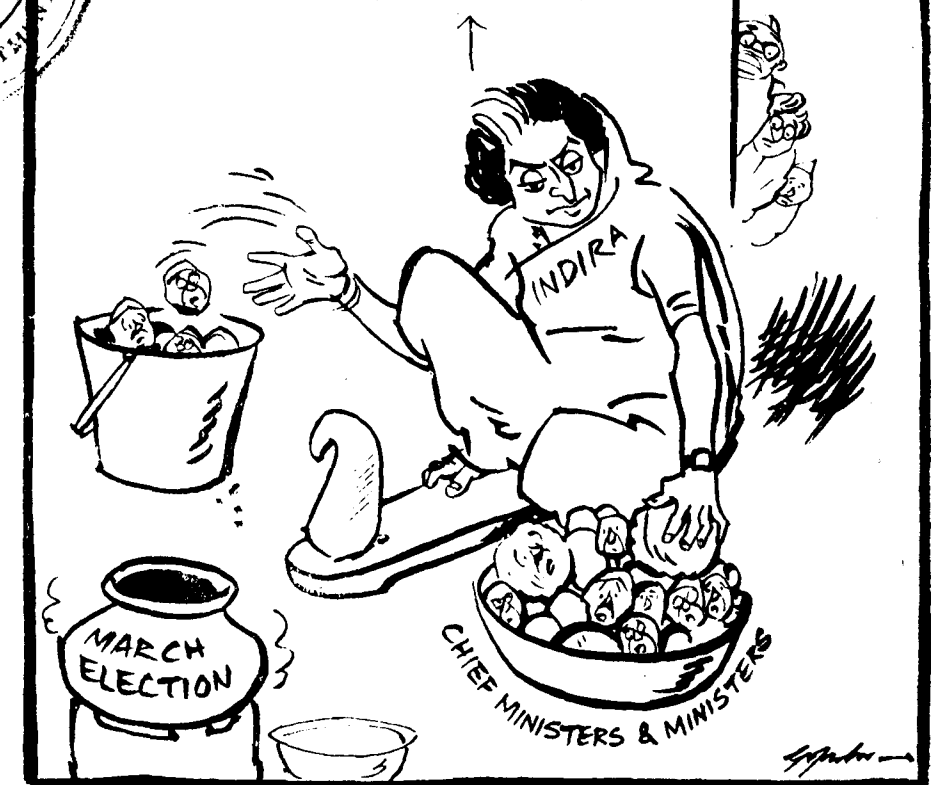
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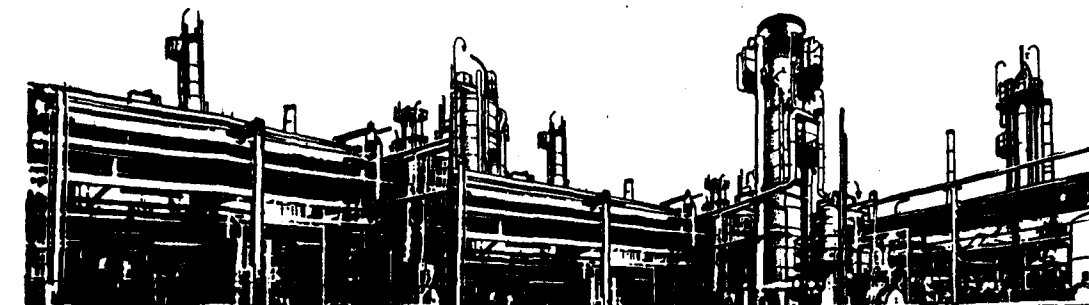
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ASP/M/118



Satisfying the Political Aspirations of the People

Prime Minister Indira Gandhi laid the foundation stone for the eleventh refinery in the country at Bongaigaon in Assam on January 19, 1972 for a one-million tonne refinery owned by the Indian Oil Corporation. This refinery is expected to come on stream in about four years. This will be part of the petrochemical complex planned to be established around the refinery at an estimated cost of Rs. 100 crores.

The setting up of this refinery followed the prolonged agitation in Assam for the location of a second refinery. To this extent it has been more a political than an economic decision. In fact viewed on the basis of economics of operation, the decision to locate the refinery at Bongaigaon cannot be justified. Firstly, we have come a long way from building one-million tonne refineries. In fact, much of the success of operation of Koyali, Cochin and Madras Refineries flow from their larger capacities. Secondly, one of the fundamental reasons ascribed for the location of this is to consume the crude produced locally. Barauni Refinery in Bihar was set up based on Assam crude. The total supply from the oil wells in Assam is approximately 3 million tonnes, of which roughly 0.75 million tonnes are consumed at Gauhati; 2.25 million tonnes. In the absence of facilities to pipe the crude from Haldia to Barauni Refinery, Barauni is often starved of its requirements. Thus even as it is, it has not been possible to operate Barauni Refinery to its full capacity. With the decision to locate the second refinery at Bongaigaon, there will be a substantial drop in the crude supplies from Assam to Barauni and it may even require the conversion of the present product pipeline from Haldia to crude pipeline and meet the requirements of Barauni through imports.

Location of refineries are also based on the needs of the marketing zone served by these. Even on this basis, the requirements of the Eastern zone do not justify the location of another refinery in this region. In the light of the fact that it is more economical and more advantageous to locate the refinery near the consuming centres of oil products, it was certainly not a sound decision to have yielded to the pressure of Assam.

Even after deciding to relent to this pressure, it is not clear why the second location in Assam is made at Bongaigaon, which is 170 km. to the west of Gauhati. It would have been ideal to expand the facilities created at Gauhati itself as a larger project at Gauhati would have been more viable.

Considerations of employment also have little relevance in the case of refineries. Cochin Refineries, for example, which was set up for a much higher

capacity of 2.5 million tonnes at an approximate investment of Rs. 20 crores, provided employment for just around 300 persons, the bulk of which comes under skilled category which it would be difficult to find within the State. Thus the new refinery would hardly have much justification on the basis of employment which it would afford. Likewise, the scope for employment afforded by the numerous other units forming part of this petrochemical complex is very limited and the prospects are rather hazy, as the experience at Koyali complex has clearly shown. These units take a lot of time to take shape. Though the investments in these are sizable, the employment potential these offer are extremely limited; certainly not in proportion to the large investments made. In spite of much clamour for the location of such units in Madras, which has a more assured marketing zone, the concept of a petrochemical complex has not taken any concrete shape. And thus the large investment planned could have been more justifiably made on numerous labour intensive industries or on small scale industries which will help improve standards of living over a wider area.

Many private sector units may not prefer to locate their units at Bongaigaon on grounds of distance from the consuming centres. It is gathered that a large-sized polyester staple fibre plant of 30,000 tons capacity is also to become part of this Bongaigaon complex. The Government has decided to establish this as a public sector unit. Here again, the consuming mills of polyester staple fibre are located at far off places



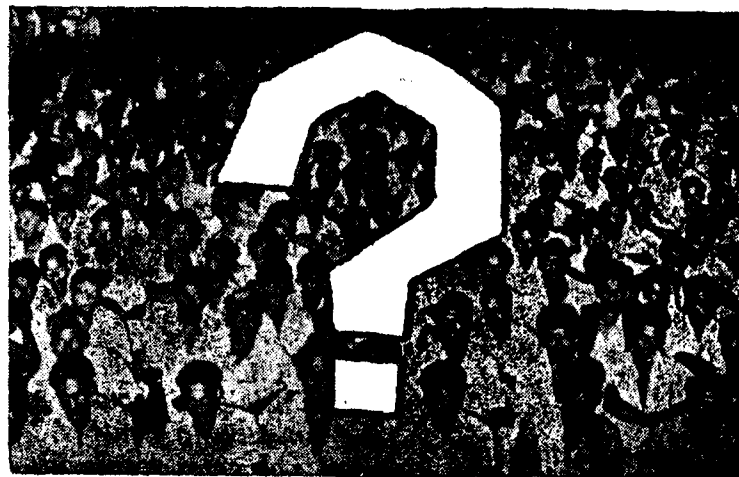
Prime Minister Indira Gandhi is seen laying the foundation stone for the Rs. 104 crore public sector oil refinery and petrochemical complex at Bongaigaon. Also seen in this picture is Mr. M. M. Choudhury, Ex-Chief Minister of Assam.

and the transport involved will only add to the cost of operations.

Yet another argument put forth in favour of the location at Bongaigaon was that the raw material available in the State of Assam could be consumed within its confines. This is understandable if the quantity available is many times the capacity to consume. When it is known that after all the present production in Assam cannot meet in full the requirements of a single large-scale modern refinery, the fallacy in the argument becomes apparent. Even assuming that there are increases in production of crude over the years, the already existing refinery can always be expanded and the crude can be consu-

med in full. To distribute a little quantity of crude available among numerous small units is certainly one that will cut at the roots of viability and economics of operation.

To the extent that there has been some decision on the building up of the next refinery, perhaps this step is indeed welcome. After the decision to establish Haldia several years ago, there has not been any decision towards progress in this sphere. The demand for petroleum products is surging. At the end of the present Plan, it is expected to reach 28 million tonnes against a capacity of roughly 26.5 to 27 million tonnes. In this context the decision to proceed with the next refinery is some progress indeed.



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GLIMPSES

By P. R. SRINIVAS

The Clamour for Big Projects

The anxiety of State Governments to develop the natural resources of the territory in their charge and to improve the per capita income of the people is indeed understandable. What is not equally so is its manifestation in official policies and plans. In the first place, it gets to be linked to the vexatious problem of Centre-State relations and gives rise not only to a continuous wrangle for each State's share of Central aid but also to a blanket demand for State autonomy and a consequent distortion of the political and economic problems on hand. There is a distinction between the development of the natural resources of a State and increase in the per capita income of its people, which is generally ignored because of the force which the former gives for raising big issues with the Centre and catching the headlines with the outlines of big projects contemplated by the State Government not without any regard for their economic character as, for instance, new steel units or refineries. Whatever may be the merits of such projects, the fact remains that increase in the per capita income of the people is better achieved by direct attention to the avenues of individual work rather than through the instrumentality of big projects whose benefits to the common people are not only dubious, but can reach them only through circuitous routes.

Excitement of Tussle with the Centre

The avenues of individual productive work lie in agriculture, horticulture, cattle-forming and the crafts which can improve, increasing their activity with the increased prosperity of their immediate environment. But Governments as a rule are governed more by the glamour of big projects and the excitement of tussles with the Centre which they occasion than by the substantial, if perhaps unspectacular, increases in the incomes of families in the country-side. The latter obviously depends on the people themselves, their economic consciousness, their will to work and their readiness to make the most of the facilities for improved methods of cultivation, cattle-rearing, management of farms and the like.

To make Green Revolution a Fact

The truth of this, which is indeed hard to drive home to the politicians in power or to those sections of the people who work to ensure a support price for their welfare, has been brought out unmistakably by the achievements of the two North-Western States of Punjab and Haryana. Haryana has the distinction of recording a growth rate of 16.91 per cent in the last two years as against Punjab's 7.6 per cent and the national growth rate of 5 per cent. Punjab has the highest per capita income of Rs. 470 at 1960-61

prices as against the national per capita income of Rs. 339 and Haryana's per capita income of Rs. 440 in 1969-70, followed by a marginal increase in the next year. The remarkable achievement is due predominantly to the agricultural development in these States, where the agriculturists are known to have been prepared to pay any price for improved seeds, fertilizers, tractors and the like. The confidence of these agriculturists in their ability to make such investment pay through hard work is in contrast to the people in most other States where the emphasis is on prices, cheap credit without the danger of pressure for repayment and such official aids. The time has certainly come for making the green revolution a fact and not a product of wishful thinking.

Mounting Unemployment

Contrary to the expectations which Governments often raise in the minds of the public by talks of crash programmes for creating new employment, the unemployment problem is growing more and more knotty with yearly worsening of every adverse feature. No one, of course, would expect any official project, even if it were executed in full to make a dent in the prevailing unemployment. But not only is there a gap between a plan and its employment, but the number of unemployed has risen more than million last year as compared with an increase of six lakhs in 1970. The number of persons who have registered with

the employment exchanges rose to 5 million at the end of 1971, which is twice what it was in 1966. That the greater part of the increase occurred during the last three years is a fact; the causes and significance alike call for careful study. There has been at the same time a decline in employment opportunities, the increase in employment in the organised sector having fallen from 2.5 per cent in 1969-70 to 2.2 per cent in 1970-71. The public sector claims an increase in the growth rate from 2.5 per cent to 3.2 per cent in 1970-71 while in the private sector it fell from 2.4 per cent to 0.4 per cent.

Mix-up of Problems Slows Down

Production

These figures lend themselves to the most dangerously erroneous conclusions. But the fall in the rate of growth of industrial production in the private sector is an important factor, for which the private sector cannot take the major share of the blame. Nor can one rush to the conclusion that the substitution of capital for labour, which is a major cause of the worsening of employment, should yield place to the labour-intensive industry which is so much in favour with the politicians. What the current trends suggest, on the other hand, is that the means and methods of increasing industrial production and the national income should be considered quite apart from the problem of providing work and the means of sustenance for the majority of the unemployed. Our food production and the scope for further agricultural development has made the latter problem far less formidable. The mix-up of problems of production with the distributive problem can only slow down production and aggravate other problems.



The Wheat Revolution has been contributing richly to rapid improvements in standards of living of many agriculturists in the Punjab, Haryana and U.P. Haryana, for example, has recorded a growth rate of 16.91 per cent in the last two years against the national growth rate of 5 per cent largely due to the wheat revolution.

INDUSTRIAL ECONOMIST

New States

Coming so soon after the cease-fire in the Indo-Pak. war, the inauguration by the Prime Minister of the three States of Manipur, Meghalaya and Tripura and the two Union territories of Mizoram and Arunachal Pradesh is in all probability more than the satisfaction of the aspiration of the people of these areas to figure as separate entities in the Union of India. The usual talk of distinctive cultures to be maintained by such separateness and of neglect of local interests and of the needs of economic development has of course been there. And so are the fears that the constitution of new States and the redrawing of State borders will make for the strengthening of divisive forces. But the Centre would seem to have been governed by the facility which the new States and the Union territories afford in taking the wind out of the sails of rebel groups and at the same time strengthening Central control over these areas for strategic purposes. The emergence of the Republic of Bangla Desh as a friendly nation has deprived the anti-Indian elements of bases for their operations. And it may be hoped that the establishment in due course of a North Eastern Council for drawing up and implementing a common regional plan for economic development of these areas would take the edge off the economic discontent among these peoples.

STD Facility Now Available for Madurai

A point to point trunk dialing service between Madras and Madurai has been introduced on January 25. In due course this service will be linked to the national network, announced Madras Telephones General Manager, M. S. Muthanna.

To get Madurai, the Madras subscriber will first dial 9452 and then the required Madurai number. The subscriber from Madurai will first dial 944 to get access to the Madras numbers.

Calls between Madras and Madurai will be metered at the rate of six seconds per unit call (charge 20 P.) from 8 a.m. to 7 p.m. and half this rate during 7 p.m. to 8 a.m. and on holidays.

Already the S.T.D. facility is available from Madras to Bangalore, Coimbatore, Tiruchi and Chingleput.

Mr. Muthanna also announced that plans have already been approved for providing point to point S.T.D. between Madras and Kancheepuram, Madras and Vellore, Madras and Vijayawada and Madras and Secunderabad. The first of these is expected to be available within the next six months and the remaining services in the course of the next couple of years. It is gathered, due to want of equipments, the earlier plans to connect Cochin and Salem with Madras will not mature in the near future.

Pakistan's Belated Imitation of India

The Pakistan Government announced in the middle of last month the assumption of control of eleven more industries with an estimated capital of Rs. 25 crores. Mr. Bhutto's fervour for socialistic measures springs from the desire not to leave Bangla Desh, even more than India, with a monopoly of the credit for special solicitude for the masses or antagonism to powerful vested interests. Bangla Desh is committed in the understanding arrived at with India to the acceptance of democracy, secularism and socialism as the basic principles to be followed by the new Republic. The first two principles are ruled out for the martial law administrator of Pakistan who called for a 1,000 year *jehad* against India. But socialism is on a different footing when the closely cabalistic nature of the ruling clique is now known all over the world. Mr. Bhutto has therefore to launch on a policy of State control of industries and the abolition of managing agencies and the contracts with them is a belated imitation of India which is far from flattering. The dethronement of the military junta and the pursuit of socialistic policies would obviously depend on the adoption of democratic forms of Government. But it is precisely here that Mr. Bhutto's path is littered with obstacles of different kinds.

abeyance. This has resulted as a consequence of the change in the specification of the 10 paise coins recently introduced.

Lack of Coordination

Asked about the delay in providing telephone connection to the units of the Functional Industrial Estate for Electronics at Adyar, Mr. Muthanna said that the Telephones Department was not appraised of the setting up of this Industrial Estate in advance. There is also the problem of poor density of telephones in such an area which does not justify the economics involved in laying long cables to these areas. Mr. Muthanna assured that this Industrial Estate will be provided with telephone facility within the next 2/3 months.



Mr. M. S. Muthanna

STD to Bombay & Delhi

It is gathered that the Madras Telephone is more or less ready to take the load for the STD service to Bombay whereas Bombay is not. The General Manager expressed the hope that before the end of the current year both Bombay and Delhi might be connected with Madras through STD.

A new feature of the recent STD service to Madurai, is the STD barring facility the Telephones Department will be offering to the subscribers served by the Mambalam Cross-Bar exchange on an experimental basis. The subscriber in Mambalam Exchange can pay a rental of Rs. 50 per annum and Rs. 50 initial charges (non-recurring) and cut off the facility for STD dialling. For PBX junctions the rates are respectively Rs. 100 rental per annum and Rs. 50 initial charges.

At present, on an average there are 300 calls made between Madras and Madurai. Mr. Muthanna estimated that this might increase by 8 to 10 times after the introduction of the STD. In the north where such a facility has been introduced the increase has been as much as 30 to 40 times, said Mr. Muthanna.

Due to certain technical difficulties, it is stated, the plan to change the coin box systems in the Public Call booths in the City and elsewhere from the present 20 paise to 30 paise per call basis has been kept in

He, however, suggested that just as certain development cess are levied to ensure the supply of electricity, water and roads in under-developed areas, a cess might also be considered for the provision of telephones.

Of course, this will run counter to the general concept of attempting dispersal of industries. While State Governments offer a lot of incentives for starting industries away from urban concentrations, one of the major difficulties of entrepreneurs in fully making use of these is the lack of communication facilities. As we had occasion to point out on a previous instance even places like Arkonam just 45 miles from Madras City are poorly connected with telephones. The delay involved in getting across is quite long. After providing all the facilities such as land at cheap rates, subsidised rates for power and rebates on S.T. and so many other incentives, the inadequacy or total lack of communication facilities scare people away from these developing areas. It is time a greater degree of coordination is achieved between the different departments of the Government.—S.V.

More Steel for the 'Seventies

by

S. MOHAN KUMARAMANGALAM

Minister for Steel & Mines,

Twenty-five years ago, at the time of independence, India had only two integrated steel plants, both in the private sector, with a total capacity of 1.5 million tonnes. Steel-making capacity in the big plants today is about 9 million ingot tonnes. The three public sector steel plants at Bhilai, Rourkela, and Durgapur account for about two-thirds of the total steel capacity in the country.

The target set for 1972-73 is 7.2 million tonnes of steel ingots. If this can be achieved steel imports from about Rs. 200 crores this year can be reduced to some Rs. 50 crores or even less next year. We would have, to a large extent, reduce our dependence on aid from abroad. In terms of self-reliance, our gains will be far greater than can be measured in terms of currency.

The approved national steel development programme provides for more than doubling of the existing capacity from 9 million ingot tonnes to about 19 million ingot tonnes by end of the Fifth Plan.

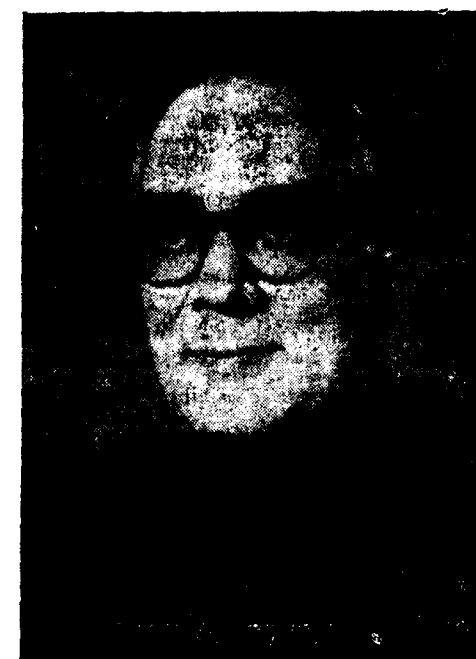
As part of the overall plan to meet the future requirements of steel, a new steel plant is being built at Bokaro in Bihar

Largest Integrated Steel Works

The new plant at Bokaro is the fourth steel plant in the public sector and will be the largest integrated steel works in the country. It is in fact the largest single project so far undertaken in the country. Estimated to cost about Rs. 1,200 crores, Bokaro will have a capacity of 4 million tonnes. Besides, it will provide large quantities of valuable by-products. It is being built with financial and technical collaboration with the Soviet Union.

Bokaro will play a crucial role in meeting the demand for flat steel products in the country. By the time it reaches full production, the demand for flat products will be of such magnitude that it will help save about Rs. 150 crores per annum in foreign exchange which would otherwise be necessary for import of these products.

It is an unique project where the practice of simultaneous construction and commissioning of different units on such a large scale has been adopted for the first time. In the first stage, the plant will have a capacity of 1.7 million tonnes of ingot steel and 880,000 tonnes of pig iron. According to the present schedule, the construction of the first stage of the project is due to be completed by March, 1973. The expansion of the plant to 4 million tonnes capacity has also been taken up simultaneously. The expansion is being phased in a manner so as to achieve a midway capacity of 2.5 million tonnes on a 'crash' programme basis by 1974.

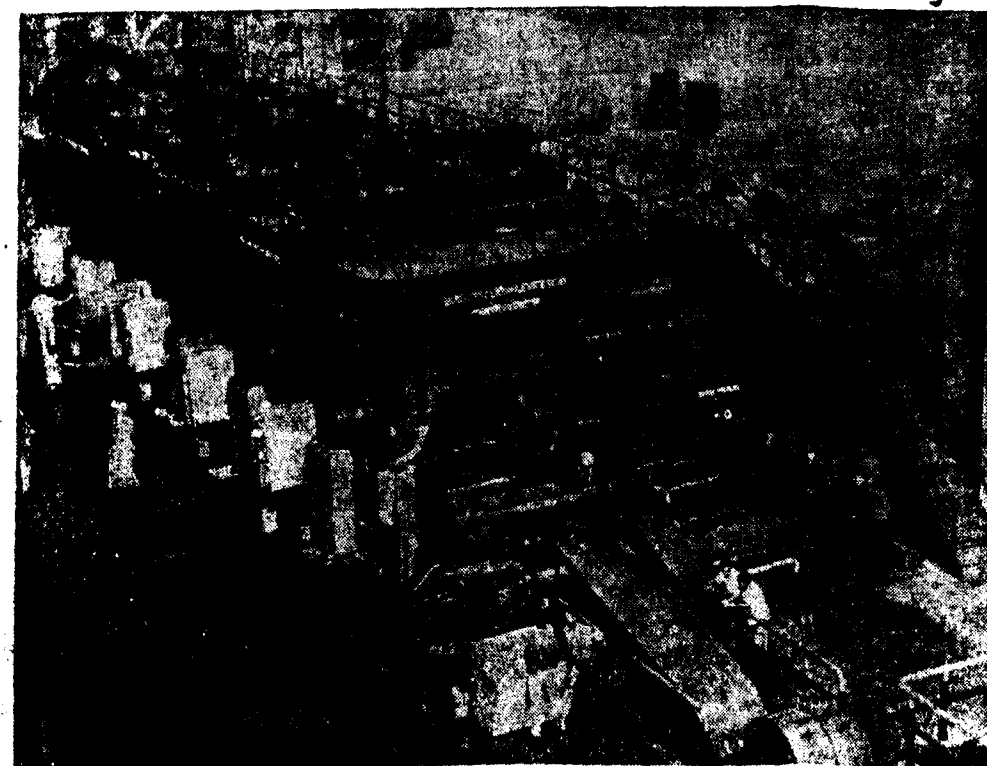


Mr. Mohan Kumaramangalam.

Indigenous Equipment

The difference in the construction of this plant as compared to Bhilai, Durgapur and Rourkela is that the earlier plants were turn-key projects, but for Bokaro, equipment has been ordered from indigenous industries manufacturing them for the first time in India. Nearly 67 per cent of the supplies of equipment is being obtained from public and private sector enterprises.

There was some initial delay in the supply of equipment since most of the plants were manufacturing them for the first time in their shops. There was also shortage of steel. However, closer follow-up of supplies from the Heavy Engineering Corporation, Mining and Allied Machinery Corporation, Garden Reach Workshop and various agencies in the private sector have helped to improve deliveries from indigenous sources as a whole.



Rourkela Steel Plant—A view of the Tandem Mill.

INDUSTRIAL ECONOMIST

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Dependence on indigenous sources has led to some delay in the commissioning of the project no doubt, but gain in the matter of machine building know-how and technology is big.

Increasing Bhilai Steel Capacity

The capacity of Bhilai Steel Plant is being increased from 2.5 million tonnes ingot to about 4 million tonnes ingot. The Central Engineering and Design Bureau of Hindustan Steel Limited is preparing the detailed project report. This expansion scheme envisaging an outlay of nearly Rs. 230 crores is likely to be commissioned by the end of the Fifth Plan.

In accordance with the policy for dispersal of basic and heavy industries, Government has already announced the setting up of three new steel plants—two integrated steel plants of 2 million tonnes ingot capacity each at Visakhapatnam and Vijayanagar (near Hospet in Mysore State) and an alloy and special steels plant of 250,000 tonnes ingot capacity at Salem. Preliminary work on all the three new steel plants has already been taken up. The Techno-economic Feasibility Reports are being completed by the Consultants.

It is the intention of Government to maximise indigenous contribution for the steel development programme and action has been taken to standardise major items of Plant and equipment for these new steel plants in order to give adequate lead time to indigenous manufacturers. Design know-how will also be developed by the Heavy Engineering Corporation, Ranchi and by other leading machinery manufacturers in the country.

Private Sector Steel Plants

Tata Iron and Steel Company have undertaken a programme for modernisation of their plant and equipment which is expected to yield a marginal increase in production.

Indian Iron and Steel Company propose to increase their capacity from one million tonnes ingot to 1.3 million tonnes for which a good deal of preparatory work has already been done.

Scope for Intra-regional Trade within Asia

With the intimate ties now being developed among India, Nepal, Bangla Desh, Burma, Malaysia, Singapore, Indonesia and Ceylon there is an unconscious process of integrated economic development which may have far-reaching significance for this vital South-East Asia region. The idea of intra-regional complementary development of many countries in the ECAFE area has no doubt been mooted for a long time. But because of preoccupation with political problems, the disturbed situation in Indonesia, and difficulties experienced in the North-West region on account of the Chinese threat and hostile Pakistan which was having control over its eastern wing until recently, it was not possible to formulate any scheme of deliberate complementary or integrated development.

Scope for Development of Nepal

The whole situation has undergone a significant change in the past year, particularly after the emergence of the independent Bangla Desh. There is now an awareness of the needs for intelligent co-operation and the elimination of wasteful expenditure on costly competitive schemes. Thus India has thought it advisable to enter into an agreement with Nepal for tapping its vast hydel potential and new schemes which may cost over Rs. 250 crores are to be implemented resulting in the creation of 3 million kw of generating capacity and the availability of ample water resources for irrigating large areas in the North-Bihar by taming the KOSI river in the Nepalese territory itself. Also under a recent trade agreement concluded between the two countries, substantial incentives have been provided to the Indian industrialists to start new ventures in Nepal.

A similar process has been already initiated in regard to the integrated development of Bangla Desh. Even when Pakistan was in control of its eastern wing, it was suggested by the World Bank that there should be joint harnessing of the waters of the Ganga, the Brahmaputra and their tributaries as it was felt that thereby there could be effective flood control, intelligent development of river navigation facilities and generation of huge blocks of power.

Optimum Use of River Waters

Talks have already been held between the representatives of the two countries about the optimum use of river waters, flood control, prevention of damage in areas prone to cyclones and the development of river navigation. The scope for increasing barter trade

is being explored on a selective basis. It is also expected that this trend will involve active coordination between the two neighbours in foreign trade. The use of river routes for transporting jute and tea from Assam to Calcutta will relieve the pressure on the railway system.

Elsewhere too, the happenings on the economic front auger well. As in the case of Nepal it is proposed to establish links with Ceylon for transmitting surplus power from the Island during periods of copious rainfall and also supply to Ceylon its requirements, if need be, during the summer months. There are also moves for joint marketing of tea, the two countries being the world's major producers of tea. The value of trade is being increased either way and it is quite likely that Indian assistance will be needed for promoting new industries.

Impressive Growth of Malaysia and Indonesia

In this direction, the developments in Malaysia and Indonesia are more impressive. In Malaysia particularly, numerous Indian industrial units have entered into arrangement with the Malaysian Government for undertaking the manufacture of machines, confectionery, staple fibre, electrical equipment and so on. Malaysia has, upto now, no problem of finding financial resources while Indonesia is still recovering from the serious wounds inflicted on the economy during the former regime. Only in the case of Burma no tangible progress has been recorded except for some attempts to promote the two-way trade. There are, however, indications to suggest that Burma will change its policies and co-operate more actively in the economic field.

If the developing countries can mutually co-operate closely and also do a large volume of trade with a change in the direction, the fitful effects of irregular aid from the West on account of political or other considerations can be overcome. The nine countries have between themselves a population of over 750 million, surpassing that of China. There is a vast market in India itself for the neighbouring countries while India can supply in turn the badly needed technical assistance and sophisticated equipment to them. If the large expenditure now being incurred by all the countries can be reduced significantly through the promotion of intra-regional trade and selective industrial development, the process by itself can generate a momentum which will have good side effects. The time has arrived for the creation of the machine which will facilitate larger trade and frequent mutual consultations.—(FOC)

Birth of a New Era in British Economic History

The signing of the documents of accession enabling the entry of Britain into the European Common Market marks the beginning of a new era in English political and economic history. That Britain had no future without Europe had long been obvious. That explained the anxiety particularly of the British Conservative Party leaders to get admitted early enough. But so long as the late President De Gaulle dominated the European scene, Britain had absolutely no chance of success. Partly on the basis of past experience and mostly because of his own idea about himself as Europe's man of destiny, De Gaulle had very great reluctance to get Britain in and

his mental reservations were best expressed in his fear that admission of Britain would automatically create a bridgehead for American economic influence. Suspicions on this score apart, France never really forgave Britain for having condemned the formation of the E.C.M. as an insularisation move and for having organised in 1959 the European Free Trade Association. Britain's concern for EFTA was deemed to be very much clear especially when the exports from EFTA countries were admitted duty-free into Britain alongside of the imposition of a 15 per cent tariff on the exports of Commonwealth nations.

STANDARD OF LIVING AS REFLECTED THROUGH THREE SELECT ITEMS

E.C.M.		(Per thousand people)	
Country.	Cars	T.V. sets	Telephones
West Germany	199	231	172
France	223	167	140
Italy	151	146	135
Netherlands	165	197	216
Belgium	187	186	181
Luxembourg	235	131	281
United Kingdom	196	263	218
Soviet Russia	5	96	41
United States	410	392	523
Japan	252	190	204
World average	49	63	65

British Entry Motivated by Self-Interest?

Even otherwise the Continent had reasons to entertain mental reservations against Britain. The main factor was the insistence of Britain on certain concessions for Commonwealth dairy products particularly from New Zealand. If De Gaulle were in power, even the phasing out of these imports as has been decided now will not have been possible. Further, there is still a strong body of opinion which disfavors British entry into the Common Market. Its concern was voiced in Parliament by Mr. James Callaghan, Home Secretary of the Wilson administration, who observed during the crucial debate on entry, that any decision to enter "will be the first step in the long centuries of British history in Parliament stripping itself of the power of independent decision over a large sector of British national life." In the Continent, this has strengthened the stand of critics that Britain is joining on the principle of taking more than giving.

Nothing could be farther from the truth. On becoming a member of the Market, Britain will have to spend more on agricultural subsidies. In the immediate future, it will cause some privation but it is sought to be softened through other gains. The major gain Britain is looking for is in respect of jobs. The country with its one million unemployed persons pins its hope on a revival of exports and their spectacular expansion. Even apart from jobs, productivity of the export sector has for long required an expanding market

INDUSTRIAL ECONOMIST

1-A

ANNUAL WAGE

	£
(a) Norway	1706.11
(b) France	1704.49
(c) Holland	1627.34
(d) Belgium	1555.51
(e) West Germany	1416.32
(f) Denmark	1406.53
(g) Italy	1147.75
(h) United Kingdom	1134.28
(i) Eire	838.73

the retention of quotas for Indian exports of the item in the teeth of the opposition from Lancashire. The concession was possible because India agreed to grant Britain the necessary waiver (for imposing the duty) in respect of the appropriate provisions of the 1939 Indo-British trade agreement. Failure to grant the waiver would have annulled Commonwealth preference for other items besides textiles with its adverse impact on Indian export trade all along the line in Western Europe, of which Britain is the chief buyer.

But the point is that these goods are not covered by the E.C.M. trade preferences for exports from developing countries and the E.C.M. Common External Tariff is too high. Hence it is that India has to conclude a trade agreement with the E.C.M. to soften on these duties besides ensuring that Britain allows duty-free entry for Indian textiles because the E.C.M. rules have provided for such duty-free entry. Though the E.C.M.'s imports from India consist mostly of traditional items which invite the high External Tariff and therefore this has to be reduced through negotiation, immediate attention should also be there to persuade the E.C.M. to import Indian manufactured goods, which are just now entering the market, on suitably preferential terms. The British cannot be expected to be concerned with the worries of their Commonwealth in Britain's own crisis hour. That is the measure of the challenge that confronts us. Our success will depend largely also on how soon we learn to make our exports really competitive.—R.S.

Rough Deal to Indian Textiles

So far as India is concerned, the British decision has thrown a spanner in the works. Our exports consist mostly of tea, leather and leather manufacturing, tobacco (unmanufactured) and cotton textiles. Of these textiles have been given a rough deal with the imposition by Britain of 15 per cent import tariff. The only concession consists in

UNEMPLOYMENT POSITION

	No. unemployed	Work force	Percentage unemployed
(a) Britain	1 million	22.3 m.	4.6
(b) West Germany	135,000 persons	26.8 m.	0.5
(c) France	288,000	20.8 m.	1.5
(d) Italy	967,000	19.3 m.	5
(e) Holland	52,100	4.6 m.	1.3
(f) Belgium	74,600	3.7 m.	2.0
(g) Luxembourg	Nil	144,000 persons	Nil.

New States in Eastern India

The penultimate week of the month of January 1972, saw the redrawing of the map with respect to the North-eastern part of the country. Prime Minister Indira Gandhi inaugurated the new States of Meghalaya, Manipur and Tripura and the Union Territories of Arunachal Pradesh and Mizoram on January 20 and 21.

Meghalaya was carved out of Assam. Nearly for two years it was a sub-State of Assam, having a common Governor and a common High Court. Now, this has been made into a full-fledged State. The present Chief Minister is Captain Williamson Sangma. This is a State with huge natural resources in the form of timber and plantations with a high potential for development. Bordering the newly formed country of Bangla Desh, it has immense scope for bi-lateral trade with that country.

Arunachal Pradesh

Formerly, this area was known as the North-Eastern Frontier Agency. The present name of this region in Sanskrit means the "Land of the Rising Sun," which is indeed true as this area is in the North-Eastern region of the country where certainly the sun rises earlier. This comprises an area of about 31,000 sq. miles. Bordered by Bhutan and Tibet on the Western and Northern parts of this mountainous area, this land has immense scope for development having in its bowls some minerals and watered by turbulent rivers and streams, it has dense forests which are yet to be commercially exploited. Apart from these, this State has the highest strategic importance. Taking all these factors and with a view to hasten economic and social improvement the area has been brought under direct Central rule through the Chief Commissioner, K. A. A. Raja, who has had already considerable experience in administering tribals elsewhere in similar regions. It is hoped that with the speedy nation-building activities undertaken by the Government, this area would take its rightful place on the economic contours of the country.

Tripura

This State also was inaugurated by the Prime Minister on the 21st of this month. Being in the North-Eastern region of the country, it shares the physical features of the area. This is a small State flanked in by the Union Territory of Mizoram and Assam on the one side and Bangla Desh on the

other. This region can also profit well by its border trade with the adjoining States as well as Bangla Desh. The capital of Tripura is Agartala.

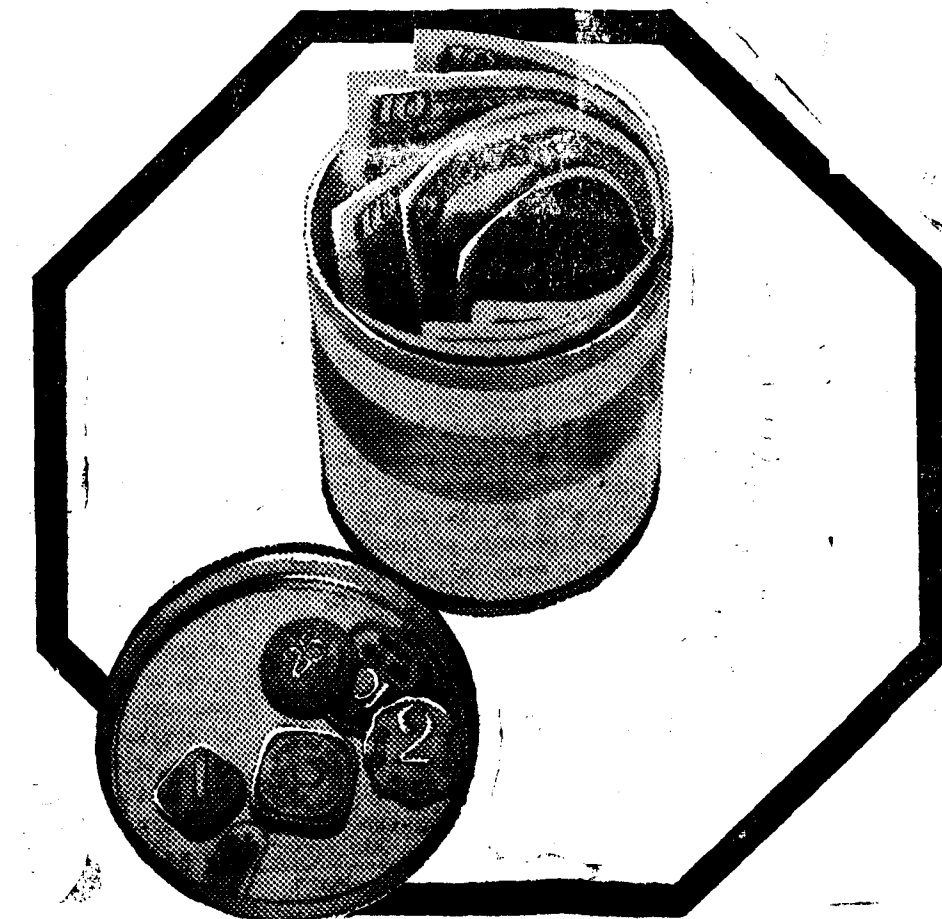
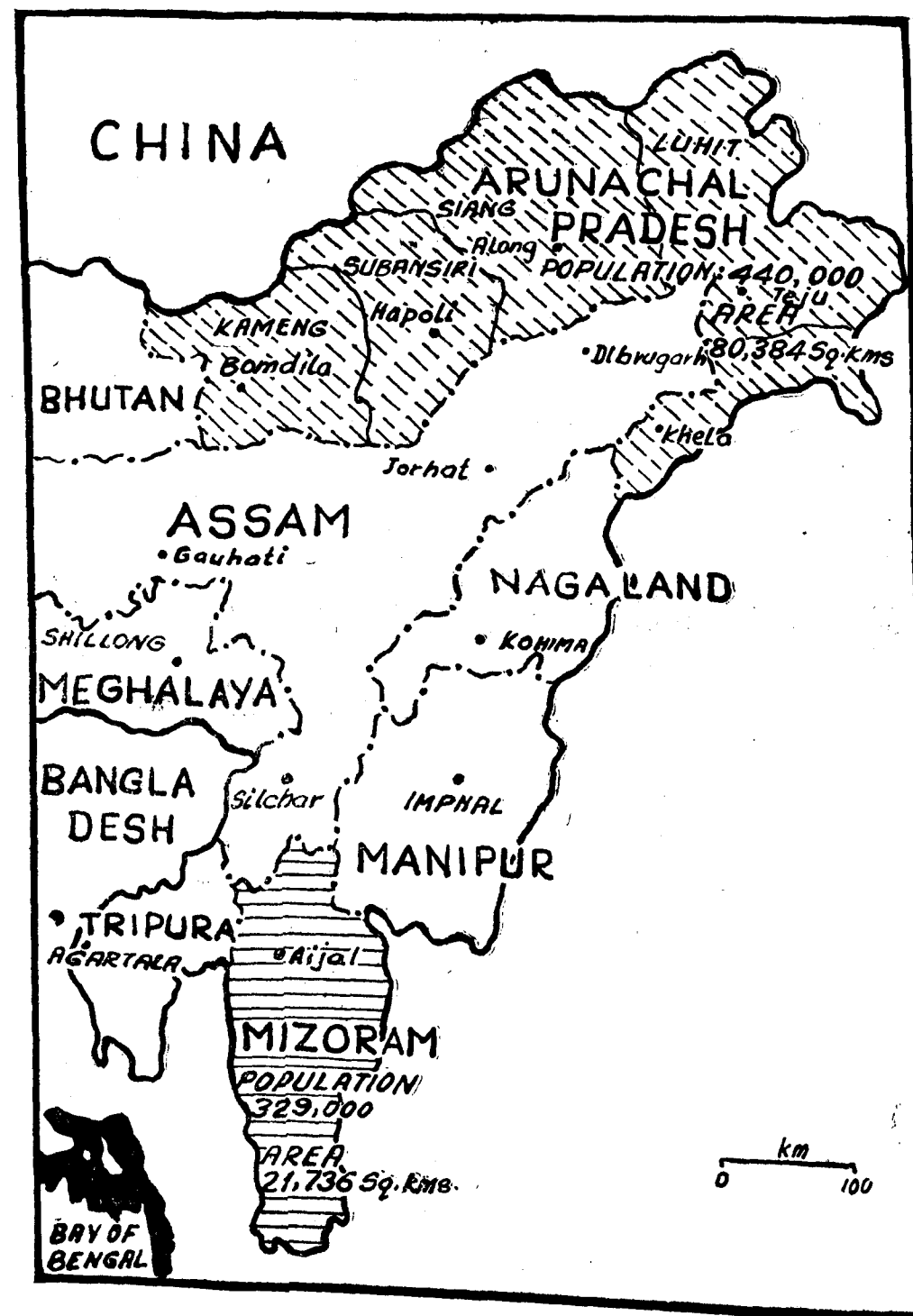
Manipur

This is a strategic State, having a long border with Burma. On the other sides of North, West and South, she is flanked by Nagaland, Assam, and Mizoram respectively. The capital of the State is Imphal. The Governor of Assam and Nagaland, Mr. B. K. Nehru, will also function as the Governor of the three new States, viz, Maghalaya, Manipur and Tripura.

Mizoram

This has been constituted as a Centrally administered territory. The capital of this territory is Aijal. For a long time, the Mizo tribes were clamouring for recognition as a separate entity and with this formation of the Union Territory, the aspirations of the people have been fulfilled.

During the inauguration of the three States and Union Territories, the Prime Minister has made it clear that while every ethnic unit in the country could follow its own customs and manners, all of them cumulatively will work hard to usher in an era of prosperity in the country as a whole.—N.P.



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HEAD OFFICE : CALCUTTA

A Requiem for the Free Press

By FORSCHER

This is a fast changing world where a mere passage of time blunts the edge of truth of certain maxims, however profound at the time when they were uttered. One such outburst of revelation is that "pen is mightier than the sword." The six words exhibiting the fullest confidence both in the capacity and the freedom of the Fourth Estate—the unfettered press—sound weaker and weaker everyday, as brought out in the annual report of the International Press Institute published from Zurich on January 1, 1972.

Slowly and Imperceptibly Weakened

The French director of IPI, Ernest Meyer says in his report that in both developed and developing countries "the will of the journalist to say what he thinks is slowly and imperceptibly being weakened." Throughout the world, the freedom of the press is eroded by threats from the governments, pressure groups, sponsors and advertisers. Since the governments and pressure groups have begun to realise the immense advantages of slanted information and good public relations, they feed the press generously on their own materials and, the press, short of resources to pursue individual reporting, has to rely more and more on official statements. The report says that "independent journalists are threatened with the loss of their jobs, intimidated by subpoena threats if they refuse to reveal information sources, with sponsors and advertisers pulling strings to make the media dance the way they wish." The publishers, hard-pressed to keep their journals going, according to the report, shrug helplessly as the world press grows weaker. The radio and television, in Governments' hands or under Government control or cowed by the necessity of seeking Government approval for periodic renewal, perhaps unwillingly develop a conditioned reflex of caution while criticising the Governments which do not like anything stronger than a mild comment against them. As examples of the Governments' irritation at adverse publicity, the report cites two cases: the telecasting of the documentary feature, "The Selling of the Pentagon" by Columbia Broadcasting System and also the publication of the Pentagon papers in *Washington Post*, *New York Times* and other papers. At the time of drafting this report, Meyer could not perhaps foresee the more sensational disclosure by the columnist Jack Anderson of the disastrous South-Asian policy of Nixon and Kissinger. Anderson pooh-poohed the "secrecy" of the documents "in the interest of national security," with the contemptuous remark that even the toilet paper of Kissinger seemed to be stamped as "classified." These are notable exceptions in the history of the free press, but the majority of the world journalists are com-

pelled to toe the line of governments or other pressure groups of their region.

Conditioned by Consequences

Meyer does not mince his words when referring to the oft-praised free press of the Western World, where a potential malady more dangerous than censorship or deliberate self-censorship exists. This is that a journalist frequently "writes with half an eye on the consequences to his job, as the newspapers, caught in a closing net of dependence, good will and outside approval, shrink in stature." In developing countries, the situation is worse as "newspapers are closed down, suspended, taken over by force, publishing licences are withdrawn, newsprint supplies curtailed, and circulation made difficult."

Nearer home in Tamil Nadu, we have seen that apart from frowning at the newspapers criticising its policies, the government fully exercising its discretion in the matter of release of State advertisements predominately in newspapers aligned towards its policies and ruthlessly cutting out papers critical of its policies.

In an interesting, region-wise analysis, the report observes the trend of the press and the pressure on it in detail as follows:—

India: The Indian Government's proposed legislation on the ownership of publishing business, on the face of it, appears to infringe the freedom of the press.

Pakistan: Recent events have "inevitably" meant restriction on press freedom and the movement of foreign correspondents.

Britain: British newspapers are relatively free from political and government pressures. But even here politicians are clamouring for restrictions on and censorship of radio and television, especially in their coverage of events in Northern Ireland, though, the report says, "fortunately this has so far been rejected by the Government and resisted by the media."

United States: In publishing the pentagon papers on Vietnam war, *New York Times* took a decision that was "courageous not only because of the legal implications but also because of the uncertainty of the reactions of the Congress and the public opinion" and the Anderson disclosures have now become part of the history of the fight for a free press.

Japan, Hong Kong and Philippines allow much freedom but even in Japan, some "clubs" of reporters, having restricted membership, cover particular departments or ministries and to that extent their source of news is questionable. Again, Philippines, traditionally affording complete freedom

for the press, unfortunately acted against the Philippine-born brothers Quintin Yoyitung and Rizal Yoyitung, in capturing them at Manila in May 1970 and handing them over to Taiwan, which has refused to this day to free them and to send them back to Manila.

Singapore: Prime Minister Lee Kuan Yew compelled the nascent English daily *Singapore Herald* to close down and detained four executives of the leading Chinese daily *Nanyang Siang Pau*. He also cancelled the passport of the Chairman and Chief executive of *Nanyang*, thus prohibiting him from leaving Singapore.

Soviet Union: The shackles imposed on the Western journalists had been tightened and in Poland, following the riots at the end of last year, press has been severely controlled. In *Czechoslovakia* the position was no better. Both *Viet Nams* were equally harsh on the press. Surprisingly, *China* seemed to have thrown its doors open for the journalists to come and see for themselves—a welcome development according to the report. In *Brazil*, *Peru*, *Cuba* and *Chile* press was in strait-jacket and especially in the last country, freedom of the press was a hazardous affair. In *France*, the era of liberalisation has given way to an official period of keeping a cautious eye over the programme.

They Must be Free and Many

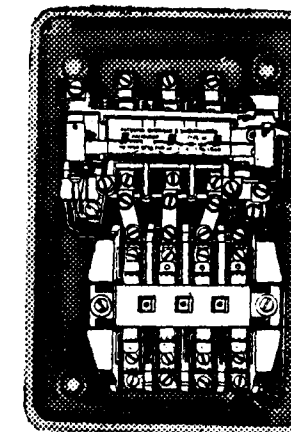
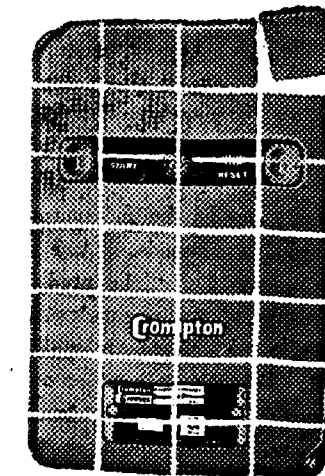
The report goes on to assert that "the members of the press are servants of the people. To serve the people they must be free and many, and free to speak with different voices." The report optimistically notes the existence of at least some rare aggressive publishers, such as the Australian Rupert Murdoch, who demonstrated that the press was capable of "building up its own antibodies to fight the creeping sickness."

Of course, the press is in urgent need of many facilities. Reduced postage and telecommunication charges, cheaper newsprint, exemption from or at least reduction of taxes and periodical assistance for the press to get more useful mechanical equipments are some of the necessities for efficient functioning of the press.

Are We Already Sounding the Last Post?

The report remarks that "only a vigorous press, free of all outside influence and adapted to the requirements of a modern market could be effective in a democracy." The IPI with more than 1,600 members from 62 countries envisages such a role for press in our modern society. But are we already sounding the last post for a free press throughout the world? Only the posterity can judge.

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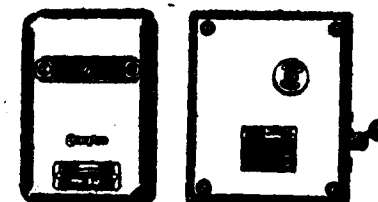
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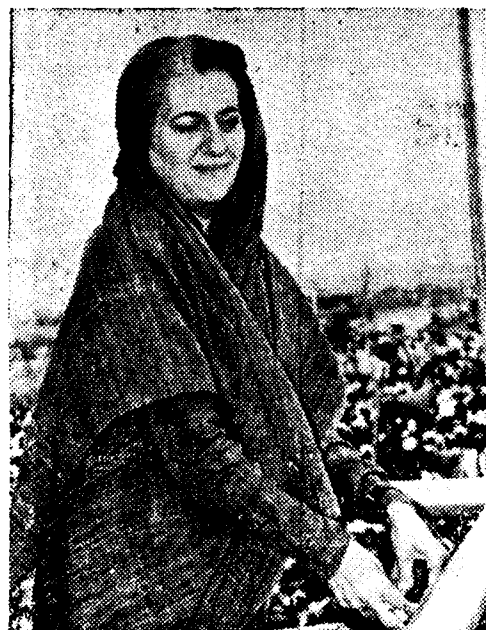
RIGHT FROM THE START,
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A SIMPLE STATEMENT OF PLANS AND POLICIES

The manifesto of the New Congress Party for the forthcoming elections in 16 States and Union Territories in March is a simpler statement of its plans and policies with little of the aggressiveness that was noticeable on the last occasion. The new tone may be attributed to the self-confidence engendered by the fulfilment, to the extent possible, of the Party's electoral commitments and the consciousness of the unprecedented prestige that has accrued in the party and its leader through the military triumph over Pakistan. Another factor of, perhaps, even greater



Prime Minister Mrs. Indira Gandhi

importance is the realisation by Mrs. Gandhi of the need to improve the personnel of the party in the State Legislatures and of the Ministries both at the Centre and in the States. Such improvement, though it depends on the results of the elections, rests also on the leader of the party and the Selection Committee and the manner in which the Prime Minister proceeds to ensure the choice of the right kind of Party's candidates for the coming elections.

Accent on the Calibre of the Candidates

There can be no doubt that Mrs. Gandhi attaches more value to the choice of the right kind of Party candidates than to the mere certainty of success at the poll. In the past, such certainty was ensured by placating the

real party bosses and agreeing to give the Party ticket to people of their choice. Now that her personal prestige is at its peak, Mrs. Gandhi has rightly decided that the present is the right moment to turn her attention to the calibre of the candidates. Every political party needs the infusion of young blood at suitable intervals. And in the case of the Congress Party, the need is all the greater because of the preponderance of tired old men who, with years, are apt to be cynical as well. But the path to success in this respect would hardly appear to be smooth, since reports of resentment at the Prime Minister's move and consequent manoeuvres on the part of the disgruntled elements flow in from almost all the States.

While the consequences of these developments are yet far away, the Congress Party's election manifesto is marked by a recital of the ruling party's achievements (such as the nationalisation of general insurance, the take over of the management of coking coal mines, the abolition of privy purses and the Amendments to the Constitution), a repetition of old slogans about land reforms and ceilings on urban land and care for the weaker sections of society and the holding forth of promises of supply of "essential goods at fixed and reasonable prices to vulnerable sections of the community." These features of the election manifesto are indeed inevitable. The last mentioned is blatantly demagogic and has little chance of fulfilment. Land reforms of the kind foreshadowed have many a hurdle in the way, as the exemptions in the case of agricultural land and the lot of the family in the case of urban land have clearly shown. The electorate is still too immature to ask for better performance in the public sector if it is to applaud the Government's measures of nationalisation.

Establishing a Gigantic Water Grid

What the public all over the country will welcome wholeheartedly is the promise of mitigation of the sufferings of the disabled and of the dependants of those who laid down their lives in the war with Pakistan, as also the people living in the border areas. Equally welcome would be the establishment of a gigantic natural water grid by link up

of all major rivers from the Ganga in the North to the Cauvery in the South, which would enable the most beneficent use of the nation's water resources and add a new dimension to the country's communications system. Work on the national grid would mean an increase in employment at all levels, when the promise of massive employment programme will otherwise have to remain a pious wish.

It is in regard to the Centre-State relations that the Congress Party takes a firm and realistic stand. It affirms that the question is not confined to political issues "for the resolution of which the Constitution is a safe and sufficient guide" and that the more important task in this sphere is "the dovetailing of the economic programmes of the Central and State Governments especially in the areas in which the States have the primary responsibility."

In regard to foreign policy, there is little beside the repetition of outdated shibboleths. The manifesto says that "the nation's foreign policy reflects our commitment to democracy, secularism and socialism and follows Jawaharlal Nehru's concept of non-alignment." It adds, "we reject not only great power chauvinism but also the doctrines of spheres of influence and balance of power.... We are determined that India's strength and size shall never become a cause of apprehension to any of our neighbours." It is hard to imagine a statement more impervious to the lessons of the war with Pakistan. The leaders of no neighbouring nation lost their sleep through fear of India, and their representatives at the UN had no hesitation in voting for the infamous resolution sponsored by the U.S. A little of fear of India's might would not be unwholesome. Chauvinism is not inseparable from great power status, and the troubles emanating from the doctrines of balances of power and spheres of influence will continue, so long as India is not powerful enough to win other nations' faith in them. The U.S. Seventh Fleet is both a primer and the last work on what India's foreign policy and her defence programme should be like.

—PRS

Strengthening Trade Ties with East Europe

Doubling the Volume of Trade

The uncertainties of foreign aid have imposed upon India the urgency to exploit foreign trade as the alternative to aid for securing the requisite foreign exchange for developmental planning. Recently, India has concluded two trade protocols with two countries of the East European bloc, namely Poland and Hungary and the protocols are in this sense an expression of this ambition. It is of course true that knowledgeable circles are never over-enthusiastic about growth of trade with East Europe in view of the distortions, implicit in rupee payment arrangements. Particularly the obligation to match exports and imports introduces the phenomenon of buying and selling certain items merely to off-set what is paid out by what is to be paid in. The pitch is queered further by the large volume of switch trade generated by excessive re-exports at the East European end. Yet, in view of the fact that most of these distortions are controllable and are also being controlled more and more effectively in recent months and also because East European buying has in many cases firmed up prices for Indian exports from being beaten down by interested competitors in international markets, it will be unwise to forgo the advantages, however limited, of trading with this area.

The trade protocol aims at doubling the volume of trade between the two countries to Rs. 100 crores by 1975 from Rs. 47 crores at present. Rupee trade being a new development exactly four years ago the total trade turn-over was only Rs. 27 crores while thirteen years ago it was a bare Rs. 7.6 crores. It has taken four years for the turnover to double to Rs. 47 crores and, given the will, it could not be very difficult to achieve the same result within half that time. In fact, the target of Rs. 100 crores set for 1975 is very modest. Even at the end of December 1969, a figure of Rs. 80 crores was mentioned and the marginal hike by another Rs. 20 crores reflects the subsequent buoyancy in the two-way flow of trade. The composition of the future trade has also been altered to suit the changing requirements of both countries. This is evidenced by the scope offered by the protocol for exports of non-traditional items from India. In the immediate future, Poland has sought to purchase Indian cotton yarn. In recent years Poland has been buying considerable quantities of cotton yarn from Pakistan and in the context of the present political development in that country, these

purchases have been disrupted and India has therefore agreed to make good the gap. As a gesture of good-will, Poland has expressed its desire to buy handicrafts relating to Indian folk arts and folk painting and has placed orders already for Rs. 3 million worth of these items.

Polish offtake Lowest

It is important, however, to review the emerging trade prospects against a wider background. It is common knowledge that among the Eastern European Communist bloc of countries, the Soviet Union has been accounting for the largest share of the two-way trade from India. In India's total trade of Rs. 485.30 crores with the East European region, the Soviet Union accounts for Rs. 275 crores. All the other countries of the bloc are far behind. The second rank is in respect of a total Indo-East European trade of Rs. 38.45 crores. Four countries have been on and off this rank from time to time and these are Poland, Czechoslovakia, the German Democratic Republic and Yugoslavia. The peculiarity about Poland is that its imports from India are the lowest as compared with the volume imported from us by the other three countries. It is in recognition of this



Recently three trade agreements were concluded with major East European countries, viz., Czechoslovakia, Hungary and Poland. The picture shows (L to R): (1) Mr. Tamas Hussar, Deputy Director-General, Ministry of Foreign Trade, Hungary and leader of the Hungarian Trade Delegation and Mr. K. K. Dwivedi, Deputy Secretary, Ministry of Foreign Trade, Government of India, signing a trade protocol.

(2) Mr. Jan Mitrega, Deputy Prime Minister of Poland and Minister for Mines and Power of the Peoples Republic of Poland and Mr. S. Mohan Kumaramangalam, Minister for Steel and Mines, Government of India, after signing the trade protocol.

that the participants in the Indo-Polish trade talks have found it necessary to establish an Indo-Polish joint commission to develop closer relations between the two countries and to establish joint ventures in third countries.

The fruitfulness of the recent trade dialogue depends on how soon and precisely in what form the hopes of a larger volume of Indo-Polish two-way trade are to be realised. For the present, we have only the assurance that certain lines of production will be reserved for Indians and that production of certain supplies for the Polish market which includes automobile parts, machine tools, machinery and components will be reserved for appropriate Indian industries. There have been some instances in the past of similar joint production programmes and the experience in this regard has not been happy. This has been so because on the final count, local industrial interests were not very willing to wind-up shop totally or partially to oblige foreigners. It could be that in a totalitarian set-up like Poland, there might be little difficulty in making the compulsions of such joint production programmes easily acceptable. But the point is that as the agreements get going, the impression will also grow that a particular segment of the economy is needlessly reduced to dependence on foreigners.

Resurrecting the Zinc Smelter Project

The Polish Deputy Premier, who led the Polish side during the trade talks, has offered Polish help in coal mining, particularly in the restructuring of coking coal mines. What is even more welcome is the offer of help in the non-ferrous area. It may be recalled that Andhra Pradesh has long been suffering from the mortification that the promise of a zinc smelter in Visakhapatnam with Polish collaboration had been shelved despite the expectations raised in the beginning by assurances from the Centre. It transpires that this proposal will now be resurrected with the collaboration of the Polish government. Too much should not be made of this development because a smelter based on imported concentrates is not *ipso facto* a viable proposition and may not represent also a better alternative always to one based on domestic ore which has been reported to be available in the Andhra region as stressed in recent geological surveys. Of course, shortage of Zinc being what it is, cold water is not to be thrown on the proposal for revival of the original scheme based on imported concentrates. What is required is an awareness of the need to find ways of probing for domestic raw materials alongside of the proposed effort.

Assistance in Shipbuilding

There are two other areas where Poland can help. Being among the world's leading ship-builders, it can assist in building bulk carriers for the Indian mercantile fleet. Since the present age is for massive carriers, India requires to acquire ships between 60,000—80,000 deadweight not to be too far behind the leading maritime nations which are going in for lakh tonners and 150,000 tonners. It is unfortunate that the Polish shipyards will not be able to help for sometime to come as their order book is full. This has been the result of the ship building boom which was induced by expectations as early as in 1966 that the world trade will be moving to newer and higher peaks from mid-1970 onwards. Consequently all ship-building yards in Europe and the New World besides Japan are fully booked up to 1975. India should, however, keep its request burning so that new tonnage can be built at Polish ship yards as and when their order book's position eases. This is specially necessary because deferred credit has of late become difficult to come by even at higher interest charges and India cannot afford to let the opportunity for such credit slip by when the Poles are on the verge of offering it.

Another proposal relates to the Polish offer of technical collaboration (besides supply of equipment) for Haldia fertilizer project. To a very large extent, our country has achieved self-sufficiency in expertise and in a wide scatter of manufactures of appropriate machinery and equipment. If Polish collaboration is still deemed necessary, it could be so only if the Poles have some better techniques to offer. This has to be clarified. In any case, there can be no justification in inviting foreign collaboration merely for fulfilling requirements of balancing of imports and exports so necessary for barter deals serviced by rupees.

Trade Expansion with Hungary

As against Poland, Hungary has been a much more modest trade partner of India. Hungary accounts for Rs. 12 crores of our exports and Rs. 25 crores of our imports making a total trade of Rs. 37 crores.

Recently a new trade protocol has been signed for 1972 providing for a turn-over of Rs. 50 crores and covering a large variety of non-traditional items. India's exports this year will include railway wagons, mild steel tubes and fittings, medicinal and pharmaceutical products, textile machinery besides various traditional items. Hungary will

export to India steel and steel products, wheels, tyres and axles for rolling stock and other railway equipment, aluminium billets, rods and wire bars, laboratory and testing equipment, machine tools etc. Traditional Indian exports to Hungary which have been substantially reduced in the new protocol will be deoiled groundnut cake meal, tea, coffee, tanned and semi-tanned hides and skins, leather footwear including chappals, finished leather and leather-goods, jute and coir manufacture, cotton and woollen textiles, handicrafts and handloom products. The two sides also identified spheres of bilateral collaboration and co-operation in industrial and commercial ventures in third countries on a preliminary basis to be examined and worked upon more closely in due course.

Need to Review Rupee Payment

Thus if present hopes of the trade protocol of the two countries materialise, India's export can grow by another Rs. 100 crores. The fact that the Soviet Union has also been willing to assist Indian export more decidedly than in the past bids fair to assure that over the next five years, the Soviet bloc of countries may themselves be responsible for an increase in India's two-way trade with the region by another Rs. 1,000 crores. The main snag is likely to be over the difficulties of matching imports and exports as required in rupee trade. Already, Yugoslavia has begun to soft-pedal on such arrangements. If the itch catches, as it will in the near future, the trade clearances will require to be sustained by offer of foreign exchange for residual payments. This is a matter about which Indian policy makers should begin exercising their minds from now on.

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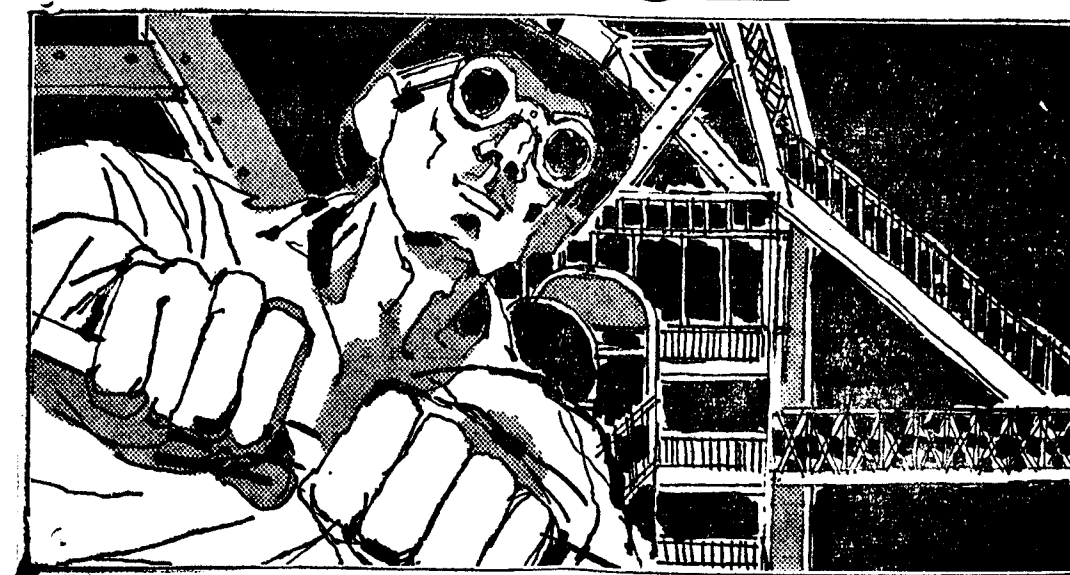
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WE HAVE WON THE WAR WE MUST WIN THE PEACE



"A nation which has its eyes turned inwards, on its own people and its own resources, grows in strength, while continued and undue dependence on help from outside could lead to disastrous results. A new India is marching ahead today, self-reliance is her watchword".

— S. Mohan Kumaramangalam

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INDUSTRIAL ECONOMIST

Banking System Poised for Spectacular Growth

The most impressive aspect of nationalised banking is the massive effort made to open branches in unbanked and underbanked areas and spread the banking habit to sections of the population which were not familiar with the advantage of banking. Greater attention has been paid to the development of banking facilities in neglected and backward areas in Madhya Pradesh, Uttar Pradesh, Bihar and Orissa and it is the objective that every town or major village having population of over 10,000 should have at least one bank. This goal is being ambitiously reached and good dividends are already being received in the form of an accelerated growth of deposits.

Impressive Branch-Banking

The spectacular progress achieved in the past three years will be recognised if it is pointed out that as many as 2137 branches were opened in different parts of the country by the scheduled commercial banks in 1970 against 1369 in 1969 and only 677 in 1968. The fourteen nationalised banks ac-

counted for 1285, 913 and 405 branches respectively while the State Bank of India and its subsidiaries opened as many as 626 branches in 1970 against 199 and 161 respectively in the two previous years. In the first half of 1971, 833 new branches have been started of which 444 were those of major nationalised banks and 265 those of the State Bank of India and its subsidiaries.

Thus the base of the banking system has been considerably broadened and the government has successfully increased the expenditure on branch banking without any cost to itself. The massive expenditure involved in this was naturally responsible for the absence of any significant growth in earnings of nationalised banks and those of government. Of course, large amounts have been realised by the government by way of direct taxes on the earnings of banks. Also, with the disbursement of large amounts by way of emoluments to employees which also has resulted in larger receipts by way of income-tax. Besides, the attractiveness of investment of the government in a new

major sector in the shape of these banks should be judged by the return that can be secured over a period. It need hardly be said that if there was only a marginal shortage even in the first year there can be a big increase in the income in the subsequent years. It is actually expected that the profits for 1971 will be higher and even on the so called generous compensation, the yield will work out to 10 per cent annually before long.

Whatever may be the ultimate outcome of these efforts, the banking system is now in a position to render good service to all classes of borrowers and there is no need for any fear that there will be inadequacy of resources for productive purposes and there will have to be rationing of credit. With a new trend in the growth of deposits the needs of small borrowers can be fully met besides extending help on the usual scale to industry and trade for all productive purposes. The banking system is poised for a rate of growth in the current decade which will surpass all expectations. (FOC)

NEW OFFICES OPENED BY COMMERCIAL BANKS DURING 1969-70 AND 1970-71

	New Offices opened by commercial banks						Bank Offices	
	1969-70			1970-71			As on June 30, 1970	As on June 30, 1971
	July-Dec. 1969	Jan.-June 1970	July-June 1969-70	July-Dec. 1970	Jan.-June 1971	July-June 1970-71		
1. State Bank of India	65 (36)	190 (149)	255 (185)	234 (164)	178 (123)	412 (287)	1875	2286
2. Subsidiaries of State Bank of India	54 (29)	116 (96)	170 (125)	86 (64)	87 (55)	173 (119)	1060	1233
3. Fourteen Nationalised Banks	508 (313)	677 (517)	1185 (830)	608 (413)	444 (245)	1052 (698)	5318	6368
4. Other Scheduled Banks	144 (78)	85 (45)	229 (123)	124 (57)	115 (65)	239 (122)	1554	1875
5. Foreign Banks	1 (—)	— (—)	1 (—)	— (—)	— (—)	— (—)	131	130
6. All Scheduled Commercial Banks	772 (456)	1068 (807)	1840 (1263)	1052 (698)	824 (488)	1876 (1136)	9938	11892
7. Non-scheduled Commercial Banks	21 (14)	12 (9)	23 (23)	5 (—)	9 (8)	14 (8)	193	121
All Commercial Banks	793 (470)	1080 (816)	1873 (1286)	1057 (698)	833 (496)	1890 (1194)	10131*	12013*

Note: Figures within brackets relate to offices opened at unbanked centres.
* Excluding offices closed during the year.

Promising Prospects for Electronics

The level of development of electronics is a fair measure of the level of sophistication of an economy. Japan, for example, owes its high position among the developed nation to a considerable extent to its electronics industry which has enabled it to increase productivity in a number of industries and also export an increasing proportion of its production. While consumer electronics provided the fillip to the staggering growth of the industry so far, the Japanese industry will see a further sustained growth in the 'seventies which will be an era of information. While colour television is enjoying a boom which may continue for the years to come, a number of new products are likely to be mass produced and marketed. These include consumer products like cassette-type video tape-recorders, wall television receivers, 3-D TV receivers, TV phones, electronic desk calculators, home-use facsimile, numerical control processing system, etc. The applications in other fields are also likely to grow along well-defined lines. Thus the 'seventies may prove to be a decade of spectacular achievements in Japan and other highly developed countries.

What is the position in India? Where do we stand in electronics as compared to other nations? What are the problems in the development of the industry and what are the likely lines of progress?

The answers to these questions are not simple. But it can be said that there is now a greater awareness of the importance and the need to give a high priority to electronics in the country's industrial plans. The committee set up by the Central Government under the late Homi J. Bhabha in its report had recommended measures to place the industry on a sound footing. These covered the three main aspects, namely, production, research and development and training of manpower.

Prospects

As regards production, the committee wanted the industry to

increase the output of various electronic equipment from barely Rs. 24 crores in 1964 to over Rs. 300 crores by 1975, involving an average annual growth of 25 per cent, over a decade. The total turnover for the ten-year period was put at Rs. 1,650 crores with the following break-up: (i) Defence: Rs. 750 crores, (ii) Entertainment or consumer electronics: Rs. 450 crores, (iii) Other communications (civil) and (iv) instruments, computers, etc.: Rs. 200 crores. The estimated outlay to achieve this output level was Rs. 118 crores over the whole period. The committee also wanted the output of components to go up to Rs. 84 crores by 1975, involving a total outlay of Rs. 41 crores while production of primary raw materials was to be stepped up to Rs. 28 crores with a total investment of Rs. 12 crores. Thus the total outlay envisaged for the decade was Rs. 171 crores. It is interesting at this point to observe the actual growth of production against the final target for 1975 under various groups shown in Table below.

Boom in Consumer Electronics

The table shows the wide divergence between targets and likely achievements under various groups and underline the difficulties in forecasting demand for a growth item like electronics. But one thing is clear. The future pace of development is going to be set by entertainment items. This aspect had rather been overlooked by the Bhabha Committee in 1966 which

laid the accent on defence equipment perhaps influenced by the 1962 and 1965 wars. Hence a careful review of the targets has become necessary. Production of consumer items has been doubling itself every three years and the turnover for 1975 on this basis may well exceed Rs. 200 crores against the target of Rs. 73 crores, radio alone accounting for Rs. 100 crores.

There has been a vigorous growth in radio and transistor sets output in recent years and with a virtual self-sufficiency in components and raw materials, radio producers in the organised and unorganised sectors are ready to meet the surging demand particularly from the rural areas. Television is also likely to be a major item in the entertainments sector which had been ignored by the Bhabha Committee. The end of Fourth Plan may witness a sizable output of TV sets. A number of units have been licensed to make TV sets based on indigenous know-how. The demand for TV sets may go up to 5 lakhs per annum when the Bombay-Poona, Srinagar, Madras, Calcutta and Lucknow-Kanpur TV stations are set up. Tape-recorders and stereo-record players are two of the other promising consumer items whose production is being taken up.

Use in Other Sectors

Compared to the entertainment sector, the progress of electronics pro-

GROWTH OF ELECTRONICS OUTPUT

	(Rs. Crores)						
	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1975 (Target)
1. Consumer goods or Entertainment items	17.4	24.0	32.0	40.0	48.0	63.0	73.0
2. Defence equipment	5.3	6.5	8.7	13.3	21.3	30.0	166.0
3. Civil communication equipment	2.3	3.0	3.2	3.5	4.7	5.0	26.0
4. Computers, testing equipment, Instruments, etc.	1.5	3.5	6.1	8.2	11.0	12.0	40.0
Total	26.5	37.0	50.0	65.0	85.0	110.0	305.0
Components	4.0	6.5	10.0	15.0	21.0	28.0	94.0

duction for other uses has not been impressive. The target for defence electronics may turn out to be too ambitious if advance planning is not made in detail about the requirements and the roll-on defence plans will have to indicate the equipment that may be needed after say 3 to 5 years if the manufacturing units like Bharat Electronics and Hindustan Aeronautics are to plan their output.

Telecommunications

The development and manufacture of telecommunication equipment for both defence and civilian use has made steady progress. Newer and larger microwave systems produced within the country have quickened the pace of communication development; but the needs in this regard are much more. In the absence of adequate resources, nothing spectacular can be expected in this direction.

Computers

Another promising field is computers and data processing equipment. Some of the research institutions like the Tata Institute of Fundamental Research, Indian Statistical Institute, Bhabha Atomic Research Centre and Jadavpur University have been successful in designing their own medium-sized computers, but the requirements of the country are now being supplied by the two international giants—IBM and ICT.

In the case of professional equipment which finds many uses in industry, medicine, atomic power reactors and research, efforts are being made by the Bhabha Atomic Research Centre, Electronics Corporation of India and other bodies to widen the use of existing equipment and also devise new equipment to meet particular needs. The contribution of the private sector in the professional electronics field is small in view of the small scale of demand but it may be necessary to let some of the efficient manufacturers of consumer electronic items to take up sophisticated process control and testing equipment. The Government would also do well to allow collaboration of foreign firms which can bring in the latest know-how.

Electronic Components

Coming to the components industry, there are a few problems that have to be tackled before we can talk of self-sufficiency. While the Bhabha committee's targets of turnover of components for 1975 of Rs. 84 crores may comfortably be exceeded, there are still gaps in many components. The slow growth in production of electronic items except in the entertainment field does not allow any economies of large-scale output of components. Still many of these are imported. Due to the small volume of production this applies equally to the cases of professional equipment computers, etc. One way to overcome this hurdle is to standardise components so that what cannot be gained from a large output of particular items will be possible through a bigger aggregate demand from a number of small units, making diverse products.

But a serious bottleneck for components manufacture is raw materials supply. Primary materials like silicon and germanium are still being imported and the efforts of two of the

SUCCESSORS TO SARABHAI . . .

Mr. H. N. SETHNA (48) has been appointed Chairman of the Atomic Energy Commission and Secretary to the Department of Atomic Energy, and Dr. M. G. K. MENON (43) has been appointed Chairman of the Indian Space Research Organisation and Secretary to the Department of Electronics. These appointments are made consequent on the untimely death in December last of Dr. Vikram Sarabhai, who headed both the Departments.

Mr. Sethna, who was educated at the University of Michigan, joined the Atomic Energy Commission as Chief Scientific Officer in 1959 and became one of its Directors in 1966. He designed and constructed the Plutonium plant at Trombay in 1964, and guided the construction of the uranium mill at Jadugoda in 1967.

Dr. Menon, who was educated at the University of Bristol, joined the Tata Institute of Fundamental Research, Bombay, in 1955 as Reader and has been the Director of TIFR since 1966.

A Fellow of the Royal Society and an honorary member of the American Academy of Arts and Science, he has made valuable contribution to the development of nuclear emulsion technique and the decay modes of strange particles.

national laboratories to develop indigenous materials in quantity and quality have met with only limited success.

Research and Development

Electronics is a field where new developments are taking place at a fantastic rate and the pace of obsolescence is quick. Advanced countries have already switched over to micro miniaturisation of components to help production of highly reliable and compact products. While integrated circuits and multilayer printed circuit boards are already being exploited to considerable advantage in Japan and other leading countries, we are still in the process of switching over from transistors. This would call for larger research and development efforts. Some attention is being paid to promote these activities in selected university and research institutions, but this can only touch the fringe of the problem. Electronics research is a promising field and it is worth spending much larger sums even on adaptation of foreign technology and know-how to Indian conditions. The Electronics Corporation of India deserves mention in this context for having made a good start for developing indigenous technology and manufacturing high precision nuclear and testing instruments.

Government's Efforts

The Government is now aware of the potentialities of the electronics industry. Besides creating a separate Department of Electronics which will help co-ordinate the activities of a number of ministries and agencies dealing with electronics, the Government has also set up a commission in the country. The employment potential of electronics is also high if the manufacture and assembly operations can be left to the small sector. Of course components manufacture will have to be taken up in the medium or large scale sector to keep their cost as low as possible. A co-ordinated approach will thus have to be adopted to foster the growth of this vital industry which may well prove to be one of the major industries before the turn of this decade. —(FOC)

Nuclear Power as a Development Catalyst

Nuclear energy has come to stay as a viable alternative to fossil fuels. The fossil fuels—coal, oil or gas—are getting to become costlier and uncertain, in their availability. That emphasises the growing stress laid by the International Atomic Energy Agency on firming up programmes of technical assistance. The contributions towards such assistance from member nations of the IAEA have risen to 85.6 per cent of the target set for 1971 from 83.6 per cent and 69.5 per cent in earlier years. There has also been considerable effort in containing the risks of use of nuclear power. But as Dr. Sigvard Eklund, Director-General of the IAEA points out, the risk is not as high as is imagined. Says Dr. Eklund: "Firstly compared with the radiation dose that every man receives from nature itself, the dose to which he is exposed from man-made sources of radiation is minute. In turn, the use of nuclear energy to produce electricity contributes only a small part of this fraction. Greater exposures result from testing nuclear weapons and far greater from medical X-Rays." The environmental problems are also minor. In fact Dr. Eklund believes that if other industries apply their anti-pollution measures as vigorously as the IAEA has been doing, pollution will not be unmanageable.

Applications in Agriculture...

The Indian Agricultural Research Institute (IARI) and the Indian Veterinary Research Institute (IVRI) have obtained international praise for the solid work they have been putting forth in using nuclear physics for peaceful purposes. At the IARI, New, Delhi, 65 mutant strains of rice were tested during the last six month period at Delhi and Karnal together with parental control and standard check varieties. The results showed 19 cultures to be highly promising in respect of grain yield and plant type. These cultures were tried on a large scale in the fields in Cuttack. The yields of three cultures were greater than the familiar mutant, IR-8. A second mutant Kh-46 was found to have a fine grain and a moderately high yield and matured 20 days earlier than IR-8. Since yield alone is not of much advantage without improvement in protein content, 350 mutant cultures were analysed by IARI and they revealed protein contents varying between 3.8 per cent and 17.81 per cent.

Increasing Share in Power Production

Nuclear energy contributes to-day to an ever-increasing share of world production of energy. By mid-1971 there were 115 power stations in operation in 14 member states of the IAEA. By 1975, the number will increase to about 250 and will exceed 450 by 1980. While the present generation of nuclear plants which are termed thermal reactors have already attained competitive status, at least in large areas of the world, research and development is going on to build even more economical systems. The current reactors

burn only between 1—3 per cent of the fuel loaded. To reduce fuel utilisation and reduce generating costs, the advanced countries are currently spending over \$ 250-300 million a year to develop fast breed reactors. These would have the ability to produce more fissionable material than they consume and could utilise as much as 75 per cent of available uranium resources. Since the uranium and thorium fuel resources are large, these reactors could help meet world's energy requirements for centuries to come.

Most of the developing countries require small and medium power reactors in the range of 100-600MW, which could be competitive under their conditions which include the importation of fossil fuel at relatively high costs. India has, however, been aware that she cannot have 19th century industry for meeting 20th century developmental sights. In accordance with this conviction, the nuclear power stations are to be charted above the 500 MW range. It should be mentioned to the credit of the Indian Atomic Energy Commission that it has been keeping itself abreast of the changing needs of the current scientific age. Between Bhabha and Sarabhai, the foundations have been laid for an atomic power programme with Trombay, Ranapratapsagar and Kalpakkam as the critical catalysts for economic development. It is unfortunate that Dr. Sarabhai, who was pushing through to their completion the atomic programme on the schedules fixed by his predecessor and who had gone in for more ambitious, perspective planning in

their field, should have been snatched away from our midst by the icy grasp of destiny.

Though, as a developing country, we cannot presume to have attained the stature of industrialised countries in this field, we have built up sufficient competence to conquer new heights. It has been said that nuclear energy can produce low cost heat which is well suited for the production of fresh water in large nuclear desalination plants at a reasonable cost. This could be extremely attractive for the desert regions of the world bordering on the sea and for large urban centres which have outgrown their natural sources of fresh water. The availability of cheap water and power from nuclear stations could be used to plan and build agro-industrial complexes which could have a special role in accelerating the economic and industrial development in less industrialised countries like ours. A decade ago when this suggestion was mooted, it was satirised as an instance of aspiring poverty which was un mindful of the wretchedness implicit in the inevitable frustration behind it. The argument was reinforced by the assertion that the massive bulks of nuclear energy surplus after desalination would be a costly luxury unless there was around the nuclear plants an industrial complex that can use the energy so released quite gainfully enough. The position has now changed. The conventional sources of energy based on fossil fuels are being depleted too fast and industrial development in the decade ahead will be of such a dimension that it would be choked if nuclear power were not there to bridge the gaps in energy availabilities. —R.S.

UCO Moves to its own Building in the City

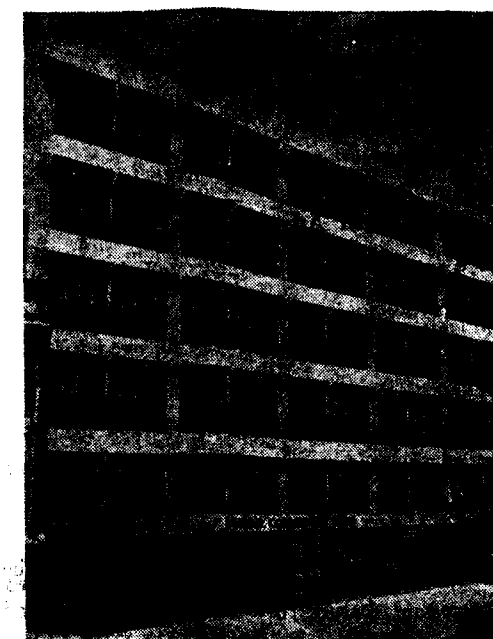
Mr. V. R. Desai, Custodian of the United Commercial Bank, opened the new premises of the bank in the city. This Rs. 35-

lakh six-storeyed building has a floor area of 6,000 sq. ft. in each floor.

UCO is among the largest of the nationalised banks in the country. It has over 500 branches. At the end of December 1971, the deposits of UCO were in excess of Rs. 325 crores and advances including bills were in the region of Rs. 230 crores.

In the Southern Region the bank has 52 branches and 11 more will be opened in the near future. It is gathered that over two-thirds of the bank's advances in this region have been made to the priority sector which includes small scale industries, agriculture, export trade and self-employed professionals, and to the State-owned enterprises.

This bank has extended a handsome loan to the Tamil Nadu Electricity Board to their rural electrification programme. It has also agreed to provide credit to industries in this State in co-operation with the State Industries Promotion Corporation.



A view of UCO's regional office

Advertising in the March...

By NIRAJ

Pitfalls in Transliteration

We referred in our last issue to the very good impact of the promotion of Remco for its *Jugalbandhi* radio set. The subsequent ads. in this series in the English press have maintained the standard set in the first ad. But the attempt to drive home the superiority of the set in some of its technical qualities makes the copy rather complicated. And the confused reader is more confounded if he turns to the language ad. for a greater degree of comprehension.

We pointed out in our introduction to this series that advertisements in the language

papers are translated without deference to the local idioms. The Tamil copy for the *Jugalbandhi* advertisements is one more illustration for this defect.

For a language audience transliteration makes little sense. For example in the Remco advertisement released in the Tamil press the translation for "high fidelity," "full range reproduction," "amplifier," and "lowest distortions level by far amongst all Indian radios" has been done true to the English version, but has sacrificed the principle of easy comprehension. The transliteration of "cross-over system" has again made little sense. Most of the details are above the head of the average reader.

Though the lay-out is interesting, much of its impact is lost, because of the copy. The age-old practice of adapting the same theme with the lay-out, copy and illustration in tact to the language press without serious attention to local idiom and to the familiarity of the readers with the translated equivalent of technical details has been followed.

Perhaps, for the language press, the projection of such subjects could better be done with a sharp, short and plain copy sans detailed technical information.

Nelco's Neat Ad.

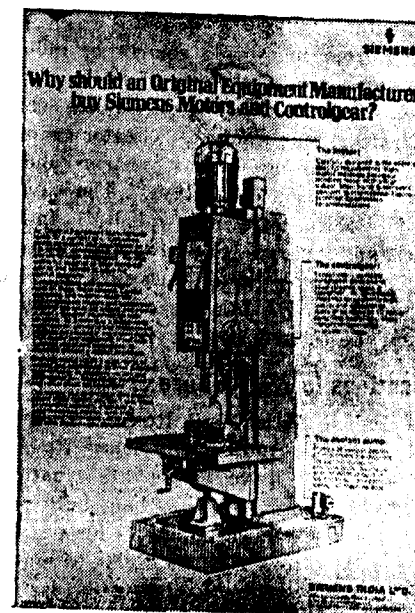
NELCO'S announcement offering India's first Electronic Calculator was interesting news. In these days of pressing need for self-reliance, it was encouraging to read of a sophisticated gadget made with 100 per cent Indian know-how and 100 per cent of Indian components.

The visual is a bold product display. The important features of the calculator are listed beneath. There is a clear statement that no foreign exchange is involved and so no spare

part problems need be faced. A straight, neat ad. by *Aiyars*.

The Charm of Large Ad.

Many large agencies have attempted to ensure good, big impact through large-sized advertisements. Some of the full page advertisements of HMT and BHEL (Tiruchi) are



instances in point. The recent ad. of Siemens for their Motors and Controlgear, 45 cms X 5 col. space, belongs to this category. The caption "Why should an Original Equipment Manufacturer buy Siemens Motors and Controlgear?" is perhaps intended to be provocative; but it is rather too long to arrest attention.

And Siemens has given three reasons in favour of its Motors and Controlgear—compactness, dependability and world-wide acceptance and elaborates them further. The vital parts of any machine tool viz., motor, controlgear and coolant pump, of course manufactured by Siemens are clearly indicated in the illustration and a short note on each appears alongside. The lay-out is impressive and copy precise. A good advertisement from Frank Simoes who are surging forward with great speed.

Co-ordinating Sales and Production

By K. S. GANAPATI

In a majority of industrial units, friction between Sales and Production Departments is inevitable. All Departments tend to build little empires of their own and work at cross purposes. Generally speaking, there are quite a few misconceptions about the job of sales personnel, especially in the minds of production personnel. The production people seem to think that all that is needed in a Marketing Manager is a cheerful extrovert bursting with energy, who drives his sales force on to increasingly greater efforts. This is obviously a serious misconception since there are other qualities needed for success in marketing. A marketing manager should above all consider himself a member of the management team. He must not only control the selling and marketing staff but must also understand enough about the problems of production, finance, personnel etc., to be an effective member of the team.

Applying Principles of Management Accounting

The application of management accounting principles with special reference to new products calling for market research and test marketing should be clearly understood, especially by marketing managers. The cost estimate of each new product should be done on an estimate of future overheads and not merely current overheads. Unless efficient costing is introduced, product development is likely to result in loss to the company. By relating an estimated profit on each product with the too-making situation, the whole picture could change. The most profitable product is not always the most obvious one and in actual practice, factors involved can be very complicated.

When Sales Executives decide on pricing policies, considerations of profitability and competition should be taken into account. A sound price fixing policy involves shrewd forecasting of production costs and equally shrewd assessment of the value of the production to the customer. A company must of course take into account the prices being charged by competitors for similar products but it does not do much to follow blindly the example of the competitors. Many companies would benefit by some rethinking of their policy for fixing sales prices. In America the retail trade makes wide use of what is known as *Loss Leader* i.e. the sale of product at a price below its cost in order to attract profit provided the *Loss Leader* represents outstandingly good value for money and is not just a shoddy product. Experience has proved this technique to result in greatly increased overall sales and profits.

Profit Planning

Manufacturing and Marketing Managers should become conversant with profit planning involving short-term and long-term goals and budgetary controls. Mere profit-consciousness on the part of production and sales

personnel is not enough, because profit can sometimes be improved simply by making extravagant additions to the amount of capital required. If a company has a profit of Rs. 50,000 a year, there is no point in increasing this to Rs. 1,00,000 by methods which add Rs. 1,00,00,000 to the investment required for running the business. The ideal stage to reach is for people to think in terms of increasing profit without an uneconomic increase in fixed and working capital. A company which keeps asking itself questions on

profitability and profit-planning and which takes necessary action is well on the way to becoming truly dynamic.

The onus of co-ordinating sales and production activities towards achieving common company objectives invariably rests with top management. With this end in view, they should arrange for promotion and fostering of team approach and ensure that managers work through committees for drawing up of budgets based on realistic demand forecasts, monthly production scheduling etc. Such co-ordination has proved to be quite conducive to the growth of any industrial organisation.

CITY CORNER

Materials Managers' Meet at Madras

Materials managers from all over India met in their fifth annual convention and exchanged views on a theme of great relevance to the present times—how a dynamic materials management can bring about economic growth. The National Association of Materials Management which organised the convention aimed at securing and promoting a wider recognition of the importance of efficient materials management in commercial and industrial undertakings in the private and public sectors.

The Governor of Tamil Nadu Mr. K. K. Shah, the key speakers Mr. D. C. Kothari and Mr. S. T. Raja and a host of delegates (who numbered over 300) explained how the key to increased production lay in raw materials and the manner they were purchased and stocked. More than one speaker referred to the present predicament the country was placed in and said the enforced self-reliance was a great challenge and an opportunity for the industries which naturally looked to their

materials management men to exploit. Instances were given by several participants for help where proper materials management system meant all the difference between an industry being in the red and making a profit.

The Governor who inaugurated the convention asked the assembled managers to effect cost reduction and quality control. He was happy to note that industries both in the public and private sectors had accepted the concept of materials management. He suggested that the materials management cadre and leadership should clothe themselves with a socio-economic responsibility. One of the imperceptible causes of loss was wastage in industry and this problem of wastage had to be tackled to avoid losses. Calling for a dynamic approach to inventory control, the Governor said he understood that out of a total working capital of Rs. 301 crores in respect of 34 public sector concerns over 90 per cent was locked up in inventories.



Tamil Nadu Governor Mr. K. K. Shah recently inaugurated the Fifth National Convention of the National Association of Materials Management at Madras. Picture shows (l-r): Mr. S. T. Raja, Managing Director, Premier Automobiles, Mr. N. Prabhakar, National President of NAMM, Mr. K. K. Shah, Mr. A. V. Subbarayan, Chairman, Madras Branch of NAMM, and Mr. D. C. Kothari.

IDBI To Conduct Economic Potential Surveys

Economic potential surveys for the Union Territory of Pondicherry and the State of Andhra Pradesh (with special reference to Telengana) are to be undertaken by the Industrial Development Bank of India (IDBI). Such surveys basic to development plans being drawn up had been completed for most of the States of India. The IDBI is also to assist the Mysore Government to carry out a survey for its backward district of Raichur.

The IDBI has launched many promotional activities. Inter-institutional groups have just been set-up for Kerala and Andhra Pradesh. Similar bodies would be set-up in other States in the course of the year. The State Financial Corporation, the State Industrial Development Corporation, the State Small Industries Corporation, etc. participate in these groups whose primary function would be to examine the viability of projects suggested by any agency and provide the framework for capital.

The IDBI has taken a decision to set up immediately a jointly sponsored and financed technical consultancy service centre for Andhra Pradesh with special reference to work already been done. Tamil Nadu is the next State where a consultancy centre will be established.

The sources pointed out another new activity. It is taking up a search for entrepreneurs in States where the Government or the local development corporation is not in a position to finance the identified project. The IDBI is drawing up a panel of executives in the management and technical fields from which it would be lending men to problem-ridden industries.

Bridging the Gap between Hierarchies

The Irish management expert Mr. Ivor Kenny emphasised the need for India's top executives to adapt themselves to changes. He had seen developments changing the country and its economy beyond recognition in the past ten years and the changes that would take place in the next few years were going to be even deeper and more far-reaching. Unless the management men were willing to be swept aside they should go forward to meet the challenge of these changes.

Director of the Irish Management Institute at Dublin, Mr. Kenny spoke at a meeting under the auspices of the Public Relations Society and participated in a number of other functions organised by productivity and management bodies in the City.

Mr. Kenny pleaded for bridging the gap between hierarchies in corporate administration. The higher hierarchy might have the ultimate responsibility for affairs but it should not arrogate to itself any authoritarianism. Instead it should make the others in the company understand its decision which should invariably be based on the conviction and consent of the lower hierarchy. Very often he found the higher authorities explaining problems in terms of themselves and not as related to the organisation as a whole. This approach was not desirable, he said.

Merits Merit Recognition

The need for the country to recognise merit where it was proven and identified in the citizen was stressed by Mr. C. D. Deshmukh in one of the frankest addresses heard in recent years in the City.

Speaking at a function got up to honour him on his outstanding achievements in the fields of administration, culture, economy, the former Union Finance Minister deplored that the country was not being well-served by its politicians. In the context of the all-pervading nature of politics and sweeping corruption everywhere and in the face of illiterate men swamping the electorate, intellectuals were being edged out and this did not augur well for the country. His own advice to intellectuals was that they should not allow themselves to be overwhelmed by frustration but should go out to the people and engage themselves in social service work. He pointed to what he and Mrs. Deshmukh (who was also present) were doing in Andhra Pradesh to eradicate illiteracy and to improve public health in a limited area and said intellectuals with time and energy on hand might emulate their example.

—V.M.

Of Cabbages and Kings

'DOCTORS' GALORE!

By WALRUS

Shakespeare has given offence to many generations of our young students in the desiccated, denatured and drab form he is served in our class rooms, but viewed from a position of freedom, devoid of any examination psychosis, the old boy has abundant charm and humour. One example of this may be found in *Julius Caesar*, Act 3, Scene 3. A furious mob surrounds Cinna, the poet, mistaking him for a conspirator of the same name, threatening to tear him into pieces. When he protests that he is only Cinna, the poet, the fourth Plebeian jubilantly cries 'Tear him for his bad verses.' A neat example of a decision already arrived at, only changing the justifications for action according to the different circumstances.

You are astonished at this academic outburst of *Walrus*, which incidentally is caused by the academic actions of two young universities of Tamil Nadu. Unlike the example cited wherein a person's honour and even life are at stake, these universities, on the other hand, have only enhanced the prestige of two political leaders at the helm of the affairs now, by conferring honorary degrees

of doctor of letters on their modest heads (or necks?). The citations may be slightly different in form and content but in both cases, it appears to *Walrus*, that decisions to honour came first and the hunt for suitable epithets and encomiums fast followed.

The titled gentry may have become anachronisms in our socialistic set up, but the charm of titles can never fade from our society. An honorary degree is specially welcome in that it is more prestigious and less troublesome to get, without the drudgery and the burning of mid-night oil associated with the regular academic work. Getting an honorary degree from a university, which after all has to beg eternally for more and more funds from the government, is really giving an opportunity to the academic body to show its gratitude and *Walrus* has noted with admiration that this typical Indian trait of gratitude has not at all disappeared—atleast from our universities.

Unending Waves of Gratitude

For that matter, the whole of Tamil Nadu has been rocking with the waves of expression of gratitude in recent times. There are

multicolour-posters of grinning leaders expressing their gratitude to the 'people' for honouring them and the people promptly accepting and returning their gratitude in the form of multi-coloured posters of grinning leaders expressing . . . *ad infinitum*, the only common factor being the grinning face of the leader in the posters. To avoid the mere monotony of it, every leader must at least give a hundred poses, all different, for these posters. Easy permutations and combinations of these poses with different gestures, position of the pate, the corner of eye, headgear, grins, grimaces or guffaros and various dresses ranging from an European party suit to the medieval Chola armour may

be worked out by *Walrus* for a modest fee from the government. He is also ready to draw up a list of high officials who may be awarded honorary degree from the appropriate universities with the citations complete and unabridged.

Walrus has a brilliant suggestion for those who care. Remember the recent reversal of syndicate resolution in the Madras University, bowing to the student agitations and re-introducing the convocation to its former unwieldy splendour. Brother politicians! Unite and call for a big convocation wherein every one of you will be given a degree. Let it be a gala function, parallel to the Republic Day awards every year.

A Doctor's Dilemma

But alas! There are some limitations to the honorary degree of doctor. Stephen Leacock, the American humorist, himself a doctor of literature told this story about one of his voyages. The respectful address of Doctor applied to him made the captain mistake him for a medico. One day Stephen Leacock was summoned to attend, in this mistaken capacity, to a cute doll with all curves in the right places. With suppressed glee, Leacock hurried to the cabin when already a rival was attending on her. This man turned out to be a doctor of divinity, a priest!

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RANCHI-4

INDUSTRIAL ECONOMIST

IMPROVED WORKING OF PLANTATION INDUSTRY

The plantation industry in general and tea, coffee and rubber in particular are having a fairly satisfactory period in the past couple of years and investors in planting scrips especially in the South will have reason to hope for encouraging working results for the latest year. Estates which had invested in replantation and fresh plantation in extended areas will also be deriving considerable benefit in the coming years if they can be assured of remunerative prices. The three plantation crops have their own peculiar problems and cycles of good and bad harvests, but the fluctuations from year to year have been kept within narrow ranges thanks to improved productivity. In 1971, while tea and coffee have done well, rubber growers and particularly the small ones had to face a slump in prices. In spite of support operations by the State Trading Corporation and the rubber goods manufacturers agreeing to increase their stocks. But the larger estates are expected to benefit from lower unit costs due to much larger crops in the case of all the three plantation commodities. Price realisations for tea and coffee have also been quite satisfactory and the working results that may be announced in the coming weeks are likely to reflect the significantly improved profit margins in many cases. Plantation scrips, particularly tea and coffee, have been in good demand in Madras for some weeks now.

Export Incentives for Tea Industry

Production of tea in South India in 1971 is expected to be around the previous year's level of 97 to 98 million kg. The North Indian crop is also slightly higher. Total exports of Indian tea have also been slightly higher around 210 million kg., and with an improvement in unit prices from Rs. 7.15 to Rs. 7.56 per kg., earnings are likely to be around Rs. 150 crores. While the London auction prices were on the average lower due to larger offerings, values at Calcutta and Cochin auction centres were a little better at Rs. 8.37 and Rs. 6.52 against Rs. 8.12 and Rs. 6.01 per kg., respectively. The industry has benefited from the export incentives of 1970-71 budget and the informal export regulation scheme of major world producers.

In the case of coffee, the 1970-71 crop is placed at the record level of 1.10 lakh tonnes against 63,600 tonnes in 1969-70. As a result, there has been a sharp setback in prices at both internal and export sales by 25 to 30 per cent, but, as the unit costs for different estates will also be significantly lower, there may be a net improvement in profit margins. The 1971-72 crop is expected to be much lower at 70,000 tonnes but with a comfortable

stock position of about 35,000 tonnes from the previous crop, it should be possible to prevent a spurt in prices in the internal market while the efforts to find new export outlets may help in maintaining export earnings at previous levels.

Rubber plantations have however had a problem of disposing of a bumper crop of over 1.01 lakh tonnes. Though imports of natural rubber have been virtually stopped for some time, the absence of an aggressive demand for tyre units particularly due to labour troubles at many factories, has left the estates with heavy stocks. Price fluctuations also have been wide but it is hoped that profit margins of most of the bigger estates will be higher and working results satisfactory.

Southern Petrochemicals

Southern Petro-chemical Industries Corporation Limited will be making the biggest public issue of equity and preference capital in recent years when it comes on the market in early February to raise part of the rupee cost of its huge Rs. 71-crore fertilizer complex to be built at Tuticorin. The project is expected to be completed early in 1974 and is claimed to be the most economic fertilizer unit in the country in terms of per tonne capital cost. The total cost is to be found from equity and preference capital for Rs. 19 crores and loans from a number of financial institutions—Industrial Development Bank of India (Rs. 10.25 crore), Industrial Finance Corporation Rs. 2 crores, Industrial Credit and Investment Corporation Rs. 1.75 crores, Life Insurance Corporation Rs. 2.50 crores and Unit Trust of India Rs. 1.50 crores. The Bhabha Atomic Research Centre which will be setting up a heavy water plant as an adjunct to the ammonia plant will be giving a loan of Rs. 3 crores. The balance of the cost will be met by bank finance. The foreign exchange component is estimated at Rs. 27.77 crores and plant and machinery will be imported mostly against British and Yen credits.

There is already a subscribed capital of Rs. 9.19 crores, in equity shares for Rs. 861.29 lakhs and in 9.5 per cent preference shares for Rs. 58 lakhs. Of this, the Tamil Nadu Industrial Development Corporation has taken up equity shares for Rs. 442 lakhs and directors their friends and others for Rs. 407.81 lakhs. TIDC has also subscribed for 58,000 preference shares. The paid-up capital against this is Rs. 465.39 lakhs. Out of the fresh issue of Rs. 838.71 lakhs in equity and Rs. 1.42 crores in preference shares, Engineers Associates Limited will be allotted equity shares for Rs. 55 lakhs and

members of staff for Rs. 14.71 lakhs. The public will be offered Rs. 769 lakhs in equity shares and Rs. 1.42 crores in preference shares. The entire public issue has been underwritten.

India Carbon

India Carbon Limited could not effectively utilise its capacity for producing calcined petroleum coke at its Noonmati unit in the year ended June 30, 1971 due to shortfall in supplies of raw petroleum coke from the Barauni refinery as a result of wagon shortage and production was only 64,300 tonnes against the target of 75,000 tonnes. Supplies from Barauni still continue to be irregular. The Budge Budge unit which has been allowed to calcine raw petroleum coke till anthracite coal is available from abroad has also been unable to operate on a regular basis in the absence of free supplies of petroleum coke and due to frequent power failures. The new chemical plant at Thana (Maharashtra) has also some difficulty in marketing its di-octyl phthalate owing to liberal imports of the product. With the restriction of imports, the plant may be able to improve its output and sales in the coming months. The ethanolamines project is making good progress. The capital goods licence has been received and orders are being placed on foreign and indigenous suppliers of plant and equipment. The plant is likely to go into production by the middle of next year. Sales during 1970-71 were slightly better at Rs. 3.96 crores against Rs. 3.90 crores while the net profit, before depreciation and taxation, increased to Rs. 61.02 lakhs from Rs. 57.91 lakhs. After setting aside Rs. 22.08 lakhs (Rs. 18.96 lakhs) for depreciation and Rs. 6.42 lakhs (Rs. 10.07 lakhs) for development rebate, the transfer to general reserve is Rs. 32.50 lakhs (Rs. 12.95 lakhs). There is no tax provision against Rs. 16 lakhs in the previous year, but it will be paid out of general reserve, when due. The equity dividend has been maintained at 18 per cent taxable and will be paid out of general reserve, absorbing Rs. 10.80 lakhs.

Kiroskar Bros.

Kiroskar Brothers Limited had to contend with a reduced off-take of diesel engines, irrigation pumps and sugarcane crushers during the year ended July 31, 1971 with the result working results were drastically affected. Sales turnover declined to Rs. 12.13 crores from Rs. 14.31 crores in 1969-70, or by over 15 per cent; while the setback in earnings was more severe, the net profit, before depreciation and taxation, amounted only to Rs. 37.36 lakhs against Rs. 100.21 lakhs in the previous year. The equity dividend

had naturally been reduced to 8 per cent taxable from 10 per cent taxable. The sum set aside for depreciation is Rs. 21.40 lakhs (Rs. 31.50 lakhs) and for development rebate Rs. 3.20 lakhs (Rs. 5.94 lakhs). There is no tax provision against Rs. 36 lakhs. The company commissioned its hermetic compressor factory last August and steps are being taken to raise the capacity of this unit.

Kiroskar Asea

Kiroskar Asea Limited has also reported a drop in sales during the year ended September 30, 1971 to Rs. 54.81 lakhs from Rs. 61.34 lakhs in 1969-70 due to sluggish demand for its products. The net profit, before depreciation and taxation, also declined to Rs. 6.96 lakhs from Rs. 9.90 lakhs and the dividend on equity capital has been cut to 4 per cent from 6 per cent. However, the distribution will be exempt from tax deduction at source as before. The provision for depreciation is Rs. 2.54 lakhs (Rs. 3.22 lakhs) and development rebate Rs. 14,588 (Rs. 16,197). Taxation claims Rs. 2.26 lakhs (Rs. 3.30 lakhs) while general reserve gets Rs. 2.04 lakhs (Rs. 3.20 lakhs).

Hindustan Motors

After the Supreme Court judgement on car prices, the prospects for profitable working by Hindustan Motor Limited have considerably improved. While the company will benefit from higher prices announced recently, there has also been a sizable increase in the output of cars. Production in the first eight months ended November 1971 was higher at 15,399 against 14,010 in the same period of 1970-71 and the total for the whole year may be 20,000. A target of 30,000 cars and 5,000 trucks has been fixed for 1972-73 which will help the company improve its profitability significantly. Even for 1971-72 it has been indicated by the Chairman, Mr. G. P. Birla, that the turnover would be Rs. 4 crores higher than in 1970-71 and the earnings much better. The company is trying for a rescheduling of debt repayments to the international institutions and it may be possible to resume payments of preference and equity dividends soon. The Trivellore project for making earth-moving equipment is making quiet but steady progress and regular production is scheduled for March this year.

Siemens India Pays More

Siemens India Limited has produced pleasing results for the year ended September 30, 1971. And with a high rise in turnover and earnings, the directors have recommended a much higher dividend on equity capital of 14 per cent including a public participation bonus of 2 per cent against 8 per cent for 1969-70. The entire distribution will be exempt from tax deduction at source as it will be paid out of tax-exempt profits arising from the Kalwa unit. Sales rose by a third to Rs. 32.12 crores from Rs. 24.21 crores and the order book position was quite satisfactory at the end of the year at Rs. 22.14 crores against Rs. 20.66 crores a year ago. There was at the same time an increase of

over 57 percent in the net profit, before depreciation and taxation, to Rs. 3.55 crores from Rs. 2.26 crores in 1969-70. After providing Rs. 81 lakhs (Rs. 94 lakhs) for depreciation the charge in respect of taxation is Rs. 1.14 crores (nil). The Rs. 10 paid-up shares have been a firm feature in Bombay for some time in anticipation of a higher dividend and the quotation is ruling around Rs. 27.25. It is expected that there may be a further improvement in turnover and profits in the current year.

TVS Group's New Venture

The TVS group, which has considerable experience in the road transport field, has plans to set up a new unit for the manufacture of organic friction materials for automobiles and railways with the collaboration of Abex Corporation of U.S., a leading producer of heavy duty automotive friction materials and railway organic friction materials. The proposed unit will have a capacity of 1,500 tonnes on a two-shift basis, a substantial share of which may be used for the manufacture of railway brake blocks and disc brakes. At present, the Railways use only cast iron brake blocks which result in frequent replacement of both the blocks and wheels. Initially, it is proposed to produce 750 tonnes of friction materials for automotive use and about 100 tonnes for development work on friction materials for railway brake blocks and disc brakes. Already the Railway Board has been approached for the use of disc brakes and other types of brakes.

It is stated that the demand for brake linings and clutch facings will rise sharply in the next few years in view of the steady rise in production of automobiles, commercial vehicles and tractors. It is estimated that the demand for brake linings will rise to 6,344 tonnes by 1975-76 and 9,236 tonnes by 1979-80 while that for clutch facings will go up to 440 tonnes and 656 tonnes respectively. As the present licensed capacity is for only 4,415 tonnes, the new unit licence for which permission has been sought from Government, is confident of marketing its output of automotive friction materials without difficulty when it commences production in 1974. The foreign interest may be asked to take up at least one-third of the equity in the new company. The total cost of the project is put at Rs. 1.20 crores of which the foreign exchange cost of plant and equipment will be Rs. 44.43 lakhs. At a later stage, plant worth Rs. 9 lakhs may have to be imported for manufacture of railway discs and brake blocks. The TVS group, the foreign interests and the Indian public will be subscribing one-third each of the total capital of Rs. 75

lakhs proposed to be raised and the balance of Rs. 45 lakhs will be found from borrowings. The main raw material, asbestos, will be imported while thermosetting resins will be procured indigenously.

Aruna Sugars Recovers

Aruna Sugars Limited has made an impressive recovery during the year ended September 30, 1971 following higher selling prices and an increased output. With a substantial improvement in working results, it has been decided to restore the cut in dividend on equity capital effected in the previous year and pay 12 per cent taxable against 7½ per cent on the former occasion. The dividend amount will be higher this time as compared to 1968-69, as a larger effective capital is ranking for the purpose. The actual sum needed will be Rs. 10.64 lakhs against Rs. 8.83 lakhs in 1968-69. Though the factory crushed a slightly smaller quantity of cane of 2.47 lakh tonnes against 2.55 lakh tonnes previously, sugar output increased to 23,129 tonnes from 21,447 tonnes thanks to a sharp rise in recovery to 9.27 per cent from 8.24 per cent. There was better quality of cane due to development work in the growing area while the factory also worked more efficiently and the growers were paid their dues without much delay. There was an appreciable increase in sales to Rs. 4.10 crores from Rs. 3.27 crores in 1969-70 while the net profit before depreciation, rose to Rs. 45.33 lakhs from only Rs. 2.71 lakhs in spite of higher interest charges and production costs. Depreciation claims a larger sum of Rs. 17.29 lakhs (Rs. 10.13 lakhs) and development rebate Rs. 8 lakhs (nil). The transfer to general reserve is Rs. 20 lakhs (nil) and the equity and preference dividends would be paid out of this reserve, absorbing Rs. 12.13 lakhs. In the previous year, it was necessary to transfer Rs. 4 lakhs from general reserve, Rs. 6 lakhs from dividend equalisation reserve and Rs. 4.70 lakhs being tax provision no longer required. The expansion of capacity to 2,000 tonnes daily is expected to be completed by March-April this year and even in the current season, the company hopes to crush 2.75 lakhs tonnes of cane. The scheme for setting up a distillery for making potable alcohol through a subsidiary, Arvind Distillery Private Limited is expected to be completed in the next few months. Aruna Sugars has invested Rs. 5 lakhs in the equity capital of the subsidiary.

East Anglia Plastics

East Anglia Plastics (India) Limited has been unable to operate on a profitable basis

due to various factors in the 15 months ended June 30, 1971. Though the plasticizer unit increased its output to 3,131 tonnes from 2,605 tonnes in the previous 12 months, sales were only marginally better at 2,656 tonnes against 2,522 tonnes due to stiff competition from cheap imported dioctyl phthalate which was allowed on a large scale. The compounding unit could not also make any significant contribution to the earnings due to the high cost of imported cellulose acetate flakes as a result of enhanced import duty. Sales were slightly higher at Rs. 3.18 crores against Rs. 2.87 crores in 1969-70 but there was drop in the net profit, before depreciation, to Rs. 1.81 lakhs from Rs. 9.21 lakhs. After providing Rs. 8.41 lakhs (Rs. 6.84 lakhs) for depreciation, there is a loss of Rs. 6.60 lakhs which has been adjusted with transfers from general reserve (Rs. 4.70 lakhs) and development rebate reserve (Rs. 1.78 lakhs). In 1969-70 a dividend of 4 per cent taxable was paid after withdrawing Rs. 5.30 lakhs from general reserve. Trial production at the films and foils plant has commenced. The plasticizer unit is being expanded while the basic manufacture of phthalic anhydride is under study. A letter of intent has been received for manufacture of 6,000 tonnes, in Madhya Pradesh. Also an application has been made to Government for licence to set up a plant in Madhya Pradesh for production of PVA and PVA fibre.

J. K. Synthetics

The nylon stable fibre plant, the first in India, of J. K. Synthetics Limited and the nylon tyre cord plant at Kota have gone into trial production since November last and will be commencing commercial production during this year. The company will derive considerable benefit when the two units step up their production besides saving valuable foreign exchange now spent on imports. A cement unit is also being set up in Rajasthan at Nimbahara. Orders for plant and machinery have been placed with indigenous suppliers and the plant is expected to go into production by early 1974. The Chairman Mr. G. K. Singhania has urged the early and substantial creation of capacity for raw materials like D.M.T. caproactum etc., for the synthetic fibre industry as these are still being imported.

Rallis India

The Chairman of Rallis India Limited Mr. J. D. Choksi, has expressed the hope that the new emphasis on diversification of the activities of the marketing division would help the aggregate turnover in the coming years. Special attention is being paid to exports of both traditional and non-traditional

goods and already good progress has been made. The engineering division functioned satisfactorily largely due to better sales of tablefans while a project to make petrol engines is making progress. The strike in Ralli Chemicals, a subsidiary, prevented a sizable improvement in sales of the fertilizers and pesticides division. The pharmaceutical division was unable to show any significant rise in spite of higher turnover due to shortage of raw materials and price control. Searle (India) Limited, in which Rallis has a substantial interest, made a small profit for 1970. There are large accumulated losses. Protein products of India Limited, in which Rallis holds 14 per cent of the equity capital, has commenced production of ossein. Manufacturer of gelatine at this unit will start shortly.

Voltas' Plans

Though Voltas Limited has been maintaining a steady progress in its trading and manufacturing facilities and the turnover for 1970-71 was a new record at Rs. 103.43 crores, the Chairman of the company Mr. M. R. Bhide, has pointed out in his statement to the share-holders that they must not rest on their laurels but must look ahead and plan for the future. With the keen demand for its own products as well as those marketed by it, the company has set two long-term objectives to diversify marketing activities so as to increase the turnover at an accelerated pace at the same time to raise the share of own products substantially by doubling production in the next five years. The pattern of production in the meantime is being re-organised with a view to effectively use the licensed capacity with indigenous raw materials and components. The pharmaceutical division has however been faced with reduced profit margins and efforts are therefore being made to maximise sales of more remunerative consumer goods. To meet the cost of new schemes in the next three years, it is proposed to raise fresh capital through a right issue of equity shares at a premium of Rs. 50 per share in the ratio of one for five subject to Government approval. Total output in 1970-71 amounted to Rs. 9.32 crores against Rs. 6.32 crores. The break-up was air-conditioning & refrigeration Rs. 5.81 crores (Rs. 4.21 crores) materials handling equipment Rs. 2.16 crores (Rs. 1.11 crores) mining equipment Rs. 1.13 crores (Rs. 83 lakhs) and electrical equipment Rs. 22 lakhs (Rs. 17 lakhs). A further substantial improvement in output is planned for the current year ensuring fuller use of licenced capacity.

Carborundum Universal

The Chairman of Carborundum Universal Limited, Mr. A. Ramaswamy Mudaliar, has

expressed confidence about the outlook for the company in the coming years and has stressed the need for continuous expansion and diversification in view of the growing demand for more sophisticated products. With a satisfactory arrangement over continued technical services by the collaborators, it will be possible to improve the products further besides introducing new products. An application has already been made for expansion of the bonded abrasives capacity which has been favourably considered by the Monopolies Commission. A letter of intent is expected at an early date. The company has also Government's permission to manufacture electro-cast or fused-cast refractories used in glass melting furnaces and in steel industry. Production and sales were quite satisfactory in 1970-71 inspite of a strike at the Kerala Unit. The raw material position has improved though raw bauxite of the required quality for abrasive grains continues to pose problems and the calcining unit in Gujarat had to be closed for nearly two months due to shortage of bauxite supplies. Sales in the current year have been growing at a satisfactory pace except in coated products where there is stiff competition.

FACT Bags ICMA Award for Outstanding Export Performance

The Selection Committee of the ICMA (Indian Chemicals Manufacturers' Association) Industry Awards for 1971 has unanimously decided to confer the ICMA AWARD FOR EXPORT FOR 1971 on FACT for its outstanding achievement in exporting technology, basic design and engineering services on the manufacture of Ammonium Chloride to Brazil. This is the first time that an Indian Unit has been able to export its technology in a major way abroad.

FACT provided technical know-how, basic design and engineering assistance to set up a 3,000 tonnes per annum pure Ammonium Chloride plant for M/s. Engeclor Industria, Quimica, South America (Brazil). Brazil was importing about 3,000 tonnes of Ammonium Chloride per year to meet the requirements of domestic industries. The Engeclor Plant built at the industrial region of Cubatao, with the assistance of FACT has commenced production from 12th March 1971. It has fulfilled the much needed gap in meeting the internal requirements of Ammonium Chloride in Brazil. With very minor changes the plant can produce upto about 4,500 tonnes of Ammonium Chloride per year.

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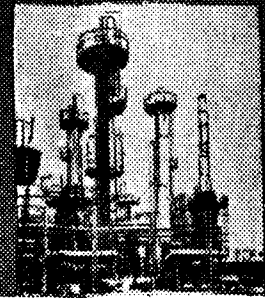
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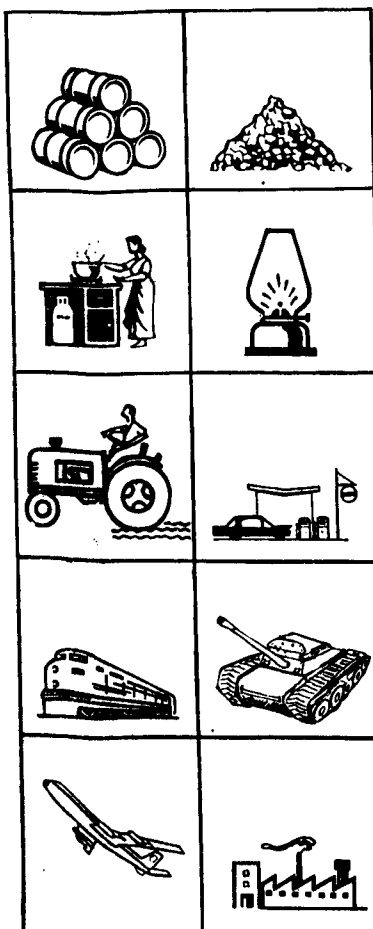
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THE LOGIC BEHIND ARIYANKUPPAM

The inevitable has happened. Few could have expected that the Congress (R), with all its popularity at the national level, would be content to play a second fiddle to the DMK for ever. Ariyankuppam has provided the opportunity for the break-up of this tie-up of convenience which has fully served the main purpose of ensuring a comfortable victory in the last elections.

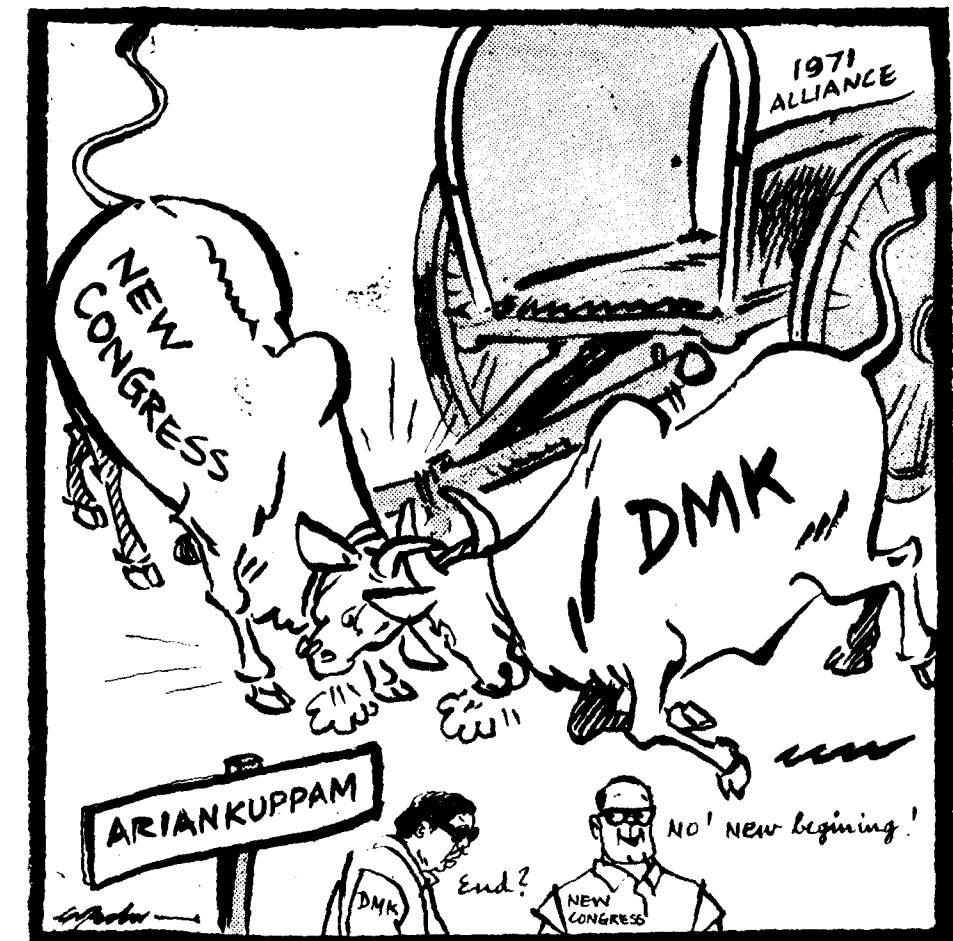
The basis for the alliance then was logical: The break of the Congress left the organisational set-up in Tamil Nadu largely in the hands of Kamaraj. All the sitting Congress MLAs aligned with Kamaraj. Thus both the DMK and the Congress (R) in the State had one common opponent who appeared to be fairly strong. Since the DMK has always been having a strong base at the grass-roots level in the State, the Congress (R) had to agree to the capitulation, which meant the complete sacrifice of any claim for seats in the Assembly and a mere 10 seats to contest for the Lok Sabha. Of course, this alliance was of advantage to both the parties.

The situation has changed very much since March 1971. The widespread popularity of Indira Gandhi, reinforced by the outcome of the mid-term elections to the Lok Sabha, has helped the emergence of Congress (R) as the most powerful party in India. It is logical that the Congress (R) is desirous of strengthening its position even in States where it is relatively weak.

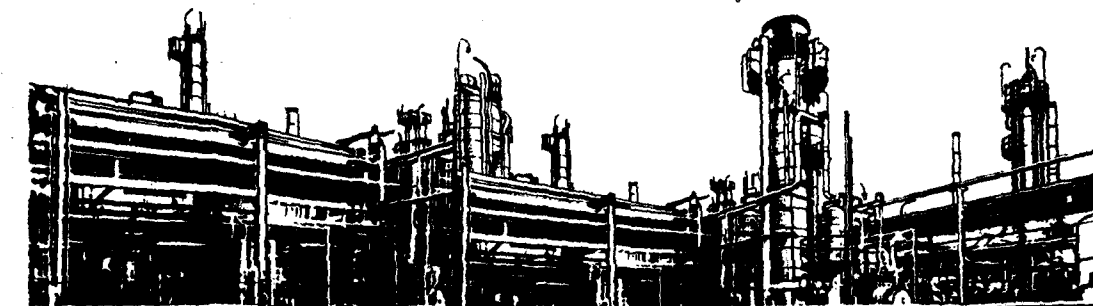
In Tamil Nadu, the Simpson strike provided an opportunity for the Congress (R) to make a beginning in this direction. After careful consideration, the Central Ministers from Tamil Nadu aligned themselves with the opposition. Ariyankuppam is a logical follow-up to ensure the political revival of the Congress (R) in Tamil Nadu.

The defections from the Swatantra and the Congress (O) parties of even leaders like Mr. S. S. Mariswami and Mr. K. Vinayakam, who have been very vocal of their respective parties' policies and programmes only show the lack of confidence in the future of these parties because of the demoralisation that has set in since their rout in the 1971 elections.

The DMK could not expect that a popular party—the Congress (R)—would be content with its allocation of available seats to the other parties on a basis in which it will take a predominant share. For its part the Congress (R) had to start developing from the grass-roots level, fully cashing on its present popularity. Otherwise it too will become, at least in Tamil Nadu, a party of leaders with few workers—an unenviable parallel to the Swatantra Party.



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An Announcement

With effect from 1st February 1972, Central Bank of India has divided its vast network of 1008 branches into five Zones with their headquarters at Bombay, Bhopal, Calcutta, Chandigarh and Madras.

The Zonal Managers and Branch Agents have been given substantially larger powers with a view to bringing about a speedier disposal of business.

The Central Office has been reorganised to segregate Operations from Management to enable it to function more effectively in policy-making, supervision and control.

In lieu of Chief Agents, Divisional Managers have been appointed whose primary task will be to improve branch operation.

With this reorganisation, Central Bank stands ready to serve you with greater efficiency and speed.



Crying Over an In-Built Loss

The General Manager of the Southern Railway K. N. Chennabasappa, stated at a recent press conference that the Bangalore-Salem metre-gauge railway line was a dead loss; the revenue from the line did not cover even the working expenses, he said. The Railways are exploring the ways and means to increase the volume of traffic in this route now that the line has been laid, he said.

The Salem-Bangalore line is one of the many short-range political decisions taken, side-tracking economic justifications of large investments made to satisfy someone or other of regional interests.

It was on January 14, 1969 that this line was inaugurated by the then Deputy Prime Minister of India, Morarji Desai. This line covers a distance of 232 km. Even to a casual observer, an investment of as much as Rs. 9.9 crores made over laying this route all afresh should appear preposterous. Let us look into the service offered over this line. A through passenger train from Cuddalore N.T. to Bangalore and two locals—one between Salem and Dharmapuri and the other between Dharmapuri and Bangalore—are all the passenger trains that run through this section. This area is extremely well served by the road transport industry. There are convenient bus services available from Salem to Dharmapuri, to Hosur and to Bangalore at frequent intervals which naturally skim off the bulk of the traffic offering. The timings of the passenger trains are also inconvenient with the scheduled departure from Salem at 23-13 hrs. and arrival at Bangalore City at 07-15 hrs. next morning.

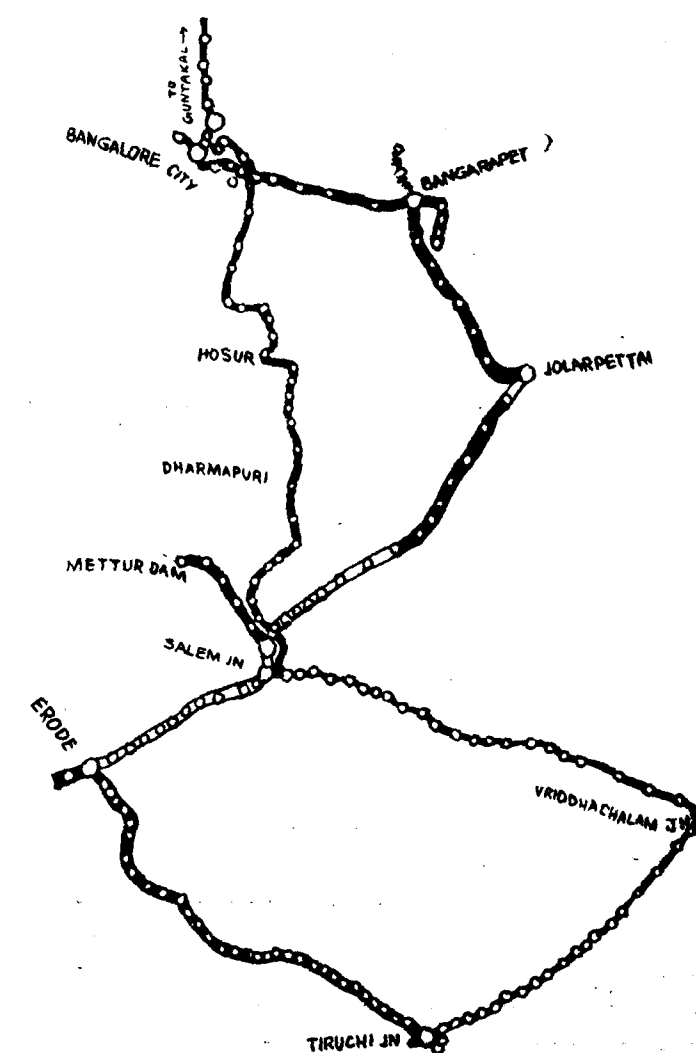
The average speed of this train to cover the distance of 232 km. works out to just 29 km. per hour which contrasts very poorly with the speed range of 35-40 km. offered by the bus services.

So much for the passenger traffic. One justification that was put forth for the enormous investment on this new line in metre gauge was the linking of the major towns in South India through a metre gauge network, without involving transshipment of goods. Purely in the matter of cutting down distance between Bangalore and Salem, Vriddhachalam, Cuddalore and other towns in the South, there is perhaps some validity in this claim. But, unfortunately this has not taken into consideration the volume of traffic that is offered between the major towns served in this route. After all, the major towns such as Madras, Coimbatore, Ernakulam, Tiruchi... which account for the bulk of the inter-town movements of goods—are already well connected with Bangalore in the broad gauge system. Unlike the Northern cities there is not also much of traffic in the form of bulk commodities such as coal or other minerals that need to be carried from Bangalore to the interior parts of Tamil Nadu, making use of this line.

It was not also a question of the absence of any alternative link between Bangalore and Salem. There is already in existence an excellent broad gauge line between these two

towns through Jolarpettai, though this route is slightly longer—by just 32 km. Fast express trains such as the Island Express cover the distance between Bangalore and Salem in just around 6 hrs. and 35 mts. and are run to more convenient timings. Besides, these have convenient connections to places like Tiruchirapalli which make it possible for a passenger leaving Bangalore in the night to arrive at Tiruchirapalli the next morning.

Looking back one wonders how such an uneconomic decision involving nearly Rs. 10 crores could have been taken. The ultimate aim in laying any such line must be either to achieve a good deal of reduction between two highly trafficked towns or economic justification of the traffic offered *en route*. Neither of these criteria, unfortunately, appears to be present in this case. Looking up a little ahead, it could have been planned to lay a broad gauge line between Salem and Bangalore which in course of time could be extended from Bangalore to Guntakal, which will mean considerable saving for travellers and for the movement of goods from Bombay to Salem and other stations



Note: Tiruchi-Erode-Salem-Jolarpettai-Bangalore sections are Broad Gauge; rest Metre Gauge

further South and West. The second factor, viz., traffic offered *en route*, is not also much. The two major towns, Dharmapuri and Hosur, are industrially not well developed and their agricultural produce is not also much.

One of the factors that has been contributing to the poor financial performance of the Southern Railway has been the preponderance of metre gauge lines over broad gauge kilometreage. Out of approximately 7224 km. of rail lines in operation in the Southern Railway, metre gauge lines account for as much as 4738 km. It is elementary economics that metre gauge lines are less economical than movement on broad gauge. Thus any fresh decision on increasing the rail capacity should automatically have been on reducing this imbalance and increasing broad gauge kilometreage in every fresh planning.

What is surprising is the clamour for rail lines made even today for connecting places which are already served well by road transport facilities. Considering the capital cost and the operating expenditure involved in the maintenance of the railway service, any fresh decision on the laying of new rail lines must have economic justification. As a rule, rail services the world over are found to be uneconomical. Not long ago, the British Railways decided to close a number of stations and also abandoned many routes to reduce the incidence of loss. Only a few of the rail-road companies of the U.S. still report profits. In the light of these, laying new lines to far off places in relatively under-developed areas such as for example, Nagercoil or Kanyakumari in the South, appears to be unwise economic propositions. There have been many such instances of heavy investments made in laying fresh lines, which have proved thoroughly uneconomical. What is surprising is the fact that the Railway Board with its economic experts, the Planning Commission, officials in the Finance Ministry

and others who have scrutinised and sanctioned such expenditure, should have lacked the perspective which is vital for any long term economic planning.

It is time that some broad guidelines are evolved on providing for future transport needs. Purely short distance hauls can be left completely to road transport, which is less costly and more viable in many respects. And in planning to provide for rail transport, the Government should decide it purely on economic grounds.

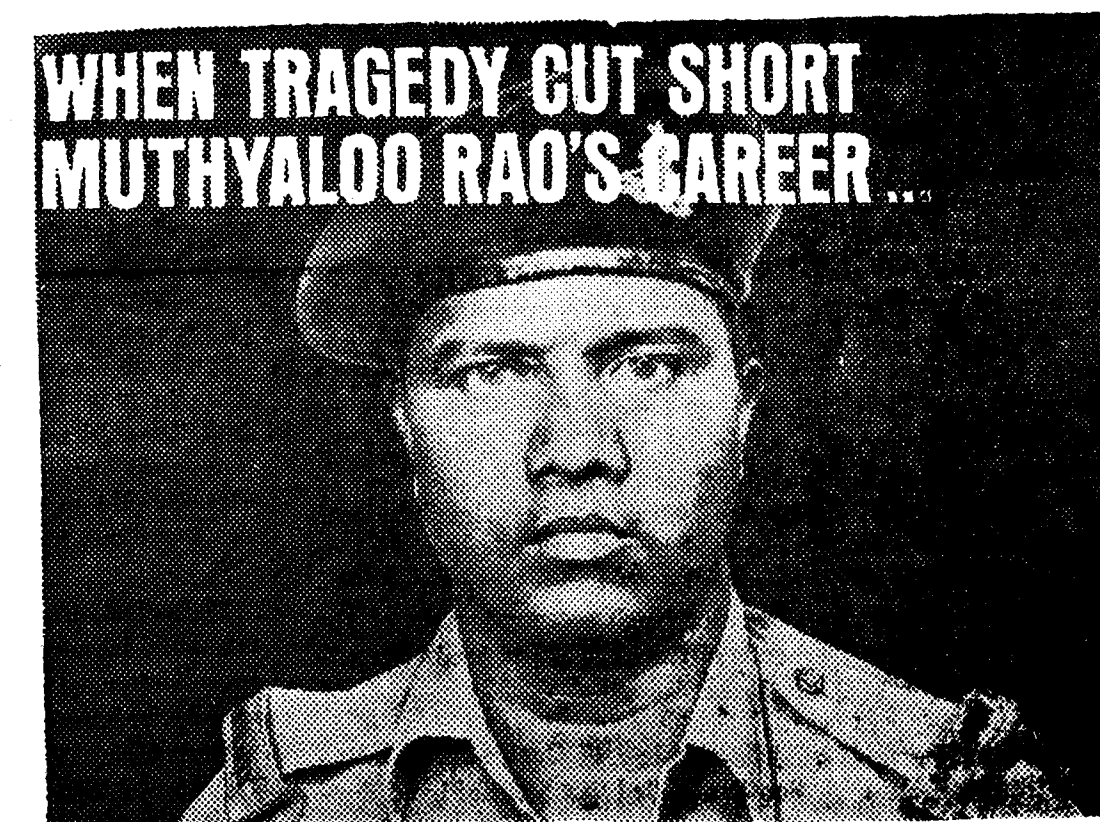
It is in this context that the decision to begin work on the conversion into broad gauge as a long-term plan appears to be interesting. According to a perspective plan drawn by the Railways, the cost of conversion from metre gauge to broad gauge has been estimated at a little over Rs. 2000 crores and that it would take from 10 to 15 years to complete the job. For the immediate future, three major sections have been taken for such conversion: Guntakal-Bangalore line involving a distance of 280 km. work on which was inaugurated by the Railway Minister K. Hanumanthaiya on February 5, 1972, is expected to be completed in 1975. This conversion is estimated to cost Rs. 17.59 crores (this line, when completed, will shorten the distance between Bombay and Salem and stations farther west and south of Salem by about 100 km.); Veerangam and Okha section in Gujarat and Ernakulam and Trivandrum in Kerala. These three projects involve a conversion of about 1057 km. Cumulatively, they are expected to cost about Rs. 75 crores.

In fact, the decision to convert a number of metre gauge sections into broad gauge has been taken as early as 1968. Unfortunately, there has not been any worthwhile action in this regard since then. It is refreshing in this context that after a fairly long time, attempts are made to have some long-term planning in such a vital field as the rationalisation of the Railways.

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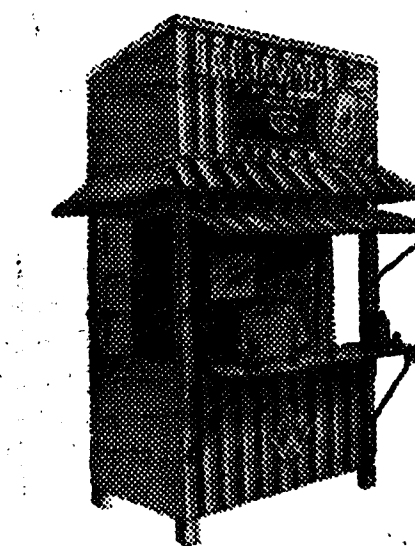
In This Issue

Editorial:		International Symposium on Pre-stressed Concrete	.. 18
Crying Over an In-Built Loss	.. 3	MFL Will Operate to Capacity from June-Steinhoff	.. 20
Glimpses	.. 6	Case for Liberalisation of Credit Facilities	.. 22
National Water-grid within the Pale of Practical Politics	.. 7	Advertising in the March ...	.. 24
Unspent Ire of President Nixon	.. 10	Need to Develop Export of Finished Leather and Leather Goods	.. 26
I believe:		Vast Scope for the Development of Vanaspathi Industry	.. 27
National Unity and International Understandings	.. 12	Company Meeting:	
Lacunae in Refinery Agreement	.. 13	Madras Refineries Limited	.. 28
Nadkarni: New Managing Director of MRL	.. 13	Business Briefs:	
Slow Progress in Setting up the Southern Steel Plants	.. 15	Coastal Refineries Hit by Costlier Crude	.. 30
Improving the Lignite Output at Neyveli	.. 15		
The Over-Stretching Problem of Overdrafts	.. 17		
States Should Set Right Budgetary Imbalances	.. 17		



WHEN TRAGEDY CUT SHORT MUTHYALOO RAO'S CAREER...

ITC reached out to help him



Osmania Medical College, Hyderabad

At 20, Muthyaloo Rao joined the army full of zeal and patriotic fervour. A decade later he lost a leg in a tragic accident. The career he had looked forward to with so much hope, was brought to an end. Then ITC reached out to help. To give Muthyaloo Rao another chance at life, renewed hope for the future.

We gave him a fully equipped Jai Jawan Stall, outside the Osmania Medical College, Hyderabad. Today, with a variety of wares in his stall 'Businessman' Rao faces the future with a confident smile. And everyone who buys from him says his own little "thank you" to the brave man who served his country so well.

It all began over five years ago when our first Jai Jawan Stall was inaugurated in Poona. Since then, more have been set up in various States of the country, and still more are planned. But it's a massive problem to help these many thousands of ex-servicemen and it can only be solved if other organisations join in with similar ventures. To let India's brave warriors know that they are not forgotten once their active service is over.



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Glimpses

By P. R. SRINIVAS

Glamour Over Choice of Candidates

The forthcoming State elections and the need to choose the candidates to present the new Congress before the electorate have provided the Prime Minister an invaluable opportunity to strengthen her hold over the State Governments. Success in this endeavour will be a fitting addition to her success in the war with Pakistan and the diplomatic tussle with the U.S. Fears of growing charisma and consequent personal domination are natural in this context. And they may be felt pretty seriously by those who were not inclined to welcome the triumph of Mrs. Indira Gandhi over her rivals in the old Congress or the immense majority she attained in the mid-term election.

But much has happened since to call for a revision of one's ideas or esti-

mate of the personality or the motivations of the Prime Minister. It is difficult, for one thing, to imagine any one else among the national leaders displaying the nerve, the imagination and the energy required for tackling the problem of the refugees from East Bengal, putting Bangla Desh on the international map, winning the war and putting Mr. Nixon in a most unenviable position. With the threat of war still hovering in the horizon, no one would wish for a change in the nation's leadership at the top or grudge Mrs. Indira Gandhi more power to her elbow. It is not alone in external, but also in internal relations that such strengthening of the hands of the Prime Minister is devoutly to be desired.

The problem of Centre-States relation has tended to get out of hand dur-

ing recent years. While Mr. Karunanidhi has effected an improvement in the general outlook in this regard by an unequivocal disavowal of the old demand for secession, other State governments have only turned to worsen it by intensifying the wrangles for Central aid. There would be little hope of healthy Centre-States relations, if a large number of State governments, if not all of them, fail to stand by the Prime Minister. Mrs. Gandhi's consideration for local or regional interests or wishes has never been much in doubt, though political expediency may have influenced her to some extent. But the time is come when such expediency must yield place to more rational considerations. And it would not be wishing the nation well to condemn or thwart Mrs. Gandhi in her efforts to provide the conditions for a wide consensus.

The selection of candidates with an eye both to success at the polls and consolidation of the Congress party and its leadership is obviously a most difficult task. If the sitting members and the political bosses in the States must be presumed to have great influence and power which the party cannot forgo, it should not be impossible to capitalise on the prestige of the Prime Minister the hostility they may have engendered by suspicions of corruption or inefficiency. It would, of course, be undesirable and even dangerous for Mrs. Gandhi to give the impression that she is throwing her weight about in matters big and small or that she is out to secure for herself only docile henchmen to be in power in the States. At the same time, it would be a blunder to waste the present opportunity for improving the basic conditions. Every opportunity is also in large part a challenge. There is reason to think that the Prime Minister lacks neither the acumen to see and seize the opportunity nor the courage to take up the challenge.

From all accounts, not to speak of her own explicit claims in recent speeches in Hyderabad and other places, the Prime Minister has endeavoured to make the choice of

candidates appear, to the extent possible, as the result of agreement between the factions or of cheerful acquiescence on the part of the losers. But it would be hard to believe that the denial of ticket to eight ministers in Maharashtra would leave no hard feelings behind or that Mr. Brahmananda Reddy would reconcile himself to the denial of tickets to his men coming on top of his surrender of leadership to Mr. Narasimha Rao. In Maharashtra at any rate, Mr. Naik has attributed to the Prime Minister the exclusive praise or blame for the choice of the candidates. The correspondents at the capital have been giving out picturesque accounts of the goings on behind the scenes.

Whatever the conditions at the moment may be, few people would regret another series of triumphs for the Prime Minister, though some misgivings are hard to avoid, because of the continuance of the old, sterile talk about economic inequality, weaker sections of the society and the like. But more good, and less evil, can come

out of consolidation of the ruling party in the States as in the Centre than out of the chaotic conditions which in the past necessitated the introduction of President's rule. Such consolidation is however difficult in States like West Bengal, and much would depend on the Congress Party's relations with the Communists. But, then, these relations are susceptible to the changes in India's external relations, particularly with Soviet Russia.

Less Faith in Violence

It is a tragic irony that Britain, which so cheerfully and promptly erased its colonial past in India, Burma and Ceylon should have to face almost insoluble problems in Rhodesia and, nearer home, in Ulster and incur all the odium of an unrepentant imperialist. Historical forces and factors have made for an inextricable tangle in Ulster. The aspirations for a United Ireland, the grievances of the Catholics and the fears of the Protestants in Ulster and the impossibility of

Britain imposing any scheme by force on the parties concerned are equally inexorable facts which can be toned down over a period only by forgiveness, tolerance and goodwill on all sides. The avoidance of a clash by the Roman Catholic demonstrators which is certainly in recognition of the folly in London derry is indeed a hopeful sign of better attitudes to come. Mr. Heath for his part has done well to emphasise the principal points in Britain's stand. First the British Government stands ready to hold talks with all parties concerned on the future of Ulster. The British troops even continue to maintain their present role in maintaining law and order. Britain is not asking the Catholic minority to abandon their aspiration for a United Ireland, but only to meet the legitimate representatives of the people of Northern Ireland in a spirit of making a constructive contribution to restore conditions of peace and a constructive solution. Less faith in violence and more will to justice through peace are the need all the world over. ●

MUJIBUR VISITS CALCUTTA



The Prime Minister of People's Republic of Bangla Desh, Sheikh Mujibur Rahman, was on a two day visit to Calcutta, was given a rousing welcome on his arrival at the Dum Dum airport on February 6, 1972. He was received at the airport by Prime Minister Indira Gandhi, the Governor of West Bengal, Diplomats and other distinguished guests. Photo shows Sheikh Mujibur with Smt. Gandhi and others on arrival.

National Water-grid within the Pale of Practical Politics

With the assignment to it of an important place in the election manifesto of the New Congress party, the Ganga-Cauvery link may be deemed to have been pushed to the fore in the eyes of the public. Considering the impasse reached in inter-State river disputes and the mounting pressure of the demand for State autonomy which the Centre cannot readily concede, the countrywide grid for water and power may well be brought before long within the pale of practical politics. There is also the fact that a U.N. team has pronounced favourably on its technical feasibility and that it may be expected to lead to aid for the implementation of a concrete project. Precisely because of these circumstances, unofficial, but knowledgeable, circles have begun to take a closer look at the proposal for a Ganga-

Cauvery link. Questions are asked as to firstly whether it will meet squarely the purposes for which it is conceived, secondly, whether there are not alternatives to it which, though less spectacular, are more suited to our needs and thirdly whether the implementation of the proposals for a water grid cannot be undertaken in stages which do not preclude an eventually comprehensive link up.

On issues of this kind, much relevant knowledge is apt to be scattered among the individuals who had occasion in the past to study some aspect of the subject, but who have not had the opportunity to make their conclusions known to the public. Such persons have now come forward with their criticisms of the ideas that have been tainted and the suggestions they have

to make in this context. It has been pointed out for instance, that the Ganga-Cauvery link as it is now contemplated, would have the serious defect of making the water of the Ganga available to the southern regions when there is no need for them and having no supply when the water is badly needed. The principal factors to be taken into account are the time of the two monsoons, the geographical distribution of the rainfall and the course of the main rivers, the configuration of their tributaries and the location of cultivated or cultivable lands. The relative altitudes of possible reservoirs and the lands that are to be irrigated, as also the scale of available supply for such reservoirs, are, of course, even more important factors.

It has been suggested that because of the difficulty of making the supply of the Ganga waters available at the proper time, the aim should be to have one loop of the water-grid round the Vindhyas and another round the Western Ghats at a height of 1100 ft. above sea level. Such a pair of loops meeting at Amraoti near Nagpur, could be the basis of a country wide grid and can be linked with the Ganga grid in due course.

Scepticism about these suggestions springs from the fact that they are based on Kerala having a surplus of waters in the period December to May from an average monthly rain-fall of 5 inches. If such surplus is present, it would be in strong contrast to the dryness of most areas in Tamil Nadu and Mysore and to the alleged unavailability of water from the Ganga during the summer months.

Scope for Diversion

What has been overlooked to a great extent in the enthusiasm for so spectacular a project as the Ganga-Cauvery link is the history of the idea itself and of other attempts of earlier times to utilise the surplus waters of the river systems of South India by

linking up two or more rivers. The idea of the Ganga-Cauvery link, it is wellknown, originated with Sir Arthur Cotton as early as 1881. What is not wellknown is that Sir Arthur has published a book entitled "Public Works in India" which contain clear-cut proposals for a link of the Deccan Canal. Mr. S. Y. Krishnaswamy has recently drawn attention to these proposals: "These proposals included the completion of a coast canal from Godavari to Madras, the construction of a great link in Tungabhadra, west of Bellary, a nearly level canal from Tungabhadra bank south to the Cauvery near Srirangapattanam and North across the Krishna and South passing near Hyderabad to the Godavary—800 miles; a bund across the Pennar where it leaves the hill, 40 miles above Nellore with canals leading north to the Krishna and South to the Carnatic, the continuation of the high level canal from the Krishna anicut South to the Pennar at Nellore—200 miles". As against a scheme favoured by Sir Arthur, the principal underlying feature of which is the construction of reservoirs or dams across, the tributaries of the Godavari, the Government of Madras launched the scheme for damming the Godavari itself. The Khosla Committee recom-

mended in 1952 the construction of several dams on the tributaries of the Godavari a diversion barrage at Polavaram and a feeder channel to Krishna, "The major scheme for the South", according to Mr. Krishnaswamy "remains unchanged, namely the linking of the Godavari with the Krishna, of the Krishna with the Pennar and of the Pennar with the Cauvery". The Krishna-Pennar scheme for linking the two rivers, which was first proposed by the Govt. of Madras and was modified latter by the Khosla Committee has now been overtaken by the Nagarjunasagar Project. But it is not only that the Krishna can be linked with the Pennar but also that the Pennar can be linked to Coleroon. For the turning of the surplus waters of Kerala to the drier districts of the Tamil Nadu the Periyar project must be regarded as but a beginning. The scope for such diversion is great since Kerala has no land on which the waters can be fruitfully utilised and Tamil Nadu has the land without the waters to irrigate it.

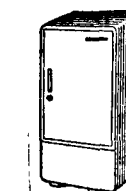
Genuine National Outlook Required

The lay mind may feel bewildered by the number of facts which are relevant to the question of a national water grid. But some facts stand out clearly, as a result of the quickened interest in the scheme namely, that the Godavari is the only river whose tributaries are fed by both monsoons and is therefore full of water for the greater part of the year, that the Krishna, which is a second biggest river in the Deccan has a discharge which is twice that of the Nile, that its links with the Pennar and the Coleroon are technically feasible since the step-down of each link presents no difficulties and that the waters of Kerala can be turned to irrigate the lands of Tamil Nadu without a deprivation of the former and to the enrichment of the latter. Only a genuinely national outlook can overcome the obstructions of dogs-in-the manger. And only the will to turn the potentialities into actualities will enable the Government to make a start and proceed along sound lines.

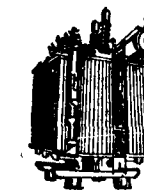


Prime Minister Indira Gandhi, talking to World Bank President Robert S. McNamara when he called on her in New Delhi on January 28, 1972.

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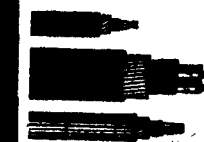


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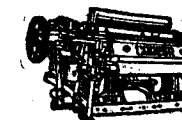


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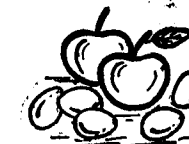
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- 43, General Patters Road, Madras-2.



Unspent Ire of President Nixon

Like the Bourbons of France, President Nixon appears to have learnt nothing and forgotten nothing. Though the events over the last two months have made abundantly clear the vicarious suffering imposed on India by Pakistan to the latter's detriment, ultimately, he does not wish to recognise facts when he sees them. The stranger part of his foreign policy report sent to the Congress on February 9, consists in his vigorous justification for, his wrong South-Asia policy with a flair similar to that of Goldsmith's village schoolmaster who, even though vanquished could argue still. Adding insult to injury, he attributes motives to India which never existed except in his own frenzied imagination.

U.S. Aid and Development

He makes the bland, opening assertion that the United States' aim in South-Asia "is a structure of peace and stability within which the peoples of this region can develop its great potential and their independent vision of the future. Our (U.S.) policy is to help these nations deal with their own problems and to bring our activity into a stable balance with that of the other powers with interest in the area." It is his wail that this structure broke down in 1971 because of India's aggressiveness. He remarks in this connection that India has been the major beneficiary of U.S. aid amounting to an aggregate \$10 billions since Independence. The constructive hopes behind such massive assistance had been broken by the war of 1971.

Belied by Leakages of Anderson

In listing the sequence of events leading to the war, the President refers no doubt to the success of Banga Bandhu at the polls with a massive popular mandate, the failure of talks on autonomy, the army crackdown upon unarmed millions and the flight

of refugees by the millions to India. He says that the U.S. never condoned the military action and that, on the contrary, it ceased issuing and renewing licences for military shipment to Pakistan, froze the arms supplies already in the pipeline and thus shut off \$35 million dollars of arms to Pakistan. Public memory is not, however, so short as to overlook what transpired in the White House behind the scenes, for revealing which secrets India and international conscience owe a deep debt of gratitude to Anderson for his leakage of official documents.

Fictitious Claims

It is surprising that Mr. Nixon should repeat his claims that India ordered a cease-fire in the Western front under Soviet pressure induced by the U.S. and that the U.S. had pressurised Yahya Khan (of infamous memory) not to execute Sheikh Mujib. Both these have been proved to be inaccurate quite long ago. The Sheikh had himself stated that he was about to be executed but for Bhutto's refusal to oblige Yahya by carrying out the execution and antedating it. As for the cease-fire, it had since become plain as pikestaff that India never wanted an extension of the conflict once the position in the East had been stabilised.

Nixon's Tongue Twisting

But Mr. Nixon has been difficult to convince. He maintains that during the week ending December 6, the U.S. had received convincing evidence that India was seriously contemplating the seizure of Pakistan-held portions of Kashmir and the destruction of Pakistan's military forces in the West. It is claimed that India was not prepared to provide the assurance that this was not her intention. The question, however, is why at all India should have provided any such assurance especially when her intentions were clear.

Moreover, if such an assurance in principle were actually given, what guarantee was there that, by a diplomatic turn of the tongue, India's accusers would not take the stance that, since the assurance had been given, it was after all possible that India had some aggressive plans which she would otherwise have pushed through.

Motivated Accusation

In a game of single track discussion, there is little point in expecting that logic will not in any case be the first casualty. On the contrary, if truth is the first casualty in a war, logic is similarly the first casualty in mounting motivated accusations against an innocent country. Else, how can one explain the following observation of Mr. Bush quoted by Mr. Nixon: "We recognise that a fundamental political accommodation still has not been achieved in East Pakistan. This body (Security Council) cannot accept recourse to force to solve this problem. The very purpose which draws us together here building a peaceful world will be thwarted if a situation is accepted in which a government intervenes across its borders in the affairs of another with military forces in violation of the United Nations Charter."

Vested Interest in Voting

For Mr. Bush to have made this observation is understandable. He was speaking at a time when East Pakistan was nebulously involved in achieving its independence. But for Mr. Nixon to quote Mr. Bush after this length of time when Bangla Desh has come to stay and Sheikh Mujib has unequivocally stated that it is madness to talk about the confederation idea of Bhutto (as the means to maintain the semblance of a link with the erstwhile eastern province) is, to say the least, unpragmatic. So much is said in the Nixon report about the dangers of indulgence towards armed intervention for forcing autonomy. It is contended that the global implications of the intervention consists in that, the resort to military solutions, if accepted, would only tempt other nations in other delicately-poised regions of

tensions to try the same. This is, of course, partly true. In fact if Yugoslavia voted for the anti-Indian resolution in the U.N. which asked for a cease-fire, it was because it had a similar, local, hot-bed in Croatia.

Nixon's Nightmare

But the point cannot, however, be overdone. When Mr. Nixon speaks of tensions between Hindus and Muslims and among the many fending ethnic groups in this subcontinent of 700 million people, he rings a bell of memory which will spontaneously recall how the British used to talk about chaos, cutting of throats and bloodshed if only they left. What is particularly surprising is that while government and public opinion in Britain has recognised the justice of the case of India and Mujib and when Sir Alec Douglas Home, the British Foreign Secretary, has gone on record to have said that India alone will hereafterwards have to shoulder the responsibility for ensuring regional security in this area, Mr. Nixon should nevertheless be indulging in his nightmarish visions of a militant India wrecking the chances of peace in this very area.

Serious Insinuations

There is a passage in the Nixon report which is a serious insinuation against India. Stating that he is always prepared for a dialogue with India, he says that such a dialogue will depend on India "having an interest in maintaining balanced relationships with all major powers" and "on the posture that South-Asia's most powerful country now adopts towards its neighbours on the sub-continent." Though Mr. Nixon has been constrained to concede, much against his will, that India has emerged as a power to reckon with on the sub-continent after the recent conflict, he would not like to consider it a power for peace. Either there was a possibility, according to him, that India would use that power to lord over on the other States around her in this area or, by being aligned to the Soviet bloc by treaty and thus having sacrificed non-alignment, India would only become in due course a bridgehead of

Soviet influence and domination in South Asia. No country in its tantrums ever made such a serious insinuation against another as the U.S. in respect of India.

Nixon Unlikely to Discharge Responsibility

The Anderson papers had long ago disclosed that Mr. Kissinger, Mr. Nixon's evil genius, had offered his opinion that Mrs. Indira Gandhi was tough enough not to allow her country to become a client state of the Soviet Union. In fact, when she visited Moscow last September, Mrs. Gandhi had reaffirmed her view that the Indian Ocean area should be made an area of peace and the Soviet Union concurred. Of course, the British are afraid that, with the American Seventh Fleet policing the China coast and their sixth fleet the Mediterranean, the Russians may feel inclined to police the Indian ocean with their ships. All these mental reservations arise from the familiar British conviction that the present power vacuum in the Indian ocean will not be easy of filling by the countries of the region acting in concert with India and that, therefore, superpowers will inevitably be drawn to do the filling themselves. This is a pointer to what India should do to eschew such fears. It is at the same time incumbent on the big powers to see that they do not disturb peace in the area by their never-ending political and diplomatic rivalries. If anything, Mr. Nixon, with his Seventh Fleet adventure in the Indian Ocean so fresh in our memory, is unlikely to be the person who could be trusted to discharge unequivocally his part of the responsibility.

Eastern Frontier and Security

There is a section in the Nixon report which insults credulity by ostensible non-partisanship. Mr. Nixon refers to how, as the tension on the borders intensified in the fall the U.S. proposed that both Indian and Pakistani troops pull back from the borders and that the proposal was accepted by Pakistan but was rejected by India. Likewise while Pakistan agreed to the placement of U.N. observers on its side of the border India was

unwilling to do so on its side. This upsets Mr. Nixon's already injured innocence all the more and is induced thereby to put the blame on India's shoulders very squarely. What the world knows but Mr. Nixon will not recognise is the basic fact that Pakistan was indulging in genocide of proportions quite unknown in the history of human civilisation (or is it barbarity?) and that India would still not have acted as it did but for the fact that Yahya Khan used all methods of savagery known to him to drive a rebellious population into India, thereby converting what was precisely his politico-economic problem into an Indian problem albeit for the short-term. There were only two courses open to India in this pretty pass: Either to seal the borders and become an accomplice in genocide indirectly; or to make it possible for peace and freedom to return to millions whose only crime was to resist Pakistan's colonial policies, inviting in the process a bloodbath. Militarily, the eastern frontier is a tender spot in India's defence lines and India could not have allowed chaos to rule there without detriment to her own security, particularly because some big power, chiefly China, cannot fail to be tempted to fish in these troubled waters.

U.S. Friendship A Diplomatic Risk

To be fair to Mr. Nixon, he is now in straits. His Vietnam policy has been torn to shreds. His support of military dictatorships under some pretext or other has made the U.S. an unsafe friend for the really democratic governments abroad. His wooing of Peking has saddled on him the onerous burden of learning to kiss an erstwhile opponent without getting bitten diplomatically in the bargain. The approaching Presidential election has introduced the compulsion to discover whatever arguments possible to vindicate his South-Asia policy. It is entirely a business for US citizens to decide whether to re-elect him or not to this high office. In any case, history will record that though Mr. Nixon climbed several heights in his time, he failed to scale the one that mattered most from the standpoint of humanitarianism.

National Unity and International Understandings

I believe that the project on development of international understanding and national unity in school children prepared by the SITU Council of Educational Research has come not a day too soon. We have the paradox that the generation that is under compulsion to know more about the world outside than we ever had, knows the least. The SITU research project is aimed at setting right this position.

Inculcating International Understanding

The report quotes from the eminent historian the following passage in vindication of its endeavour: "If we think of the study of human affairs as being a house of many mansions, we should construct it not like a Western house but like a Japanese house in which the internal arrangement can be given any number of alternative configurations, interchangeable at a moment's notice because the interior is divided by movable screens, not by walls that are permanent structures." The SITU project is based on the belief that national and international understanding is not the monopoly of any grade, level or subject. As in most cases, the benefits of education in this direction will be there only if boys and girls had been caught young and such national and international understanding is bred into them through every subject that they learn during their academic career.

Teachers and National Integration

The only effort of this kind so far has been a formal annual celebration of National Integration Week and the taking of National Integration pledge on Republic Day and Independence Day. In most schools, especially in Children's schools, such pledge is taken as first thing in the morning after the daily prayer. But this has become a mere ritual and it is quite unlikely whether the lesson of integration ever sinks into the minds of the pupils taking the pledge. Hence the SITU research project desires a subject

bias in its favour: "The language teacher should aim at making the world literature in the various languages a medium for promoting cultural unity and international understanding. The teacher of history should aim at inculcating in the pupil a sense of patriotism and make him aware of his duties and responsibilities as a citizen of his country and the world. The teacher of geography has to emphasise the human aspects rather than the physical. The teacher of science and mathematics can bring home to the children the interdependence of the countries in this age of interplanetary travel. The teacher of religion and ethics has the unique responsibility of instilling universal truths without injecting prejudices."

Need to Revise Upwards Text-Books

All this reads good. If the scheme is implemented in right earnest, there will certainly be a broadening of visions so necessary for the promotion of cultural and other links which bind mankind all over the world in general and in every nation (comprised of various ethnic or geographical regions) in particular. There are, however, many hurdles to be crossed: The most difficult one is to get the necessary text books and reference books for all levels prepared. At present, the medium of instruction in school is the regional language. The books written in it and made available under the nationalised text books scheme are below par even though their sights fixed lower towards mastering elementary information and translating them in a diction which school boys can understand with ease. Where they are translations, they sin in spirit and structure. Where they are not they are inhibited in expression by the lack of comprehension necessary to take knowledge of any kind in the proper stride for assimilation. The SITU scheme demands keener capacities than are presumably available now for text book writing. Without those capacities, the information about the

outside world dished out at schools will be too matter-of fact and haphazard to be either attractive enough or useful enough.

Teacher Keeping Abreast

Another difficulty that is likely to confront the scheme arises from teaching gaps. The scheme requires of school teachers intellectual equipment which they may not have cared to acquire so far. To present Harris and Fisher in the mother tongue calls for both a mastery of the original and associated teaching skill. Consequently the SITU scheme calls for an orientation course for the teachers and an insistence on the teachers living upto the expectations of the orientation course in their class rooms. The latter has been difficult to come by because the additional work involved encroaches that part of the leisure which the teacher sets apart for private tuition which obtains for him the much needed supplementary income. The monetary aspect of the scheme needs be given a close look to help the teacher use his leisure without losing any income which could be earned otherwise.

Containment for Politician

The most serious difficulty is the stance of policy-makers. The linguistic fanaticism which is sweeping over the length and breadth of the country has a presumption against anything extra-regional, not to speak of extra-national. Such nihilism indulges in memories of the glorious past of the particular region concerned to the point of contempt for similar glories of regions or nations beyond. The politician who has thrived on the dividends of such divisiveness is unlikely to keep quiet when young minds are turned away from parochialism and thus his political future is imperilled for lack of sympathy for parochialistic stunts. Who is going to contain him, if society does not? Yet is society organised enough for this purpose?

Lacunae in Refinery Agreement

By S. VISWANATHAN

During 1970-71 the Madras Refineries processed 2.09 million tonnes of crude which worked out to a throughput of 84 per cent of the installed capacity. It is gathered that during the current year, 1971-72, the throughput will be slightly in excess of this quantity.

Constraints

Two major developments affected the operational economics of the refinery: continual increase in world crude price and the inability to commission the large tankers of Shipping Corporation to transport crude due to delay in the completion of the oil jetty of Madras Port.

The crude price shot up from \$1.35 per barrel prior to November 14, 1970 to \$1.91 per barrel from June 1, 1971 onwards. Though the company has been paying the suppliers only at the rate of \$1.35 per barrel, the final price is still under negotiation and a contingent liability of Rs. 2.13 crores has been provided for in this regard.

Expenditure on Crude

The total expenditure incurred on crude purchases during the year amounted to Rs. 26.17 crores. The higher price invoiced by the suppliers will mean an average increase of 31 cents per barrel for the period November 14, 1970 to June 30, 1971. The extra claim in this regard can come to around Rs. 3.5 crores. Of course, there was a compensating factor in the revision of the ceiling prices of petroleum products following the increase in crude price in the international markets. Since this came into operation only towards the end of May 1971, the company had the benefit out of this just for a month in the year under review.

In retrospect it appears that the agreement with the foreign collaborators in the Madras Refineries viz., National Iranian Oil Company and American International Oil Company have certain lacunae very much to our

disadvantage. It might be remembered that when the world crude price fell below \$1.38 per barrel a couple of years ago, the Cochin Refineries could obtain crude at \$1.28 per barrel whereas the refinery agreement of the MRL pegged this price at \$1.35. It was explained then that because it was a long term contract, MRL could not benefit out of the fluctuations in its favour. Unfortunately, the same clause does not appear to be much of a help in the present context when the world crude prices have been ruling at a very high level. The suppliers of crude—National Iranian Oil Company and Pan American International Oil Company, a subsidiary of Amoco—are both shareholders of MRL. The impact of the much higher crude price is naturally to their benefit, leaving their third partner, viz. the Government of India a heavy loser. This crude price arrangement appears to be a complex

problem and a review of this agreement to remove the lacunae will be necessary.

Same as Foreign Oil Companies

Experience in this case is very much in line with that of the foreign owned companies refining and distributing petroleum products in this country. One of the points of friction between these and the Government of India is the right of these companies to obtain crude from whichever sources they liked and at whatever prices they deem fit. The feeling of helplessness over the loss the country suffers on account of the present agreement of MRL with its suppliers of crude also appears to be very similar in character to those of the foreign owned companies, though the relief here is that people have the chance to know about it!

Dim Prospects for the Current Year

The prospects for 1971-72 on the basis of the current crude price ruling around \$2.00 per barrel appears to be

NADKARNI: New Managing Director of MRL

Dr. Murlidhar Shripad Nadkarni has succeeded Mr. M. Rama Brahman, as the Managing Director, Madras Refineries Ltd. Dr. Nadkarni (49) after graduating in Chemical Engineering from the Bombay University, obtained his Doctorate in Chemical Engineering from Case Institute of Technology, Cleveland, Ohio, U.S.A. He joined Madras Refineries in early 1969 as Deputy Refinery Manager and took over as the Refinery Manager from February 1971. Prior to joining Madras Refineries Ltd., Dr. Nadkarni had over 15 years' experience in petroleum refining in senior managerial position in Esso Refinery, Bombay.

Mr. Rama Brahman held the post of Managing Director of MRL for six years and literally Mr. Rama Brahman, who is the Chairman of Indian Oil Corporation Ltd., continues to be the

Chairman of Madras Refineries Ltd., too.



Dr. M. S. NADKARNI

Slow Progress in Setting up the Southern Steel Plants

The Union Minister for Steel and Mines, S. Mohan Kumaramangalam indicated at a recent press conference at Madras that the Salem steel plant will be commissioned in about five years' time from now. The techno-economic feasibility report prepared by the consultants, M. N. Dastur & Co., is still awaited.

The new point that emerged in the press conference of the Minister was the decision to use scrap as raw material for the Salem steel project. This naturally makes a departure from the plans of utilising iron ore from the nearby Kanjamalai deposits. Likewise the much talked about use of Neyveli lignite has also been ruled out; with the result the locational advantages of easy availability of raw materials in close proximity are no longer valid. This perhaps contributed to the product-mix confined to special steels of much lower capacity of 250,000 tonnes as contrasted with the two-million tonnes mild steel plants at Visakhapatnam and Vijayanagar. This appears to be the reason to prepare the Detailed Project Report (DPR) afresh by the consultants.

Financial Outlay

Under the changed circumstances, the likely financial outlay envisaged in the Salem steel project will be in the region of Rs. 250-Rs. 300 crores. (The corresponding investments on the other two steel plants announced for the South, it is estimated, will be in the region of Rs. 700 crores each).

Mr. Kumaramangalam referred to the charges levelled by the State Government on the delay in going ahead with this project. He took pains to explain that the work was going on at and as per schedule. But, unfortunately, much of this is confined to the planning stage and hence of much of a shape has been given to the project as yet. After deliberating on the DPR, it would require another 2-18 months to finalise the drawings and the source of supply for the equipment. Leaving sufficient margin for

INDUSTRIAL ECONOMIST

delays at the suppliers' end, the probable time for commissioning can be anything from 5-7 years.

Gap in Planning

Already there has been a big gap in steel planning; after our decision to

expand Bokaro and Bhilai, the major decision to set up the three Southern steel plants was taken as early as 1969. Though much time has elapsed after the announcement of this decision, it cannot be denied that the progress of work so far has not been anything significant. If we are to take nearly 30 months even to finalise the feasibility

Improving the Lignite Output at Neyveli

Notwithstanding the good performance of some of the public sector units, the overall financial results have been disappointing. Some of the major projects such as the Heavy Engineering Corporation, Mining and Allied Machinery Corporation, Neyveli Lignite Corporation have all contributed to this factor. Special efforts are needed to raise them up from the mire in which they have been caught up.

Toning up Mining Operations

Mr. Kumaramangalam referred at a recent press conference in Madras to the appointment of a committee to advise the Ministry to improve the mining at Neyveli. This is a high power committee consisting of top technical men in the field. The committee, presided over by Mr. K. V. Subramanyam consists of Mr. Natarajan, General Manager of MAMC, Mr. Bhandari, Adviser to the Bureau of Public Enterprises, Mr. Jinaraja Dasa, an expert in open-cast mining and Mr. Chaudry Jag Mohan Singh, an expert in heavy earthmoving machinery.

The basic problem at Neyveli is the inadequate availability of lignite. Against a capacity envisaged to mine 6 million tonnes, on an average, NLC is able to mine only around 4.5 million tonnes, contributing thereby to under-utilisation of capacity at the briquet-

ting and carbonisation plants. Unfortunately this basic problem of increasing the capacity for mining has not been solved to any worthwhile extent all these years though it has been there making deep inroads into the financial viability of the whole project. This committee is expected to consider this aspect in depth and advise on the desirability of going in for a giant bucket wheel excavator to increase the capacity for mining.

Utilisation and Profitability

Once capacity utilisation is achieved, NLC can show profits commensurate with the investments made on it.

Of course, the decision on going ahead with the second mine cut has been deferred for a long time now. This must be taken up at least as a project in the Fifth Plan period. This will help absorb a good number of surplus personnel. Secondly, a super thermal power station of 1000 MW capacity can be established based on the production from this second mine cut, which will be necessary to meet the growing hunger for power in the Southern Region. With limited hydel resources, Tamil Nadu has been setting up thermal stations based on coal brought from the Northern States at huge cost due to transportation. A second mine cut envisaged purely to support the thermal station can be a viable and profitable proposition. It is time that this is implemented at the earliest opportunity.—N.P.

more frightening. Assuming a comparable throughput for the current year, the increase in cost towards crude supplies alone would amount to around Rs. 13 crores. This will more than eat away the total profits before depreciation and interest charges of Rs. 8.95 crores reported for the year under review. The benefits that will accrue out of the increased ceiling prices, though available for a full year, can reduce the loss only to some extent. The case for MRL, along with other refineries asking for higher prices for its products appears inevitable.

The Directors' Report of MRL mentions a net profit of Rs. 4.05 crores for the year ending June 30, 1971. (During 1969-70 MRL reported a loss of Rs. 3.67 crores). Thus, as on June 30, 1971, the balance sheet shows a profit of Rs. 1.025 crores. The results are based on a price of \$1.35 per barrel of crude oil, which is the price actually paid by the company; with the steep increase in world crude prices, this matter is under negotiation.

Repayment of Loans

MRL has repaid nearly a seventh of the dollar loan and an eighth of the

rupee loan during the year under review. Thus at the end of the year, the refinery has an outstanding dollar loan of \$12.505 million and rupee loan of Rs. 15.12 crores.

Wax Project Cleared

The Board of Directors of the Madras Refineries Limited at its recent Annual General Meeting cleared a wax refining project. The project envisages a capacity of approximately 20,000 to 30,000 tonnes of refined wax per annum, said Mr. M. Rama Brahman, Chairman, Madras Refineries Ltd. at a recent Press Conference in Madras. The Managing Director of MRL is authorised to process the project through Engineers India Ltd., who have been appointed main consultants for this project. It is gathered there are two major processes—Union Oil and Texmaco, both American—available for wax refining.

Presently the Digboi Refinery in Assam meets the entire requirements of refined wax in the country. This refinery has a conventional process to refine around 40,000 tonnes of wax per annum. With the surging demand for refined wax which is estimated to increase around 8 per cent per annum, the wax refinery of MRL can meet the

requirements of this in a big way. Refined wax has a variety of applications in the match, tarpaulin, wax paper, candle, cosmetics... industries.

Need for Integrated Approach

Mr. Rama Brahman raised an interesting point in regard to the absence of integrated thinking and action where two public sector projects are involved of which the efficient one suffers on account of some lapse on the part of the other. It is well-known that the Madras Refineries has entered into an agreement with the Shipping Corporation of India to make use of large tankers to import crude which will give the benefit of lower transportation charges. But, this could not be achieved as a result of the delay in completion of the oil jetty at the Madras Port. The tremendous boom in tanker rates during July to December 1970 rendered the refinery operations almost uneconomical. The Shipping Corporation of India could not bring into MRL's service the large tankers which could have helped the refineries to contain the transportation costs considerably.

More Asphalt...

MRL achieved a big increase in the production of asphalt which was very much in excess of the originally envisaged capacity. The designed capacity was 3.23 per cent of crude throughput working out approximately to 80,000 tonnes. During the year under review, MRL produced 200,000 tonnes of asphalt, which works out to roughly 6.4 per cent of crude throughput. This helped to meet the explosion in demand for asphalt in the country. The refinery has also a price advantage in stepping up the output of this and curtailing that of the furnace oil, which is priced lower. There is scope for good demand for asphalt from Bangla Desh. It is gathered that the Government of India has asked MRL to consider supplying about 10,000 tonnes of asphalt during this year to Bangla Desh. Likewise, the refinery has also increased the output of LPG from the designed capacity of 10,000 tonnes to 18,000 tonnes.

Educated Unemployment



"One solution to the problem would be to open de-education centres for the unemployed..."

lity studies and the DPR, the probable time it would take for detailed project engineering, finalisation of equipment, fabrication and erection of these ... can easily be imagined. There is no point in trying to assert that the pace so far has been as quick as conceivable and necessary. From 1965 up to the end of 1969, there has been a vacuum in planning steel capacity and in the subsequent three years, we have again lost a good time in preliminaries. With much headway to be made in the revamping of the major manufacturers of steel plant equipment such as the Heavy Engineering Corporation and the Mining and Allied Machinery Corporation which are working to a fraction of the total capacity, there is every need to quicken the time that is spent on the preliminaries.

Many Basic Questions Still to be Decided

There are many fundamental questions to be still decided upon: the type of organisation and the composition of

the management boards, the financial structure of the different plants are obviously among the first in this list. Consultants have been appointed only for the preparation of the feasibility report and the DPRs, and no decision appears to have been taken on the agencies that will be ultimately in charge of the three southern steel plants. Since it takes considerable amount of advance planning for such consultants, a good deal of delay at a later stage can be avoided by deciding on this question also simultaneously. If all the three steel plants are to be taken up for construction simultaneously, HEC and MAMC may not be in a position to supply all the equipment on time to the parties concerned, with the result a good deal of import of steel plant equipment will become necessary. Another equally important decision as to whether the three plants are to be phased out to suit the manufacturing convenience of the HEC and MAMC or to allow imports of large magnitude to quicken the pace is to be decided. In view of these, any talk of commissioning all these plants in

1976 or even in 1978 appears to be in the realm of conjecture.

Financial Allocation

The next major question yet to be decided upon is the financial allocation. There has been a provision of only a mere Rs. 110 crores for preliminary work on these new steel plants in the Fourth Plan; there is as yet no precise idea as to the total outlay on these.

Need to Improve Utilisation

There has been an avoidable expenditure on import of steel due to under-utilisation of the capacity in our steel plants. Against a capacity of 8.9 million tonnes, we are presently producing just around 6.7 million tonnes, which works out to some 67 per cent of capacity utilisation. The Minister is earnest in his efforts to increase this to 82 per cent, which in itself is not an unattainable level. Even achieving this would help eliminate approximately one million tonnes, imported during this year. —S.V.

The Over-Stretching Problem of Overdrafts

The Chief Minister of Tamil Nadu M. Karunanidhi discussed with newsmen the other day the budgetary problems of the State with special reference to the overdrafts which the State was running with the Reserve Bank of India. On an earlier occasion on the floor of the Assembly the Chief Minister gave a defence of the high overdraft of the State.

Deterioration in Overall Position

Certain facts and figures available from the Reserve Bank of India give the following picture of the financial and fiscal position of Tamil Nadu. The budgetary operations indicate a deterioration in the overall financial position of the State. In the past few years there have been widening gaps between the budget forecasts and revised estimates and this year the story is likely to be repeated. The State's non-Plan expenditure of Rs. 200.78 crores (which constitutes 72 per cent of the total expenditure) is expected to show an increase of about 15 per cent over that of 1970-71. Because of the increased revenue expenditure and capital disbursements, overdraft with the RBI was resorted to for financing the bigger plan. The State is understood to have the distinction of leading the eleven similarly placed States in the matter of overdrafts. The case of the State is that they had exercised greatest restraint and discipline in expenditure. If "extraneous" items like implementation of Pay Commission's recommendations and drought relief were taken out, the non-development expenditure could be said to be under substantial control. But are these items really extraneous?

Denial of special accommodation to Tamil Nadu to clear the unauthorised overdrafts was characterised as a matter of grave injustice and iniquity. But this accommodation was based on a formula. The State Government questions the sanctity of a man-made formula and the equity and desirability of working within the confines of such a formula. A further strong point

claimed by the State is that it has mobilised taxation to the tune of Rs. 22 crores during 1971-72. In fact, for the Plan period, a total mobilisation of Rs. 130 crores has already been effected. In this also, the State leads. For these and other reasons, the State expects the Centre to do justice to it. The Centre has decided against allowing any overdrafts from next year to States to finance development. Mr. Karunanidhi who had discussions with the authorities in Delhi thinks that the Centre is having a re-thinking on the matter of Tamil Nadu overdrafts and is likely to convert part of it into loan.

Net loans from the Centre to the State (capital account at Rs. 6 crores) declined from those of last year while the tax receipts (both State's own taxes and its share of Central taxes) have swelled. The State's taxes (revised estimates) are estimated to reach Rs. 307 crores showing an increase of 17 per cent over 1970-71. The State's departmental undertakings showed a net loss of over Rs. 6 crores against Rs. 4 crores in 1970-71.

Social Undesirability

Development expenditure to the tune of Rs. 13 crores was financed by overdrafts and ways and means advances from the Centre in 1970-71. In the current year ways and means advances and unauthorised overdrafts with the RBI will perhaps constitute development resources to double the extent. The State evidently feels that confining the Plan to the resources within sight—the obvious way to end the wretched overdrafts problem—is socially not desirable particularly when it is capable of executing a bigger plan. The dialogue and argument on the overdraft will then boil down to the question of permitting States to implement a plan a little bigger than what is warranted by their resources. The Centre's objection to States' overdrafts is on account of the uncontrollable nature of such deficit financing measures (overdraft is one such) if undertaken at 15 different levels. Deficit financing, if necessary, should be only at one national level. Delhi will probably agree to make available additional loans to States which have a record of prudence in managing the finances, to execute a slightly bigger plan.

States Should Set Right Budgetary Imbalances

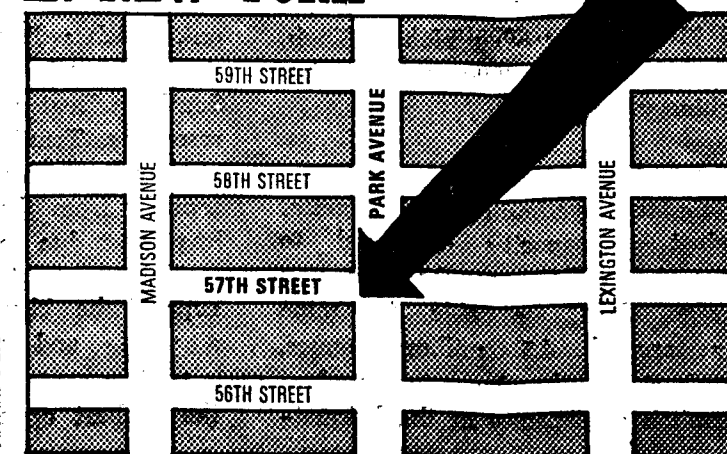
The State Governments have been compelled to think of setting right their budgetary position which has deteriorated seriously in the past two years, following the decision of the Central Government that unauthorised overdrafts will be completely suspended from the beginning of the new financial year. Negotiations have been under way for sometime past between the Central and State Governments as the Reserve Bank of India has been seriously worried about the huge uncovered deficits on account of the States' overdrafts, and the creation of currency that has been taking place. Dr. R. K. Hazari, the Deputy Governor of the Reserve Bank, has observed that monetary authorities were worried about the big increase in bank credit to the Government and some steps were being taken to prevent deficit

financing, though he declined to disclose the steps taken.

Centre's Anxiety to Curtail Overdrafts

The Central Government's calculations have no doubt been seriously upset by the unexpected development in the past two months and it should not occasion surprise if deficit financing was of the order of Rs. 500 crores against the budget estimate of 233 crores. There are, however, indications to suggest that the actual uncovered deficit may not be of staggering proportions, as large amounts have been raised by issuing defence bonds, the small savings campaign has been helpful and tax revenue buoyant. With humanitarian aid also flowing more steadily, the final deficit may be much more than Rs. 300 crores. And with the fresh tax proposals...

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would be presented to the Parliament and with the improvement in scope for borrowing in open market, the deficit for the next year may not be sizable. It is also encouraging to note that there is genuine anxiety on the part of the Central Government to restrict deficit financing and the forthcoming budget may provide clear evidence of the anxiety.

The States, however, have not been able to put their houses in order. The position was not so bad in the first year of the Fourth Plan. But in 1970-71, there was an uncovered deficit of Rs. 225 crores even with a fairly high level of overdraft from the Reserve Bank. In 1971-72 the budget estimate of all States disclosed a surplus of Rs. 39 crores. But subsequent developments have come about in a different manner and the overdrafts with the Reserve Bank touched the all time peak of Rs. 471 crores. Even after the Central Government had cleared the overdraft to a great extent, these stood at only Rs. 82 crores on

July 2, 1971. There has been a subsequent decline to Rs. 447 crores from peak level during the week ended February 4, 1972, with payments from the Centre. But there is the prospect of these overdrafts rising again sharply in the next two weeks because large amounts will have to be dispersed and the figure may even touch Rs. 700 crores, unless the Centre made some arrangements in the meantime.

Aggregate Deficit Jumps

It does not, however, make any difference to the addition to the money supply, whether the Centre or the States create the deficit so long as the adjustments do not result in a net reduction in the aggregate deficit. With a big gap on its own account, any taking over of the liability of the States by the Central Government will only mean that there will be a transfer entry and nothing more. Presumably there will be a funding of the liability of the States

with some arrangements for repayment over a period. But the net effect of all such arrangements will be an aggregate deficit of Rs. 800 to 900 crores on Central and State accounts for 1972-73.

It has been suggested that in future there should be overdraft limits only for ways and means and there should be no attempt at resource mobilisation by States through deficit financing. If it is the implication that the States should have balanced budget in 1972-73 and yet have a high level non-plan and plan expenditure, it will be a question of squaring the circle. There will, of course, be a growth in revenue in the next year besides a larger sharing of revenues from the Centre after levying new taxes. But these cannot account for more than Rs. 200 crores additionally. It may be possible to raise an extra Rs. 100 crores through the Small Savings Campaign and open market loans. These sources, however, can only at best bridge the existing gap.

International Symposium on Pre-stressed Concrete

Rapid industrialisation of the country means a large volume of building activity which involves the construction of several industrial and storage structures, multi-storeyed office and residential flats, machine foundations, transmission line towers, medium and long-span bridges and a host of other miscellaneous structures accounting for nearly half the total investment. It is not difficult to understand that even small economies effected in the construction of these structures through improved methods of analysis, design and techniques of construction will result in considerable aggregate savings.

Optimum Use of Scarce Materials

In the above context the International Symposium on Pre-stressed Concrete in Pipes, Poles, Pressure Vessels and Sleepers, held recently in the City seemed appropriate. The proceedings made it clear that the use of pre-stressed concrete in these and other components could lead not only to considerable economy by

optimum utilisation of scarce materials, but also to speedier execution of work with better techniques.

Water supply engineers pointed out that the technique of pre-stressed concrete should receive much greater attention with the implementation of water supply schemes taken up all over India. On behalf of the Veeranam (Madras City water supply) Project, it was stated that raw water from the Veeranam Lake (Cauvery water) would be pumped to Sethiathope, 21 km. away, in pre-stressed concrete pipes for treatment, and after purification sent to Madras by gravity through a long concrete aqueduct of 190 km. A total length of over 200 km. covered by 37,100 p.s. concrete pipes, each six metres long, would be required. Another engineer mentioned that reservoirs needed to be made of concrete and then pre-stressed circumferentially by wrapping the outside concrete wall shell with high tension wire further subjected to tension.

Highly Suitable for Rail Track

A representative from the Railway's RDSO stated that pre-stressed concrete sleepers were recognised as highly suitable for rail track carrying high speeds and heavy densities of traffic. As such sleepers would be required in very large numbers, an evolution of a suitable technology (aimed at cost reduction among other things) would have to be developed in India.

How the rapid development and enlargement of activity in the field of nuclear energy pre-supposed an extensive use of pre-stressed concrete was explained by the Project Engineer of the Kalpakkam Atomic Power Project. Commercial nuclear reactors demanded in some form a pressure vessel, or a containment vessel, or both. Pre-stressed concrete would have to be extensively used for the building of large-sized modern pressure vessels.

—(FOC)

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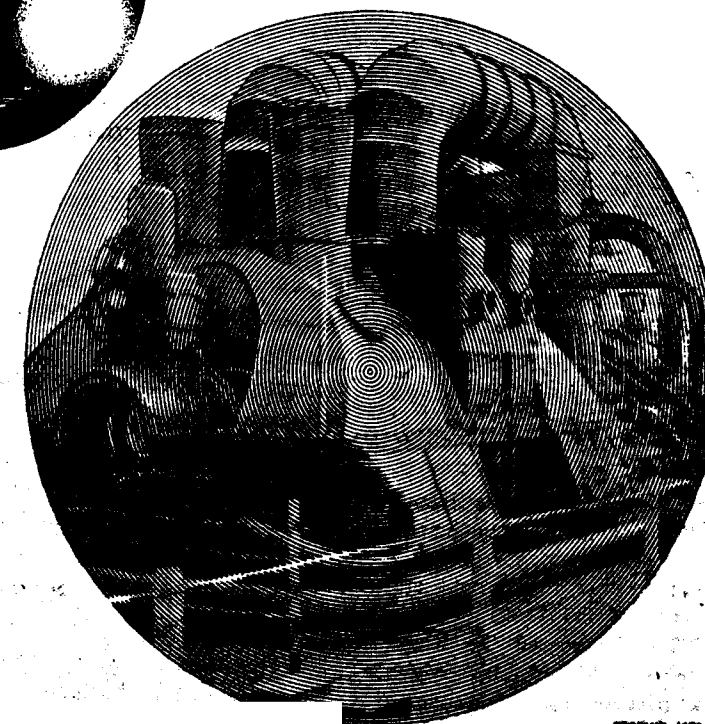
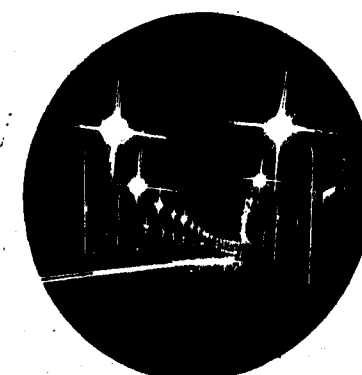
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MFL Will Operate to Capacity from June—Steinhoff

Madras Fertilizers has produced up to February 1,55,000 tonnes of urea. It may be recalled that commercial operation commenced at this giant Rs. 62-crore project only in October last. The performance of the different sections of this sophisticated project has been satisfactory, stated Mr. R. C. Steinhoff Jr., who has taken over as the Managing Director of Madras Fertilizers Ltd., in December last. He has succeeded Mr. J. C. Weaver Jr.

Mr. Steinhoff expects production at the MFL to be stabilised by June this year, when the different sections will be operating to their capacity. He considers it an advantage to go into the market in full swing at the present time which will permit them to develop and stabilise the market for their fertilizers well before a big addition to the fertilizer capacity is made in the next 2-3 years.

Madras Fertilizers—an Indo-American venture in which the Government of India holds a 51 per cent share and AMOCO India Inc., a subsidiary of AMOCO International Oil Company of USA holds the balance—has a capacity to produce 885 tonnes of urea

and 1,100 tonnes of NPK complex fertilizers per day.

MFL is offering a wide range of services to the farmers, which includes an express soil testing facility which can test 30,000 samples per year. Mr. Steinhoff says that they would be testing around 20,000 samples during the current year.

Training in Sophisticated Processes

He also explained the personnel programme at MFL which trains raw recruits to handle different areas of sophisticated processes. This is a field where the technical knowledge available in this country differs from what obtains in an advanced country like the U.S. He cited the example of the familiarity of an average American with mechanical gadgets and devices such as an automobile right from his childhood. This made the mechanical aspects of any process or system familiar to him and so he could be trained to any production process much easier. Mr. Steinhoff expressed the hope that with the increased standards of living, such skills would spread fast in this country also.

Reluctance in Taking Decisions

As a management expert who has held top executive positions after graduating in Business Management from Alexander Hamilton Institute, Mr. Steinhoff referred to the reluctance to take decisions on the part of managers at different levels experienced in many developing countries. He said that it was better to make a decision even if it be a wrong one rather than make no decision at all. Many such decisions will have to be taken at the right point of time by the right manager. Failure to discharge this responsibility will only contribute to certain stagnation.

The cost of production of fertilizer in India is high and so export of fertilizers would be difficult, said Mr. Steinhoff. But, he stressed the fact that there was enormous scope for increasing the consumption levels of fertilizers within the country.

The success achieved in increasing the yield per acre of foodgrains would contribute to the snowballing of the demand from the average consumer, and thus the market for fertilizers would be continually expanding, estimated Mr. Steinhoff.

He said that MFL's approach to the management of the plant was three-pronged: stabilising production, improving efficiency at all levels, and development of people to discharge growing responsibilities in production and marketing. —(FOC)

RICE, OIL, CHEMICALS AND FERTILIZERS...

Born on July 12, 1921, Mr. Rudolph Carl Steinhoff Jr., obtained B.S. in Mechanical Engineering from RICE University. (Now you know his eminence in fertilizer production!) For 22 years he was with the American Oil Company: served the Texas City Refinery of American Oil Co. in various engineering and supervisory positions for 14 years before he was appointed Operating Superintendent in 1956, and Mechanical Superintendent in 1960.

During 1964-68 his services were loaned to National Refineries Ltd. As the General Manager of this plant he was responsible for construction, personnel recruitment and training and startup of the 12,000 bbls/day refinery. In 1968-71 he served the Kharg Chemical Company, Tehran, in which AMOCO was a partner, as its Managing Director. This \$45-million plant has a capacity to produce 600 tonnes/day of sulphur

besides 7,500 bbls of propane, butane and natural gas liquid.



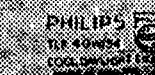
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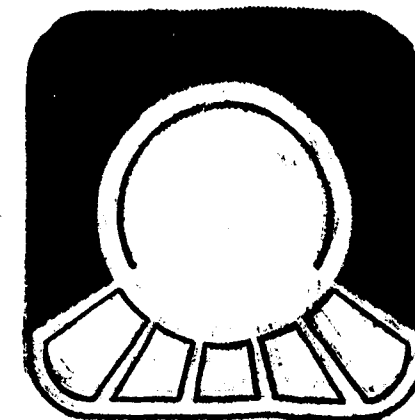
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Case for Liberalisation of Credit Facilities....

The mid-season review of the credit policy for 1971-72 by the Governor of the Reserve Bank, S. Jagannathan, with the chief executives of scheduled commercial banks has disclosed a happy state of affairs. The monetary authorities have decided that there is no need for any change in the policy announced in October. Actually the demand for funds has not come about according to expectations while it is reckoned that the growth in deposits will be higher than earlier estimates. There is indeed a case for liberalisation of credit facilities to boost industrial production besides encouraging small farmers to use agricultural inputs with liberal short-term credit.

Decline in Credit Deposit Ratio

The banking system may even have to worry about optimum use of its funds as the credit deposit ratio has been declining steadily in the past one year and there has been a drop of nearly 6 points to 74 per cent. With a further rise in deposits and less pronounced growth in advances the credit deposit ratio may even decline to 65 per cent. The developments in the busy season upto now have been uninspiring and bankers have to look for borrowers. The deposits of member banks have risen substantially by Rs. 291 crores in the first three months of the current busy season against Rs. 232 crores in the same period in 1970-71. Advances on the other hand improved by only Rs. 262 crores against Rs. 309 crores in this period. It should, of course, be said that the lower level of advances is due only to a smaller expansion of credit for procurement purposes for Rs. 59 crores against Rs. 101 crores. The increase in advances for purposes other than procurement has been satisfactory. It was, therefore, possible for banks to invest a sizable amount, of Rs. 151 crores, against only Rs. 96 crores previously without any big increase in borrowings. These stood at Rs. 167 crores against Rs. 368 crores on January 29, 1971.

There need not be much anxiety about the possibility of a big rise in borrowings of scheduled banks as deposits are increasing at the rate of Rs. 100 crores a year and at the end of April another Rs. 250 crores would be easily added. The chances of a pronounced growth in advances before the end of March are remote as sugar stocks will increase by only 6 lakh tonnes at the outside limit while there will be orderly marketing of the raw cotton crop. As there will also be a large influx of funds into the money market after the middle of March with heavy disbursements by the Central and State Governments, borrowings at the end of April are bound to be lower than the Rs. 191 crores touched by the end of the same month in 1971. It is unlikely that even by the middle of March these borrowings will increase to more than Rs. 225 crores against the peak level of Rs. 447 crores touched on March 19, 1971.

Contraction in Farm Credit

The busy season trends will not, therefore cause any anxiety and the expansion of commercial credit has been brought under control as the Deputy Governor of the Reserve Bank, Dr. R. K. Hazare, has pointed out. It can even be said that after the earlier anxiety to grant liberal loans to borrowers in the priority sectors there has been a flattening of the trend in respect of farm credit. The details relating to indirect and direct finance for the first eight months of 1971 indicate that there has been even a net contraction in aggregate advances under this head to Rs. 383 crores from Rs. 400 crores at end of 1970. This is somewhat surprising as between June 1969 and December 1970 there was expansion of credit for as much as Rs. 212 crores.

In view of the fact that a large number of new branches have been opened in the interior areas in 1971 and there were also adequate lendable resources, one would have expected

that farm credit would continue to expand. Since the Union Finance Minister has been repeatedly emphasising that banks should encourage small farmers and the green revolution should be useful in augmenting the incomes of the weaker sections of the agricultural sector, there should have been a continuous rise in direct and indirect finance for agricultural purposes. The Credit Guarantee Corporation has also revised suitably its guarantee arrangements and banks need not have any apprehension on the score that there will be large sticky or bad debts.

The absence of any net increase in farm credit in the first eight months of 1971, and probably in the subsequent period as well may be due to the lack of awareness of available facilities among smaller borrowers. There is a feeling in some quarters that the additional income generated by itself is financing farm activities to a certain extent while indigenous money lenders are also less rapacious and more accommodating because of competition from commercial banks. Whatever may be the reasons that have been responsible for a net contraction in farm credit the banking system is no longer in a position to say that it will ration credit and have a waiting list of unsatisfied borrowers. The fact is the other way about. There has been an increase in total advances by even less than 50 per cent of net additions to deposits in the past twelve months and there is the curious spectacle of an increase in investment in Government and approved securities, which is of almost the dimension of the increase in advances. When there are reports about industry and trade experiencing difficulties of tight-money the policy of the Reserve Bank should be reoriented in a manner which will encourage production of all types.

Medium and Long Term Loans

Dr. Hazare has sought to explain that there is no reason for complaint

from industry and trade that their legitimate needs have not been met. It is true there have been relaxations in procedures and what is attempted is scrutiny of applications for fresh credit before they are sanctioned with a view to determining that the requirements were genuine and that there would not be diversion of resources. This policy is certainly to be commended but it is no use saying that there is too much dependence on bank finance for working capital or other purposes because many industrial units are under-capitalised. Perhaps the institutions which are really under-capitalised and which can raise

additional capital may be compelled to correct suitably their capital structure. But the cases involved among the bigger borrowers particularly may not be large as these would have exhausted the scope for raising fresh equity and preference capital which is costly to be serviced. There has, of course, been a desire to raise loans as far as possible. If the gaps can be filled with the grant of medium term loans by the banks amortisable in seven or ten years and there is also less anxiety on the part of lenders to seek conversion of part of the loans into equities, the imbalances can be corrected in a short period. The

affected industrial units will certainly be prepared to have deferred payment arrangements or medium term loans from lending institutions as this will not involve conversion of part of the loans into equities. The banking system can have a recourse to refinance facilities of the industrial development act whenever there is need. This method of finding use for available resources and bringing about a proper structuring of capital need for creating fixed and current assets will be useful in encouraging production and also in eliminating the employment of short-term credit for long term purposes. —Meena



560,000,000 PROBLEMS?

Yes... as many as there are people

Each individual is a problem. His food, health, education, employment... all become the concern of a welfare state.

Of course, problems do exist the world over. But efforts to solve them reveal the potential.... leading to progress.

So, problems are forerunners to progress.

③ projects national problems. Attempts their solutions.

INDUSTRIAL ECONOMIST
11-B, Ramachandra Iyer Street,
MADRAS-17

Advertising in the March....

By

'NIRAJ'

Selling Fertilizer the Homely Way

The importance of self-reliance in the food front is getting to be increasingly realised. Thanks to the vigorous propaganda measures through the 'Grow More Food' campaigns during the closing years of the Second World War gaining momentum with the advent of independence, our country is today witnessing a Green Revolution. The age-old prejudice against the use of fertilizers is fast waning and more and more agriculturists are taking to the use of fertilizers in their fields.



With the well-known name of FACT in the South has been added Madras Fertilizers, which has now gone into regular production.

Madras Fertilizers has made a beginning of its current campaign with three impressive press ads on MF Complex 17-17-17 fertilizers. The visual is a sack of fertilizer standing upright in the centre of the field. In another, a rich growth of *cholam*, sugarcane and bananas is represented through illustrations. The copy explains in a layman's language that MF Complex 17-17-17 is the ideal fertilizer for paddy, sugarcane, bananas, *cholam* and the like. The notable feature of the visuals is the mendicant soothsayer (portrayed by the MF Bommai) through whom MFL conveys the prophetic words of bumper crops with the application of MF Complex 17-17-17.

A Fifty-Fifty Promotion

Among the handful of public sector undertakings which have come out unscathed from the carping attacks of the staunchest critics, Hindustan Machine Tools—HMT—is one. In the field of machine tools HMT has carved a comfortable niche for itself in the home country and has developed good export markets as well.

HMT has announced plans to manufacture printing machinery and the locale is Kalamassery, Kerala. Nebiolo, a well-known name in Italy is offering the know-how. Printing industry has grown in size and stature since the advent of independence, what with the rapid industrialisation and spread of education throughout the country. And the potentialities are truly great. At this hour, the emergence of HMT to accelerate this growth is welcome news indeed.

Nine student faces presented in horizontal panels face you straight in the eye and they symbolise the 'several million students' who go without textbooks each year. This is the visual and headline put together. The visual is quite interesting in concept and serves its purpose in arresting the attention of the reader. But the headline 'Several million students go without textbooks' the hammering on students, textbooks and school/college libraries in the copy made the reading prosaic.

Sista's who ran an excellent PR promotion through their 'Remco Jugalbandhi' ads could have given a more imaginative copy to match the visual. In fine, a fifty-fifty for the promotion.

Changing Approach to Advertising

The Changing Face of India is the caption of Madura Mills' national ad released on the Republic Day.

'Old order changeth, yielding place to New.' Times have changed: India is taking giant strides in its march towards techno-

logical advance and industrial progress. And the leap forward in textile industry is a matter of pride indeed. Madura Mills focusses our attention on the role it is playing in this respect in four suitable sub-titles, bringing at the same time a happy link between our traditional past and the modern trend that has set in.

In all there are four pairs of visuals. The West is evincing as much interest in our temples and indigenous crafts as in the technological progress we have made. The ad emphasises that the country has not lost sight of its old values while on its march towards technological advancement. Madura Mills treats the handloom weaver or the village shoe-maker on a par with its bigger clients in the matter of supply of raw materials.

Usually visuals are an aid to copy, but in this advertisement the half-tone illustrations with little details—one hardly identifies aircraft wheels in one of the panels—fall in their purpose; perhaps they relieve the monotony of the long copy, interesting as it is. However, the ad has come off very well in most of the newspapers. Only in a newspaper from the south the ad got messed up with the 'R' Day Parade photographs, the line of demarcation left being very slender. Handled by Bensons, the ad is a good image-projector with an interesting story well told.

The language adaptation has been done well, with copy readable, though attendant with the limitations of translating verbatim the original. One also wonders if any would have the time much less patience, to read through the entire matter. The ad in Tamil could have been, as in all cases, sweeter being shorter.



INDUSTRIAL ECONOMIST

Bating material? The quality rating is when its from G.D.R.

BATING MATERIAL PEPSIZYM

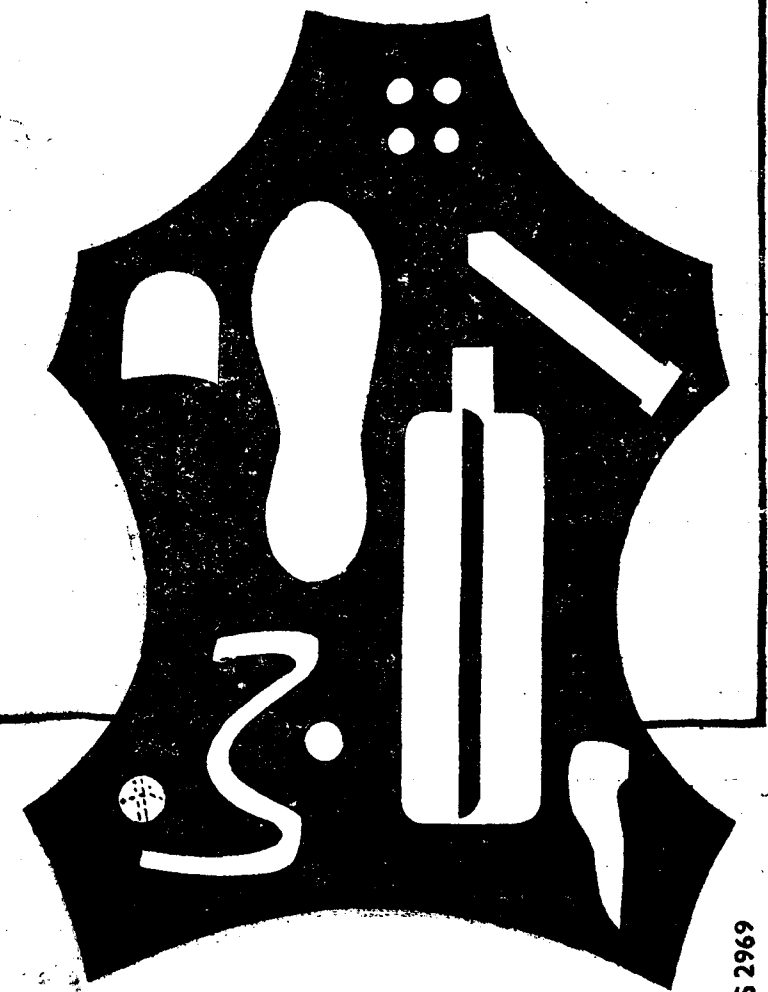
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H	1500
Q	700
H	1300
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JAISONS 2969

Come and see us at the
INTERNATIONAL LEATHER FAIR
at The Central Leather Research
Institute campus, Adyar,
Madras-20. From 31st. January to
6th. February '72

INDUSTRIAL ECONOMIST

7

Need to Develop Export of Finished Leather and Leather Goods

A major event in January/February in Madras is the holding of an International Leather Fair, organised for a week. It was a composite of several related events and functions of interest to the leather industry of which Madras is a major centre.

The Leather Fair, a hardy annual, (this year's was the seventh in the series) is tending to become an ineffective ritual since the main problem confronting the industry, namely the need to develop finished leather and leather goods exports, today remains as distant from a solution as it was years ago when it was first talked about.

The leather industry has continued to maintain its position among the leading exporters of the country. 'So far so good. But this position cannot be maintained for long unless the exports undergo structural changes. There is an urgent necessity to convert the export of tanned hides and skins into a finished leather goods export. That kind of evolution has not taken place during these long years in spite of the enthusiasm radiating from all quarters concerned, not excluding the Government. What has gone wrong and where? This question was discussed in some details in this year's leather seminar.

Shifting Demand Inhibits Finished Exports

The necessity to transform the semi-processed exports into finished leather and leather goods exports has never been greater than it is today. With foreign non-project aid grinding to a halt, export earnings have to be quickly built up, particularly in convertible currencies. Today hardly ten per cent of the total exports under the head of leather constitutes finished leather and leather goods. According to one estimate, if the bulk of the present exports could be converted into finished leather and leather goods exports, the earnings would be nearly double at Rs. 160 crores. The impediments to such conversion are stated to

be many. The Government, industry and trade blame one another for the impediments. It is the case of industry that the licensing process and procedure for obtaining the range of machinery from abroad defeats the intention of the Government and frustrates and chills the enthusiasm and ardour of the exporting entrepreneurs. But one other reason can be cited for the slow development of the finished leather and leather goods exports, though the industry would not readily agree with this: There is much less money in the finished leather than in the raw or semi-processed stuff. On top of this there is the great uncertainty arising from the shifting demand pattern for the finished exports in contrast to the traditional inexpensive techniques required for giving an initial process and shipping it. Even if the industrialists would not openly admit they were shying away from this less remunerative field. The Government should certainly provide incentives to ward off the unadmitted disinclination and increase the proportion of export of finished goods.

Tanning Industry and Public Health

The Tanners' Get-together this year was notable in that it decided to discuss and find a solution to the vexed problem of pollution and disposal of tannery effluents for the first time. Pollution has already become a burning problem of the day. Effluents from the tanning industry having a high proportion of organic wastes make the problem very much more serious. These effluents discharged as such into water courses deplete their dissolved oxygen content, resulting in the death of aquatic life besides emitting foul odour. It is not known after all the exhortation at the get-together, how soon economic methods of treatment and disposal of effluents are going to be evolved. The Indian Standards Institution is stated to be preparing a draft standard with regard to the permissible limits for the different

pollutants that could be discharged into water courses after treatment. Also, the working conditions in the animal-based industries are far below the normal hygienic standards. With increasing urbanisation the effluents offer a potential health hazard by way of supporting and propagating diseases to humanity and livestock. Knowledge regarding the types of diseases caused by the effluents is meagre today. Studies are required to be undertaken to aid the understanding of public health problems related to tannery effluents, slaughter-house wastes and general health of workers leading to better social standards. The papers presented discussed some of the above aspects of hygiene and public health involved in leather.

Setting Plants Abroad

The Central Leather Research Institute (CLRI) came in for praise at the hands of many speakers at the various forums during the celebrations. The Institute apprised the tanners of what work it proposed to do during the coming year and sought the views of the users of technology. The concept of the Leather Week where a dialogue is established between technologists and the industry is welcome. But the question whether Indian leather technology has become mature can be answered in the affirmative only when India undertakes turn-key jobs for setting up tanneries in other countries, and supplies them finishing plants and leather chemicals. Let us hope that day is not distant. —V.M.

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INDUSTRIAL ECONOMIST

Vast Scope for the Development of Vanaspati Industry

By C. VEERARAGHAVAN

The vanaspati industry is a major consumer goods industry. It ranks as the second largest food processing industry in the country, next only to sugar industry.

The industry plays a significant role in contributing to public finance. The industry's contribution towards excise duty alone on clearances of vanaspati and refined oil was Rs. 8.81 crores in 1967-68 and Rs. 9.64 crores in 1968-69 and during the current year it should be substantially higher. In addition to excise duty besides income-tax, etc. as contribution to Central revenue, the industry contributes significantly to the State finances by way of sales tax imposed mostly at source and/or first point and varying between 5 to 7 per cent which also would currently average to Rs. 14 to 15 crores approximately.

The story of vanaspati goes back to nearly fifty years when it made its appearance on the shelves of Indian bazaars through imports. Vanaspati was introduced to India soon after World War I through imports of 'shortening' (cooking fats from vegetable oils) from Holland. By 1928-29 annual imports had increased to as much as 28,000 tonnes. As India at the time was the world's largest supplier of groundnut and other vegetable oils, it was not long before the Indian entrepreneur began to consider prospects of making vanaspati in this country. So, in 1930 two vanaspati factories were

established in India with a capacity of 330 tonnes. Three more were established in 1935. As the demand continued to increase rapidly, more and more factories were established.

290 Per Cent Increase

The prospects for the industry brightened during World War II when the Government of India began to purchase large quantities of vanaspati to feed the vast Indian army as well as the British forces stationed in India. Rising prices of ghee and growing urbanisation made vanaspati increasingly popular even among the civilian population. The industry continued to prosper. During the last two decades vanaspati production has recorded an increase of about 290 per cent, the vanaspati output during 1951 having been only about 175,000 tonnes compared to the 1970 output of 507,001 tonnes. The total output of the industry should be deemed to have been in the region of Rs. 300 crores in 1970. The present total employment on rolls of the industry is estimated between 30,000 and 35,000.

Today the industry is a big organised industry encompassing about 80 units with an installed capacity of 1,580,000 tonnes. There is indication of further issue of licences for 150,000 tonnes, thus totalling 1,730,000 tonnes per annum. According to

reliable sources, an actual production capacity of just above 1,000,000 tonnes per annum has already been installed against a maximum current demand of 625,000 tonnes. The industry is thus saddled with the problems of excess capacity.

Non-Availability of Raw Material

Under-utilisation of capacity has been mainly attributed to inadequate availability and high prices of its raw material, viz. groundnut oil. Usage of cotton seed oil and other imported oils like soyabean and sunflower oil is another reason for under-utilisation of capacity. Other factors like power shortage, shortage of tinplate and seasonal fluctuations in vanaspati demand also contribute to under-utilisation of capacity.

Production of edible vegetable oils in India is about 20 lakh tonnes of which 12 lakh tonnes are groundnut oils. Groundnut oil because of its larger share in the production of vanaspati, dominates the prices and production of vanaspati. About a quinquennium back, the share of groundnut oil in the total edible oil consumed by the industry was around 78 per cent. Due to acute shortage of groundnut oil and high prices thereof, consumption of groundnut oil by the industry declined to 50 per cent in 1968-69. On the other hand, the share of cottonseed oil and other edible oils including soyabean had gone up from 9 to 19 per cent and from 8 to 25 per cent respectively over the same period. The acute shortage of vegetable and animal oil, including fat—essential basic materials for vanaspati and soap industries—necessitated an import of 1.72 lakh tonnes valued at Rs. 137 crores in 1969-70.

Increasing the Production of Oil Seeds

The accord for importing up to 1.02 lakh tonnes of vegetable oil, mostly soyabean, under the PL 480 programme, even if fulfilled despite the suspension of American aid, exposes our continuous dependency on foreign supply. The long-term solution to the problems of oil shortage lies in intensification of our efforts to augment the production of oil seeds in the country.

The per capita consumption of oils and fats in India is as low as 4 kg as against the world average of 18 kg. The present nutritional deficiency in the dietary composition of the vast multitude ostensibly indicates that the home market would be able to absorb at least part of the excess capacity with the rising standard of living. The growing use of vanaspati as substitute for ghee and butter, indicates the increasing popularity of the product. As such the industry has immense possibilities for development.



The Rt. Hon. Sir Alec Douglas-Home, Secretary of State for Foreign and Commonwealth Affairs of Britain and Lady Douglas-Home arrived in New Delhi on February 5, 1972.

Photo taken at the Delhi airport shows Mr. Swaran Singh, Union Minister for External Affairs, receiving Sir Alec Douglas-Home on arrival.

INDUSTRIAL ECONOMIST

Company Meeting :

MADRAS REFINERIES LIMITED

Speech of Shri M. Rama Brahmam, Chairman, Madras Refineries Ltd., delivered at the Fifth Annual General Meeting held at Madras on the 3rd February, 1972

Gentlemen,

I welcome you to this Fifth Annual General Meeting of the Company.

We have completed, by June 30, 1971, two years of continuous operation of the Refinery. We may perhaps look back with justifiable pride and look forward with reasonable optimism on our Company's affairs.

Increase in Yield of Middle Distillates

As has been stated in the Directors' Report, the Refinery could legitimately claim to have made significant progress in its operations. It is of interest to note that the yield of middle distillates was increased by plant modifications and debottlenecking steps to 42.1% as against the designed yield rate of 37.12% of the crude throughput. A highest crude throughput was reached in August 1970 by processing 216,400 metric tons (51,700 bbl/day). Production of asphalt was increased to 6.4% of crude throughput from the 3.23% of design capacity by minor plant modifications and debottlenecking drum filling and handling capacity. A new grade of asphalt 60/70 penetration was produced and sold. Action is nearing completion to meet the growing demand for LPG and facilities are provided for tank wagon loading also. You will be happy to note that turn-around of all the 13 processing units including lube plant, besides the replacement of trays in Vacuum Tower and modification work for debottlenecking, was completed in 16 days during March/April, 1971. There has been no foreign personnel since Dr. M. S. Nadkarni took over as the Refinery Manager on February 1, 1971. The total number of regular employees of the Company during the year was about 450.

Processing Cost Lowest at MRL

I may also point out here that calculated on the basis of variable costs, the processing cost per metric ton of crude is perhaps the lowest in your Refinery, while the Refinery is the most complex in the country at the present time.

In spite of the above impressive performance profit for the year is a matter of uncertainty. This is due to two main causes both of which are outside the control of your Company. The first is the high freight rate which had to be paid for the transport of crude oil and the second is the price of

crude oil which is a matter of negotiation between the Government of India and the crude suppliers.

High Tanker Freight Rates

As you are aware, during July 1, 1970 to almost late in that year, there was a tremendous boom in the tanker freight rates rendering operations almost uneconomic. In fact, during July-August, 1970, tankers became scarce to come by, and the freight rate touched an all-time high of about WS 375. We had to face the situation and sail the storm. All this became inevitable involving heavy drain on our foreign exchange in view of the Shipping Corporation of India's inability to bring into MRL



Shri M. RAMA BRAHMAM

service their large tankers built for that purpose on account of the delay in developing the improved port facilities by the Madras Port. Coupled with this handicap, the Port had to shift the temporary unloading facility to inner harbour during north-east monsoon period of 3 months beginning around October 15 every year.

Further Delay in Completing Oil Jetty

It was expected in February, 1971 that the oil jetty at Madras Port would be available for berthing the Shipping Corporation of India's large tankers from January 1972. It now looks unlikely that this will materialise.

Need for Integrated Planning

This brings into focus one aspect of the Public Sector performance in our country. When large projects are undertaken which

depend on one another for satisfactory performance, there does not appear to be adequate appreciation of the mutual impact on the overall economy either in processing these for sanctions and priority allotment of scarce resources, or in adequate follow up of a time bound programme of execution. As a result a project which is able to adhere to the schedule suffers because another has had a setback or is unwilling to look at the problems except in terms of its own profitability. If an integrated picture is available it would perhaps be found that while one unit might have made some profit the overall impact on the national economy has been negative. It would perhaps be found that the overall impact of a delayed completion of one of the projects is much more than any saving that might be effected by refusal to take certain urgent steps which may involve some additional expenditure on that particular project only. It would appear that an integrating high level group should be established when such projects with mutual impact are envisaged so that right through, from the date of commencement to the date of completion, decisions are taken with an overall view and actions are pursued vigorously. If delays should occur resulting in losses it should not be the unit which completes its work according to schedule that is asked to bear the entire burden of losses, as this would only mean penalising efficiency.

In the absence of such integrated thinking and action the Madras Refineries Limited had to bear an excess payment in freight to the tune of Rupees nine crores in the first two years of its operation.

The Spiralling Crude Prices

Shareholders are also aware that price of Darius crude was being increased by the crude suppliers since November 14, 1970 from time to time. From \$1.35 per barrel for pre-November 15 loadings, the rate per barrel at present stands invoiced at \$1.91. The matter was under discussion between the Government of India and the crude suppliers, during the 1970-71 financial year of the Company, and your Company as Government of India's nominee to purchase the crude, continued to pay the suppliers at \$1.35 per barrel. Any adjustment that might become necessary, if at all, will have to be made in the accounts of 1971-72. In this context, I might also mention that the Government of India revised the ceiling selling prices of petroleum products in India

following the increase in crude prices in the international markets. However, these revised prices came into operation only towards the end of May, 1971, whereas the crude price increase demand was from a much earlier date. Further the increase allowed in product prices does not fully neutralise the increase in crude oil price. As a consequence the effect of the increase in product prices does not have any significant impact on the accounts of the year 1970-71.

Increasing Importance of Public Sector

Government of India, as you all know, have been taking much closer look at and keener interest in the working of the Public Sector enterprises. The Administrative Reforms Commission made a study and submitted to Government some 63 recommendations and some of these recommendations were accepted by the Government of India. Then there is a Parliamentary Committee on Public Sector Undertakings; some committees of Parliament Members are constituted to study specific aspects of management. Audit Boards constituted by the Government of India scrutinise the accounts and performance of the public enterprises. In addition, there is a Bureau of Public Enterprises which constantly studies, reviews and develops norms and guidelines for the Public Sector. Besides these, Members of Parliament, newspapers and interested parties

keep a vigilant eye on the Public Sector not to let pass an error, assumed or otherwise, unnoticed by the public at large. Political parties, trade unions of various hues, authorities of State Governments and independent observers have keen interest in the Public Sector enterprises. The interest in the performance of Public Sector enterprises, so wide and from such different angles, is indicative of the vital importance of the Public Sector in the economic development of the country. Consequently, the management of Public Sector enterprises became acutely aware of the myriad eyes watching them and assessing their performance from innumerable angles and bases. This situation has a desirable effect in that the Public Sector enterprises are alert and strive to produce results. It has a deleterious effect too in that it confuses the managements and inhibits initiative and bold action. But in the interest of national economy and the key role public enterprises are to play in evolving a society where social and economic justice could be established, the managements have to act decisively and, with firmness.

Recent events have underscored the great importance of effective action in the Public Sector in this country. Self-reliance has become a matter of necessity rather than one of mere slogan. This can only be achieved effectively if in all our work in this sophisticated industry we put in our best efforts. It is hoped that in the years

to come, we, in this refinery, will make our contributions which will add significantly to the over-all effort at self-reliance and self-sufficiency.

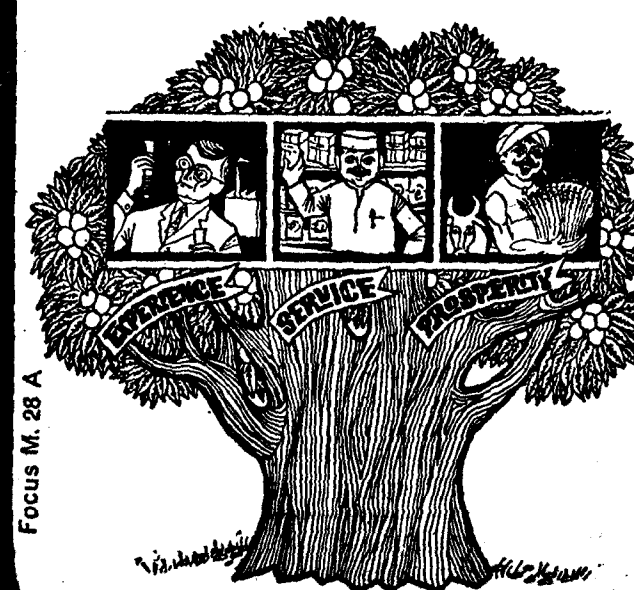
Before I conclude, I must appreciate the willing co-operation and response of the recognised trade union of our employees in establishing harmonious industrial relations. We have this year (1970-71) given them an ex-gratia payment at the rate of 16.5% of the basic pay plus D.P. plus D.A. in recognition of their good work done in the past years. The ex-gratia was limited to a maximum of Rs. 1480/- to all the supervisory and managerial staff.

As you all know the Government of India have appointed me as Chairman, Indian Oil Corporation Limited, and I assumed charge of that post on the afternoon of 31st August, 1971. My association with this joint venture since 1965 November till now has been fruitful indeed and I sincerely thank all my former and present colleagues on the Board and the Shareholders for their co-operation, trust and confidence in me.

I extend my hearty thanks to all our employees but for whose excellent work with dedication, the Refinery could not have achieved what we claim for it today.

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

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.



Coastal Refineries Hit by Costlier Crude

The five coastal refineries, three foreign-owned and two joint sector—are concerned over the reduced profitability of their operations due to the sharp rise in crude oil prices being paid to foreign suppliers. The petroleum producing countries have managed to increase the posted prices for crude to boost their own royalty revenues in the last quarter of 1970 under the Tehran agreement, while there has been another agreement in January this year on an 8.5 per cent hike to compensate for the loss due to devaluation of the dollar towards the close of 1971. The three firms Burmah-Shell, Esso, and Caltex were allowed foreign exchanges at the higher rate of 1.66 to 1.68 per barrel last year, but their demand for additional exchange to pay the subsequent increases in crude prices of 5 cents in July 1971, and 12 cents now (from Nov. 1971) has been turned down by the Union Government. As a result, the three firms are reported to have decided to cut their imports by 10 per cent. Any resultant fall in output of products may not have a serious impact for sometime to come as adequate stocks have been built in the country, but this situation cannot continue.

Joint Sector Refineries

The two refineries in the joint sector Madras Refineries and Cochin Refineries are in a different position in that under the escalation clauses in their agreement with their crude suppliers the higher prices will have to be conceded. Payments are now being made at the old prices (\$1.35) in the case of the Madras Refineries though the invoiced price is \$1.91 per barrel and the difference if any, is to be adjusted later. The Government has been holding talks with the National Iranian Oil Company for a smaller rise in price and the NIOC would seem to be agreeable to a cut of 10 cents. But even this would make the Darius crude much costlier than that supplied to the Cochin and three private refineries.

Need to Maximise Indigenous Production

The inland refineries in the public sector will also have to foot a larger crude bill which will certainly reduce profit margins. The higher prices allowed for products last year can offset the higher cost only partially. The total impact on the country's foreign exchange resources as a result of the three crude price increases, when allowed, would mean an additional Rs. 50 crores in a year. And this is not the end as there is already a move by the OPEC to seek a larger share in the profits of oil firms and this may lead to another round of price increase. All this would mean that the exploration for oil

within India will have to stepped up on a war footing and indigenous production maximised to reduce the dependence on imports.

Madras Refineries

Madras Refineries Limited had an additional cost burden in the form of higher freight on its crude supplies as it had to hire tankers on a costly basis due to the inability of the Shipping Corporation to provide its tankers owing to the delay in improving port facilities at Madras. However, the refinery was able to increase its throughput to 84 per cent of the installed capacity. The yield of middle distillates like Kerosene and gasoline in 1970-71 could also be raised above designed capacity with plant modifications while asphalt production was more than doubled. Production of domestic gas was also much higher than in 1969-70. The chairman, Mr. Rama Brahmam has stated that performance in the current year has been quite satisfactory with 1.2 million tonnes of crude processed in the first seven months. But the increased crude prices will be in operation for the whole year while adjustment has also to be made for the higher prices for part of 1970-71. The net profit for 1970-71, amounted to Rs. 102.50 lakhs against a loss of Rs. 367 lakhs in 1969-70. But there will be a cumulative loss of Rs. 68 lakhs after providing for the higher crude price.

Cochin Refineries

The working results of Cochin Refineries Limited in 1970-71 were adversely affected by a sharp increase in crude prices. The price was raised on three occasions by the foreign suppliers by an aggregate sum of 40.2 cents per barrel to \$1.662 per barrel. The cost of crude was thus higher at Rs. 24.72 crores against Rs. 21.77 crores but the increase in selling prices for products allowed by Government covered only 47 per cent of the increased crude price and that too only from May 28, 1971. Sales were however better at Rs. 40.59 crores against Rs. 37.42 crores in 1969-70, with a slight improvement in the quantity of crude processed to 2.48 million tonnes from 2.45 million tonnes. The income however included Rs. 205.01 lakhs (Rs. 26.44 lakhs) being freight adjustment in favour of the company. The operations were affected by frequent disruptions to power supply and a shut-down for nearly a month of the crude unit for repairs and maintenance. The net profit, before depreciation, declined to Rs. 359.61 lakhs from Rs. 426.56 lakhs. The provision for depreciation is Rs. 180.05 lakhs (Rs. 172.35 lakhs) while the allocation for development rebate is only Rs. 12 lakhs

(Rs. 117 lakhs) and general reserve gets Rs. 51.68 lakhs (Rs. 132.08 lakhs). But there is a separate allocation of Rs. 112 lakhs lakhs for paying the tax-free dividend of 16 per cent whereas in the previous year the distribution of 18.6 per cent (which was partly exempt from tax) was made out of general reserve, absorbing Rs. 130.20 lakhs.

The expansion of capacity by 40 per cent to 3.5 million tonnes has been slightly delayed and it is expected to be completed by the end of this year. The LPG (or cooking gas) project is making satisfactory progress. The current year's earnings are likely to be affected by the increased crude prices which may be further raised if the suppliers pass on the latest burden to adjust for the dollar devaluation. The company has reduced its outstanding rupee and dollar loans further. The dollar loan now stands at Rs. 8.29 crores against the initial Rs. 15.08 crores and the rupee loans at Rs. 2.62 crores against Rs. 6.70 crores. The internal resources are sufficient to finance the expansion, as against a paid-up equity capital of Rs. 7 crores reserves and surplus amount to Rs. 5.92 crores. The net block amounted to Rs. 19.57 crores against Rs. 20.77 crores in the previous year.

Sudarsan Trading

Sudarsan Trading Company Limited has reported a cent per cent increase in its chit business to around Rs. 40 crores during the year ended July 31, 1971 thus increasing its services to a section of business or trade which is unable to resort to the organised banking system for their financial needs.

The Feroke Tile Works has resumed the manufacture of terra-cotta goods from December 1970 while an additional stone-ware pipe unit at Rajahmundry is being commissioned. Sales of Standard Furniture Company were also subsequently higher despite difficulty in getting timber supplies. The net profit, before taxation, and after depreciation was much higher at Rs. 11.55 lakhs against Rs. 3.30 lakhs. After providing Rs. 7.25 lakhs (Rs. 2.40 lakhs) for taxation, the dividend has been raised to 10 per cent from 9 per cent on a larger capital as increased by a public and a private issue. It is proposed to enter the hotel trade with the help of government agencies and commercial banks. The Chairman, Mr. S. Chinnakaruppa Thevar, has welcomed the impending legislative measures to regulate the working of chit funds in the interest of clients.

Madras Rubber

Madras Rubber Factory Limited has reported only a 10 per cent fall in sales to Rs. 21.49 crores during the year ended September 30, 1971 from Rs. 24.03 crores in 1969-70 despite a prolonged strike for 96 days. Exports also declined to Rs. 46.69 lakhs from Rs. 58.39 lakhs. The high level of operations in the earlier months of the year offset to a substantial extent the loss in pro-

duction as a result of the strike. The net profit before depreciation and taxation was naturally much lower at Rs. 148.63 lakhs against Rs. 173.24 lakhs. After setting aside Rs. 59.06 lakhs (Rs. 52.92 lakhs) for depreciation and Rs. 7 lakhs (Rs. 19.50 lakhs) for development rebate there is a surplus of Rs. 82.57 lakhs (Rs. 100.82 lakhs). Taking with this a sum of Rs. 10.83 lakhs, written back from development rebate reserve, the transfer to general reserve is Rs. 54.09 lakhs (Rs. 57.82 lakhs) after providing for taxation Rs. 39.25 lakhs (Rs. 43 lakhs). The dividend on equity capital has been maintained at 12 per cent taxable absorbing Rs. 29.24 lakhs (same) from general reserve. After payment of this dividend, reserves will amount to Rs. 167.31 lakhs of which general reserve will be Rs. 84.15 lakhs, against a paid-up capital of Rs. 2.44 crores.

The expansion to 6.1 lakh tyres and tubes is expected to be completed during this year while good progress has been made with the Goa project which is likely to go on stream next year. The plant will have a capacity of 3 lakh sets. It has been decided to shift the cycle tyre unit to Arkonam, which is declared as a backward area in Tamil Nadu. The long-term agreement with labour will be helpful in keeping production at a high level of the expanded capacity. Even in the first quarter of this year, there has been an appreciable increase in output. MRF is now celebrating its Silver Jubilee and is making serious efforts to become self reliant in the matter of raw materials and capital goods required for its expansion and growth.

Mithapur Project Cleared

Tata Chemicals Limited is going ahead with its fertilizer project at Mithapur which has been cleared after a number of modifications. The new venture will cost Rs. 44 crores and 50 per cent of the total outlay will be in foreign exchange. The Central Government has agreed to the company's view that the manufacture of phosphatic fertilizer can be taken up at a later stage when the technology to make phosphoric acid without the use of sulphur is evolved and developed. The project envisages production in the first stage of 2.10 lakh tonnes of ammonia, 2 lakh tonnes of urea and 1.80 lakh tonnes of ammonium chloride.

Aluminium Corporation

Aluminium Corporation of India Limited has got Government approval for its proposal to capitalise Rs. 67.5 lakhs out of reserves and issue bonus shares in the proportion of one for two. After the bonus issue, the paid-up capital will increase to Rs. 267.5 lakhs. The company has a scheme to set up an integrated aluminium plant of 15,000 tonnes capacity in Orissa at an estimated cost of Rs. 16.53 crores. This will increase the company's capacity by 2½ times. Technical collaboration and financial arrangements have been finalised.

INDUSTRIAL ECONOMIST

Vazir Sultan

Vazir Sultan Tobacco Company Limited, which manufactures the popular Charminar brand cigarettes, has a proposal to expand its capacity in view of the keen demand for its products. The Andhra Pradesh Government, which is a shareholder has backed the company's application to the Union Government and the latter's approval is awaited. The Chairman, Mr. A. M. Lal, has indicated that the Indian shareholding in the company would be increased to a majority if the expansion is approved, a procedure now being followed by many companies with predominant foreign participation, to raise fresh capital for expansion. Sales of Vazir Sultan in the year ended September 30, 1971 rose to Rs. 44.30 crores from Rs. 41.57 crores in 1969-70.

Madras Cements Repeats

Madras Cements Limited had some difficulty in maintaining its production at a high level during the year ended September 30, 1971 owing to mechanical troubles in the plant and machinery and the consequent stoppage of kilns and cement mills for sometime. Clinker output declined to 1.73 lakhs tonnes from 1.85 lakh tonnes in 1969-70 and cement production to 1.83 lakh tonnes from 2.10 lakh tonnes. Despatches naturally dropped to 1.85 lakh tonnes from 2.10 lakh tonnes. The lower level of operations and increase in working expenses affected profitability in the absence of a higher retention price and the net profit, before depreciation and taxation, declined to Rs. 41.06 lakhs from Rs. 51.19 lakhs. Sales were lower at Rs. 2.45 crores against Rs. 2.66 crores in 1969-70. Depreciation claims Rs. 18.28 lakhs (Rs. 16.78 lakhs) and development rebate Rs. 4.02 lakhs (Rs. 3.65 lakhs) while the provision for taxation is only Rs. 9.75 lakhs (Rs. 13.65 lakhs). The dividend has however been maintained at 12 per cent, taxable, after withdrawing Rs. 4.43 lakhs (nil) from development and rehabilitation reserve, Rs. 4.30 lakhs (nil) from development rebate reserve and Rs. 3.98 lakhs (nil) from expansion reserve. General reserve gets a larger sum of Rs. 8 lakhs (Rs. 3.35 lakhs).

Expansion Scheme

The company has got an industrial licence to double its capacity to 4 lakh tonnes and also change over from wet process to dry process. This will ensure maximum economy in fuel consumption. The scheme will be carried out without affecting the present level of production and the expansion is expected to be completed by early, 1974. The financing of the new project through issue of fresh capital and long-term loans from financial institutions is under study.

Panyam Cements

Panyam Cements and Mineral Industries Limited could increase its output of cement to 3.48 lakh tonnes in the year ended August

31, 1971 from 3.31 lakh tonnes in 1969-70 with a higher clinker production of 3.51 lakh tonnes against 2.83 lakh tonnes. Despatches also were better at 3.50 lakh tonnes against 3.34 lakh tonnes. The turnover improved to Rs. 4.55 crores from Rs. 4.23 crores but with increased cost of production, the net profit, before depreciation was only slightly higher at Rs. 99.68 lakhs against Rs. 95.63 lakhs. It has been stated that despatches would have been higher but for shortage of railway wagons and efforts have been made to move cement by road by acquiring a fleet of lorries. After providing Rs. 51.62 lakhs (Rs. 49.32 lakhs) for depreciation a sum of Rs. 28.50 lakhs (Rs. 27 lakhs) has been transferred to development rebate reserve. The equity dividend has been maintained at 12 per cent taxable and will require Rs. 19.61 lakhs (same). The third unit is now working at rated capacity and this should be reflected in a further rise in output this year but the increase in power rates may offset the benefit in the absence of a higher retention price.

Diversification Plans

With a view to imparting stability to the company's earnings, the directors have proposed to diversify into new lines. A letter of intent has been received for setting up a calcium carbide unit in Bellary district with a capacity of 10,000 tonnes. Negotiations are under way with foreign suppliers of machinery and the unit is expected to be commissioned by the middle of next year. The company has besides approached the Government for licences to make 45,000 tonnes of white cement and 30,000 tonnes of chemical lime per year in Sulerpet taluk (Nellore district). A licence has also been sought to set up a clinker grinding plant and packing plant near Tornagal where the Vijayanagar steel plant will be located with a capacity of one lakh tonnes. The manufacture of barium chemicals is also planned while it is proposed to convert the second wet process kiln of 300 tonnes, into two dry process plants of 300 tonnes each per day, thus doubling the kiln's capacity.

Mysore Cements

Mysore Cements Limited has been operating its plant at a high level of efficiency; but with increasing costs of production and controlled selling price, profitability has been affected. The Chairman of the Company, Mr. G. D. Birla, has been cautious in his assessment of the prospects for better working results. However, he is confident that the various modifications to the plant and efforts to reduce cost of production would be reflected in improved profitability from 1973-74. The company has given a grant of Rs. 2 lakhs to put up an auditorium in Shri Siddaganga Institute of Technology near Tumkur as an earnest of the awareness of its obligations to the society at large.

Nagpal Ambadi Petro-Chem.

Construction of the main plant and oleum plant of Nagpal Ambadi Petro Chem Refining Limited has been completed and the main plant has started production of transformer oil and some specialities. There was a delay in the completion of the project by six months mainly due to acute shortage of steel plates for tank fabrication. The sludge plant is expected to be ready by the third quarter of this year as the imported equipment has not been received. The accounting year has been changed from April-March to September-August to have it coincide with the commencement of production in September last. During the 17 months ended August 31, 1971, there was only a small interest income of Rs. 72,177 while there is a loss of Rs. 13.56 lakhs carried forward after providing Rs. 91,595 for depreciation and transferring Rs. 22.13 lakhs to expenditure pending allocation out of an expenditure during construction of Rs. 35.20 lakhs.

Simco Meters' Interim

Simco Meters Limited has declared an interim dividend of 6 per cent for the year ending March 31, 1972. It is expected that the total distribution for the year will be higher than the 10 per cent paid for 1970-71 as it is learnt that working results so far have been satisfactory. There has however been some difficulty in keeping production of meters at a high level as the Electricity Boards have not been able to take deliveries promptly owing to shortage of funds. But the company has been benefitting from the new lines of manufacture which are proving to be quite remunerative. The Rs. 10 shares have been high around Rs. 15 for sometime past.

Andhra Sugars

Andhra Sugars Limited is launching on an ambitious scheme of expansion and diversification to reduce the dependence on the sugar division. There is a scheme on hand to expand the caustic soda plant at an estimated cost of Rs. 4.94 crores. The required funds are to be found through institutional loans for Rs. 3.27 crores and issue of equity and preference capital for Rs. 70.50 lakhs. The balance will be found from internal sources. The financial institutions have the right to convert upto 20 per cent of the loans into equity shares at par after 1975-76. They have also stipulated that the existing preference capital of Rs. 30 lakhs should not be repaid in 1972 until all the debts are cleared and it has been decided to extend the period of redemption of these shares to 1984 after getting the approval of the shareholders. The present rate of interest of 9.3 per cent is also being raised to 9.5 per cent. To facilitate the new issue, the authorised capital is being increased to Rs. 5 crores from Rs. 3 crores. There are also plans to increase the output of chlorosulphuric acid and take up manufacture of aspirin for

which a letter of intent has been received. These schemes are to be financed by bank borrowings and other loans.

Kothari Group

Pending the High Court judgement on the merger scheme of the Kothari group of companies (three plantations and two textile units) broad details of working of the five companies for the year ended August 31, 1971 have been released to the shareholders. No dividend has been declared for the two years 1969-70 and 1970-71 as the merger, if approved, will take effect from September 1, 1969. There has however been a rise in aggregate turnover of the five companies during 1970-71 to Rs. 14.07 crores from Rs. 13.08 crores and in the gross profit to Rs. 88.46 lakhs from Rs. 83.78 lakhs in 1969-70. Blue mountain Estates and Waterfall Estates improved their earnings appreciably to Rs. 24.84 lakhs and Rs. 24.86 lakhs from Rs. 19.90 lakhs and Rs. 17.72 lakhs respectively, but Balmadies again had a loss of Rs. 73,000 (Rs. 37,000). Kothari Textiles reported a sharp fall in earnings to Rs. 22.46 lakhs from Rs. 81 lakhs but Adoni Spinning and Weaving earned a higher profit of Rs. 17.03 lakhs (Rs. 12.72 lakhs).

I.O.B. — Trayons Merger

The directors of Indian Overseas Bank Limited have made some modifications in the scheme of merger with Travancore Rayons Limited. This has been necessitated by the procedural delay in implementing the merger. The original scheme provided for allotting every holder of one equity share of Rs. 100 in IOB 7 equity shares of Rs. 10 each in Travancore Rayons initially paid-up to the extent of Rs. 5 per share and a debenture of Rs. 100. The equity shares were to become fully paid up after the full amount of compensation is received by IOB from the Government by the middle of this year. But now in view of the delay it has been decided that the equity shares of Travancore Rayon under the conversion scheme will be allotted fully paid as the merger will take effect from July 1, 1972 after the formalities are completed and the approval of the Controller of Capital Issues is obtained. The shareholders of IOB will now be able to get their dividends out of the earnings for 1971 and for the first half of 1972. The cash option to IOB shareholders under the old scheme however remains unchanged at Rs. 200 per share. The changes have been approved by the directors of IOB and will go before the board of Travancore Rayons for their consent.

Toshiba Anand Batteries

The Rs. One crore dry cell batteries factory at Kalamassery near Cochin of Toshiba Anand Batteries Limited was formally commissioned on Feb. 2 by President Giri. The unit has already gone into production since

the beginning of this year. The Managing Director of the Indo-Japanese venture Mr. C. L. Anand, said the factory was designed to make 60 million dry cells per year of large, medium and small sizes. It is the first factory to use tin metal jackets for the leak proof cells which have found wide acceptance in the country. The Industrial Credit and Investment Corporation has provided a Rs. 50 lakh loan in foreign currency to import the plant and machinery from Japan and the factory was completed within a year since actual work began.

Crompton Greaves Limited which has a wide sales network throughout the country will be marketing the bulk of the production while arrangements have also been made to sell through dealers and other agencies.

The issued and subscribed capital is Rs. 69.5 lakhs in equity for Rs. 52 lakhs and in preference shares for Rs. 17.50 lakhs. The Japanese collaborators, Tokyo Shibaura Electric Company Limited (Toshiba) and two other firms have been allotted Rs. 21 lakhs of equity shares for supply of plant and machinery and technical know-how.

Trichy Steel

Trichy Steel Rolling Mills Limited has again done well during the year ended September 30, 1971 with a further rise in the net profit before taxation and after depreciation, to Rs. 17.55 lakhs from Rs. 14.05 lakhs in 1969-70. The total dividend on equity capital has been raised to 12 per cent taxable from 10 per cent previously with the declaration of a final payment of 7 per cent taxable. After providing Rs. 10 lakhs (Rs. 6.15 lakhs) the transfer to general reserve is Rs. 5.70 lakhs (Rs. 7.29 lakhs). The final dividend is to be paid out of this reserve.

Indian Aluminium Co. Ltd.

The Directors of Indian Aluminium Co. have recommended for 1970-71 dividends of Rs. 6.25 (less company's income tax) on each preference share, and Rs. 1.04 on each fully paid share and proportionately on partly paid ordinary shares.

Sales reached a record level of Rs. 399.4 million, which is a 13 per cent improvement over the previous year's. This is all the more impressive, taking into consideration the 90-day strike at the company's plant at Hirakud.

Net profit after providing for taxes and development rebate amounts to Rs. 41.94 million (Rs. 27.5 million).

Even though work still continues in regard to the installation of finishing and ancillary equipment, the new sheet mill itself—at Taloja—was commissioned in December 1971.

Proposal to issue bonus shares at the rate of one new ordinary share per every two existing ones is awaiting clearance from the controller of Capital Issues.

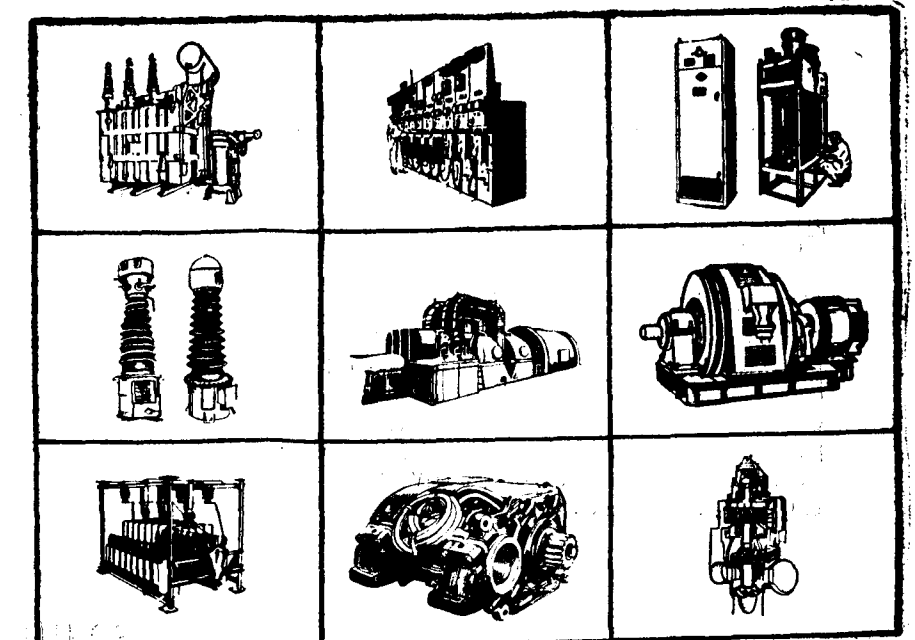


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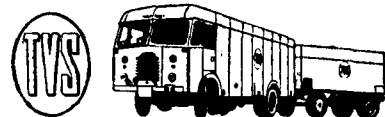
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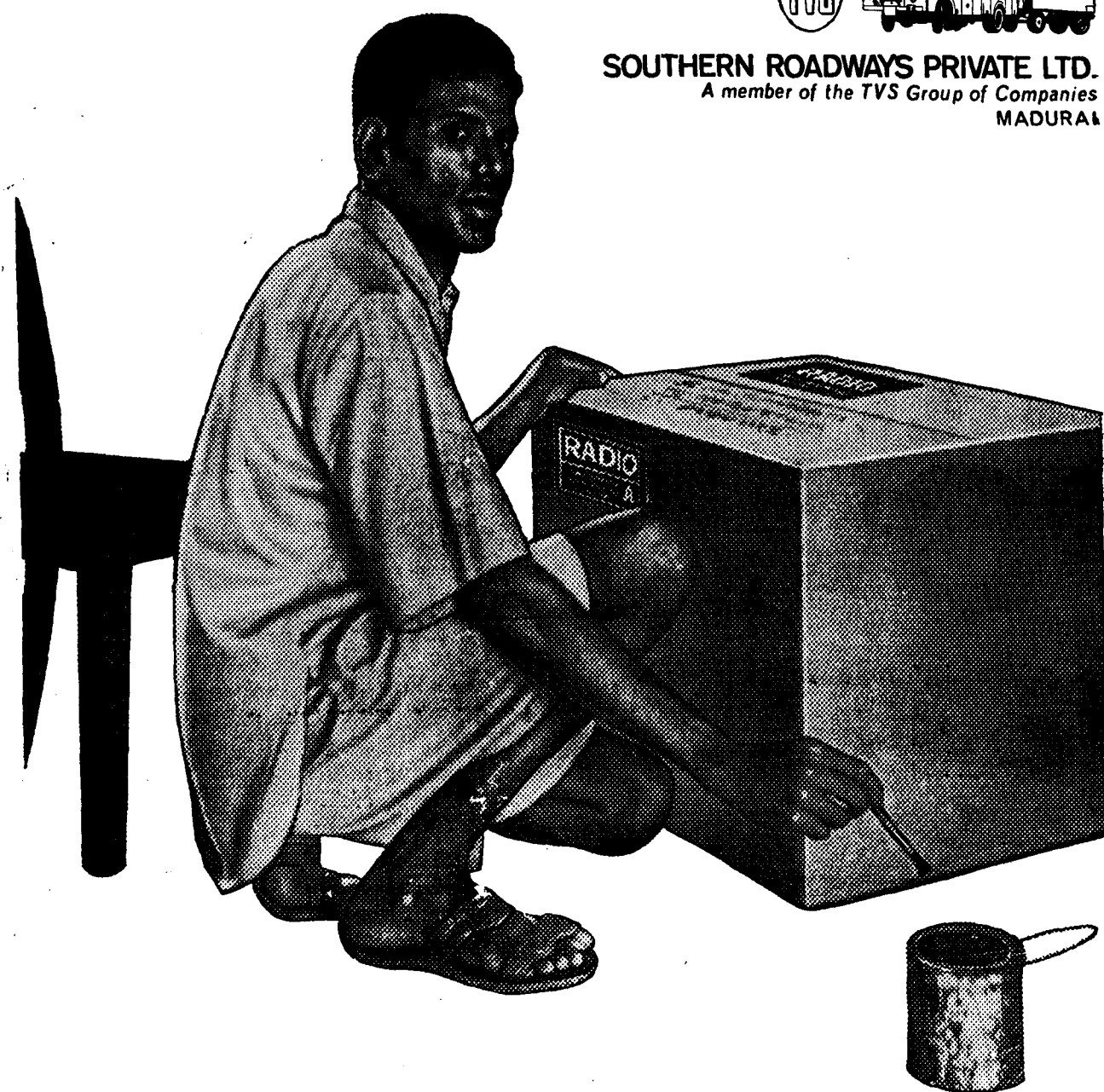
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Proud Performance of Ordnance Factories

The record of the ordnance factories during the war with Pakistan is not only something to be proud of but also the basis of new aspirations both in military strength and industrial development. That victory would have been well nigh impossible without the defence industries playing an effective role can be readily presumed. But that output was raised by as much as 400 per cent or that the factories worked round the clock is something more than one would have expected. Even more exciting is the report that such high levels of output were achieved not only quantitatively but qualitatively as well. The stoppage of U.S. supplies of arms to India, while they were being thrust on Pakistan regardless of her capacity to use them, meant that there was many a breach which the ordnance factories had to fill at short notice. The Metal and Steel Factory at Ishapore, on which all other engineering ordnance units depend for their supplies of basic raw material, more than rose to the occasion. Producing special steel from railway scrap, it had, under the stress of war, to improvise plans for making such high precision guns for tanks as well. Requests from the Navy which had been turned down formerly as not feasible were complied with, with all the stages of designing, development and production pressed into a short period of three weeks. Various types of ammunition for the three services are now being produced, for which the Ministry would formerly have turned to foreign sources of supply. Though ordnance factories must have worked during the war with little concern for costs, the example they have set up in efficiency of management in the acquisition of new skills and adaptation to new demands is worthy of emulation by civilian industry both in the public and the private sectors.



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When Sir Charles Napier captured Sind in 1843, he sent a native messenger galloping across to Lord Ellenborough, the Governor General, and the message contained one single word—Peccavi, which is Latin for 'I have sinned'. Lord Ellenborough, who had also spent years conjugating Latin verbs, understood at once that Sind had fallen. Very romantic and very nice. But now there is a quicker and equally

interesting way to send messages. That way you don't have to know Latin to decipher the telegrams you receive. The answer is neatly tied up in a package called a teleprinter, made by Hindustan Teleprinters, a Government of India undertaking. P & T departments, banks, commercial houses, news agencies all use them for quick speedy service. A small answer to a large problem.

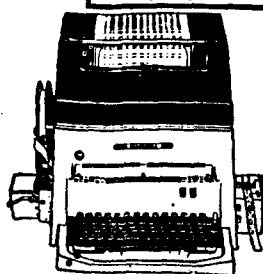
SOME INTERESTING FACTS:-

1. 25% decrease in unit price—from Rs. 7000/- in 1968 to Rs. 5300/- in 1970.
2. Saving of Rs. 8.18 lakhs during '69-'70 on account of import substitution. Reduction of the imported components to 9.
3. Profit of about 19% on sales.
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A Promising Picture of Tamil Nadu's Finances

The Tamil Nadu budget for 1972-73 estimates a revenue surplus of Rs. 2.49 crores. The budget estimate for 1971-72 which anticipated a revenue deficit of Rs. 15.87 crores proved to be a surplus of Rs. 1.74 crores in the revised estimates. It is indeed surprising that the difference between the revised and original estimates should have been as much as Rs. 17.61 crores. In fact the difference between the revenue receipts estimated in the budget for 1971-72 (Rs. 342.65 crores) and the revised estimate (Rs. 377.41 crores) has been as much as Rs. 34.76 crores. Such a performance lends weight to the criticism that in the years when fresh taxation proposals are undertaken on a large scale, there has been a tendency to deliberately underestimate revenue receipts.

An interesting aspect of this budget has been the effort to mobilise additional resources which are to be earmarked for specific purposes. A 10 per cent surcharge on Motor Vehicles Tax has been proposed in the budget, the proceeds from this head are to be credited to a Rural Road Development Fund which is to finance a five-year programme to link all villages and hamlets with a population of 1,500 and more with the main roads and also for connecting the adjacent small villages. This is an interesting scheme towards developing rural areas with a view to remove the disparities between rural and urban development.

Similarly, to enable the Panchayat Unions to provide drinking water facilities and link roads for the small villages and hamlets in their areas, the budget has proposed to increase the ceiling for the local cess surcharge levied by the Panchayat Unions from the present level of Rs. 1.50 to Rs. 2.50. The Government, it is stated, has also requested the Life Insurance Corporation of India for assistance for rural water supply programmes.

The third measure towards additional resource mobilisation is the proposal to increase the betting tax from 15 per cent to 20 per cent for bookies and totalizators and from 20 per cent to 25 per cent for others. This measure is estimated to bring an additional income of about Rs. 50 lakhs which is to be credited to the Beggar Rehabilitation Fund. The scheme for beggar rehabilitation, introduced in the last budget session is thus expanded further. The progress of the scheme so far has been impressive. The Government could raise over Rs. 1 crore for this fund through generous response from the public. It has been estimated that there are around 60,000 beggars and 6,000 leprous beggars in the State. Three rehabilitation centres for leprous beggars have already been set up. This programme to rehabilitate beggars and to create sources for funding it appears imaginative.

Poor Health of Drinkers and Healthy State Finances

One factor that has helped the State stabilise its finances appears to have resulted from its decision to scrap prohibition.

The income from Excise, which was in the region of Rs. 1.17 crores in 1969-70 and Rs. 1.40 crores in 1970-71 has shot up to Rs. 25.12 crores under the revised estimate for 1971-72. The receipts for 1972-73 estimate excise revenue at Rs. 35.49 crores. Of course, however much one might take comfort from the big boost to the State revenues that excise duties on prohibition have given, the amount of money spent on drinks, which, would be nearly Rs. 100 crores during 1972-73 could not but make deep inroads into the purchasing power of the people of the State.

Buoyancy in M.V. Tax and Sales Tax

Major items under receipt apart from excise, are sales tax and tax on vehicles. The buoyancy in the sales tax revenue is continued; the revised estimates for 1971-72 showed the receipt from sales tax at Rs. 95.50 crores. The budget for 1972-73 estimates the receipt on this account at Rs. 104.90 crores. Likewise tax on vehicles is estimated to bring in a revenue of Rs. 24.27 crores for the coming year, which means a doubling of what it was in 1963-64 (Rs. 12.34 crores). In the light of most of the passenger transport operations in the State coming under the management of State Transport Corporations, this increase in the levels of taxation on motor vehicles would have an impact on the balance sheets of these. Possibly a revision of the passenger fare structure may be undertaken by these different corporations to ensure their viability.

Debt Relief Proposal: Instance of Robbing Paul to Pay Peter

It has also been stated in the budget that a new debt relief enactment on the lines of the Agriculturists' Relief Act, 1938, would be brought before the House to give debt relief to the agriculturist; another Act to give relief to the debt burden of labourers, wage earners and Government servants coming under the low income group would also be brought before the House shortly. By way of imme-



Chief Minister Karunanidhi is seen presenting the Budget to the Tamil Nadu Legislative Assembly on March 1.

mediate relief the budget has announced a scheme which appears iniquitous: In 1968 the Assembly passed an Act which permitted the arrears of rent to be repaid by the tenants to the landowners in four annual instalments. While it stipulated that failure to clear the arrears through these instalments can entail the eviction of the tenant concerned, it did not ensure the payment of current dues simultaneously. There were many instances when the arrears were paid as per the Act, but current dues were skipped. While the Act provided for the landowners seeking recovery even at the point of eviction through legal proceedings, it did not bestow serious attention on the prevention of accumulation. This contributed to many tenants appropriating the entire produce without fear of any penalty in many cases.

Without setting right the anomalies in the 1968 Act which was heavily weighted in favour of the tenants, the present proposal to bring in legislation to protect the interests of the tenants by wiping out the old arrears due up to June 30, 1971 for those tenants who have cleared their dues in the current fasli appears preposterous. The justification for this measure is that many tenants are finding it difficult to discharge the arrears within the time limit given earlier. By this proposal does the State plan to take upon itself the burden of clearing these arrears? Or does it propose to exempt the tenants from the responsibilities of any payment to the landowners? Many of the viable large farms are presently managed directly by the landowners concerned and so these are not much affected by any such enactments. But the thousands of small landowners who have the lands fragmented to an acre or two through family partitions and who have to depend on tenants, do not get their dues in full even under the present dispensation. Affording relief from debt in the form of total release of debtors from their responsibilities can only mean a form of robbing Peter to pay Paul, sacrificing the principle of equity and justice. This concept seems to emanate from the feeling that landowners are capitalists and that in a socialist set up their interests can be forsaken. But, when one takes into consideration the fact that the average holding of the landowners in the Thanjavur District, for example, is two acres, the total income from which will be in the region of Rs. 1,500 to Rs. 2,000 per annum,

TAMIL NADU BUDGET 1972-73

REVENUE ACCOUNT

	Accounts, 1970-71	Budget Estimate (Revised) 1971-72	Revised Estimate 1971-72	Budget Estimate 1972-73
(Figures in lakhs of Rupees)				
Revenue Receipts	3,13.89	3,42.65	3,77.41	3,97.27
Expenditure on Revenue Account	3,21.48	3,58.52	3,75.67	3,94.78
Revenue Deficit (—) or Surplus (+)	— 7.59	— 15.87	+ 1.74	+ 2.49

CENTRAL ACCOMMODATION IN LIEU OF OVERDRAFTS

An interesting aspect of the budget is its success in covering deficits through greater recourse to loans from the Government of India. In lieu of the overdrafts to States, which are not looked with favour by the Central Government, the State has been able to get special accommodation from the Centre. Under the revised estimate for 1971-72, loans from the Government of India have been shown at Rs. 41.29 crores plus Rs. 43.70 crores relating to assistance given by the Government of India to clear overdrafts as on June 30, 1971 plus another Rs. 66.33 crores relating to assistance expected to be given by the Central Government to clear the gap in resources as on March 31, 1972.

and with the area offering relatively very poor scope for industrial employment, the injustice done would be evident. The Government should exempt at least holdings which are less than 5 acres from the purview of this proposal.

The general financial picture of the State appears to be quite satisfactory. Tamil Nadu has been enjoying the reputation for mobilising its resources well and investing these on productive activities. The receipts for 1972-73 have been estimated at Rs. 397.27 crores and expenditure on revenue account at Rs. 394.78 crores. Thus they have registered a three-fold growth in the last nine years.

Need to Soften the Conditions of Debt Repayment

The State is able to think of a Fourth Plan which is larger than the one cleared by the Planning Commission. Certain interesting facets of these were provided by Chief Minister Karunanidhi, who has pleaded for a softening "of the conditions of debt repayment by reduction of the rate of interest and extension of the period of repayment." He has sound reasons for this plea. In 1972-73, he has stated, Tamil Nadu will be receiving a loan of Rs. 45.80 crores from the Centre for the Plan schemes and other developmental activities whereas the repayment during the year will have to be of the order of Rs. 53.38 crores. Which means the repayment to the Central Government will exceed the receipts by about Rs. 8 crores, necessitating the State Government to provide funds from its own sources for the entire development expenditure on the capital account.

There are also wide divergencies between what should constitute a minimum Plan outlay envisaged by the State (Rs. 575 crores) and what is cleared by Planning Commission (Rs. 522 crores). The State has fulfilled a plan of Rs. 93.49 crores during the annual plan of 1968-69. It has been stated that the Central Government gave its approval for 1969-70—the first year of the Fourth Plan—for only Rs. 72 crores, which is a drop of nearly Rs. 22 crores compared to the previous year. Naturally the State was worried over the impact of this in retarding the State's growth.

Notwithstanding this, the Government of India insisted that the State's plan for 1970-71 should be revised to Rs. 79.30 crores and that for 1971-72 to Rs. 80.20 crores. There was also the yet to be resolved conflict arising out of the last Finance Commission's recommendations. The State Government was pleading for an increase in the Central assistance from Rs. 202 crores awarded by this Commission to Rs. 250 crores.

The Chief Minister has given the reason for the recourse to the overdrafts with the Reserve Bank as the non-materialisation of the quantum of assistance anticipated by the State in the first three years of the Fourth Plan.

The State has gone ahead with the more ambitious allocations for Plan schemes: In the budget, provision has been made for a plan of Rs. 114.98 crores in the current year and Rs. 116.63 crores in 1972-73. The Chief Minister has mentioned that the State Government has obtained the agreement of the Government of India in discussions he had with the Union Finance Minister, the Minister for Planning and the Planning Commission on the size of the annual plans in December last. On the basis of this, the Government has taken credit for a ways and means accommodation of Rs. 66.33 crores from the Government of India to cover the overdraft arising from the implementation of the Plan.

Tamil Nadu has recorded spectacular progress in agricultural production in recent years which has helped the State to emerge from a marginally deficit State to substantially surplus one in respect of foodgrains output. In his budget speech, Chief Minister Karunanidhi has referred to the efforts made by the State in this direction. During the current year, high yielding varieties have been cultivated in 59 lakh acres; the target for 1972-73 under this scheme is 86 lakhs acres. Special stress has been laid on the production of pulses; an area of 14 lakh acres will be earmarked for cultivation of pulses in the coming year.

Stress on Pulses Production

There is an improvement in regard to agricultural credit also. During the current year Rs. 50 crores would be advanced by co-operative banks and other agencies on short and medium term loans to agriculturists. For 1972-73, this is expected to increase to Rs. 61 crores. Long term loans are likewise expected to be around Rs. 29.40 crores in the current year.

Milk...

It is interesting to find stress being laid on the quality and nutrient content of the intake of the people. Similar to the attention paid on pulses' cultivation, there is to be substantially increased investment on dairy development. The Indian Dairy Corporation has already allotted Rs. 8.87 crores for dairy development in Tamil Nadu.

The budget states that under the Operation Flood Programme, the amount of milk distributed in Madras City will be raised to 3 lakh litres per day in a period of five

years. This will mean a near three-fold increase from the present level. A second dairy is also to be set up in the city at a cost of Rs. 55 lakhs. The State proposes to set up a Tamil Nadu Dairy Corporation, to implement these schemes.

The speech refers to the delay in taking up the scheme for modernisation of the Thanjavur Irrigation System which has been recommended by the World Bank and the technical clearance for which has been obtained from the Government of India. Particularly in the context of the absence of perennial rivers in the State and with unreliable

THE 'BENEFICIAL EFFECTS' OF DRINKING TO STATE'S FINANCES

The State has reached the saturation levels in taxation on items coming under its purview. With the general reluctance to tax agricultural income, taking into consideration the enormous improvements in yield witnessed during recent years, the State has to depend heavily on Motor Vehicles Taxation and Sales Tax. Over the years Tamil Nadu has been setting the pace for increasing the rate of tax on these which are followed by the other States.

The record of taxation on motor vehicles is a good example for this: The taxation on medium-sized commercial vehicles which was around Rs. 450 per quarter about a decade ago has increased to Rs. 900 per quarter today. Likewise the taxation on passenger vehicles has increased from about Rs. 35 per seat per quarter then to nearly Rs. 80 per seat per quarter plus the surcharges introduced from time to time. The net effect of these is a big increase in the receipts under the revenue account of the State from taxation on vehicles—from Rs. 12.34 crores in 1963-64 to Rs. 23.63 crores in the revised estimate for 1971-72. The budget estimate for 1972-73 anticipates a receipt of Rs. 24.27 crores for the coming year.

Likewise there have been frequent increases in the rate of Sales Tax levied on various goods and commodities. The buoyancy under this head can be seen from the increase in receipts under this head in recent years: As late as 1963-64, the receipt from Sales Tax amounted to Rs. 27.02 crores. The revised estimate for 1971-72 under this head amounts to Rs. 95.50 crores. The budget for 1972-73 estimates this at Rs. 104.90 crores, which means a four-fold increase in the matter of nine years.

By far the most astounding increase in receipts is witnessed in Excise after the scrapping of prohibition in August 30, 1971. Till this date, the State had little income under this head. In fact it was less than Rs. 50 lakhs upto 1965-66. Even during 1970-71, it was just Rs. 1.40 crores. In the seven months since prohibition was scrapped on August 30, 1971, the revenue under this head has been estimated to have increased to Rs. 25.12 crores. The budget for 1972-73 estimates this to increase to Rs. 35.49 crores which itself appears to be underestimated compared to the record of the seven months of the current year.

monsoons, there is every need to ensure water availability. The request for taking up the work for Ganga-Cauvery link is thus a continuation of this.

Poor Attention to Power

Tamil Nadu has been laying special emphasis on power generation and distribution for a long time now. Substantial allocations have been made almost in every budget in the past for schemes under this head which have helped the State to emerge with the widest distribution system and with a high per capita consumption of power in the country. One is disappointed to note that apart from the by now familiar platitudes and pleas, no specific programmes have been outlined for power generation and distribution. The earlier exuberance of achieving cent per cent electrification of all the villages and hamlets in the State before the end of 1972 appears to have been tempered with caution. It is stated that the number of villages getting electric supply will rise to 50,900 by the end of 1971-72. Apart from this Mr. Karunanidhi has stated that the State "will be achieving our goal that no village in Tamil Nadu will be without electricity substantially by the end of 1972-73."

About Rs. 10 crores has been provided for road transport facilities which includes Rs. 3.68 crores for capital works and Rs. 6.63 crores for maintenance. The budget also proposes to take over 1000 miles of bus route roads from Panchayat Unions. It is also heartening to note that the Central Government has sanctioned the construction of the Pamban bridge at a cost of Rs. 5.33 crores. The plea for according approval to the Sethusamudram Canal project also requires early clearance.

Nearly a Fourth of Total Expenditure on Education

Tamil Nadu has been having an enviable record in the matter of providing educational facilities. The State was among the first to introduce free education up to the collegiate stage. After the advent of the DMK, this facility was extended to cover the Pre-University course too. The expenditure on revenue account under education has increased from Rs. 27.42 crores in 1963-64 to Rs. 85.53 crores in the revised estimate for 1971-72. The budget for 1972-73 estimates expenditure on education at Rs. 89.85 crores which forms nearly a fourth of the total expenditure of the State.

For the first time reference has been made to improve the quality of education. The Chief Minister has announced the decision to constitute an expert committee for this purpose. It is also proposed to formulate a new scheme under which scholars from this State working in various foreign institutions would be invited to visit this State for specific periods, ranging from six months to one year, to introduce in the institutions here the things they have learnt in the process of modernising education. Fifty fellowships are to be awarded under this Tamil Nadu Fellowship Scheme.

The budget also provides for Rs. 8.51 crores for the welfare of Harijans and other backward classes.

Equity Participation to Workers in State Units

Perturbed by the serious labour disturbances in the State, the Chief Minister has catalogued the various measures taken by the Government in regard to labour welfare measures such as the relief granted to the workers of the Standard Motors, the take over of Textools, Southern Structurals and Lasco. He has also referred to the new policy of the Government by which the workers will share in the management as well as in the equity capital of units in the public and co-operative sectors. A committee is to be appointed to go into details in regard to this. While one has heard of labour participation in managements in regard to some the public sector undertakings of the Central Government, the proposal to extend financial participation is a novel feature. It is hoped that workers' participation would give them greater involvement in the well-being of industry. This scheme can open up interesting possibilities.

The Chief Minister has expressed his "sense of gratitude to the Central Government for expediting the work on the Salem steel plant in response to the continuing and untiring efforts of the State Govt." This breathes a lot of fresh air in an area flooded by contradictory statements by the Centre and State.

Little to Stimulate Industrial Activity

Unfortunately, the budget has little to say in regard to the progress in the industrial sphere. There has been a marked deceleration in the rate of investment in this State for quite sometime now. This should cause serious concern. While one can admire the care taken by the Chief Minister to take the benefits of a democratic, socialistic set up to the different strata of society, particularly in the lower levels, the absence of serious efforts to step up industrial production which alone can ensure higher level of revenue for better distribution is disappointing. The State has created enormous infra-structure facilities and one of the main endeavours of the Government should be to stimulate industrial production. In this issue we have referred elsewhere to serious deficiencies in quality of industrial development in the State though quantitatively the record may be satisfactory. The State has taken up the promotion of a few projects in the joint sector. It should analyse in greater detail the reasons for the poor state of capital formation and come out with sufficient incentives, to promote industries in the State.

The budget has provided for an enhancement of the house rent allowance for the State Government employees from March 1, 1972 in pursuance of the recommendations of the Second Pay Commission. This allowance will be 12 per cent for the City of Madras, 8 per cent in Madurai and Coimbatore, 6 per cent in Grade II areas and 4 per cent in Grade III areas. The provision for additional expenditure on this has been made for Rs. 1.82 crores per annum.

It is also proposed to establish a Tamil Nadu State Trading Corporation with a view to hold the price line through creating a buffer stock of essential articles like rice.

Exemptions to Trusts to be Withdrawn

The budget has also proposed to reduce with effect from March 1, 1972 the present ceiling of 60 standard acres allotted for a family to 40 standard acres. It is also proposed to withdraw all exemptions in favour of trusts created after January 26, 1950 except for a limited extent to be allotted

for trusts for educational purposes and medical facilities. Necessary legislation is to be introduced during the current session for this.

The Chief Minister has dealt in detail with the concept of State autonomy pleading for a greater degree of decentralisation in favour of the States.

Big Deficit in Kerala Budget

The Kerala budget for 1972-73 proposes additional taxation to the extent of Rs. 5.5 crores. Of this, Rs. 3 crores are expected from the raising of the rate of general sales tax to 3.5 per cent from 3 per cent, Rs. 1.5 crores from a 3 per cent tax on petroleum products of the Cochin Refinery transported out of the State and Rs. 1 crore from the irrigation cess of Rs. 25 per hectare to be introduced for the first time now. Finance Minister K. T. George has hinted at a revision of the electricity tariff on agricultural uses.

These measures are intended to reduce the overall deficit to Rs. 11 crores from Rs. 16.50 crores. Revenue expenditure will be in excess of receipts by Rs. 18.59 crores. Rural debentures are sought to be floated for programmes of minor irrigation, housing and water supply. The income from the State lotteries is reported to be declining. It is doubtful whether the position will improve when, as the Government now proposes, the prizes will be diversified to benefit a larger number of persons than now. This is because the charm of a lottery is in its attractive sweep-stake. As means to benefit the less prosperous, Mr. George has announced the raising of old age pensions to Rs. 25 p.m. from Rs. 20 and of the minimum service pension to Rs. 50 from Rs. 45. There will be some upward revision of house rent allowance, travelling allowance and lay-off allowance. Against this, Mr. George announced amidst understandable round of applause the ending of payments to the Travancore and Cochin Royal families.

In line with many other State Governments, Mr. George has also blamed Kerala's financial difficulties on the inadequacy of the award of the Fifth Finance Commission, heavy debt charges reflected in the State having to pay the Centre Rs. 129 crores against a Central assistance of Rs. 175 crores and the consequent Plan deficit in the first two years of Rs. 28 crores. Non-plan gap, according to the State government, is Rs. 107 crores, but the Planning Commission's figure is Rs. 67 crores.

Mr. George says that resources available for financing the next annual plan are only Rs. 58 crores against a need of Rs. 64 crores, not to mention the urgency of the Government having to implement its Rs. 73 lakhs employment scheme. The Kerala Finance Corporation, the Kerala Industrial Development Corporation, the State Housing Board and the Rural Development Corporation have been able to raise only Rs. 4 crores during the current year

against the Rs. 19 crores that may be needed. The condition of Kerala's financial health is underlined by the fact that the current year fiscal transactions will end with an overdraft of Rs. 33.53 crores. The closing balance of the year will be minus Rs. 49.43 crores—Rs. 32.93 crores plus Rs. 16.50 crores.

Mr. George's budget speech itself explains why the financial position should be so difficult. Industrial production was unsatisfactory. Government companies made losses and main industrial units were in the red because of shortage of raw materials or capital besides labour unrest. The last mentioned factor has been the most potent force for mischief as is evidenced by the unceasing labour strife at Idikki—a project which is a must for Kerala as well as the southern grid.

A redeeming feature of the Budget is the marginal improvement in agricultural production and the significant increase in the output of marine products and plantation crops. While rubber is facing peculiar difficulties, the output of coffee has risen by 9 per cent.

KERALA BUDGET AT A GLANCE

Revenue Receipts :		Rs. crores
Taxes and duties	..	124.91
Non-tax revenue	..	66.46
	Total	191.37
Revenue expenditure		209.97
Revenue deficit	..	18.60
Capital expenditure	..	30.18
Loans and advances	..	12.31
Debts and deposits	..	44.58
Overall deficit	..	16.50
Opening cash balance	..	32.93
Closing cash balance	..	49.43

Glimpses

By P. R. SRINIVAS

Better Farm Front and Buoyant Revenues

An unusual continuation of favourable circumstances and the critical nature of the present phase of planned development have impelled the Government to focus their attention on the means of accelerating growth, instead of harping on the worn out slogans of their unperspicacious egalitarianism. No other developing nation has found itself in a position similar to India's today. India has won a war with Pakistan and the economy has withstood the impact not only of the war, but also of the influx of 10 million refugees from the erstwhile East Pakistan. It has attained self-sufficiency in foodgrains and has even got to the point when plans have to be drawn up for the export of one million tonnes of surplus foodgrains. Considering the state of war at the time, India's foreign trade in December last was only Rs. 8 crores less than in December of the previous year. Exports during April-December 1971 totalled Rs. 1190.52 crores or Rs. 40 crores higher than the corresponding period of the previous year. What is more important is that, on the strength of the experience of the previous financial year when the growth rate of exports of 3.6 per cent in the first three quarters rose to about 8 per cent at the end of the year, 1971-72 may be reasonably expected to reach the Plan target of seven per cent increase in exports. In public finance, one can feel highly gratified over the fact that, with two months still left in the current financial year, customs receipts show an increase in Rs. 120 crores over the Budget estimate while excise receipts totalled Rs. 1505 crores in April-December 1971. There has been a buoyancy of Central revenues, direct and indirect, which though will not suffice to ward off deficits, can certainly serve to keep them at less dizzy heights.

The delineation of the favourable features is by itself sufficient to bring

out the adverse factors in the present situation. Increase of agricultural output is restricted to foodgrains and the leeway in cash crops affect not only the agriculturists concerned but also the industries which depend on adequate supplies of raw material. Though current trends in foreign trade are heartening, the trade deficit has widened and foreign reserves have had a fall, the net draft in 1970-71 amounting to Rs. 89 crores against a rise of Rs. 244 crores in the previous year. The deficit on current account was Rs. 410 crores as compared with

Rs. 231 crores in 1969-70. As regards the Central budget, though the deficit may not prove as high as was feared, the need to keep down the deficit in the coming year, as also the extent of additional tax burdens can be met only by raising the levels of production so that the buoyancy now experienced in direct and indirect taxes will be strengthened and revenues expanded.

Pointers to Substantial Progress

The growth rate of industrial production and the proportion of capital utilisation being low and the potentialities for expansion being unquestionable, the Government has constituted a special Cabinet Committee distinct from the one already functioning deal-

ing with procedural matters. The new committee is sufficiently high powered to tackle questions involving changes in policy, such as might be attacked by opposition groups in Parliament. The need for policy changes has been brought out by a study conducted by the National Council of Applied Economic Research which has come forward with its conclusion, that a 5 per cent increase in agricultural production and a 9 to 10 per cent increase in industrial output will enable the national economy to realise a target of 7 per cent in national income against about 3.5 per cent estimated for this year. The NCAER has also drawn attention to the rate of utilisation of licences granted and the need for stepping it up. There is general agreement that the most important of the obstacles to increase in industrial output is the shortage of raw materials. The eagerness shown by Mr. Kumaramangalam to increase capacity utilisation in the steel industry to 85 per cent so as to bring nearer the goal of self-sufficiency in steel and the plans for raising the output of raw cotton and oilseeds are pointers to substantial progress in the economy.

Favourable Conditions to Brighten Economy

The Ministries of Foreign Trade and Industrial Development are drawing up clear cut plans for export promotion, the most important of which is the scheme to encourage industrial units, which are not currently exporting or whose exports are not up to the capacity, to build up their potential with assistance in respect of import of capital goods and similar facilities and incentives. Conditions are thus most favourable for making what is now a mixed picture of the national economy into one of uniform brightness.

Great Heights in Grape Cultivation

For a country which has taken the palm for the correct yield per acre in almost every agricultural commodity, it is great news, indeed that it now tops the world in grape cultivation,

with 25 tons per hectare which is five times the world average. Speaking at the prize distribution ceremony organised by the Union and Maharashtra Governments, the Union Minister of State for Agriculture, A. P. Shinde, drew special attention to the handicap with which independent India started, the partition having taken away the greater part of the grape-growing area, leaving India with only 560 acres for this crop. Today grapes are grown in 10,000 hectares spread over a number of States. Mysore which has been giving attention to it, tops the list with 3,900 acres followed by Maharashtra and Andhra Pradesh with 2,000 and 1,150 acres respectively. While grapes are a most desirable addition to the daily diet of the classes which can afford it, they are more important as "a significant foreign exchange earner," as Mr. Shinde emphasised, when he exhorted the cultivators to open up small grape processing units. The trend away from prohibition should help the production of exhilarating drinks, which in most other countries count for an important part of the G.N.P. and help to raise the conventional standard of living and induce a sense of well-being in a large majority of the citizens.

Why the 'Crash Programme' Crashed?

Planning Minister, C. Subramaniam has raised the hope that the creation of jobs for the jobless will become an integral part of the Plan with tangible results, instead of a vain cry raised in the interest of popularity for the Government. In a talk to newsmen at the end of his election tour in Mysore he has stated that the "crash programme" for employment cannot be said to have crashed for the simple, but ample, reason that it was never implemented. It is certainly better from the psychological point of view, that it was never tried than that it was tried and had failed. The vital difference between the past and the future in this respect is that till now the schemes for the benefit of the unemployed were avowedly ad hoc, which from now on they will be part of the Plan. There can be real integ-

ration only if the schemes are related to the general programme of planned development instead of being a mere addendum pasted on to the main plan. The disparities in the qualification and capabilities of the different categories of the unemployed preclude a common programme for meeting the needs of all of them. While engineers and the other educated unemployed may seek to benefit from the stepping up of the big projects, much may be done in the rural areas by putting each individual to remunerative work in cattle rearing, poultry farming and handicrafts with a local market.

Plight of Ceylon Indians

The problem of the Indians in Ceylon has erupted again, now that the limitations of the Sirimavo-Shastri Pact have emerged clearly into view. The discontent of the Indians has reached an explosive state, not only because of complacent assumptions about the speed of implementation of the provisions of the Pact, but also because the attitude of the Ceylon Government and the Sinhalese majority towards the Indians is basically unjust and cynical: One cannot but recollect in this context that it is not alone in Ceylon that the Indians abroad are subject to hardships and humiliation. Independent India under Nehru was too keen on the friendship of the neighbouring countries and others which had been subject to foreign domination to think of ruffling them over the lot of the Indian settlers in those lands. Indians had to leave these countries mostly without their bag and baggage and the Indian Government felt it no harm to our purse or prestige. The problem of the Indians in Ceylon is a heritage from the suave, but spineless, foreign policy of those days. Mr. Lal Bahadur Shastri contrived to arrive at an understanding which, if it had been endorsed to by all the parties concerned, would have reduced the number of the aggrieved even if it failed to provide a complete and satisfactory solution. Such reduction was to be achieved by repatriation of the Indians who applied for return to this country and by grant of Ceylonese citizenship

Banking Commission Presents Report

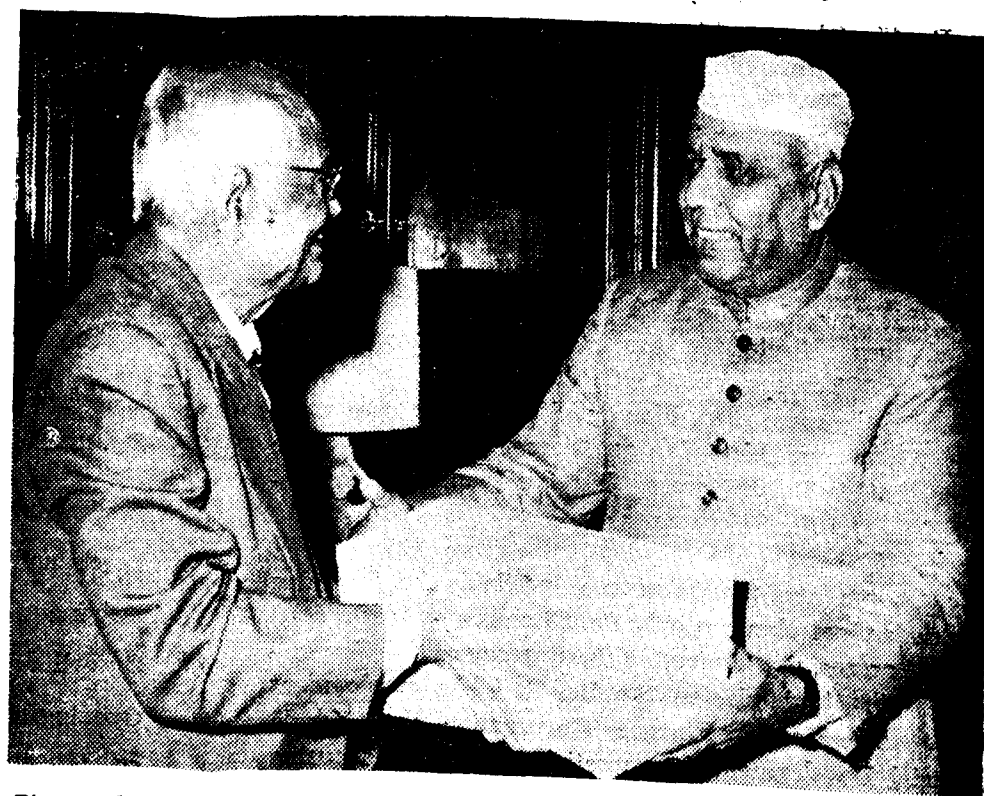
Mr. R. G. Saraiya Chairman of the Banking Commission, presented the final report to the Finance Minister Y. B. Chavan on February 9.

It is gathered that the Commission has recommended a restructuring of the nationalised banks. It may be recalled that at the time of nationalisation of banks in 1969, a suggestion was made to merge the smaller among these and streamline banking operations on a regional basis. This will help the evolution of common procedures and norms and also eliminate unnecessary duplication

and concentration of services over the same areas.

Apart from the voluminous 1100-page report, it is understood that the commission has also submitted to Mr. Chavan reports of the five study groups relating to: banking costs, non-banking financial intermediaries, banking procedures, indigenous bankers and enactments affecting banking system.

Apart from Mr. Saraiya, the commission had three other members: Messrs. N. Ramnand Rao, Bhabatosh Dutta and V. G. Pendharkar—Member-Secretary.



Picture shows the Chairman of the Banking Commission, R. G. Saraiya, presenting the report to Mr. Y. B. Chavan

ship to those who had to remain there in the proportion of 7:4. But the applications for repatriation fell far short of expectations while the Ceylonese Government is intent on getting rid of as many Indians as possible without making up its mind as to how it should treat the rest. It is determined, however, to delay the grant of citizenship to as many Indians as possible and as long as possible, creating in the meanwhile a large mass of Stateless citizens or people of second class citizenship. It is also conscious of the fact that the Indians who work in the plantations are hard to replace and that it must revise its ideas in this respect. Mr. Thondaiman, the President of the Ceylon Workers' Congress has rightly emphasised the need to

take this problem to the international level. While a firm handling of the problem by the Indian Government may have helped to erase its uglier features, it is for the U.N., which enshrines the principle of human rights in its charter, to see that it is respected at least by those countries which, unlike South Africa or Rhodesia, have not cynically repudiated it.

in analysing medically-active substances extracted from Indian plants so as to discover new drugs. The third visual, *The Defenders* shows again a band of three scientists doing intensive studies on drugs.

The strength of the campaign lies in making a technical subject quite intelligible and easy of comprehension to the layman. The visuals are brilliantly alive and active and an equally effective copy matter marks all the visuals. Quite a triumph for Interpub.

A Case of Costly Confusion

To arouse the element of curiosity in the reader, an advertiser has to resort sometimes to certain gimmicks. If the interest could be retained throughout and ultimately propel action, it is at least a case of the 'end justifying the means', however crude the gimmick may be.

Analysed thus, Nerolac's press ad in Tamil falls flat in spite of a clever gimmick. The message has not been effectively put across insofar as public attention has not been favourably drawn towards the product. The cartoon of a billy (cat) against black background is the visual. The billy pays its respects to the entire family and even to the walls of the house, posing the question 'Guess who I am?' The readers' curiosity is aroused. He turns to the next page for enlightenment. The billy discloses its identity as belonging to the Nerolac family and in the process causes confusion. And the credit of causing this costly confusion goes to the Tamil word Kudi. This word makes little sense and throws in a lot of confusion. The term is as elusive as a shadow. One can interpret the term as the term as meaning a 'people' or a 'drink'. But the spoken language does not connect Kudi with paint.

The Tamil copy writer has sought inspiration from the English Muse and has taken utmost pains to be faithful to English. The result? The ad suffers for lack of clarity. It is yet another case of costly confusion.

Toning up the Transmission of Telegrams

In recent months there is a keener desire to improve the efficiency of the postal service. Immediately following his assuming charge as the Minister of State for Communications, H. N. Bahuguna has been expressing a good deal of anxiety towards ensuring a prompter service. The appointment of Mr. N. V. Shenoi as the Director-General, Posts & Telegraphs and Secretary to the Ministry of Communications, departing from the usual procedure of fixing a civil service man for this post, also breathed some fresh air.

Over the years there has been a great deal of improvement in certain sections of P & T's operations; for example, the growth in the activities of the Telephones Department has indeed been significant. The subscriber trunk dialling facility has eliminated hours of long delays for subscribers in different cities who are today able to get across one another almost instantly. Teleprinter and telex services have been expanded manifold, contributing to instant communication. With the advent of the teleprinter and telex, telegrams between important cities, are transmitted through these discarding the age-old conventional Morse system.

Speeding up Telegraph Service

One more instance of such a speedy service has been the offer of the Posts & Telegraphs Department of the Tamil Nadu Circle to deliver telegrams addressed to Bombay within two hours of the time of their issue at Madras. This is to be achieved by having the teleprinter machines installed nearer the delivery zones, cutting across delays caused by human deficiencies involved in sending the messages from one place to another. The Tamil Nadu Circle has a programme to speed up the telegraph service in a similar way to towns within Tamil Nadu State.

5,000 Telegrams Sent in a Day

It is gathered that approximately some 5000 telegrams are sent from

Madras in a day. It is interesting to note that a majority of these are booked through the 'phone. The following is the break-up of the daily bookings of telegram at the Central Telegraph Office, Madras, during the last financial year:

Telegrams booked through phonograms	2760
" " " P & T offices	542
" " " Deposit A/c.	503
" " " Telex	475
" " " Zonal DTOs	800

Roughly an equal number of messages are received at Madras in a day.

Including the transit messages, the highest number of telegrams, amounting to 1500 per day, goes to Calcutta. For the other major centres, the numbers are as follows:

Bombay	.. 1400
Delhi	.. 1200
Bangalore	.. 1200

It is interesting to note that even after the introduction of the STD facilities to Bangalore, the number of telegrams to this city should be so high as 1200 per day.

Problems of Night Delivery

While it is a commendable step to ensure the delivery of telegrams within a specific period, there are certain lacunae in the services offered in general. One such was the decision to deliver only "Express" telegrams during nights if requested by the sender by adding the word, "night" as part of the message. For one thing, information relating to this is not widely known among the public; secondly, in the absence of any guaranteed delivery time to the different destinations at the point of booking, one does not know at what point of time his message will reach the city to which it is addressed. For example, if one is to send a message to Calcutta by 3 p.m. in the hope that it will take

Advertising in the March. . .

By 'NIRAJ'

An Interesting Approach to Pharmaceutical Advertising

In the wake of the successful image-projection campaign of Madras Rubber Factory has come the 'Hoechst' series. Hoechst Pharmaceuticals have come out with a series of three large-sized ads, all centering on the theme of war against disease.

A bespectacled child wrapped in the comfort of a rug is shown in the act of knitting, which is truly among the work-patterns of a grandma. Hoechst takes on the responsibility of seeing that the child lives to be a grandmother—a mission to preserve and prolong life. What does it do towards this end? The subsequent ad, *The Unsung Heroes* provides the answer. Hoechst Research Centre in Mulund, Bombay is the scene of action. A number of Indian scientists are doing basic research



FORM IV

Statement about ownership and other particulars about newspaper "Industrial Economist" to be published in the first issue after last day of February.

Place of publication	.. Madras-17
Periodicity of its publication	.. Fortnightly
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Whether citizen of India?	.. Yes
Address	.. 11-B, Ramachandra Iyer Street, T. Nagar, Madras-17.
Names and addresses of individuals who own the newspaper and partners or shareholders holding more than one per cent of the total capital	.. S. Viswanathan 11-B, Ramachandra Iyer Street, T. Nagar, Madras-17.

I, S. Viswanathan, hereby declare that the particulars given above are true to the best of my knowledge and belief.

(Sd.) S. VISWANATHAN
Publisher.

INDIA CANADA DIRECT TELEPHONE SERVICE



The Minister of State for Communications, H. N. Bahuguna, inaugurated the Direct Telephone Service to Canada through India's earth satellite station Arvi. Also seen in the picture are High Commissioner of Canada in India, James George (centre) and Secretary, Department of Communications N. V. Shenoi.

roughly some 5 hours to reach the Calcutta telegraph office, he may not add the word, "night"; if through delays in transmission the message reaches Calcutta by 10-15 p.m., it will be delivered only on the following morning. Since the amount involved in this case is not considerable, either the stipulation to add "night" can be dispensed with or a uniform fee of

15 paise may be added on to every telegram with assured delivery immediately on receipt by the receiving centre. Or, the Postal authorities should give widespread publicity to this requirement. One reason that was given for introducing this system was the request made by business premises that they found it a nuisance to receive the telegrams at odd hours

and that they would prefer these delivered in the morning. After all, such premises have telephone facilities and they can receive these immediately on the arrival of the message at the receiving centre. If they still find it a disturbance, they could send individual requests to the delivering office concerned to send these the next morning. —(FOC)

Little Improvements in Postal Service

Innovations and improvements have been confined by and large to the telephone and telegraph services only. Over the years, there have been little improvement in the quality of postal service. The volume of mail has increased many-fold, but in terms of efficient deliveries, there does not seem to be much of an improvement. For example, the mail delivery between two major cities such as Madras and Delhi has remained over this period as erratic and as unreliable to day as it was, say, ten years ago. Some of the letters reach the very next day; on many occasions they take as long a time as a week or even more. The explanation that is given is the dependance of the postal authorities on the Indian Airlines. If by any chance, there is a break-down in the night airmail service, (and these occur very often), the aircraft cannot take the load of two days on the following day when the operation resumes. Since the system also involves carriage to a central redistribution point—Nagpur—any dislocation in the operation of one of these aircrafts can affect the transmission from and to the other important centres. In such cases, the mail for that particular day is sent through the available trains. Since the break-down in such night airmail service is not known in advance and since the duration for which this service will not be available is also not known, the postal service suffers to a very great extent on account of this. An example of this is provided by the frequent disruption in airmail service from Madras. It is gathered that this service was not in operation from January 18 till February 20. Likewise

one comes across mailbags remaining uncleared for days together at RMS points.

Helplessness is No Excuse

It is true that the postal department depends very much on the efficiency of supporting services such as the railways, Indian Airlines and other modes of transportation. But this

Why Not a Guaranteed Service for a Higher Fee?

The P & T Department might also think of introducing a guaranteed express service between major towns, perhaps for a higher fee. For example, the business houses may not mind paying even 40 paise per letter instead of the present 20 paise, if they are assured of guaranteed delivery of these within a day to the metropolitan towns which are connected by air. As an experimental measure, the P & T Department can introduce a specially coloured envelope which will distinguish it from others and which it may sell at 40 paise per piece (a 100 per cent extra over the present rate) and deal with these expeditiously.

If such a letter were posted today at Madras, notwithstanding the operation or otherwise of the night air service, the letter must be delivered in cities like Delhi, Bombay and Calcutta before the next evening. Since the P & T Department is collecting higher charge for this facility, it can afford to pay a higher freight charge and send these across by the Boeing or Caravelle passenger service operated by the Indian Airlines. Unlike the express delivery service, the P & T Department should not exploit the

cannot be given out always as the excuse to cover up such inbuilt defect. If over a period the night airmail services remain inoperative, the Postal department should insist on its right to command space in the Indian Airlines' day time flights to clear the accumulated mail. With its increased capacity, it should now be possible for the Indian Airlines to meet its commitments in regard to the P & T Department.

public by a higher fee in case of the delivery getting delayed beyond a day. In such cases, it should undertake to refund the difference between this and the ordinary service rate through the delivering postman—just as they collect the due for under-stamping. The Department can suitably revise the price for this facility after working out its economics of carriage.

This has two major advantages: one, the public will have a guaranteed quick delivery if it is willing to pay a price for this; second, this facility will skim off a portion of the pressure on the night airmail service and will contribute to the streamlining of this.

The P & T Department can still think of introducing a first class and second class mail system in which there will be a rate differential: the first class mail, charged higher, should in every eventuality be carried by air and delivered within the prescribed time schedules, and the second class mail may be carried by train and here, again, these should be delivered within a reasonably short time schedule. In our country of continental distances there is every need to cut short the transit time in communications. —S.V.

Power Development in the Coming Decade

A survey of the power position in India was made by Mr. B. R. R. Iyengar, Member, Central Water and Power Commission, New Delhi, in a recent address at Hyderabad at the Seminar on "Computer Applications to Power Operations", held under the auspices of the Department of Electrical Engineering, Osmania University.

Taking as his theme, "Power Development in India—Retrospect and Prospect", Mr. Iyengar said that a comprehensive plan for generation and transmission of power for the next decade had been prepared by the Central Water and Power Commission, New Delhi. "We are also keen on establishing an All-India Grid by the end of the current Plan", he observed.

For achieving these objectives, he said, computer technology is an invaluable tool; and successful implementation of the plans needed close cooperation between academicians and project engineers.

Past experience he said, has shown that, whenever there has been a lag in the power supply in meeting the demand, it has resulted in serious set-backs to the economy as a whole. In this context the statement made by late Prof. H. J. Bhaba some years ago, namely, 'No power is costlier than no power' is most appropriate.

India has, no doubt, made tremendous strides in the field of power development during the last two decades, observed Mr. Iyengar. The installed generating capacity in the country has increased more than seven-fold, from 2.3 million KW in 1950 to about 17 million KW at present. The per capita consumption of electricity which is considered an index of the economic development of a country, has increased nine times, from 10 kwh at the time of independence to 90 kwh at present.

Low Per Capita Consumption

Impressive as these are, we are still a long way from providing a decent standard of living particularly for the rural population. How dismally low

our per capita consumption is would be evident from a comparison with the levels of consumption in some advanced countries. For instance in the USA, the per capita consumption in 1969 was 7,000 kwh, in the UK 3,700, in the USSR 2,600, in France 2,400 in Yugoslavia 1,000 and so forth. It is considered that a per capita consumption of at least 500 kwh should be aimed at for an acceptable minimum standard of economic well-being. This would mean tremendous efforts and resources as would be evident from the fact that, with the large population which our country has, increase in the per capita consumption by one kwh at present would mean an addition of 150 MW to the installed capacity and an investment of Rs. 30 crores.

Regional Imbalance

There is also at present tremendous imbalance in the development of electricity in the various States and regions of the country. For instance, the per capita consumption varies widely from a maximum of 270 kwh in the capital city of Delhi to as low as 6 to 9 kwh in the large areas in northern part of Bihar and Bengal. Such large imbalances would have to be removed if we have to realise the socialistic objectives which we have set for ourselves.

Prospects for the Future

A power generating plan for the decade 1971-81 has recently been formulated by the Ministry of Irrigation and Power and Central Water and Power Commission. This Plan aims at a greater tempo of expansion of generation and other facilities to enable accelerated growth, reduction in imbalances between States and greater regional co-operation. The Plan envisages increasing the installed generating capacity in the country to about 50 million KW in 1980-81 in order to meet in a satisfactory and reliable manner, a demand of about 36 million KW which has been projected on the basis of the established trends in the growth of demand for power in the country during the last decade. Although this means adding during this decade, a total capacity of twice of that which has been achieved so far, it would increase the per capita consumption in the country to only 250 kwh at the turn of this decade. Similarly a Decade Plan (1971-81) for Transmission Schemes has also been prepared. The present length of 220 KV lines in the country is about 11000 km. This is expected to go up to about 34000 km by the end of the decade. We have just made a start on 400 KV system. Work on two lines has started. It is expected that by 1980-81 we will have about 9500 Km of 400 KV lines.

Realistic projections of requirements beyond 1980-81 would be somewhat difficult because the demand for power arises as a direct consequence of growth in various sectors of economy and also due to factors like social im-

pace of economic growth and its effect on electricity consumption, substitution of electricity for other forms of energy, etc. which are complex. One of the main difficulties in demand projections experienced in India arises from the fact that the economic progress has been lagging behind targets set from time to time resulting in the projected power demands based thereon not materialising. Further, experience in more advanced countries indicates that with the increase in the magnitude of demand, the growth rate tends to reduce in the future years. The growth rate in the demand for power in the country has been about 12 per cent in the past which corresponds to a doubling period of six years. On the basis of a doubling period of 8 years during the decade 1980-90 and 10 years during 1990-2000, the total installed capacity required in the country in 2,000 A.D. would approximately be 250 million KW. Even with this capacity, the per capita consumption in the country would increase to only about 600 KW.

Planning for Expansion

Planning for expansion of power systems involves complex technical considerations like characteristics of power supply facilities and provisions for maintenance and outages, integrated operation of power system and economic factors. In the context of planning for power development on rational lines, sophisticated operational research techniques are now being increasingly employed. These studies would necessarily have to use computer facilities for the purpose of data processing as well as for computations.

In the process of expansion, the character of power supply industry has undergone considerable change. In the early stages of powered development the industry was mainly concentrated around urban load centres. Consequent to the decision to usher in a socialistic pattern of society the power supply facilities have been extended to rural areas extensively and in fact electricity has become an important input for increasing agricultural production. This

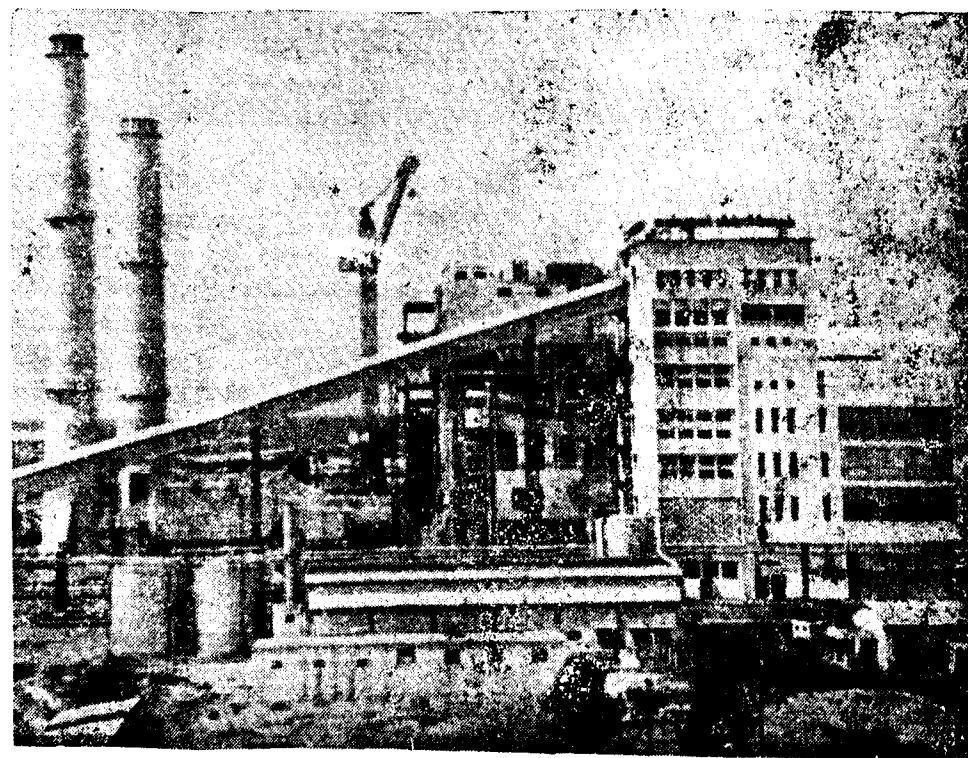
changed character of the power supply industry has resulted in large power systems with extensive transmission networks in most of the States, and a stage has now been reached when power systems in contiguous States are inter-connected and operated in a coordinated and integrated manner for deriving diverse economic benefits.

Apart from this, the bulk of the hydro potential yet to be developed is in States where the demands for power are small or are on inter-State rivers, thus compelling the development of this cheapest source of electricity for the benefit, to a large extent, of States other than those in which they are located. The development of hydro resources would have to take into account several factors like conflicting requirements of irrigation and power, optimum storage facility at any particular site and the overall basin development, involving coordinated operation study of a number of run-of-the-river and storage schemes for which computer application is an invaluable boon, in view of the complexities of the problems involved.

Need to Transmit Large Power Blocks

Again, with the introduction of large turbo-alternators for super thermal stations located at mine mouths and large size nuclear units in view of their inherent economy, large blocks of power would have to be transmitted over long distances to meet the requirements of a region as a whole. The above factors necessitate a regional approach for power development, which has already been adopted as a guideline for the development of the Fourth Plan Power Programme. Thus studies have to be made, for integrated operation ensuring generation planning with optimum mix of thermal, hydro and nuclear power outages of generating plant both scheduled and forced and provision for system reserve requirement etc. Similar studies would also need to be carried out for assessing benefits from new generation schemes as and when they are taken up for implementation. Techniques involving computer application would have to be resorted to for carrying out the above studies as well.

—A. A. Gautam.



Handsome additions to power generating capacity from time to time has helped Tamil Nadu electrify most of its villages and energise some 500,000 pumpsets which is over a third of the total pumpsets in operation in the country. Picture shows Ennore Thermal Power Station which will ultimately have a capacity of 340 MW

No Need for Big Dosage of Fresh Taxation

Bolstering States' Finances

If there has to be fresh taxation it is needed only for bolstering State finances. These too can be improved by larger borrowing, taxes on agricultural incomes, adjustments in electricity charges and irrigation rates. The Kerala Government has given the lead in this regard to some extent in the latest budget and it is only to be hoped that there will be genuine attempt to broaden the tax base by including farm incomes and improve also the resources budget through the generation of larger surpluses by government undertakings.

The compulsion to levy additional taxation when the new budget is announced will, therefore, arise only if deficit financing is planned to be avoided altogether. This will be necessary only if the States were refused overdrafts and they had also to maintain a higher level of plan expenditure. There may, of course, be fresh taxes in the State budgets for about Rs. 100 crores through new levies but the biggest source of income will be in

the form of higher electricity and irrigation rates. At least in those States where the ruling party forms the Government there can be adjustments in these rates besides taxation of farm incomes on an integrated basis. These approaches to the problem of mobilisation of resources can fetch about Rs. 400 crores annually and will not hurt the payers especially if there was some form of rebate or lower taxation for agricultural incomes when they were aggregated.

There is every need to increase industrial production and to activate the unused industrial capacity. It would be contradicting itself if there were further disabilities on fresh investment and maintaining production at the running units. The price policies have been latterly more rationally revised following the Supreme Court judgment on car prices. There has also been a revision of prices for tractors. It is quite likely that the whole structure of prices where they are controlled will be suitably recast and it would be the objective of the Government to help even marginal units to grow. (FOC)

India Ranks Third in Tobacco Cultivation

With an annual production of nearly 40 crore kg. valued at Rs. 58 crores, India is the third largest producer of tobacco in the world, next only to the United States and China.

The area under tobacco cultivation in the country is 4,33,000 hectares.

Indian tobacco is exported to more than 50 countries in the world. The United Kingdom, the Soviet Union, the German Democratic Republic, Egypt and Japan are the principal buyers.

During the first ten months of 1971, the export of unmanufactured tobacco earned a

foreign exchange of Rs. 37 crores marking an increase of nearly Rs. 6.5 crores over the corresponding period of 1970. The rise was largely due to increased exports to the Soviet Union and Japan.

During the same period, the export of tobacco products brought in foreign exchange of nearly Rs. 3 crores. Cigarettes alone accounted for Rs. 2.27 crores. Bidis, Hookah tobacco, Snuff and Zarda were the other products sold abroad.

Andhra Pradesh leads the country in the production of tobacco. Nearly 95 per cent of the Fluecured Virginia tobacco is produced in this State.

The new taxes levied in 1971-72 have raised the burden on the tax paying public by at least Rs. 450 crores. As taxes on personal income are already high it is expected that Mr. Chavan will not make any attempt to soak further individual and corporate assesseees. As regards indirect taxes, they are already high in many directions and, if anything, excise duties on non-ferrous metals have to be pruned. The levy of the regulatory duty of 2½ per cent on imports and with the adjustments in other customs duty have also had an inflationary effect on prices.

There is, therefore, not much need for additional taxation especially because additional levies introduced towards the close of 1971 will be in force throughout the year and fetch an additional Rs. 250 crores, and there will be growth in revenues even on the basis of existing taxation. Further any gap in availability can be filled through larger borrowing. The institutional investors could easily extend liberal support to new loans.

INDUSTRIAL ECONOMIST

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Self-Sustained Growth in Non-Traditional Exports

I believe that in the engineering goods sector, the country has a potential for self-sustaining increases in non-traditional exports. This is clear from the fact that between 1956-57 and now, the export of engineering goods has risen from Rs. 5.37 crores to Rs. 116 crores. It is expected to go up to Rs. 165 crores over the current year and the early period of next year. Perhaps this had encouraged the National Conference convened in October last by the Engineering Association of India to set a target of Rs. 1000 crores for 1980. It is of course true that the rate of growth registered in earlier years on a small base cannot be automatically projected for application on a very much larger base that has materialised at present. But there can be no denying the wide diversification of lines of production in this sector which, if continued and exploited aright, should yield very good dividends.

Initiative in Designing Equipment

The task is unlikely to be easy. As Mr. S. Pal's presidential address at the latest annual meeting of the Engineering Association in New Delhi stressed, there is a shortage alike of expertise and raw materials. There has been, according to him, only a very meagre flow of know-how from technical institutions and research and development laboratories of the government. In the present mood of the Government, foreign know-how is not likely to be encouraged for association in Indian enterprises. The lacuna in the past, the correction of which has not so far been taken up with the expedition necessary, consists in that, unlike the Japanese, we have not cared to assimilate foreign know-how and achieve its benefits by initiative in designing of equipment. While foreign know-how has to be allowed to flow as the only means to sustain knowledge

about the winds of technological change in the outside world, the purpose of such imports will be defeated if our experts fail to develop with that knowledge techniques and equipment suited to indigenous requirements. At the same time, as Mr. Pal has observed, industry should sponsor and support mechanical engineering research in order that a cadre of young engineers can be created for drawing upon to meet our technological needs. This is not a new idea, but a very old one which has been repeated at seminars and annual conferences without any follow up action to let it materialise.

The other handicap of the engineering goods sector is raw materials. Of these, shortage of steel has been posing severe problems which have led to the closure of some units. According to Mr. Pal, the steel target for 1980 has got to be revised upward to 23 million tonnes from the 18 million tonnes set by the Planning Commission. Only then there will be steel enough for the industry to meet domestic and foreign demand in the measure envisaged. Though we had set up steel plants quite early enough, we do not seem to have succeeded in taking them out of the red. Their costly losses cannot be allowed to persist. The other raw materials, chiefly non-ferrous, are said to be capable of extraction from the substantial ore resources available in the country. The pace of growth of supplies depends on the vigour of the earth scientists.

Growth of Earth Sciences

It is not that they have not done anything. On the contrary, as Prof. W. D. West, a noted geologist and Vice-Chancellor of Saugar University, stated at the Indian Science Congress in Calcutta, there has been enormous

expansion in the departments concerned with the earth sciences. The total value of minerals produced has risen to Rs. 356 crores from Rs. 64 crores two decades ago, a near six-fold increase. Over this period, exports of minerals have gone up to Rs. 162 crores from Rs. 14.6 crores, a eleven-fold growth. But, "the country's mineral wealth is a heritage that should be used wisely and in his regard, our earth scientists have a very responsible role in displaying proper judgment and a measure of integrity." In fact, that is a matter which has not been given the attention it deserves probably because, in respect of certain minerals like iron ore, our resources are abundant. Has any one made any calculation as to how long they will stay abundant in the teeth of faster economic progress in the decades ahead?

Coming back to the engineering industry, a complaint has been voiced that its idle capacity has not been creating in the government the expected anxieties. Worse still, Mr. Pal says that, in the sickness of engineering units, the government finds an alibi to wind up these units while, instead it should have exerted itself towards doing the needful to set them on their feet. This is a serious charge. If true, the government has to do something to free itself of it. The other fact, pointed out by Mr. Pal, that certain units have closed for lack of orders, calls for a probe to ascertain whether earlier decisions that had led to the creation of such capacity were erroneous and to recommend the measures by which a realignment of capacity in more useful lines of production can be made. Since the engineering industry is our main hope to improve the stature of non-traditionals in our export list, everything should be done and in time too to make it deliver the goods.

—Horace

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Guidelines for Expansion of Foreign Controlled Units

The Central Government has for sometime past been considering how the expansion schemes of foreign controlled industrial units should be implemented with a view to preventing an increase in remittances of profits and dividends with a larger turnover and profits following the completion of new schemes. This problem had given rise to serious thinking in official circles as it was difficult to decide quickly, how the applications of foreign firms for expanding their activities should be considered and, the accordance of permission of Motor Industries Company Limited for starting a new factory in Nasik in Maharashtra has long been delayed due to this. Likewise, the proposals of Philips India were not expeditiously handled and General Electric Company of India, the English Electric Company of India, the pharmaceutical units and others have had similar difficulties.

Reducing Foreign Equity Holdings

For a time decisions were given after negotiations. The expansion schemes of Chemicals and Fibres of India and G.E.C. were permitted after agreeing that fresh capital in equity shares should be issued jointly on a rights basis to the existing shareholders, and partly offering these shares on the same terms for public subscription. The net effect of these proposals was a reduction in the percentage of foreign equity holdings on account of an enlarged capital through the raising of additional funds in equity shares from the Indian investing public. The decision to permit expansion of the activities of foreign firms under certain conditions is certainly to be commended as thereby definite progress can be made in a short period on a remunerative basis.

There was, however, a feeling that anomalies may arise if different approaches were adopted in individual cases. It has, therefore, been announced that definite guidelines will be adopted by the Union Finance

Ministry for dealing with the expansion schemes of foreign firms; the objectives are to bring about dilution of foreign holdings through expansion schemes and an enlarged capital base. Under these guidelines, foreign firms having a participation by their parent companies of 75 per cent and over in the equity capital will be required to issue additional equity capital to the extent of 40 per cent of the capital outlay for being subscribed to by resident shareholders, those having a participation between 60 and 75 per cent will have to issue fresh equity capital forming 33 per cent of new capital outlay and those having a foreign interest between 51 per cent and 60 per cent will be required to raise 25 per cent of fresh investment as equity capital from within the country.

Diluting Foreign Holdings

This formula will certainly be helpful in diluting foreign holdings, besides enabling quick implementation of worthwhile schemes. However, practical difficulties will arise when applying these guidelines. There are cases where the foreign holding is even higher than 75 per cent, but the expansion schemes may not call for heavy fresh investment and, with a diversification of actions and fuller utilization of existing facilities alone,



"It works out cheaper this way..."

there can be a big increase in profitability and therefore in remittances by non-resident shareholders. In these instances, the extent of foreign participation can be reduced only in stages on a negotiated basis and fresh equity capital has to be issued even when there is no need for large investment and no need also for additional resources to relieve an existing strain. There are other cases where Indian holdings are not widely dispersed, calling for public issue of fresh capital to have a wider interest even though the firms are not quite ready for this.

These difficulties only draw attention to the need for alertness and flexibility when applying the guidelines. There will be no serious hurdles where the expansion schemes are modern and there are no large unutilised resources. There will also be the advantage of immobilisation of free resources with their use in the expansion schemes and the advantage that will arise therefrom in the shape of reduced repatriation of undistributed profits. But it will have to be examined how fresh flow of foreign capital should be encouraged and whether any insistence on participation not exceeding 40 per cent of the equity capital of the Indian company will not have adverse effects. There is also the problem of companies engaged in the manufacture of consumer goods and having a large foreign interest. If these companies cannot expand in the directions in which they are engaged and tap the home market, they may be allowed to export the expanded output for agreeing to a dilution of foreign holdings. Anomalies also may arise when the task force appointed by the Union Minister for Industrial Development proceeds to re-endorse licences for making full use of the existing facilities and boosting production. The regularisation of hidden capacity will be beneficial as industrial production in some directions can be stepped up without fresh investment in a big way.

—Meenam

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Reserves for Self-Reliance

The economic difficulties that have developed in the wake of the recent Indo-Pakistan conflict have induced in certain quarters doubts about whether the country can bravely rely on itself as the Prime Minister wishes, despite the aid stoppage. It is too early to have any accurate idea of the cost of the conflict. Preliminary estimates put the cost of the fighting alone at Rs. 200 crores and the cost of maintaining the refugees over the greater part of last year at Rs. 400 crores. The last budget having been framed before the influx of refugees, this aggregate Rs. 600 crores constituting a sixth of the total outlays in the budget means a heavy burden, rendered heavier by its suddenness. The indirect costs of the war relating to the inflationary spending occasioned by the emergency and the diversion of raw materials that were already scarce to defence production are not easily calculable.

Suspension of Aid Cuts Net Receipts

The suspension of economic assistance by the United States and Japan cut net receipts under this head by 50 per cent. And this at a time when net receipts have fallen to Rs. 300 crores from Rs. 800 crores five years ago. This is serious because debt service charges are expected to reach a peak of Rs. 440 crores as against the annual average of Rs. 370 crores in the last four years. At the same time, the trade deficit has been widening over the years and between 1970 and 1971 had expanded by 69 per cent because exports had been growing at a slower rate than imports.

According to an analysis of the National Council of Applied Economic Research, the trade next year is expected to be Rs. 220 crores, being smaller than that for 1971-72 of Rs. 255 crores. The Council estimates the rise in India's exports in the current year at 3 to 4 per cent against the Plan target of 7 per cent and is computed to be at 5 per cent only in 1972-73. The suspension of U.S. aid alongside of this decline in

the growth rate of exports and increase in the growth rate of imports besides the liberalisation of imports being allowed to bridge the gap in domestic availability of industrial raw materials bid fair to widen the payments deficit to the extent of necessitating a net withdrawal from reserves.

Comfortable Foreign Exchange Reserves

There cannot, however, be any room for pessimism on this account. Our foreign exchange reserves are quite comfortable to meet the pressure. They now stand at an all time high of Rs. 825 crores. The country has with it the allocation of Rs. 75 crores worth of Special Drawing Rights. It has paid off its obligations to the International Monetary Fund and has therefore an untouched credit tranche of Rs. 680 crores with it. In the past, it has utilised the tranche for meeting less severe needs. There is no reason why it cannot do so now and

especially when the management of foreign debt as well as foreign trade has been reflecting greater competence than ever. In any case, the total reserves being Rs. 1600 crores, marginal drawals from it cannot be construed as a catastrophe.

Yet there is no gainsaying the fact that such drawals have a limit to go beyond which will necessarily undermine the financial viability of the economy. This is the worry of conservative critics who have been recalling the facile manner in which huge sterling balances accumulated by the country during the war years had been frittered away far too quickly. Though better management practices have set in, abundant precaution has to be taken not to overstep the limits under the euphoria which comfortable foreign exchange surpluses generally create.

Lags in Industrial Production

In the immediate future, the challenge facing the Government is to

correct the lags in industrial production which have caused slide to less than 2 per cent in its growth rate. The redeeming feature of the economy is that it has the capacity to achieve a nine to ten per cent increase in industrial output in 1972. In view of the fact that the tardiness of the industrial output has been responsible to a large extent for the meagre 3 per cent rise in national income, every effort should be made to check it from doing so.

The Government has now constituted a cabinet committee on economic policy to formulate guidelines for taking in past slacks and keep a continuous watch over the implementation of such policy. The Committee includes the Ministers of Finance, Planning, Industrial Development and Steel. Its first task is to assess how far reserves can be run down notwithstanding the necessity to live less with foreign aid, to facilitate financing of a wide variety of imports including sophisticated equipment.

Activising Idle Capacity

The need of the hour is containment of inflationary pressures which are building up under the deficit

spending indulged in by the Government. There is actually little scope for additional taxation but mobilisation of resources with a view to introducing lost vigour in planning is possible if whatever available investment is deployed in the best possible manner. As the NCAER points out, if output of steel and fertilizers is stepped up to even 75 to 80 per cent of capacity, the displacement of imports can be used to keep the import bill constant even with larger imports of equipment, components and materials. This has to be coupled with the creation of an industrial climate adequate for spontaneous growth. The concessions extended to 54 industries to expand production up to 100 per cent of additional capacity have to be extended to many others. The activation of idle capacity which has started already has to be helped to maintain its momentum.

Basically the Indian economy is still agrarian and in the technical jargon of the economist, the maximisation of agricultural surpluses holds the key to the enlargement of effective demand, the bedrock of growth. In recent years spectacular successes have been achieved in the improvement of per hectare yields of wheat.

We are reaching upto a similar success in the case of rice. Latest news from the cotton front indicates that cotton production has begun to move upward. Newer hybrids like H4 and Sujatha have begun proving their mettle and, given the right direction to the implementation of cotton packages, the dependence on imports on this account can be reduced significantly. In any case, India can enter the export market for food-grains in a selective way so as to recapture its pre-war status as a significant exporter in this field.

Indianising Foreign Shareholding

A catch in development can arise from know-how shortages. The guidelines for Indianisation of foreign shareholding in Indian firms stipulate that Indian sharing in equity capital for fresh expansion should be such as to facilitate Indianisation. The principle is all right in respect of established firms where know-how has already been stabilised. In regard to all others, care should be taken to ensure that the process of Indianisation is not at the expense of possible gains in technology which are essential to keep our goods internationally competitive. —(FOC)

Out of the Ink-well

By RANDOR GUY

WATCH THAT IDLI-EATER!

Walk into any restaurant in Madras, not the posh, purse-thinning dim-lit dallianceful ones. The common ones crawling with crowds, flies and what else-do-you want! Watch the way the man next to you eat his two idlies floating in a basin of thin, transparent red liquid—miscalled Sambar. If he minces his idli into a mash and gobbles it up, you can bet he is a working man, a proud member of the proletariat! If Iswaran the idli-eater (the native cousin of Peter!) asks for two spoons he is likely to be a white-collar-wallah or may be parvenu. Some chaps ask for idlies on leaves and you can be sure there's a tufted skeleton in their family! While in college, I knew a fellow who used to ask for two idlies, two spoons, two buckets of safe sambar (defined as one free from dead ants, flies and lizard tails); and two leaves! What do you think he was? A freebooter who never paid

for his eats. Today he is a successful politician! Not surprising, is it?

MADRAS BY NIGHT!

The editor of a popular local magazine is after me to do a series of articles on night life in Madras. I wonder if there is any worth the game, and much of it goes on behind closed doors, parked automobiles and occasionally on the sands of Marina during dark, moonless nights. Nothing much or new to write about anyway. But my editor friend insists there is a good deal to write about. He talked about revealing cabaret shows where well-rounded wenches strip to tease you for a fat fee. But such shows are not so exciting as shows in London, Los Angeles, and Rome. Talking of Rome, we are always told that while in Rome, do as Romans do! This is sheer junk for the Romans do it the same way we do!

The Aftermath of the Coal Strike in Britain

25 per cent Wage Increase

The British coal strike has ended with the industry, miners and the Government accepting the recommendations of the court of inquiry presided over by Lord Wilberforce offering wage rises close to what the miners had been agitating for. At the beginning of the strike, there was considerable sympathy for the miners' case that, while all other avocations had obtained some increases in pay for some reason or other, theirs stayed at the rock bottom and their interests were given the Nelson eye consistently from 1920. And all this despite their having to work under very unhealthy conditions and against grave risks.

The handling of the strike in the earlier stages displayed many miscalculations. There was some underestimation of the importance of coal to the economy. It was, no doubt, true that, over the years, coal has been displaced by oil, electricity and gas in many areas which now account for 50 per cent of the aggregate energy supplies. This is reflected in the number of coal mine workers declining to 280,000 from 700,000. Yet coal is still the king among fuels in that it is essential for power generation and many consuming industries. The other miscalculation consisted in

not foreseeing pickets. It was believed that sales last year had fallen to 141 million tonnes but still stocks were plentiful. What was overlooked, which the workers demonstrated forcibly was that the stocks could be immobilised. The immobilisation through pickets was easier because, unlike the postmen and electricity workers, coal miners had greater solidarity because they lived around the pits in the housing colonies built for them. The union ensured that miners covered their own areas besides watching places where there were no miners. Yorkshire miners concentrated on their own power stations. The miners of Barnsley who had no local stations

drifted further afield to Doncaster and then to Norwich. The situation was thus created whereby, for lack of power, production lines had to lay off their staff by the thousands. In fact the effectiveness of picketing dawned upon the miners themselves only after the economy suffered a blackout and a shut down on an unprecedented scale. They were then confident that they could as easily get the desired pay rise as the electricity workers had. They, therefore, put up their demand at a 25 per cent wage increase to the dismay of the Coal Board which was not prepared to go beyond 12 per cent. The Wilberforce court of inquiry met their demand on the ground that the miners were a miserably deprived lot of workers. The miners could have caved in earlier but resisted; later however, they called a truce on the Wilberforce terms because they were not only getting nearer to what they wanted but would be inviting unpopularity if they refused the offer and stayed away any more.

Keeping the Coal Industry Viable

The strike has ended but its aftermath is likely to persist for long. The Secretary for Trade and Industry, Mr. John Davies, observed on that occasion: "I must stress very strongly, absolutely, that this does not relax the need to undertake all possible economy measures... At the beginning of the strike, the Government thought it right to save the house holder from hardship. Now we think security of jobs is the main priority. The concern is understandable inasmuch as, if the strike had continued, the entire labour force of Britain will have been off jobs. The main worry is is going to be not over the return to normalcy—which of course will take time and therefore the privation in the interim period will have to be endured—but over how the coal industry is to be kept viable. According to Mr. Ezra, the Chairman of the National Coal Board, only 148 out of the 292 pits were profitable and earned £ 71 million, 144 were unprofitable losing £ 55 million. The profitable pits employ 138,000 workers producing 80 mil-

lion tonnes of coal while the unprofitable ones employed 139,000 persons producing 52 million tonnes. The wage hike in this circumstance has its own impact on profitability and unprofitability.

Claims Galore!

Mr. Heath's troubles are not, however over with the settlement of the miners' dispute. On the contrary, his troubles appear to have begun only after it. For, the award for the miners is likely to get 2.5 million engineers and 800,000 builders to press their case for wage rises respectively of 40 and 70 per cent. While none of these groups will concede the Government's argument that the miners had a special case, the Government cannot also rely on the fact that these groups (other than miners, of course) had agreed to three-year deals last time. They will blame their claims on inflation. The others who may similarly demand wage increases will be employees of the British Steel Corporation and the 280,000 railwaymen. The latter have begun negotiations for a 15 per cent wage increase. They are likely to refer to increases around 20-30 per cent granted to other people. The teachers may ask for a rise of 13.7 per cent and London's busmen a rise very much above the 7½ per cent promised already. The nurses, 330,000 of them in all, may feel that theirs is a special case, as special as that of miners. Which means claims galore.

Breeding a Bad Odour

This wage inflation cannot be tackled



I can't see why you need an import licence for that..."

ed by a wage freeze or income policy. The Wilson administration found to its cost that the freeze cannot endure beyond the short term and that the incomes policy will be susceptible to breaches for some reason or other, making a nonsense of it. In fact, the Government's yielding to the miners has stirred a hornet's nest. That is why people want to recall the past: Until 1957, the miners got appreciably more than workers in manufacturing industry. Since 1958, they have been slipping as coal has declined; and therefore, the clock must be put back to 1957 and apparently kept always there, telling a false time. In the opinion of some, the miners' claim, for 25 per cent rise (since conceded) "is a gouging, politically-motivated claim based on no reasoned argument that would stand out outside a miners' pub, for which Governments and everyone else will do their best to be better prepared in future... The stronger unions (that is, those whose industrial action can both kill people and cause wide economic disruption) will naturally put the miners' success beside the power workers' 22 per cent on earnings from Lord Wilberforce a year ago." This will mean that strikes are likely to be resorted to as the more effective weapon than bargaining or arbitration. People cannot be led away into thinking that popular discontent will put the lid on such sordid ambitions. This is because the people are some workers somewhere and some of them may stand to gain if some hike or other is wrested even in the teeth of privations to many others around them. Those who have been expressing a contempt for Indian trade unionism on the ground that it is over-selfishly claim-based will have the shock of their lives to learn that the sedate British workers famous for order and decorum, have become as pugnacious as any other people. Mr. Heath's competence will be judged therefore, not by his taking Britain into Europe, but by his success in restraining British inflation from breeding a bad odour about the country even while at the threshold of Europe.

—R.S.

Feeble Solution for a Massive Problem

The interim report of the Bhagwati Committee on unemployment has made the observation that unemployment has been increasing over the last few years at a disquieting pace. The total number of registrants with employment exchanges at the end of 1970 was 4.07 millions against 2.62 millions in 1966. The volume of educated unemployment has *pari passu* risen. The number of unemployed engineers including diploma holders has gone up to 64,000 from 23,000 over the same period while the number of matriculates doubled at 11.01 lakhs. Latest estimates of jobseekers put their number at 44.95 lakhs in June 1971, showing a rise of 24 per cent in one year. Among these, educated persons were 20.53 lakhs. It is because of such staggering increases in the number of the jobless that quick-yielding measures for solving their problem become absolutely necessary.

Financial Aid for Self Employment

This is not to say that there had been no thought of the problem so far. On the contrary, the Central Government have initiated a number of programmes to deal with. The schemes for educated and technical personnel consist in financial assistance provided to them for self-employment by State Governments, the State Bank of India and other commercial banks. In the last Central Budget Rs. 25 crores have been allocated for Centrally assisted schemes in this field. This is besides provisions for programmes for small farmers' development agencies, marginal farmers and agricultural labour agencies, rural works in economically drought afflicted areas and the crash programme for rural employment.

The SFDA and MFAL programmes are allotted Rs. 67.50 crores and Rs. 47.50 crores in the Fourth Plan. They are pilot projects. All through 1970-71, only preparatory work on them was completed. They are expected to operate in full swing thereafter. Their main emphasis is on the

provision of farm inputs, credit, service etc., towards improving the productivity of small holdings. They will also help in buttressing up supplementary operations relating to horticulture, animal husbandry, poultry farming and the like to enable the farmer to earn a subsidiary income. The main difficulty here is that the products of these occupations like meat, eggs and milk, being highly perishable, special studies like those that are now being undertaken by the Maharashtra government towards organising efficient markets for these items are necessary to identify the manner in which wastage and losses can be avoided. So far as credit is concerned, the lack of clear documents of tenancy rights has been impeding the provision of credit. This can be tackled by the lending institutions sending their field staff to conduct appropriate local enquiries and recommend deserving cases.

The crash scheme for rural employment as working at present is a feeble attempt to manage a massive problem. According to the current scheme, about Rs. 12.5 lakhs will be provided for each district in the country to provide jobs for 1,000 persons all the year round. There are many lacunae here. First, equal allotments for districts overlooking their peculiarities in respect of developmental planning cannot be deemed logical by any means. It is necessary therefore that the size of the allocation has built-in differentials on the basis of the peculiarities. Secondly, the choice of works has to be pragmatic. Past experience shows that this has not been the case, that works were created merely to create jobs and that they were therefore costlier than charity inasmuch ancillary investments on unproductive works had to be made to keep the jobs going. Thirdly, the stress on the word 'rural' has created a bias in favour of farm-oriented works, whereas the original intention of the scheme was to develop non-farm employment for relieving demographic pressure on land. Above all, district-oriented programmes have a

chance of becoming disjointed pieces. Any co-ordination will automatically call for an over all view of what is intended to be achieved and also for an integration of district, regional and national programmes. One is reminded in this connection of an apocryphal observation attributed to Keynes Lang's job-oriented schemes. He said that instead of trying to break one's head over how to find the multitudinous jobs for the unemployed millions, you can deck the whole country with manually operated soda fountains whether the community wanted them or not!



"I suppose you are wishing you had a prototype with which to move the files relating to this project..."

As against this, the Bhagwati Committee recommends the implementation of a bunch of schemes discussed below. The Committee recognises that some significant increase in employment is possible to achieve through maximum utilisation of installed capacity and the reopening of closed units and the promotion of productive employment for educated unemployed. Outside these, the rural schemes suggested by the Committee comprise minor irrigation, rural electrification, construction of roads, and education. Because rural areas are largely undeveloped, the immediate task of development consists in implementing infrastructural projects like the development of transport and communication, dams, irrigation and electricity schemes,

rural housing, etc. These will employ only semi-skilled and unskilled persons.

Minor Irrigation Generates Jobs for the Millions

Minor irrigation, according to the Committee, is labour-intensive. This is because assured and controllable water supply through minor irrigation not only facilitates the intensification of cultivation by introducing multiple-cropping but also enhances the employment of labour on the land. The farm management studies conducted by the Ministry of Agriculture in selected regions in the country have revealed a much larger utilisation of rural labour per hectare in irrigated areas and among those cultivators using high-yielding varieties of seeds than in the rest of the areas surveyed. Apart from the employment generated on the farms, the amount of labour required in the construction of minor irrigation works is substantial. At the rate of 300 man-days per year, this would generate employment for nearly one million unskilled labourers and 1.28 lakh skilled labourers.

The Central Water and Power Commission has set a target of electrifying 37,000 (additional) villages during the remaining years of the Plan. The additional resources required for undertaking this programme and achieving these targets will be of the order of Rs. 235 crores (Rs. 130 crores for villages plans, Rs. 105 crores for 3 lakh pumpsets/tube wells energisation). If the programme is implemented in a manner in which it will benefit the more backward states, the impact of unemployment will necessarily be more marked. The same will hold good in respect of road construction, which is another programme recommended by the Committee. As the Committee stresses, it is very important that the Centre should, in consultation with State Governments, devise appropriate measures by which any diversion of funds from the roads programme is completely eliminated and the funds

earmarked for the programme are in fact spent on it. If any State is able to complete its scheme in this regard, it would be well if an additional Rs. 110 crores is made available to it for the remaining plan period for extending the programme further. Since the country is traversed by 14,000 kilometres of navigable waterways, their proper development through the replacement of crafts, evolution of standard designs of hulling and propelling machinery, deepening of certain sections of the major canalways will go a long way towards hiking up the volume of traffic on these low cost arterior.

Employment Potential of Housing Programmes

In the Committee's view, the employment potential of housing has yet to be exploited to the fullest extent. Taking into account the deplorable housing condition in rural areas and the resources generated in these areas by growth of production in the agricultural sector, efforts should be made to undertake a rate of construction 0.8 unit per thousand persons or 3.6 lakh new units in 1972-73 and 0.9 unit per thousand persons or 4.1 lakh new units for 1973-74 making a total of 7.7 lakh units at an estimated investment of the order of Rs. 230 crores over the next two years. Government should provide the necessary institutional framework and actively promote the programme through rural publicity media and the Government agencies operating in the area like officials of the extension or community development block and panchayatiraj organisations. The need for a rural housing finance corporation is irresistible in these circumstances. As for rural water supply, the pace of continuing schemes should be accelerated and their coverage extended. The programme should be extended to 21,000 more villages with a total outlay of Rs. 61.55 crores over and above the plan provision of Rs. 125 crores.

With regard to education, the Committee recommends a comprehensive scheme of primary education expan-

sion. It has to be phased so as to provide educational facilities for 95 per cent of the children of the age-group 6-11 and 45 per cent of the age-group 11-14 by 1975-76. Alongside of this a mass literacy programme is recommended to be launched in 100 selected districts where the number of educated unemployed is comparatively large. For industries, the Committee suggests that the concession extended recently by the Government to 54 specified industries towards additional production to the extent of 100 per cent above their licensed capacity should be allowed to other industries on the basis of the individual merits in each case, as this will demonstrably create large job opportunities.

Lack of Data on Volume of Unemployment

Much of this exercise, however, is rendered incongruous by lack of data on the volume of unemployment. The Planning Commission had long ago confessed that the data available with it for estimating unemployment and underemployment in the past have not been adequate and that the conclusion based on them were therefore unavoidably subject to an unknown margin of error. Many of the limitations of the estimates of labour force, employment and unemployment are inherent in the socio-economic conditions of the country and cannot be overcome wholly by the conceptual refinements or improvements in the technique of estimation.

While appreciating the desire on the part of the general public for precise estimates, it has to be recognised that precision is not possible in the present socio-economic circumstances. "The concept of the labour force as adopted in developed economies is unsuitable for an economy like ours with its preponderance of self-employment and production within the household enterprises. The main problem is that a sizable proportion of labour input in household enterprises is provided by some members of the family who have only a partial attachment to the labour market. They work in the family enterprise

without receiving any wages. They work on family farms and enterprises as and when required; and when they do so, they technically become part of the 'labour force'; but, when there is no such work, they revert to household work. In all probability they would neither seek work nor be available for 'outside work.'

Thus the majority of the population in the country is comprised of those who are not technically jobless and are either underemployed or unemployed at their own will. It is because higher wages in urban areas have been sucking in persons from the countryside, for many of whom there may be no work at all and it is

THE CITY CORNER:

Corporation Finances in Low Ebb...

The budget for the coming year presented to the Council of the City Corporation the other day brought out two things clearly. There is no rational basis for the rates of some of Corporation's taxes, notably the property tax. Secondly, the City municipal finances lack a sound base even after a century of existence of the Corporation. The division of functions between the Corporation and the State Government and the allocation of revenues between the two agencies in consonance with such division of functions has been in a flux for a long time. The poor yields of the Corporation taxes in Madras contrast so strikingly with the position obtaining in cities like Bombay or Calcutta account for the bad performance of the City Corporation in relation to its responsibilities. Street lighting, road maintenance, drainage and other amenities particularly in the extended areas, street cleaning, in fact everything about the Corporation is bad and bear no relationship to the taxes paid by the citizens. Corruption is believed to be very widely rampant in the various echelons of the civic administration.

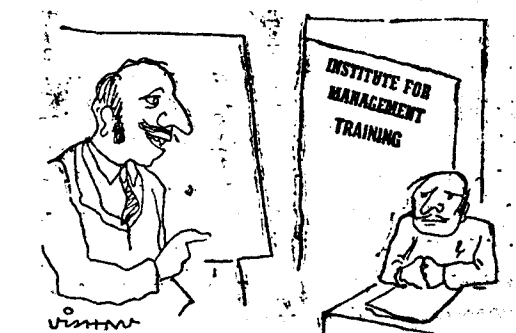
because this bunch of people is most vociferous and is depended upon by stunt-prone politicians, that we hear so much noise about the spectre of unemployment. In the case of the educated unemployed the problem is that they are only nominally educated in the sense that they have not acquired adequate proficiency in any vocation. Many of these are in the category of persons who leave schools before matriculation or obtain a bare pass class in higher examination. They are in this sense unemployables.

To absorb these two sets of people into jobs, the devices will of course differ. To the wage-earners, the chances of employment may prove

brighter only if the industrial climate improves through a really growth-oriented economic policy which will assist initiative to earn its due while it helps the public sector enterprises, particularly the steel mills, to get out of the red. Regarding the unemployables with a general education of no particular standing, special training institutes will have to be set up to help them acquire some basic skills close to the academic disciplines through which they had gone. At the same time, an overhaul of the curriculum to make it shed its preference for conventional arts and sciences has also to be ordered, if education of the decade ahead should be worth its name. —S.R.

novel procedure of debiting non-recurring and capital expenditure as well as some recurring expenditure to loans and grants. Maintenance programmes receive only a small amount. One could possibly take exception to such ostentatious schemes as multi-storeyed buildings, official residence for the Mayor, etc., when even for acquiring enough conservancy vehicles the excuse of lack of funds is given.

The Corporation could very well take over elementary education completely in the City on the lines obtaining in other countries. The Government should in that event provide adequate grants to the Corporation. The Government has not been paying grants even for the mid-day meals provided in the Corporation schools while it does so in the case of aided managements. —V.M.



"...and today we'll outline the role of the tale-carrier in Management perspectives..."

Towards More Sophisticated Small Industries...

In a survey on small scale industries in Tamil Nadu presented in our Annual Number 1971 released recently, it has been pointed out that though in terms of quantity the investment made in the small scale sector was sizable, in terms of quality the development has not been significant. Growth so far has been confined to the traditional industries such as iron and steel, cement, printing, leather, textiles and the like. In the modern and more sophisticated electronics, plastics or chemical industries, there has been little growth and the State is lagging far behind Maharashtra, Gujarat, Punjab and Haryana.

These industries hold out a lot of promise for the entrepreneurs. These are not capital-intensive in many cases and lend themselves ideally for development in the small scale sector. With the wide range of institutional finance available—in fact it is surprising to hear that the record of entrepreneurs from the Southern States in making use of the facilities offered by the National Small Industries Corporation and other financial institutions is far lower than what they are in Maharashtra, Gujarat, Punjab and Haryana and with most of the machine tools required for setting up these available within the country, a more vigorous effort to spread these is necessary. Another important aspect is the good prospect these industries assure in regard to profitability.

In recent months however, there are certain encouraging trends towards the spread of these industries in Tamil Nadu. For one thing, though the per capita consumption of plastics in India is far lower than what it is in many of the developed countries, there has been a continual increase in the output of plastics raw materials from the Indian plants. Particularly with the proposed expansion of Chemicals and Plastics India Ltd., from 6000 tonnes to 20,000 tonnes per annum and with the recent commissioning of the 14000 tonnes capacity plant of Plastic Resins and Chemicals Ltd.,

also located in Tamil Nadu, there has been a great deal of activity on the part of these manufacturers to promote many small scale industries using plastics raw materials.

Plastics in Electronics

A seminar was organised by Plastic Resins and Chemicals Ltd., at Arumuganeri in Tirunelveli District some three months ago. An exhibition was held in Madras on plastics and ceramics under the auspices of the All India Manufacturers' Organisation during November 1971 and towards the close of February 1972, the Plastics Institute, London, Indian Section, Madras Centre in co-operation with the Department of Industries, Government of Tamil Nadu organised a one-day seminar on plastics in electronics at the Central Institute of Plastics Engineering and Tools, Madras. The object of the seminar was to highlight the application of plastics in the field of electronics.

Inaugurating the seminar, the Chief

Secretary to the Government of Tamil Nadu P. Sabanayagam, said that in the context of the relatively lower labour costs in our country and in the light of many of the plastics moulding or extrusion processes being highly labour-intensive, there are good prospects for developing the export of these at least from the airport towns. He felt the relative costs of plastics and other materials in a variety of applications such as construction could be evaluated with a view to minimise costs. Presiding over the inaugural session, Lt. Gen. Iyappa, Chairman, Bharat Electronics Ltd., estimated that at the present rate of growth of 10 to 15 per cent per annum, in the 'eighties there will be as much of plastics produced as any other metal in the country. A very wide range of plastics materials is available which offers a wide scope to replace to a large extent the imports, particularly in the electronics industry. He referred to the progress made in consumer electronics as considerable; but in the field of manufacture of pro-



Inaugurating a seminar on Plastics and Electronics in Madras, the Chief Secretary to Tamil Nadu Government P. Sabanayagam suggested the evaluation of relative costs of plastics and other materials in a variety of applications with a view to minimise costs. To the right of Sabanayagam are seen in the picture the Chairman of Plastics Institute, Madras Centre, S. Ramaswamy and the Director of Industries and Commerce C. N. Raghavan.

essional electronics equipment and components, there is a very large gap between demand and indigenous production. Particularly in the context of many applications in Defence requiring constantly smaller, lighter and less costlier equipment, the role of plastics will be a very big one, he said.

The Director of CIPET S. Bala-sunder, referred to the wide range of training and service facilities offered by the CIPET in plastics engineering and consultancy.

Earlier, welcoming the delegates to the seminar, the Chairman of the



Lt. Gen. Iyappa, Chairman of Bharat Electronics Ltd. (Centre) presided over the inaugural session of the seminar. Others (L to R): Mr. T. S. Bidappa and Mr. P. Sabanayagam.

Plastics Institute, Madras Centre, S. Ramaswamy, said that compared to world production and consumption of plastics estimated at over 30 million tonnes, the present Indian production and consumption of plastics is very small—just around 100,000 tonnes. He said that world consumption of plastics is expected to reach 90 million tonnes by the end of the decade while the Indian consumption may rise four fold to around 400,000 tonnes.

Mr. T. S. Bidappa, convener of the seminar, proposed vote of thanks.

—S.V.

Remarkable Growth of Electric Fan Industry

By C. VEERARAGHAVAN

Fan manufacture in India began nearly five decades ago. In 1920, Mr. N. C. Bhattacharya, an enthusiastic Indian engineer, developed a new design for a fan. That was a time when British and German fans held their sway not only in India, but also in many other parts of the world. Indian Electric Works Limited, Calcutta, bought Mr. Bhattacharya's patented design and the first fan even to be produced in the country made its appearance by 1924, under the name of India fans.

Sustained Progress in the Plan Era

In 1929, there were nearly six large companies with manufacturing capacities amounting to 40,000 fans per annum. Sustained progress during the plan era has raised the total production of fans from 340,000 at the end of the First Plan period to about 18 lakhs in 1970. The share of the main producers in the total production is given below:

Usha	6 lakhs
Orient	5.5 "
Crompton	2 "
GEC	1.5 "
Bajaj	1.5 "
Rallis	1 lakh
Others	0.5 "
Total	18 lakhs

Today there are 25 units in the large-scale sector and over 40 in the small-scale sector. The industry is mainly located in West Bengal and Maharashtra and to a small extent in Delhi, Haryana, Punjab, Uttar Pradesh and Tamil Nadu.

Fan manufacturing industry is now one of the most important in the field of light electrical manufacture. India with a production of about 1.5 million fans per year, is the third largest manufacturer of fans in the world.

Apart from ceiling fans, table fans, pedestal fans and air circulators the industry also produces industrial fans, exhaust fans and blowers.

High Quality of Ceiling Fans

Today, the Indian ceiling fan has earned the distinction of being one of the best in the world. India virtually controls the world ceiling fan market in spite of severe competition from many countries. Ceiling fans constitute the bulk of our exports of electric fans, accounting for 90 per cent of the total fan exports. Fifty two countries buy Indian fans and our fan exports have surged from a mere Rs. 13 lakhs in 1956-57 to about Rs. 2 crores in 1969-70. The major export markets include Iraq, Kuwait, Singapore, Sudan and other countries in the Middle-East and Africa. We not only export fans, but even provide technical know-how on fan manufacture to some of the Asian and African countries. In addition an Indian subsidiary is producing fans in Ceylon.

Anticipated production by 1973-74 is placed at 30 lakhs. The demand for fans is determined not only by economic and social factors but to a great extent by climatic factors. Fan is not a luxury item in a tropical climate. For the average middle class man, the present cost of the electric fan is on the high side. Prices have been revised from 30 to 35 per cent in the last three or four years.

Prospects for the industry are very bright. Rural electrification has also boosted the sales of fans. The large scale rural electrification undertaken in the States of Haryana, Punjab and Maharashtra are bound to have their impact on the demand for electric fans in these areas.

Risk Cover for Investment



"The high rate of interest covers the risk to this advance..."

The Elusive Textile Tangle

Efforts to resolve the Coimbatore textile labour tangle ended in failure. The 60,000 odd workers are continuing their indefinite strike. There were several rounds of talks between the representatives of millowners and workers, one of them at Madras in which the Chief Minister, the Labour Minister and the Industries Minister also participated. The shift of the venue of the talks to the State capital had given some hope of settlement but even after some concrete proposals were made at the Madras talks for resolution of some of the ticklish demands raised by labour, there could be no meeting ground among parties. "The strike by the workers, already a week old, and the agitational programme will continue said Mr. K. Ramaswami Naidu, President and Mr. S. N. Kaliannan, Secretary, of the Joint Action Committee of the Textile Trade Unions, at the end of the talks they had with the Ministers and millowners. They, however, acknowledged that there had been little progress as a result of the talks. This naturally raised some hope that they would go back to Coimbatore and persuade the workers to call off the strike in the context of the pro-labour stance of the Government. But this did not happen.

The Coimbatore labour situation meanwhile continues to be explosive with picketing in full. The notion is held rightly or wrongly by people outside Tamil Nadu, that the State had become another West Bengal and is no longer a safe place to invest in. The Chief Minister would stoutly deny there was any lack of safety for capital in the State or that would-be entrepreneurs tended to shy away from the State in view of the labour unrest here. But the fact remains that after the trouble in the Simpson group of companies (which unfortunately had still not ended), an equally explosive labour situation has arisen in Coimbatore which is as extensive and involving far more workers. The ruling party thinks, perhaps rightly, that the other political parties with trade union strength

are engaged in a fight with political motivations and their only interest is to weaken the DMK as a political party. Those other parties on the other hand say their aim is to oust the DMK from the labour front. According to them, the DMK is not equipped to function as a trade union party and it is only by using its position as Government it has been able to get a number of its men elected as presidents of unions in many industrial establishments. "This battle has to be fought once and for all," they point out.

Beyond the Purview of State Government

The DMK instead of facing up this challenge appears to develop cold feet and frequently tries to settle labour disputes by overdoing the pro-labour stance. Actually in the case of the demands of the workers of the Coimbatore textile mills, quite a few of them are beyond the purview of the State Government such as increased bonus and gratuity, take-over of all sick and closed mills and unemployment relief to those out of job. Even so, the State Government went out of the way to offer to take over immediately three more mills—Somasundara, Kaleeswara, Coimbatore Spinning and Weaving, besides Pankaja which was under liquidation.

Word has come from Delhi that the RECESSION, RECOVERY . . . AND NOW STRIKE

There are 140 spinning mills in South India forming about 70 per cent of the country's total. S. India's composite mills numbering 50 represent hardly 15 per cent of the country's mills of this category. This imbalance explains to some degree the ills of the textile industry in South, particularly in Coimbatore. Coimbatore has a spindlage of over two million. The mills recovered from a very bad recession only a couple of years ago. There is of course optimism regarding the future of the textile industry in Coimbatore but only if the labour, raw material and modernisation problems are realistically tackled by all concerned, mill-owners, trade unions (divided between the INTUC, Marxists and the latest entrant the DMK), and the Government to make all those involved prosperous.

proposal of the State Government for take-over of Somasundara, Kaleeswara and Coimbatore Spinning and Weaving mills in Coimbatore has been approved by the Centre. The National Textile Corporation would provide 51 per cent of the working funds for the operation of these mills by the State Textile Corporation. Under the Industrial Development and Regulations Act, the State Textile Corporation is already operating six mills. The Centre has further indicated that steps might be taken soon for take-over of the other three mills also—two of them in liquidation. This should remove one major cause of unrest and lead to an early settlement of the dispute. In his anxiety to keep labour from being a possible source of political discomfiture, the Chief Minister offered Rs 3 lakhs from his relief fund for unemployment relief for workers who had lost their jobs. The third proposal is that millowners should pay "occupation wages" to temporary workers and learners though the Labour Commissioner would go into the question of whether and/or how this would affect the economics of the mill.

The textile problem in Coimbatore is at least five years old. Depleted working capital, a steep rise in the price of cotton, soaring wage bill on account of surplus labour force, low productivity on account of the existence of not only outdated but unattended machinery, liabilities (both statutory and non-statutory) have been the problems plaguing this industry in Coimbatore. Most of these are perhaps to be blamed on the managements. But in any attempt to bring about a quick solution to the problem, nothing should be done to render difficult the operation of the well-run mills. Of the 85 mills only about a dozen can be said to be doing very well with modern machinery. The rest have to go through a programme of modernisation. An enlightened management is certainly needed for solving this vexed problem. This, however, will take some time and meanwhile all the parties concerned, including the Government, should not queer the pitch but positively help its solution. —V.M.

INDUSTRIAL ECONOMIST

P. M. Inaugurates Work on Massive Outer Harbour Project

The Prime Minister Mrs. Indira Gandhi fulfilled as many as six public engagements in the emerging industrial town of Visakhapatnam in the course of just one day. There was a common theme in all the addresses she gave. The need to bring about economic development quickly without prejudice to social development and to work for self-reliance in this endeavour of economic growth was stressed on almost every one of the occasions.

Mrs. Gandhi took delivery of the new merchant navy training ship *Rajendra* at a colourful deckside function at the Hindustan Shipyard. *Rajendra* built at a cost of Rs. 2.1 crores symbolised India's progress towards self-sufficiency and self-reliance. Referring to the high imported content of the ship, she said the day would not far off when the country should be able to roll out 100 per cent indigenous ships.

Youth Should Cultivate Independent Thinking

Speaking about new designs and ideas, she said that unless the youth of the country developed independent thinking, the capacity for designing our own equipment could not be created. Development, in a way, was dependent on the emergence of a new trend in thinking to make India a strong, modern and rational nation.

Mr. S. Balakrishna Shetty, Chairman and Managing Director of the Shipyard, presented to the Prime Minister a model of *Rajendra* named after the famous Chola king. He said this was smaller than *Dufferin*, the grand old lady of India's merchant navy, which had been training officers for over 45 years. The new ship, according to Mr. Shetty, is more functional and can accommodate 250 cadets and 150 staff. The Minister for Shipping Mr. Raj Bahadur said because of the bigger size of *Rajendra* there was going to be an increase in the intake of merchant navy cadets from 80 to 125. The Minister said that the shipyard was taking steps to build

bigger ships and had accepted orders for seven ships of 21,000 deadweight tonnes each.

Laying the Foundation for Outer Harbour

The next important function in which the Prime Minister took part was the inauguration of work on the outer harbour project estimated to cost Rs. 49 crores. The Prime Minister was told that the harbour would be ready by May 1974 and would be one of the deepest harbours of the world. She evinced a great deal of interest in all details about the outer harbour, the breakwaters, the different kinds of berths, warehouses, the tugs and dredgers doing special kind of service in harbours and so on. Mr. Sambamurti, Chairman of the Port Trust who introduced the senior officers to the Prime Minister, explained how

the economy of the area was going to be developed following the completion of the Outer Harbour, and the implementation of the other schemes like the steel plant and the satellite harbour to serve its requirements, the zinc smelter, etc. The State Chief Minister Mr. P. V. Narasimha Rao was happy that the Prime Minister showed so much of interest in the development of Andhra Pradesh. The Japanese Charge d'Affaires at Delhi represented his country which had so much to do with the development of the Visakhapatnam harbour and the iron ore trade through it.

Stress on Centre-State Unity

Speaking at a largely-attended public meeting, the Prime Minister covered a wide range of topics including Centre-State relations and the need to learn Hindi for the South Indian.



Visakhapatnam Port Trust Chairman H. Samba Murti is seen presenting a cheque to Prime Minister Indira Gandhi when she inaugurated work on the Outer Harbour Project on February 2. A.P. Chief Minister P. V. Narasimha Rao (third from left), and Minister for Shipping Raj Bahadur (fourth from left) look on

INDUSTRIAL ECONOMIST

7

Big Spurt in Export of Bicycles

The exports of Indian bicycles and bicycle parts have touched a new high by earning Rs. 7 crores in foreign exchange in 1970-71 as against Rs. 4.57 crores in 1969-70.

The exports of cycles fetched foreign exchange of Rs. 2.45 crores in 1970-71 as against Rs. 1.57 crores in the previous year. During the same period the exports of components and accessories increased by nearly Rs. 1.60 crores to Rs. 4.63 crores.

Iran has emerged as the principal buyer of Indian bicycles with an intake amounting to nearly a quarter of the country's total exports of bicycles, last year. Nigeria, Indonesia, Zambia, United States, Iraq and Singapore were the other importers.

Among the bicycle parts and accessories, the major items in demand in the foreign markets are chains, free-wheels, hubs, rims and saddles.

India today ranks as the fifth largest manufacturer of bicycles in the world. It is next only to the Soviet Union, the United States, Japan and West Germany. In 1970, over 20 lakh bicycles were produced in the

country. 108,000 cycles were exported during 1970 and this increased to around 180,000 last year.

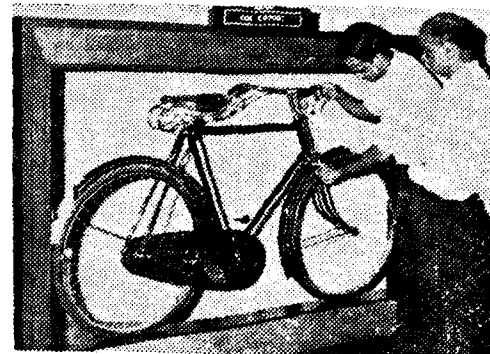


Photo shows a bicycle ready for export. India today ranks as the fifth largest manufacturer of bicycles in the world. The demand for Indian bicycles and bicycle parts has gone up in the foreign markets. Last year, the exports of bicycles and parts fetched Rs. 7 crores in foreign exchange.

Tribute to Navy's Achievements

She did not fail to take the opportunity to visit the Eastern Naval

Command Headquarters which had so much to do with the winning of the war with Pakistan. The Prime Minister met every one of the Naval Officers in the Headquarters and congratulated them and other staff on the excellent performance they put forth. In a formal speech she called for great vigilance against external aggression. She did not think the danger to the country from without had completely disappeared. Unless the people and the defence forces were extraordinarily vigilant it would be very difficult to meet the challenge to disturb peace in the region which kept coming constantly. As she arrived at the Parade Ground to deliver the address she was cheered lustily by over 3,000 Naval Officers and sailors. Vice-Admiral Krishnan took the Prime Minister round the Ghazi Exhibition where the Pak. submarine as well as the weapon used to sink it were displayed.

A sum of Rs. 2,11,116 was presented to the Prime Minister by the Andhra University as its contribution to the National Defence Fund. The Vice-Chancellor Mr. Bullayya also read an address of welcome at the public meeting.

Travails of Married Students

15 per cent of all students matriculated during the 1971 summer semester at universities in the Federal Republic of Germany were married. During the last 20 years, the number of married students has doubled among the men and has even become five times as high among women.

Roughly 75 per cent of the married students are so far along in their studies that they are able to take their degrees two years after their wedding. For the most part, one of the marriage partners has already completed his training and works. The student incomes are surprisingly high: Three fourths of all student households have a monthly income ranging from 900 to 1000 DM, nearly every third couple earns more than

1400 DM and every fourth student couple more than 1500 DM.

The greatest problem for the married students is finding living quarters. This holds especially true of married students with children—roughly half complain of unsuitable living conditions or very high rents. In roughly 20 per cent of the cases of married students with children, the family does not live together, in another three per cent, the parents live together but the child elsewhere. More than 85 per cent of the married roughly seven per cent live with their parents or other relatives. Of the student couples with children, not even one-third has two rooms to live in. Therefore, government funds for the construction of student apartments will be increased considerably this year.

—German Feature

BUSINESS BRIEFS:

TIDCO's Ambitious Schemes

There are signs of industrialisation in Tamil Nadu receiving a fresh thrust in the coming years as a result of concerted efforts of the State Government and enlightened industrialists in the State. Compared to most other States (barring a few like Maharashtra, Gujarat, West Bengal and Haryana) there has been no dearth of entrepreneurs in Tamil Nadu to take up new worthwhile projects. But there has been no marked investment in entirely new units in the past few years mainly due to policy impediments and paucity of resources. The existing units have, however, been expanding their capacity wherever worthwhile, as in the case of tyres, papers, cement, caustic soda, sugar and aluminium. There has also been at the same time lack of initiative on the part of local entrepreneurs to diversify into new lines based on the State's natural resources as well as the by-products of existing industries.

But the picture is changing thanks to the State Government's anxiety to promote new industries with financial and other help. The Tamil Nadu Industrial Development Corporation has assumed a dynamic role in initiating new schemes, mostly in the joint sector, based on the experience and expertise of seasoned industrialists and technical executives. TIDCO is already running a cement plant in Ramanathapuram while the Arkonam continuous casting unit will be meeting the State's requirements of mild steel items to a significant extent. TIDCO is also participating in the huge Rs. 71-crore Tuticorin fertilizer project of Southern Petrochemical Industries Corporation which came on the market only recently to raise capital.

A soda ash plant, with an annual capacity of 70,000 tonnes, is also to be set up at a cost of Rs. 12 crores in the joint sector, at Tuticorin, using the surplus ammonia of the fertilizer factory. Also, a number of new factories can be expected to come up in the three districts of North Arcot, Dharmapuri and Ramanathapuram which have been declared as backward areas for purposes of special concessions to new units from the Central and State Governments.

New Units

The proposed cigarette unit to be set up in Dharmapuri district by the Tamil Nadu Government in the joint sector is expected to go on stream by the middle of 1974. Work on the Rs. 3.5 crore plant which will produce 4,500 million pieces annually is likely to begin in the third quarter of this year. Another project relates to setting up a nylon yarn plant with a daily capacity of 6 tonnes at a cost of Rs. 10 crores. A feasibility

report has been prepared and the plant may be located in Madurai district. The third proposal is for a Rs. 12 crore joint sector tyre and tube unit at Tiruppathur in Ramanathapuram district. The plant which will have a capacity of 3 lakh sets of tyres and tubes is expected to go into production in three years. The Tamil Nadu Industrial Development Corporation is also promoting other schemes to set the pace for further industrialisation of the State. Among the smaller projects is a Rs. 70 lakh potassium chlorate plant near Madurai with a daily capacity of 5 tonnes. The corporation has also received letters of intent for setting up an aluminium fluoride unit and a precision measuring instruments plant. The aluminium fluoride project may cost Rs. 3 crores with an annual capacity of 3,000 tonnes. Other schemes of TIDCO include a calcium carbide plant and a refractory unit. Another joint sector project proposed is a Rs. one crore plant to produce 3000 tonnes of basic chrome powder for use in the tanning industry.

CAFF's Lower Earnings

Chemicals and Fibres of India Limited could not avoid a drop in earnings for the year ended September 30, 1971 though sales improved to Rs. 33.89 crores from Rs. 32.03 crores in 1969-70. The net profit, before taxation and after depreciation, is lower at Rs. 3.36 crores against Rs. 3.53 crores. However, the tax liability is estimated higher at Rs. 2.16 crores (Rs. 1.67 crores), the transfer to general reserve is only Rs. 38 lakhs (Rs. 111 lakhs). The directors have declared a final ordinary dividend of 4 per cent, taxable, on a higher capital of Rs. 5.35 crores. Two interim dividends for 21 per cent have already been paid on the old capital of Rs. 4.90 crores. The total distribution for 1969-70 was 27½ per cent taxable.

E.I.D. Parry

There has been a distinct improvement in the working of E.I.D.-Parry Limited in the latter half of the year ended September 30, 1971 and it was possible to reduce the losses of the first half considerably. Total direct sales were higher at Rs. 44.43 crores against Rs. 41.22 crores in 1969-70 and sales on consignment account at Rs. 43.64 crores against Rs. 33.75 crores. The net profit, before depreciation and interest charges, improved appreciably to Rs. 245.33 lakhs from Rs. 155.24 lakhs. Other income amounted to Rs. 37.89 lakhs against Rs. 36.36 lakhs. The charge in respect of depreciation is Rs. 123.54 lakhs (Rs. 127.42 lakhs) while bad and doubtful debts claim Rs. 22.57 lakhs (Rs. 26.79 lakhs). As interest charges

were lower at Rs. 167.77 lakhs (Rs. 193.38 lakhs) there was only a small net loss of Rs. 17.06 lakhs against as much as Rs. 170.80 lakhs, after some adjustments relating to earlier years. This has been reduced to Rs. 13.42 lakhs (Rs. 170.09 lakhs) after taking into account Rs. 5.59 lakhs (Rs. 2.66 lakhs) for tax credit and allowing for minority interests in profits.

W. S. Insulators' Maiden

Producers of electrical equipment like transformers, switchgear, power transmission, distribution and control equipment have been doing well following the larger outlays on rural electrification schemes. There was a sharp pick-up in demand for aluminium conductors, insulators, house service meters etc. particularly in 1971 though latterly the State Electricity Boards have slowed down their off take due to limitation of funds. W. S. Insulators of India Limited has benefited considerably from larger demand for its products during the year ended October 31, 1971 and it has been possible to announce a maiden ordinary dividend of 8 per cent after paying in full the areas of preference dividend and also the current dividend. Sales for the year were nearly 50 per cent higher at Rs. 3.08 crores against Rs. 2.10 crores in 1969-70 while the net profit before depreciation, rose sharply to Rs. 53.30 lakhs from Rs. 33.77 lakhs. Depreciation claims Rs. 11.24 lakhs (Rs. 8.39 lakhs) and arrears under this head Rs. 18.77 lakhs (Rs. 13.84 lakhs). The allocation to development rebate reserve is Rs. 5 lakhs (nil) and general reserve Rs. 25 lakhs (nil). Arrears and current preference dividends will require Rs. 14.80 lakhs and the equity dividends Rs. 7.21 lakhs and these will be paid out of general reserve. Expenses relating to previous years get Rs. 1.85 lakhs (nil). There was however a credit balance of Rs. 8.90 lakhs brought in from the previous accounts while on the last occasion, a debit balance of Rs. 2.63 lakhs of the earlier year was wiped out. The prospects for the current year are reckoned quite encouraging as there are sizable orders. The shares of the company have been a firm feature in Madras for sometime now, with the quotation improving to near par.

New Enfield Project

Enfield India Limited is to set up a new factory in Ramanathapuram district of Tamil Nadu for manufacturing motor cycles of various types on an integrated basis. The district has been declared a backward area for special concessions by both the Central and State Governments, to new industries. The company has received a letter of intent for 14,000 vehicles per annum. The project is estimated to cost Rs. 90 lakhs. It is learnt that a loan of Rs. 50 lakhs will be obtained from the Industrial Finance Corporation of which a portion may be con-

verted into equity later on a stipulated basis. For the present there will be no fresh issue of equity capital. Also, an amount of Rs. 9 lakhs will be available as a Central subsidy besides Rs. 22.50 lakhs out of sales tax proceeds for the last three years. Internal resources will make up the balance. The company's Tiruvotthiyur factory (Madras) will also be raising its capacity by 25 per cent to 16,000 units annually.

United Carbon

United Carbon India Limited has been able to register a sharp rise in production and sales during 1971 thanks to the expanded facilities available. Sales of Carbon black showed a big rise to Rs. 5.15 crores from Rs. 3.81 crores for 1970 while the net profit, before depreciation and taxation, was much higher at Rs. 2.12 crores against Rs. 1.71 crores in spite of increased costs. The dividend on equity capital has however been only maintained at 20 per cent taxable while no decision has been taken on a modest bonus issue. Also, the net dividend will be paid out of tax-exempt profits while in the previous year the entire dividend was tax-free. The available resources are perhaps being conserved to finance the next phase of expansion from 40 million lb. to 50 million lb. The company has received a letter of intent for the scheme and arrangements are being made to get a capital goods licence.

Out of the earnings for the latest year, depreciation claims Rs. 29.61 lakhs (Rs. 36.25 lakhs) and development rebate, Rs. 1 lakh (Rs. 7.05 lakhs). The provision for taxation is double at Rs. 1.05 crores (Rs. 53 lakhs) besides an allocation of Rs. 3.63 lakhs in respect of earlier years against a credit of Rs. 6.92 lakhs in 1970. General reserve gets Rs. 72.93 lakhs (Rs. 81.60 lakhs). The equity dividend will absorb Rs. 31.07 lakhs (same) out of this reserve and will be partly tax-free in the hands of shareholders.

The Chairman Mr. C. H. Bhabha has told shareholders in his statement sent along with the balance-sheet that the full impact of the sanctioned expansion was likely to be felt soon. The cost of the scheme will be about Rs. 1.20 crores and can be financed from the ample internal resources. Reserves at the end of 1971 amounted to Rs. 2.38 crores after allowing for the latest dividend against a paid-up equity capital of Rs. 1.55 crores and a net block of Rs. 1.54 crores. The company's Rs. 100 paid-up shares are quoting firm around Rs. 420 offering a gross yield of 5 per cent.

Mysore Sugar Repeats

Even with a lower level of production Mysore Sugar Company Limited has earned a much larger profit for the year ended June 30, 1971 as sales were quite remunerative. The equity dividend has however been only maintained at 20 per cent taxable. The recently issued bonus shares are not eligible for the latest dividend. Output of sugar

did not fall proportionately to the decline in quantity of cane crushed thanks to a sizable improvement in recovery to 10.3 per cent from 9.09 per cent. While cane handled was only 3.36 lakh tonnes against 4.86 lakh tonnes, sugar production dropped to 34,423 tonnes from 44,176 tonnes. The net profit, before depreciation and taxation, rose appreciably by nearly 30 per cent to Rs. 83.36 lakhs from Rs. 64.35 lakhs. After setting aside for depreciation Rs. 34.53 lakhs (Rs. 34.36 lakhs) and for development rebate Rs. 81,000 (Rs. 1.58 lakhs) the provision for taxation is as much as Rs. 10 lakhs (Rs. 3,400), general reserve gets a larger amount of Rs. 23.50 lakhs (Rs. 19 lakhs). The allocation to tool depreciation reserve is Rs. 2 lakhs (nil) and investment fluctuation reserve Rs. 2 lakhs (nil). The equity dividend will require Rs. 10.82 lakhs and is covered atleast three times by disposable earnings. At the prevailing rate of Rs. 20 for the Rs. 10 paid up the shares offer a gross return of 10.8 per cent.

Indian Oxygen's Plan

Indian Oxygen Limited has forwarded a comprehensive expansion scheme to be implemented in phases, over the next few years. The plan involves major diversification of its activities, many of them not related to the existing lines and in which no indigenous technical know-how is now available in the country. The plan, which will call for substantial additional capital investment, will also significantly increase employment opportunities and is now being discussed with Central Government officials. The clearance for the first phase is expected in the near future. One of the major issues in the discussions is the requirement by Government that the British interests' share in the company's capital (now 66.06 per cent) should be reduced before any expansion is allowed. British oxygen is however willing to forego its rights in respect of a further issue of shares to enable an increase in Indian participation. But the quantum of fresh capitalisation will have to conform to profitability of future operations.

The chairman of the company, Mr. N. Dandekar, has stated that in view of the near full utilisation of capacity for industrial gases now and similar use of capacity for electrodes in the next two years early fresh expansion is necessary to benefit from the increasing demand. Production of open arc continuous electrodes at Ambattur factory was established last year while the Government has approved the proposal for production of certain tubular hard facing welding rods and electrodes with Australian collaboration and steps have been taken to implement the scheme.

Asbestos Fibre from Soviet Union

An agreement for supply of Soviet asbestos fibre was signed recently by the Soviet

Trade Organisation Soyuspromexport and Southern Asbestos Cements Ltd.

Soyuspromexport has been supplying to India, asbestos fibre, fertilizers like ammonium sulphate and urea refractories for use in furnaces as in Bhilai, in large quantities for more than a decade now.

Mr. S. Arjuna Raja, Director and Mr. S. Ganapathy, Works Manager, signing on behalf of the Indian firm said they have been importing asbestos fibre from the Soviet Union ever since the inception of their firm in 1967. They find the quality of Soviet asbestos fibre excellent and business relations with the Russians 'most cordial, smooth and pleasant'.

The asbestos fibre is used by this firm to make asbestos cement for roofing sheets, rain water and irrigation pipes, accessories and fittings. 30-40 per cent of their products are used in Government projects, they said.

They hope to visit the USSR in 1972 to explore the possibilities of further increasing and improving business relations with their Soviet partners and to study the modern technology employed in the USSR in the best and most economical use of this essential material.

Siemens Introduce Modern Load Despatch Techniques

To obtain maximum benefits out of interconnected power systems, it is essential to apply load despatch techniques. In some advanced countries this technique has been used so successfully that while the costs of all essential commodities have gone up over a number of years, the cost of electricity has gone down over the same period.

The power systems in various states in India are being linked with one another and load despatch centres are being established in each state to control generation and transmission of power in respective states. The activities of a group of state power systems will be co-ordinated by the establishment of Regional Load Despatch Centres.

Siemens India have taken an active part in introducing Load Despatch Technique in India. The experience acquired in this field by Siemens AG, Germany, has been utilised in load despatch schemes for Madhya Pradesh Electricity Board and Koyna Project. Under MPEB Load Despatch Scheme, a total generation of 787.50 MW at the Power Stations Amarkantak, Satpura, Gandhisagar, Korba I and Korba II, will be controlled by Signals received from the Load Despatch Centre at Jabalpur. The total interchange power with the neighbouring states will also be controlled under this scheme. Under the Koyna Project Load Despatch Scheme, the Load Despatch Centre at Kalwa will control and aggregate the generation of 1240 MW at Power Stations Koyna I, Koyna II and Koyna III, Nasik and Vaitarna. The Atomic Power Station at Tarapur will also receive a Power-Station Signal from Kalwa Load Despatch Centre.

There is a shortage of 82 million houses in India

LIC is building homes—doing what is most needed today

A growing population, a growing gap in housing. LIC has already invested over Rs. 300 crores in housing loans.

Loans to State Governments have financed housing schemes all over the country, in cities, towns, industrial townships.

Total loans granted to Housing Boards and Housing Co-operatives amount to

Rs. 87.22 crores during recent years. The 'Own Your Home' Scheme gives policy-holders

an opportunity to build their own homes.

A new venture by LIC is the Township started at Borivli, Bombay, which will provide for 4,000 flats. This is the first of the model townships that LIC plans to build and would be followed up at Bangalore, Lucknow, Hyderabad, Calcutta and other places soon.

LIC believes in providing essentials. And a decent home is among the most vital.





THE GROWTH RUSH : WHOSE RESPONSIBILITY ?

Steel stimulates and shapes economic growth. Like water supply, roads, railways, power generation, steel is at the base of all development activities.

Only twenty years ago, India produced a mere 1.7 million tonnes of steel. More steel was required, calling for massive investments and action from the Government, which alone had such large resources.

As the pioneer steel producer in the public sector, Hindustan Steel has borne the difficult responsibility of developing the complex resources and disciplines required by a growing steel industry. This nucleus of services, skills and resources will provide the impetus to the future steel plants of India.

The steel industry does not offer large profits in any country—such is the nature of investment in steel*. But the fulfilment of Hindustan Steel will be in the fact that it has given a new direction to the growth of India's economy.



HINDUSTAN STEEL
A NATIONAL TRUST FOR NATIONAL GROWTH

*For the information of discerning readers these are the average net profits after taxes of the steel industry in a few countries in 1966. The position since then has not altered appreciably.

France : 0.3% Belgium : 0.5% Italy : 1%
West Germany : 1.5% Japan : 2% U.S.A. : 6.7%

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5 - Election Snap

The Indian mind traditionally has been so fertile in imagination that it can make a festival out of a mere occasion or a demigod out of a mortal. To such a mind, what can be more stimulating than a full scale election offering all "Tamasha"—a fierce battle of words, the feats of histrionics, the tumult of the village fair and the ultimate and inevitable promise of a release from poverty, uttered by the leader from the rear seat of his own Impala—all rolled into one? "Platipus" has culled out a few refreshing bits of news from the election scene and offers them to you with his own little comments.

THE MATINEE IDOL

Some film-stars too jumped into the fray of elections, in support of candidates. Mr. Balraj Sahni travelled all the way to Bhopal to canvas for Mr. Shakir Ali—a Congress — backed CPI Candidate. Mr. P. C. Sethi, the new Chief Minister of Madhya Pradesh, went too far, with the claim that in his younger days he was mistaken for Dilip-Kumar. A local daily, ridiculing the politician's metamorphosis, hotly demanded to know 'How does one make a hero of this Comedian?'

Mr. P. C. Sethi, kindly forget it. After all, "villain" could have been a much worse word!

THE SPUTNIK AGE

A Rajasthan astrologer is reported to have made a fortune by just practising his trade near the polling booth, to be consulted by hundreds of anxious voters. Of course, he was paid handsomely by the rival candidates themselves. He must have thanked his stars that day!

A SMILE FOR A VOTE

Both Jan Sangh and Congress (R) vied with each other in Patel Nagar constituency, New Delhi manning their booths with pretty girls to persuade the voters, with sweet smiles on rosy lips.

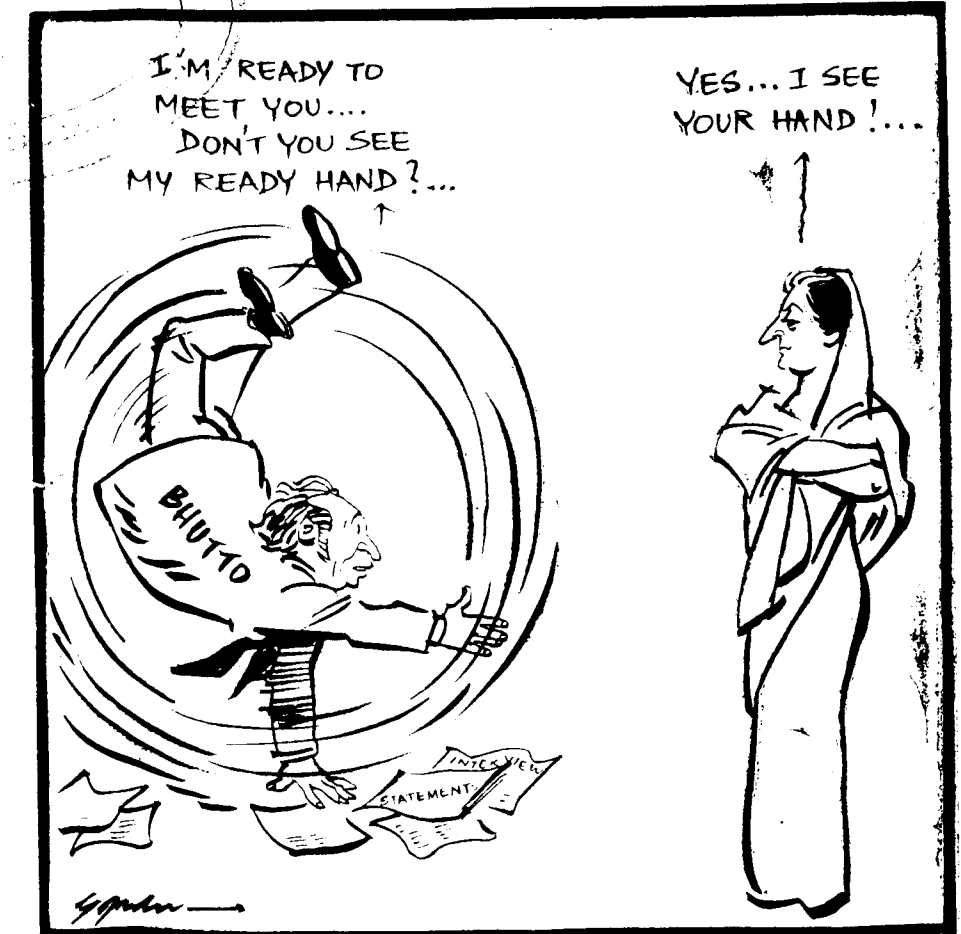
Now is the time for Women-Lib people to take up the issue. It is not "manning" but "womaning" the booth!

HAIL, THE LEADER

A slip in a ballot box in Shukravarpeth, said acidly: "This is pure tomfoolery in the name of democracy... This land deserves a good dictator like Hitler."

The rumour is that, in Tamil Nadu, a bearded nonagenarian is searching for the writer of this slip to offer him an honorary membership in his party, if the writer does not belong to a certain community.

—Platipus



STURDY BASE FOR INDUSTRIAL PAGE ...



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Record Yields Through Multiple Cropping

Apart from the budget presented during May 1971 there were two efforts at additional mobilisation during the year; another massive effort at resource mobilisation has been made while presenting the budget for 1972-73 on March 16. The fresh budget proposals seek to raise an additional revenue of Rs. 191 crores in a full year and Rs. 183 crores during 1972-73.

The very estimates of revenue assumed while presenting the budget for 1971-72 have been far exceeded in actual realisation. For example, the receipts under income and corporate taxes are stated to have been Rs. 83 crores higher than the original estimates.

There was also a record in market borrowings at Rs. 294 crores. The budget estimated this only at Rs. 168 crores. Collections under small savings are also estimated at around Rs. 210 crores against Rs. 180 crores assumed earlier. No wonder this buoyancy in revenue has helped restrict the overall deficit to Rs. 385 crores, which, though abnormal for a normal year, is something certainly modest when seen in the light of a large increase in our liabilities on account of defence, refugee relief, assistance to Bangla Desh and natural calamities. Finance Minister Chavan has stated expenditure under the above four items alone has exceeded the estimate of the budget for 1971-72 of Rs. 1,351 crores by about Rs. 537 crores.

Proposals for additional taxation are estimated to yield Rs. 24 crores in a full year through direct taxation, of which Rs. 12 crores will be contributed by jacking up the special surcharge on company taxation from 2½ per cent to 5 per cent. Other major items include the tax on lotteries and crossword puzzles and also a tax on payments made to contractors. Another proposal to withdraw the special deduction of 5 per cent on profits allowed to priority industries is estimated to yield Rs. 6 crores.

Under indirect taxation, the total additional revenue from Excise Duties proposed will be of the order of Rs. 145 crores during 1972-73. Countervailing import duties and changes in customs duties will account for an additional revenue of Rs. 22 crores.

The net effect of additional taxation will be to reduce the initial deficit of Rs. 375 crores to Rs. 242 crores, which, as claimed by the Finance Minister, appears to be at a reasonable level which can be managed.

Any proposal towards increase in rates of duties and taxes is bound to be opposed by the affected sections. This is particularly more so in an economic set-up such as ours wherein prices of most of the end-products are controlled either formally or informally. For example, merging of the special excise with the basic excise duty on cement, which amounted to 24 per cent *ad valorem* and rounded to 25 per cent *ad valorem* would result in an increase in price by about Rs. 2 per tonne. This, combined with the withdrawal of tax concession to priority industries proposed in the last year and this year's budgets, could mean a still higher cost of manufacture. With the

cement producers already asking for an increase in the end-price which has been resisted by the Government, this additional impost is bound to be opposed by the industry.

It appears there has been a determined attempt in recent years to remove the disparity between priority and non-priority industries in the matter of corporate tax. Just as in the case of development rebate, any assistance to the priority industries could be extended for a specified period of years. Otherwise there comes a move to perpetuate these, notwithstanding the stature or stability that has been obtained by the individual units. The rates of tax for priority industries have been raised substantially in the last 2 years. Initially, there was a direct increase; subsequently the deduction allowed on assessable profits was reduced from 8 per cent to 5 per cent. With the current year's budget, even this 5 per cent deduction is proposed to be withdrawn. The further increase in the surcharge to 5 per cent from 2½ per cent and the withdrawal of the facility for claiming preferential development rebate for some industries which were originally included in the schedule will upset the profitability of these industries—more so of those whose products are under price control.

For quite some years there has been a well-founded criticism that the rates of taxation in our country have overreached themselves to such an extent that it has become less costly to evade taxes. The announcement of the Finance Minister to bring in a comprehensive Taxation Amendment Bill taking into consideration the recommendation of the Direct Taxes Enquiry Committee is indeed welcome.

There has been a near doubling of the total income to the Government under the revenue budget within a short span of four years. As late as 1968-69, the revenue budget accounted for an income of only Rs. 2,760 crores. For 1972-73, the total receipts under the revenue budget are estimated at around Rs. 4,500 crores.

In view of the hidden resources and the possibility of greater buoyancy in tax revenues, perhaps the Finance Minister need not have proposed additional resource mobilisation schemes to this extent. Estimates for expenditure under the revenue account for Rs. 4,126 crores could have been brought down. Under capital budget, expenditure has been envisaged at Rs. 2,689 crores for 1971-72. There has been a step up in plan outlay by Rs. 332 crores and special accommodation to States for reducing the burden of overdrafts and also for meeting non-plan gaps.

The determination of the Government in salvaging the Fourth Plan, which in the last three years of its implementation has not progressed to any satisfactory pace, was indeed expected. The budget for 1972-73 proposes an increase in the provision for Central and Centrally sponsored plan schemes to Rs. 1,787 crores from Rs. 1,455 crores. While on all accounts this appears a very handsome step up, it is doubted whether the expenditure on the different

schemes could be stepped up to this level. Mines and metals and industry account for Rs. 67 crores in this increased outlay; shipping and transport Rs. 56 crores; Atomic Energy will get an additional amount of Rs. 30 crores from out of this. This, of course, is the first attempt of a significant magnitude to give a shape to the Fourth Plan. To this extent, this is very welcome. But, there is no concerted more to step up the activities of the private sector. Mr. Chavan has, of course, done the industry a service by not resorting to any additional resource mobilisation from the corporate sector of a substantial volume. But, in the present stagnation witnessed in industrial production in recent years, he should have gone ahead with imaginative schemes which would stimulate growth through fresh investment. The flotations in recent years have been few and far between. With the confidence gained by the Central Government over the stability in administration almost throughout the country—particularly in West Bengal, the nerve centre of

This Agonising Long Hours of Train Travel

It might sound politics to speak in terms of South and North. But on an analysis of the improvements in railway operations over the years, unfortunately one is led to the conclusion that the needs of the public in this part of the country have not been given the attention that is comparable to those received in other centres such as Bombay or Calcutta. The most glaring of these appears to be the slow pace of progress in regard to speeding up of trains from Madras to Delhi to a level that will be comparable to those from Bombay or Calcutta to Delhi. Is it not logical to attempt a reduction of the agonies of long hours of travel for passengers from the farthest places?

While remarkable strides have been covered in the matter of increasing the number of trains in operation between Bombay and Delhi, Calcutta and Delhi as also in shortening the duration of the travel between these cities in the last ten years and more, there has been no increase in the number of services between Madras and Delhi or in any spectacular speeding up of trains operated. Excepting the essays at changing the names from Grand Trunk to Southern Express and then to Link Express and then back again to Grand Trunk/AC Express and the like, the number of services remain practically the same: there are three daily trains today to Delhi viz. New Delhi Airconditioned/Grand Trunk Express, New Delhi Express and the Delhi Janata Express. The additional grace of the decade is the Sleeper Express running once a week. The number of trains in operation between Bombay and Delhi, for example has nearly doubled in the last decade and a half.

When it comes to the question of analysing the speeds of the different trains in operation between Delhi and the other three metropolitan cities, the fastest train between Madras and Delhi has an average speed which is very much less than that of the first three fast express trains between Calcutta and Delhi or Bombay and Delhi. According to the Time Table of

Indian industries—made possible by the massive mandate given to the ruling Congress, one certainly expected imaginative efforts on the part of the Finance Minister towards stimulating investment. Alas! In this context Chavan's performance has been a sad disappointment.

Notwithstanding the criticism over the fresh taxation proposals the fact cannot be denied that the efforts at resource mobilisation resorted to during the last year have imparted resilience, to a remarkable degree, to the national economy. Who could have expected that the economy could have escaped a complete break-down after the tremendous strain it underwent on account of the unprecedented step-up in defence, refugee relief and assistance to Bangla Desh? While this is a happy augury, the next stage of fully utilising the resources garnered by productive investment programmes could result in the country forging ahead and help the emergence of a major economic power before the end of the century.

the South Central Railway, dated November 1, 1971 the average speeds of the first three fastest trains are as follows:

Between Calcutta and Delhi it ranges from 83.3 kmph of the Rajdhani Express to 60.7 kmph of the twice weekly AC 81 Express; Between Bombay and Delhi it ranges Between 57.2 kmph of the Paschim Express to 56.6 kmph of the Frontier Mail; the new Rajdhani Express to be introduced on this route from May this year may cover this distance slightly in excess of 19 hours and the average speed for one direction will be 73 kmph.

The poor performance of the trains from the more distant Madras to Delhi will be evident from the lower average speed of around 50.5 kmph of the prestigious (!) Grand Trunk Express followed by that of the New Delhi Express at 45.5 kmph. The duration of travel for the three trains from Delhi are around 41 hrs. 5 mts. for Grand Trunk Express, 45 hrs. 33 mts. for the New Delhi Express and 53 hrs. 15 mts. for the Janata.

There have been unmeaningful essays in ensuring a higher maximum speed say, from 110 kmph to 120 kmph and much time and efforts are wasted in surveying the capability of the track to take in higher speeds. With the average speed remaining in most cases between 50 and 60 kmph, the stress on achieving higher speeds appears to be not that meaningful.

As a short term measure it will be more worthwhile if higher average speeds are made possible through a judicious elimination of some of the stops *en route*. The drastic cut in running time between Madras and Bangalore by the Brindavan Express has been made possible largely by the elimination of a number of halts. It is often explained that much opposition is faced in any attempt to remove an existing stopping point. But it should certainly be possible—and it has been implemented in the case of trains between other metropolitan centres—to speed

up existing trains at least on a bi-weekly basis. The AC Express which is a counterpart of the Grant Trunk, running between Delhi and Madras, for example, is always assured of a full complement of passengers. Many of these are through passengers to Delhi from Madras and stations farther South. Would it not be possible to drop a number of stations *en route* at least on this bi-weekly service and reduce the travelling time by say, 7 hours (from the present 41 hours to around 34 hours), which will mean an average speed of the not-unattainable 60 kmph and which has been proved to be possible in the case of many trains between Calcutta and Delhi? This could make it possible to leave Madras around 9 p.m. and reach Delhi by 6 p.m. on the day

after the next. In the next stage it can be attempted to raise the speed to 70 kmph, which will make it possible to complete the journey in about 29 hours.

If the increased cost of travel that has taken place in the last 15 years is compared with the reduction in the hours of travel, one has to face a certain disappointment. The railways never tire themselves of comparing the increase in the cost of operation through higher prices for coal, steel, diesel, staff salary, cement... with the relatively lower rate of increase in fares and freights they have effected. Should it not occur to this giant undertaking that they should also relate the increase in cost of travel to a reduction in the hours of travel?

The Battle of Ballots—1972

The lady removes the dark glasses for a moment, wipes the bridge of the nose and peers meditatively across the glass window at the bunch of clouds, as the IAF carrier purrs smoothly gliding over them. There is a discreet cough and turning, she catches sight of an array of papers handed over by the flight officer in impeccable uniform. Her frown disappears on reading the scribbled message on the top and a happy smile spreads over the face. So her darling grand child has cut its first tooth!

On Indira Gandhi in her hectic election tour, the symbolic significance of this news might have been lost but in a few days she was to learn that the world's greatest democracy has pinned its fondest hope of survival on a frail-looking woman with nerves of steel. India too, along with the grand-child of Indira, has cut its first tooth, surmounting its teething trouble: Instability of various State governments manned by men of straw and members of legislatures with the main hobby of crossing the floor, as their whims dictated.

Indrajal and Mahendrajal

In 1971, when Indira captured the Parliament with a thumping majority for her own party, somebody coined a

phrase for her achievement: *Indrajal*, the magic of Indira. In that parlance, what has been enacted now is *Mahendrajal*—A Super *Indrajal*. Lions have been bearded in their own dens. Gujarat and Mysore which gave the strongest hold for Organisation Congress have fallen to the lap while Jan Sangh has been not only dislodged from the prestigious seat of power in the capital of the country but simply and utterly routed in Andhra Pradesh, Mysore and Punjab. The Swatantra Party is almost annihilated by the Indira wave, getting only 16 of its spokesmen elected, though it fielded 308 candidates in total. The most spectacular victory of Indira Congress is in West Bengal where the CPM has been scuttled into mincemeat. Only 14 seats could be coaxed for it as against 113 members in the previous assembly. The vociferous Jyoti Basu, the former Deputy Chief Minister, who could prophesy the entire State will be in flames if his ideals were not realised, was shown the cold-shoulder by the electorate who defeated him with the margin of 38,987 votes.

It may be tempting to suggest that the result was a foregone conclusion in view of the enormous addition to her stature and prestige as a result of the victorious war



Garibi Hatao? What on earth is that?
Even the poor aborigines of India voted with a lot of zeal...



Indira Mayee ki Jai?
A woman casting her vote at a polling booth in Hyderabad

over Pakistan and, even more, of the stalemate of the U.S. and China alike. But some misgivings were inevitable. The Prime Minister was determined to sterilise the sources of obstruction to her policies not only in the opposition groups in the State Assemblies, but also in the leadership and rank and file of the Congress party itself in the State legislatures. She paid no heed to what might have been called counsels of prudence in the choice of candidates, though she did not neglect the chances of agreement where possible in rival groups. The fear that the disgruntled groups might succeed in swaying the votes away from the Prime Minister's choices was indeed natural. But what has happened is in accord with expectations. Mrs. Gandhi's personality has now acquired a charismatic halo exceeding even that of her illustrious father in some respects.

What is, however, a mild surprise is that the voters in States like West Bengal and Haryana had turned their face away from the rancorous militant groups which had condemned them to violence or instability or both. Mysore and Gujarat, which were expected to return a fair number of dissenters, have firmly refused to do so. The result is that Mrs. Gandhi and the ruling party at the Centre now hold sway over the greater part of the country and are in a position to secure the implementation of the policies they are committed to or they may decide on in the years immediately ahead. Such a position could normally be regarded as holding both the threat of a domineering or dictatorial Centre and the promise of national integration which is now essential for accelerated progress in all walks of life. While it is to some extent a matter of opinion as to which should tell more, there is no denying that the threat is relatively far away, while the need for firm handling of national problems is immediate and imperative. That the electorate has, in all probability, consciously taken this view is indeed heartening, though faith in the voters' discrimination and judgment would have to be confirmed by a shift of electoral support when it is called for in the future. It would be hard to feel elated over the absence of responsible, effective opposition. But, equally it would be difficult to deny that the Prime Minister's hands have to be strengthened at this stage of our national evolution. Mrs. Gandhi has brought in many new and younger faces into State assemblies. She has attempted and succeeded to a considerable extent, in reducing the power of the dominating castes in some States. She has also broken the stranglehold of the domineering local bosses on the party machine.

Whatever may be the analysis, there is no doubt that the image of Indira as the saviour of the down-trodden and the under-privileged, as one who will keep a promise—both in the matter of liberation of Bangla Desh and the rehabilitation of ten million refugees back to Dacca, has worked like a magic in the elections. India, the land of a thousand cults certainly can do with one more Devi-cult!

And What a Campaign!

For sheer hard work taxing every fibre of the body, Indira Gandhi deserved plenty of such praise. Last year,

during the mid-term poll for the Parliament she spent 41 days on the campaign speaking at 252 public meetings. This time, she had spent not less than 29 days of cross-country race, lashing at her opponents on 185 occasions. With equal vehemence she scorned the "communalism" of Jan Sangh, the "feudalism" of Swatantra and Organisation Congress or the "extremism" of CPM and Naxalites.

Apart from the personal magnetism of Mrs. Gandhi and the successful role she played in the liberation of Bangla Desh, there were a number of other factors which worked against the opposition parties. Even though the Congress forged an electoral alliance with CPI, which incidentally benefited more by the alliance, she lost no opportunity in emphasizing the need for a cautious approach for the eradication of social evils, eschewing extreme radicalism and bloodshed as propounded by Marxists or Naxalites. The people of West Bengal have welcomed this stand by their massive mandate for a stable Congress ministry after long, gruelling years of instability, intrigue and indoctrination.

The Swatantra party and the Organisation Congress have somehow failed to percolate to the masses and the tarnished image of vested, feudal interests dominating such parties, in the minds of the masses, however justifiably or unjustifiably created by the other leftist parties, will take a long time to fade. These elections must have given a rude shock to them and as Mr. Ravindra Varma, the General Secretary of the Organisation Congress bemoaned, they can hardly explain the result to themselves and according to him, "this is incredible divergence between the public response and the result." He was also afraid that such phenomenal success for the ruling party was likely to breed "intolerance, authoritarianism and a sense of impunity."

The 25 Marxist members in the parliament went a step further in alleging rigged elections in West Bengal and they tried to interrupt the President's address to the joint session by standing and chanting: "Fully rigged elections—semi-fascist police terror regime. Butchers of Parliament elections. Butchers of democracy." Traditionally against parliamentary or democratic form of Government, these Marxists probably condescended to adopt the form in West Bengal as a trial and now with such unexpected rout, they have threatened to relapse into extra-parliamentary devices to save the great people of India. Even as the twenty-five members started shouting slogans, the 77-year old President Giri outshouted them showing that the lung fire of the old labour leader was still aglow.

This was perhaps a fitting climax to the Battle of the Ballots, 1972, the casualty list being reported elsewhere. The winner of the battle, Indira Gandhi jubilantly told the general body of the Congress (R) Parliamentary Party on March 13, that she has set a three-year deadline to redeem the pledges made to the electorate. "That woman" has proved capable already once of keeping a promise and three years will just be a short time to wait for judgment of her performance again.

The Overwhelming Support

By VASANTHA RAMAKRISHNAN

ELECTION SCORE BOARD

1. ANDHRA PRADESH

Party	No. of candidates elected	No. of members in the dissolved house
Congress (R)	219	230 (undivided)
Swatantra	2	29
C.P.I.	7	10
Jan Sangh*	Nil	3
Congress (O)	Nil	—
Socialist Party	Nil	—
Republican Party	Nil	—
C.P.M.	1	5
Independents	56	8
Sampurna Telengana Praja Samiti**	2	—

* Jan Sangh fielded 56 candidates and 43 of them lost even the deposit.

** S.T.P.S. fielded 41 candidates of whom 28 lost deposit.

Congress vote climbed to 52 per cent from 45.42 per cent and Swatantra vote dwindled from 9.84 per cent to 2.1 per cent. C.P.I. and C.P.M. also went down from 7.52 per cent and 7.78 per cent to 6.1 per cent and 3.1 per cent respectively.

2. ASSAM

Party	No. of candidates elected	No. of members in the dissolved house
Congress (R)	94	78
C.P.I.	3	7
United Socialist Party	4	6 (both Socialist parties)
Swatantra & Plains Tribal Council	1 each	
C.P.M., Congress (O) & Jan Sangh	Nil	

Congress vote has gone up from 52.35 per cent to 55.35 per cent.

3. BIHAR

Party	No. of candidates elected	No. of members in the dissolved house
Congress (R)	167	118 (undivided Congress elected in 1969)
Socialist Party	33	52
C.P.I.	35	25
Jan Sangh	25	34
Congress (O)	30	18
Swatantra	2	2
CPM, RPI, BKD, SUC & RSP	Nil	

Congress (R) reaped high dividends from the 74 seats allotted for the Scheduled Castes & Tribes bagging 42 of them. 11 went to CPI 3 to Socialist Party, 2 to Jan Sangh, 2 to Congress (O), 6 to Jharkhand and the remaining to independents. Congress (O) has improved its position, the percentage of vote also going up from 11.75 to 13.91.

4. GUJARAT

Party	No. of candidates elected	No. of members in the dissolved house
Congress (R)	139	—
Congress (O)	16	68
Swatantra	Nil	11
Jan Sangh	3	1
Socialist Party*	Nil	3
C.P.M.	Nil	Nil
C.P.I.	1	Nil

* Swatantra won 66 seats in 1967 elections. This time it fielded 47 candidates but drew blank. Congress (R) had bagged more than 85 per cent of the seats, scoring 49 per cent of the votes polled.

5. HARYANA

Party	No. of candidates elected	No. of members in the dissolved house
Congress (R)	52	55
Congress (O)	12	5
Jan Sangh	2	4
Swatantra	Nil	

The C.P.I. had not entered electoral alliance with Congress (R) in Haryana, but its

percentage of popular votes went up from 0.3 to 2 per cent. C.P.M. did not get even 0.5 per cent. The percentage for Vishal Haryana Party came down from 15 to 7. Arya Sabha, a new party scored one seat and independents 11 seats.

6. JAMMU & KASHMIR

The Congress (R) won 56 seats, scoring 56.07 per cent of the votes polled, including 4 unopposed returns. Congress (O) lost the battle completely, scoring a mere 0.62 per cent of the polled votes. Jamat-e-Islami fielding 22 candidates won 5 seats. The Jan Sangh won three seats, polling 0.79 per cent in Kashmir valley and 22.26 per cent in Jammu. One of its elected members is Mr. Abdul Rehman, the only Muslim member of the Jan Sangh working Committee.

7. MADHYA PRADESH

Party	No. of candidates elected	No. of members in the dissolved house
Congress (R)	220	167 (undivided Congress)
Jan Sangh	48	63
P.S.P. & R.S.P.	7	19
C.P.I.	3	1
Independents	18	22

Congress (R) polled 48.14 per cent of the total votes. Jan Sangh's percentage slumped from 33.57 last year to 28.46.

8. MAHARASHTRA

Congress (R) secured 222 seats out of 270 seats, more than 82 per cent, polling 56.2 per cent as against 47.2 per cent in 1967. It fielded 267 candidates and there was no electoral alliance with C.P.I. Jan Sangh entered 122 candidates, getting only 5 of them elected, polling 6.24 per cent of the votes. Congress (O) engaged 49 combatants, all of them slain in the field, polling 1.06 per cent. C.P.I. won two sets, C.P.M. a solitary representative and the Peasants and the Workers Party secured 7 seats. The Socialist Party has now 3 members while the independent members are 25, forming a majority in the opposition consisting of 48 members. The Republican Party has secured two seats. Swatantra drew a blank. Muslim League has doubled its former strength of one member

while Shiv Sena maintained its strength of one.

9. MANIPUR

Party	No. of candidates elected
Congress (R)	17
The Manipur Peoples Party	15
C.P.I.	5
Socialist Party	3
Congress (O)	1
Independents	16

As no party has obtained absolute majority, the independents will prove decisive in the formation of any Government.

10. MEGHALAYA

In Meghalaya, the All Party Hill Leaders Conference has won 32 out of the 49 seats it contested, three of them unopposed. The Hill State Peoples' Democratic Party, a splinter group has secured 10 seats. The Congress (R) fielded 12 candidates getting 9. It gives support to APHLC. The C.P.I. had two candidates, both losers.

11. MYSORE

Party	No. of candidates elected	No. of members in the dissolved house
Congress (R)	165	—
Congress (O)	24	—
Jan Sangh*	Nil	3
Swatantra	Nil	4
C.P.I.	3	2
Maharashtra Ekikaran Samiti	3	5
Republican Party (Khobragade) & DMK 1 each		

*The Jan Sangh had 101 contestants of whom 79 lost deposits. Congress (R) secured 51.97 per cent of the votes while Congress (O) could only secure 24.9 per cent. Swatantra's percentage touched rock-bottom, from 6.62 in 1967 to 0.54 now.

12. PUNJAB

Party	No. of candidates elected	No. of members in the dissolved house
Akali Dal	24	N.A.
Congress (R)	66	29
C.P.I.	10	4
C.P.M.	1	2
Jan Sangh	Nil	

There were 9 independents in 1967, 4 in 1969 and 3 now. Of 220 independents contesting, 193 lost their deposit.

13. RAJASTHAN

Party	No. of candidates elected	No. of members in the dissolved house
Congress (R)	145	107
C.P.I.	4	1
Socialist Party	4	6 (S.S.P.)
Congress (O)	1	1
Jan Sangh	8	17
Swatantra	11	26

All but one of the sitting Swatantra and Jan Sangh M.L.A's. have been defeated.

14. TRIPURA

In the old house of 30, Congress had 19 seats and now in the 60 members house it has 41 members. C.P.M. had formerly 3 members and now it has 18, emerging as the second largest party. C.P.I. had 11 contestants, though only one of them got through finally to the House. There are two independents. The Forward Block arrayed 11 combatants, all of them vanquished.

15. WEST BENGAL

Congress staged a spectacular come-back winning 216 out of 280 seats of the assembly, routing C.P.M. which could claim this time only a paltry quota of 14 seats as against its gigantic score of 113 in 1971. The percentage of votes for C.P.M. has fallen from 31.98 to 27.14. On the other hand, Congress improved its percentage of 28.80 in 1971, now to 47.50, and formerly it had only 105 seats. The electoral alliance with Congress has proved a boon to C.P.I. which contested this time 41 seats bagging 35 of them. In 1971, it aimed at 100 seats but could grab only 13. One Muslim League member was elected. In the Marxist Camp, three candidates of R.S.P. one of Socialist Unity Centre, one of Workers' Party of India and one independent were elected. The Forward Block and RCPI were wiped out.

16. GOA, DAMAN AND DIU

Goa has proved to be a tough battle ground for all the five national parties which were all routed, except the Congress which could console itself with a single seat, even though it contested 19 seats, bagging just 13.64 per cent of the votes polled. The hero of this tiny state is Maharashtrawadi Gomantak Party, fielding 23 and getting 18 returned, thus securing absolute majority in the House. The United Goans had been

17. DELHI

reduced from the strength of twelve to only ten. The number of independents went down from 3 to 1.

The capital of the country gave a rude shock to Jan Sangh, supposed to be strongly imbedded in power without a rival there, electing only 5 of them against the 32 in the outgoing House. The Congress wrested 44

Some of the Main Recommendations of Wanchoo Committee

The Direct Taxes Inquiry Committee, presided over by the former Chief Justice of the Supreme Court, Mr. K. N. Wanchoo states categorically that the present high rate of taxation is the sole reason for large scale tax evasion; the report says that the present maximum rate of 97.75 per cent including surcharge should be brought down to 75 per cent, with suitable reductions in the middle and lower levels. The reduction should be brought about in one stroke. The committee feels that though in the short term there will be a fall in revenue, the beneficial results will have a lasting effect in the form of higher revenues in the long term.

The committee feels that the amount of tax evaded in the year 1968-69 was of the order of Rs. 1400 crores and for the present year it is a third of this, viz., Rs. 470 crores. The money value of the deals generating this tax amount is put at Rs. 7000 crores for 1968-69.

Black money is widely used to conduct concealed business transactions, smuggling gold and luxury articles, purchasing quotas and licences at premia, financing secret commissions, giving donations to political parties and acquiring assets benami.

Why Evasion ?

Besides the confiscatory rates, some of the important causes that induce evasion are mainly economic ones such as economy based on controls and licences with their attendant manipulations, corrupt business practices, ceilings on and disallowance of business expenses, high rates of sales tax and other levies, ineffective enforcement of tax laws and donations to political parties.

The report suggests the appointment of an expert group to enquire into the utility of all existing controls, licensing and permit systems, and elimination of those that are unnecessary.

The Committee feels that a separate body within the Income Tax Department, called Direct Taxes Settlement Tribunal should be set up to ensure prompt, fair and independent settlement. It also recommends that a taxpayer should have the facility of settlement at any stage without recourse to costly and time-consuming litigation.

The report recommends that submission of audited accounts should be mandatory in all cases of business or professions where the sales or turnover or receipts exceed Rs. 5 lakhs or the profit before tax exceeds Rs. 50,000.

Taxation on Individual Incomes

The incidence of tax at selected levels of income in the case of individuals is shown in the following table. This varies from 10 per cent plus a surcharge of 10 per cent on it for incomes over Rs. 5001 to over 93 per cent for individual incomes in excess of Rs. 10 lakhs. Of course, Life Insurance premia, dividend incomes from investments upto a maximum of Rs. 3000 among others o'er substantial tax reduction benefits.

The following table shows at selected levels of income of an individual the incidence of tax at the rates proposed in the Finance Bill for computation of advance tax and deduction of tax at source from salaries during 1972-73.

Income Rs.	Tax (including surcharge) Rs.
5,000	Nil
6,000	110
7,500	275
10,000	550
12,500	1,018
15,000	1,485
20,000	2,875
25,000	4,600
40,000	12,650
50,000	19,550
60,000	26,450
70,000	34,500
80,000	42,550
90,000	51,175
1,00,000	59,800
1,50,000	1,05,800
2,00,000	1,51,800
2,50,000	2,00,675
3,00,000	2,49,550
5,00,000	4,45,050
10,00,000	9,33,800

out of 56 seats in the Metropolitan Council as against its former strength of 19. The Congress (O) retained its strength of 2 seats. Curiously enough, Jan Sangh improved in fact its percentage of votes from 29.48 in the last year's Lok Sabha poll to 38.47 this time and Congress which secured 64.52 per cent formerly in mid-term elections actually secured less this time—only 48.54 per cent. The Congress (O) improved its per centage of polling by 0.32 per cent this time to 1.96 per cent. Alas! to no avail!

Payment to Actors

To combat the large scale evasion in the cine field where it is prevalent, the report recommends that both the artiste and the producer should file a copy of the agreement with their respective assessing officers wherever payment exceeds Rs. 5000.

Restricting Bank Credit to Evaders

As one of the methods of punishing the tax evaders, the report recommends that scheduled banks should be barred from giving credit facilities over Rs. 25,000.

Donation to Political Parties

Stating that donation to political parties cannot be dispensed with in a democracy, the report says that it should be restricted to 10 per cent of the aggregate income subject to a maximum of Rs. 10,000.

Tax Arrears

It is alarming to note that from Rs. 24 crores in 1944, it has risen to Rs. 840 crores last year. The committee has made a number of suggestions such as co-ordination of functions, proper training for personnel, machinery write-off and scaling down assessment, provision for payment of interest and penalty provisions in this regard.

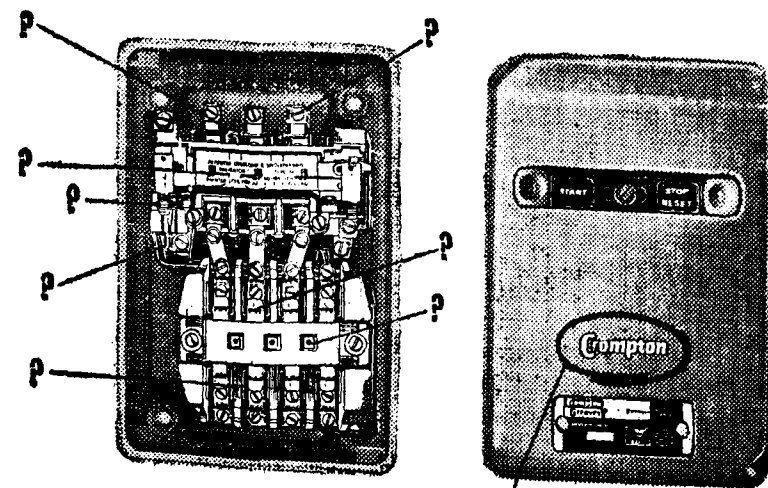
The committee has suggested the following revised rates:

Income slab	Rate of tax
Rs. 0-5000	Nil
" 5,001-10,000	10 per cent
" 10,001-15,000	Rs. 500 + 15 per cent
" 15,001-20,000	" 1,250 + 20 per cent
" 20,001-25,000	" 2,250 + 25 per cent
" 25,001-30,000	" 3,500 + 35 per cent
" 30,001-40,000	" 5,250 + 45 per cent
" 40,001-50,000	" 9,750 + 50 per cent
" 50,001-60,000	" 14,750 + 55 per cent
" 60,001-70,000	" 20,250 + 60 per cent
Over 70,000	" 26,250 + 65 per cent

The committee hopes that by adopting these, tax evasions can be drastically reduced, arrears collected and business morality and efficiency improved.

—N.P.

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the most
important
part
of a
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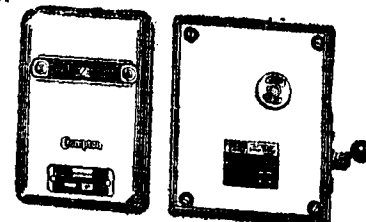
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CE-71

Developments of Difficult Year...

The *Economic Survey*, which preceded the budget statement for the coming year, opens with the forthright statement, that "1971-72 was one of the most difficult years India has faced since Independence." But it emphasised the unquestionable fact that the economy responded well to the challenge, (the strain of development across the border, the war and the tide of refugees); the increased fiscal burden was fully met, the real resources required for refugee relief and defence were mobilised in time and prices and balance of payments were kept under reasonable control. While this is matter for just pride, this achievement also brings to the fore a number of problems to be tackled without delay while at the same time it covers up some of the weaknesses in the economy.

Change of Pattern

The authors of the *Economic Survey* claim to have changed its pattern this year, devoting the first of its three sections to a summary of the major developments the second to an analysis of the specific tasks in the different fields and the third to the basic factors affecting growth and the assessment of the prospects immediately ahead. The first section involves no easy task, since its aim cannot be limited to a narration of development, but must be extended to cover a coherent interpretation of them all particularly when they point in different directions, with a view to throwing light on the tasks ahead and the best ways of tackling them.

Appraisal of Tasks Ahead

It is necessary to have a sense of relative importance of the different trends and then attempt an appraisal of the tasks ahead. The fact that the national economy and public finance

stood up to the strains imposed on them should not blind us to the shortcomings in the accomplishments of the tasks of the last one year or the aftermath of the stupendous efforts they called for.

Slow Tempo of Long Term Development

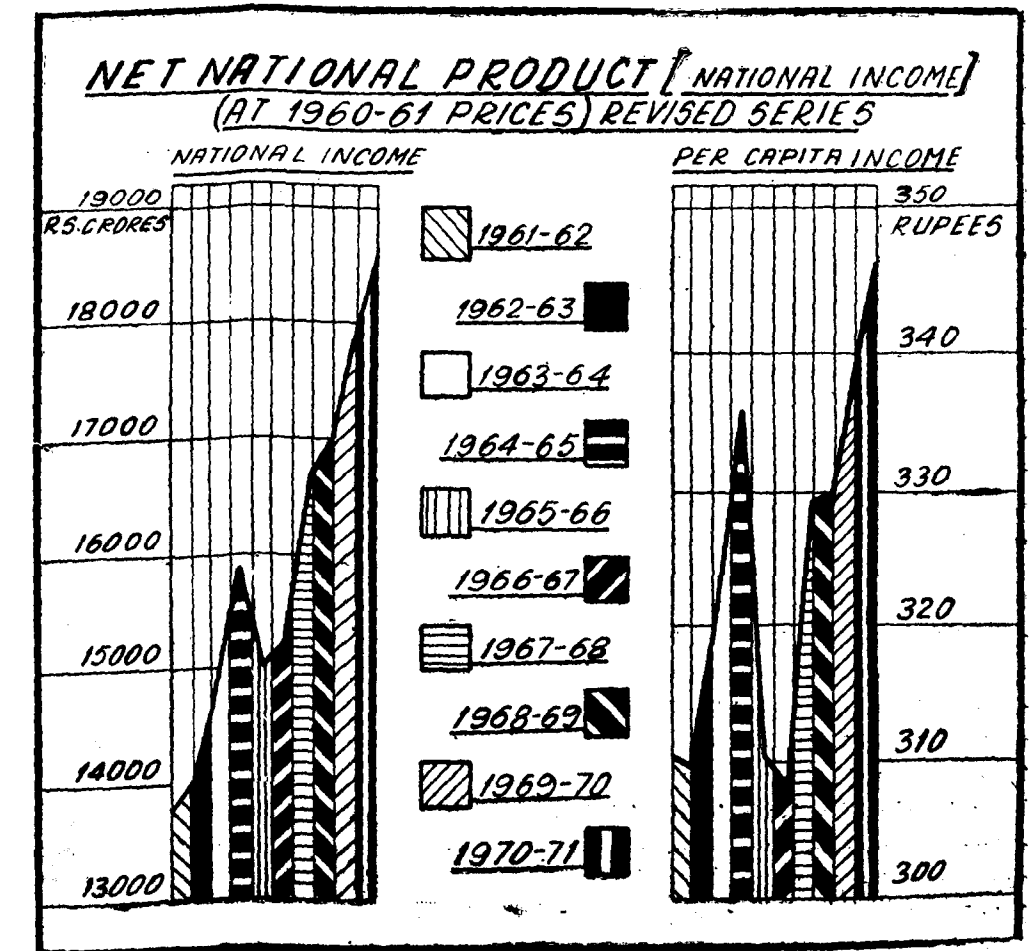
The national economy was able to bear the strain because our food production was the best on record and because industry took up the challenge of having to produce the goods which could not be imported because of the war and the suspension of foreign aid. But agriculture had serious drawback in the low output of commercial crops. There has been a consequent increase in the need to import industrial raw materials. The tempo of development or progress in a long term view is on

the low side. According to the *Survey*, the rate of growth of national income is expected to be only 4 per cent against 4.8 per cent in 1970-71. The growth in industrial production in the current year may be only between 3.5 and 4 per cent, the rate of growth in the organised sector in 1970-71 was only 3.7 per cent against 6.8 per cent in the previous year. "The share of agriculture and allied activities in the national income has instead of falling tended to rise marginally."

As regards prices, the average rise in the calendar year 1971 as a whole was 3.9 per cent against 6.2 per cent in the year previous. At the end of January 1972 the general index was 4.1 per cent higher than a year ago. The price trends thus continue to cause anxiety.

Tax Efforts and Borrowing at Record Levels

In Public finance, the year's aggregate resources effort on the part of the



Union Government works out to Rs. 500 crores in a full year—an unprecedentedly large effort—and that market borrowings were at the highest at Rs. 293 crores.

Poor Performance of Public Sector and States

The Survey refers frankly to the unsatisfactory nature of the contributions by the public sector as well as the fiscal management of some of the States leading to their over-drafts with the Reserve Bank of as much as Rs. 403 crores at the end of January last.

Foreign Exchange Position Moderately Comfortable

As for foreign exchange reserves, the position was "moderately comfortable" during 1971-72 mainly due to the allotment of S.D.R.s by the I.M.F. The position, however, calls for careful watching because of the strains that have developed and may continue during the coming year. Special note has to be taken of the decline in net external aid, the rise in the servicing of foreign obligations, the fall in the quantum of aid in the pipe-line. All this may serve to make the aim of self reliance more compulsive than it would otherwise have been.

The import bill will have to be restricted but only discreetly, with due regard for our capacity for import substitution and our need, not merely to raise the level of our exports but also to realise the potentialities of our export industries and to seize the opportunity to get a place in the export markets.

The tasks ahead may to some extent be said to be self evident and to mark themselves out. The Survey faithfully portrays the present position by pointing to the markedly quickening pace of investment during 1971-72 and the rising trends of private industrial investment even when it expresses concern over "the declaration in the rate of industrial output and the general feeling of relative stagnancy."

Adverse Effects Noted

While the greater part of the practical task of accelerating industrial growth lies in careful attention to the needs of each industry in respect of raw material, credit advances, liberalisation of licensing and improvement of incentives, the Survey gives great importance to the adverse effect on the internal generation of funds in the industrial sector by the shift in the terms of trade between industry and agriculture in favour of agriculture and the failure of agricultural savings to flow back into industrial investment.

Urgency to Tap Agricultural Incomes

This sharpens the outline of the problem of fiscal policy in respect of

the urgency of tapping agricultural incomes, particularly when there is no scope for increase in the taxes on urban incomes and the urban areas. The constitutional hurdles to Central taxation of agricultural incomes along with the cry for States' autonomy, particularly in the financial field, have prompted the statement in the Survey that 'a major breakthrough in the fiscal field hinges on the evolution of sound Centre-State relations.' The Survey concludes with the significant observation that such evolution is crucial not only in regard to resource mobilisation but in respect of a proper utilisation of available resources and that the challenge of rapid economic development must be met not merely by sound economic management but also at a much deeper social, political and institutional level.' —PRS

An Inopportune Display

Perhaps no other corporation or company has developed over the years a penchant for humour in advertising as Air-India. In his own inimitable style, the 'Maharaja' used to come out with his considered comments on the major news of the day. And these are prominently displayed through the Air-India hoardings at strategic places in important cities.

Air-India had often indulged in humorous gibes at ministers and public men. Some of these even used to be critical—such as the one directed at the Finance Minister "financing its jumbos, but cutting out their hind legs," displayed immediately after the proposal in the last budget announcing a tax on travel abroad.

These helped to tickle the average Indian to a considerable extent and prepare him for occasional digs. Do we not often feel that we Indians can do a little with humour? Unlike many other nationals such as the British or the Americans we are a little wanting in this quality, viz., to let others enjoy a good joke occasionally at our expense. Towards the development of this

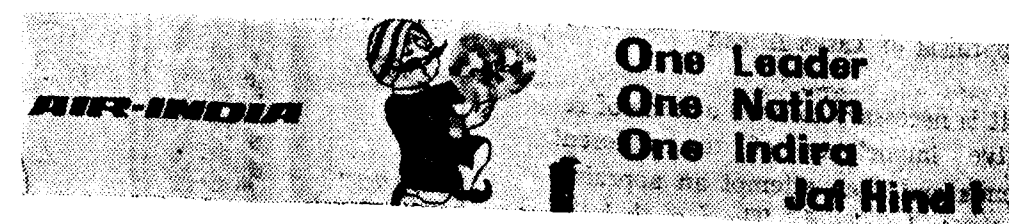
faculty Air-India hoardings have contributed a good deal. And how frequently they change the subject!

But not all these promotions clicked. There were a few which tended to be above one's head... There were others that appeared inopportune. One such is the recent one captioned

"One Nation
One Leader
One Indira
Jai Hind."

Perhaps at the height of the victorious December end or perhaps after the election results for the State Assemblies were announced, these could have been topical. But, displaying it on the election eve lent itself to inevitable, and to a great extent, justifiable criticism of a corporation's funds indiscreetly (or discreetly) utilised for boosting a leader, though this leader would not have needed this. But, even as a jumbo has its slip, the sublimity of the Maharaja's pronouncement need not be underrated by an occasional essay in lending itself to be ridiculous.

—S.V.



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By P. R. SRINIVAS

Kindling Interest in Public Relations

Inaugurating the Third All-India Public Relations Conference at Calcutta, the Minister of State for Information and Broadcasting, Mrs. Nandini Satpathy said that freedom of opinion could not mean unrestricted flow of communication materials irrespective of the disparate resources of the communicators. Mrs. Satpathy said that though the press was not so highly capital-intensive as the TV and radio still, it was "sufficiently capital-intensive to make free competition between persons with disparate resources difficult." Hence, the experience of a few newspapers backed by considerable resources accounting for a very high number of total newspaper circulation in the country. The choice of information for dissemination to the readers and the manner of its presentation is, therefore, largely determined by this small group, she said.

to a fuller measure today, the pattern used to be one of the newspaper columns getting filled with news emanating from a few major cities of the country. Even today, the pattern of leading English dailies is one of prominence for metropolitan, city-



Mrs. NANDINI SATPATHY

while a good number of professional managers and representatives of industry and even political parties from other regions were included in the list. It is surprising to note that except for the Chairman of the Madras Chapter of the PRSI and another speaker, none from the Southern region was included in this long list. In the context of a sizable contingent from the South attending the conference and in the light of the very active and useful performance of the Madras Chapter this omission appears glaring.

This is no reflection on the organisers of this conference. Similar was the case even in the Second All India Public Relations Conference organised at Madras in 1970 when a predominant number of speakers was chosen from Calcutta and Bombay regions.

Apathy of Local Industrialists...

This is perhaps an extension of the general indifference of local industrialists and captains of business in both the sectors in this part of the country to such activities. As I had occasion to point out earlier, excepting for a handful of the major industrial organisations, others do not have organised public relations department. The importance of communication—internal as well as external—is given casual attention. Alas, even advertising agencies and newspapers which are active in such fields in other centres like Bombay and Calcutta, are rather indifferent to such activities here.

There is a lot to be done by the Madras Chapter of PRSI towards kindling local interest in such activities and ensuring large-scale participation of people from this region in such conferences. Otherwise, the general feeling of dearth of talent from this region will for ever be perpetuated. With the election of the dynamic Gyal Haksar, Chairman of PRSI Madras Chapter as the President of the all India PRSI, one can hope for a vast improvement in this aspect.

based news though occasionally we get a survey or two on developments in the interior towns and villages. This explains the election forecasts of most of the major newspapers in 1967 and 1971 not reflecting the actual trend. Similar was our experience of a pleasant confrontation with a bumper harvest in 1967, only after the produce from the different centres reaching the market. All the while, not conscious of a revolution that was taking place in the rural areas, most of the major papers and also the All India Radio were lamenting over the continuing droughts and low levels of foodgrains production.

Poor Representation for Madras

The impressive list of speakers at the PRSI Conference followed the usual pattern in its composition, with Calcutta and Bombay accounting for the bulk of these. There were a number of participants from the Government and the public sector corporations also. One cannot but feel disappointed over the large scale omission of participants from the South

To those who had despaired of a rational and realistic approach to the problem of tax evasion and black money, the report of the Direct Taxes Enquiry Committee headed by Mr. Justice Wanchoo affords the first glimmering of hope. Tax evasion is almost the only instance of an anti-social activity in which vigorous punitive measures are regarded as the sole and satisfactory solution. The carrot may have occasionally taken the place of the stick. But it was offered in the confidence that it would fail of its purpose and that the failure would strengthen the case for brandishing the stick in a more threatening manner.

Politicians Perpetuate Evil

Little thought has been expended in influential circles on the causes of the evil and the ways of removing them, because the occupation of so many of our politicians would be gone if the evil were removed. It is a great advantage for them to figure as crusaders against the evil, which calls, therefore, for its prolongation, if not perpetuation, in their interest. Few of them can afford to appear less opposed to the evil than to the evildoer. On no other basis can one explain the short shrift given to the suggestion of a lowering of maximum tax rates which was put forward by no other than a leading Socialist economist, Prof. Kaldor. One can hope for a better fate for the Wanchoo Committee only because, the evil has, during these years, not only gained in dimensions, but its impact on the economy and the administration, its significance to the pace of progress in the future and the futility and dangerous consequences of the measures so far adopted, have emerged more clearly into view and are now indisputable.

Parallel Economy with Black Money

The Union Finance Minister spoke sometime ago of a parallel economy run with black money and of the aims

of controls and licences being defeated by this means. Failures in some attempts at price control have to be attributed to black money. The loss to the Exchequer is not the worst of the results of tax evasion. And to put an end to it, a radically different approach has to be adopted. Far too many people make the mistake of equating tax evasion with common crime. They overlook the fact that no thief can stake a claim to what he plans to steal, while the tax evader, especially in the highest brackets, only likes to keep more of his own earnings to himself than a predatory state would allow him to keep. Since there is no means of settling at a lower amount of tax, the whole of it has to be spirited away. In some cases, the tax has to be evaded, since the origin of the income cannot be revealed. The fight against tax evasion in bound to fail so long as it is equated to common crime, the special nature of its origin is overlooked and the willingness, nay, even eagerness of the assessee to pay a net unconscionable share of his income to the state is implicitly, but totally, denied.

Wide-spread Usage of Black Money

It is to the credit of the Wanchoo Committee that it has gone with a cool head into all these aspects of the problem and derived its remedies in

accordance with its findings. With due emphasis on its character as a "guesstimate", in the absence of reliable data, the committee puts the income on which tax was evaded in 1968-69 at Rs. 1400 crores and the loss to public revenues at a third of this figure. The money value of deals involving black money is estimated at Rs. 7000 crores. Black money is being widely used for conducting concealed business transactions, smuggling gold and luxury articles, purchasing quotas and licences at premia, financing secret commissions, giving donations to political parties, and acquiring assets in business. High rates are not, however, the sole cause of tax evasion. Among the others are shortages and consequent controls and licences, donations to political parties, corrupt business practices, ceilings on and disallowance of business expenses, high rates of sales tax and other levies, ineffective enforcement of tax laws and deterioration in moral standards.

Improving the Image of I.T. Dept.

This diagnosis of the trouble suggests its own remedies. The expert Committee to inquire into the utility of all existing controls, licensing and permit systems with a view to weeding out those which are not necessary or harmful is naturally recommended by the committee. By the same token, essential controls should be effectively



The Maharashtra Governor Nawab Ali Yavar Jung inaugurated the Third National Conference of the Institution of Works Managers, Indian Branch at Bombay recently. Seated to his left is Mr. Kewal Aggarwal, Chairman of the Institution. Mr. Aggarwal in his presidential address estimated the demand for Managers in the country at 80,000.

enforced, but with the least harassment to the public. The image of the Income Tax Department has to be improved and penalties must be related to the tax evaded and not to the income that is sought to be concealed.

Opportunity to Settle at Any Stage

The law should be amended to permit settlement at any stage of the proceedings to avoid needless, costly and dilatory litigation. Besides such measures as a new instrument in the form of a bank bill of exchange, which is readily transferable but only through a bank, reexamination of the rules relating to perquisites and a tax of 65 per cent on all "ghost" or anonymous donations, the Committee has also recommended a uniform tax on agricultural incomes more or less on a par with other incomes, since the agriculture incomes are outside the Centre's tax net and offers plenty of scope for camouflaging black money.

Need for a Limit to Personal Taxation

(By a Special Correspondent)

The Report of the Direct Taxes Enquiry Committee just published raises some interesting issues of historical and topical interest. During the First World War, there were arguments about what constitutes the maximum level of taxation which can be raised. One view was that subject to a minimum austere standard of living, all that was left was practically not limited for taxation. To some extent this view was justified because, during the War, people were willing, on patriotic grounds, to pay any amount of taxes levied by the Government for ensuring survival and success. In the Second World War, Lord Keynes proposed a system of taxation which practically took out all additional marginal incomes so that the inflationary methods of financing the War could be avoided.

In normal times, taxation cannot be as high as 80 per cent and over. A Royal Commission on Taxation headed by Lord Colwyn went into the question of the disincentive effects of taxation but could reach only a tenta-

Substitution of Sales Tax by Excise Duty

Another suggestion which is equally certain to cause controversy on the constitutional aspect is the substitution of sales tax by excise duty as far as possible with due care to minimise cascading effect on prices.

Donations to Political Parties

The Committee considers donations to political parties as indispensable in our democratic set-up, but insists that the donations should be allowed as a deduction from the total gross income subject to certain conditions.

Maximum Rate-Reduction Suggested

While all these are matters of detail the main recommendation is that "the maximum marginal rate of income tax including surcharge should be brought down from its present level of 97.75 per cent to 75 per cent. The Committee also favours some reduction in tax rates at the middle and lower levels. It insists that the reduc-

tion in the rates should be "at one stroke" to create an impact.

Wider Consensus of Opinion Essential

The reactions of the Government and of influential political circles to these recommendations will take time to crystallise. But there is no mistaking the effort that is needed for the change in approach that is called for. The Government has to reconcile itself to a possible fall in revenue as an immediate effect and be guided only by the large gains that are certain to accrue later, the improvement in the health of the economy and the moralify of the business classes and of officials and the spurt in investment and productive activity. But what would weigh most with the Government is the danger that irresponsible opposition groups might use this concession to the richer classes to denigrate those in power. A wider consensus of opinion can and must be created before the desired changes can be attempted.

But there is a limit to the taxation which can be raised by the government. Indirect taxes raise the price for the common man and for the industry. Upto a point government can raise indirect taxes without too much injury to economic growth. So far as direct taxes are concerned, the level of taxation becomes very important. Taxation above a certain limit acts as a positive discouragement both to work and to saving. If the marginal rate of taxation is, say above 75 per cent, the incentive to work and the capacity to save become very little.

Unless, a country becomes a completely socialist state in which all taxes are derived indirectly from the products produced and manufactured and where there can be no large revenue from taxing personal incomes, the governments of non-socialists state must adopt a more reasonable policy by which they do not discourage work and savings. It may be said that the recommendation of the Direct Taxes Enquiry Committee to limit the tax on personal income including surcharges to 75 per cent seems to be a wise one, and the Government would do well to accept it.

Railways Emerge Out of the Red



Railway Minister K. Hanumanthaiya

The notable thing about the railway budget for 1972-73 is the Rs. 32.53 crores surplus which has lifted the Railways out of the red for the first time in five years. The surplus, according to the Union Railway Minister, K. Hanumanthaiya, will meet in full the dividend liability of Rs. 159.70 crores on Railway capital-at-charge to the General Revenues, the expenditure of Rs. 20 crores for financing developmental works and the annual instalment of Rs. 12.03 crores towards repayment of loans to the General Revenues including Rs. 0.77 crores as interest on outstanding loans.

The budget for 1972-73 anticipates an additional 9.5 million tonnes of originating goods traffic and a 3 per cent increase in passenger traffic. Increased production of steel and coal is expected to help increase freight traffic (besides traffic in foodgrains, fertilizers and petroleum products and the increases in exports).

Gross Receipts at Rs. 1126 Crores

The Union Minister placed the gross receipts for 1972-73, on the existing level of freights and fares, at Rs. 1,126.10 crores which is Rs. 48.10 crores in excess of the revised estimates for the current year (1971-72), while income from passenger fares will go up by Rs. 10.50 crores. The rationalisation of fares and freight proposed in the 1972-73 railway budget will bring in an additional revenue of Rs. 17.68 crores in a full year and Rs. 17.00 crores during 1972-73. With these increases, gross traffic receipts are expected to be Rs. 1,143 crores, an increase of Rs. 65.10 crores over the revised estimates for the current year. Ordinary working expenses will go up to Rs. 809.14 crores, i.e. Rs. 24.82 crores more than the revised estimates. Appropriations to the depreciation fund will be higher by Rs. 5 crores at Rs. 110.00 crores and to the pension fund Rs. 16 crores. The capital at charge grows to Rs. 3,641 crores from Rs. 3,483 crores. The indebtedness of railways to general revenue on ac-

crores instead of a deficit of Rs. 6.87 crores left uncovered in the budget estimates.

Hike in Freight Rates

The Minister has said that all commodities other than coal, coke, foodgrains and pulses, which are at present grouped into 31 classes, will be raised by one step each. The freight in respect of foodgrains including pulses, iron and manganese ore destined for export, coal and coke will not be affected. In respect of commodities like plastics utensils, containers aluminium wares, steel cupboards, etc. which occupy space disproportionate to their rates based on weight, there have been made suitable adjustments. High value freight like refrigerators and glassware which require careful handling have been upgraded inviting accordingly higher, appropriate freights. These will earn Rs. 12.67 crores.

... and Upper Class Fares

As for passenger fares, there will be no increase for third class. The

RAILWAY BUDGET AT A GLANCE

	(Rs. crores)			
	Actuals	Budget Estimate	Revised Estimate	Budget Estimate
	1970-71	1971-72	1971-72	1972-73
Gross Traffic Receipts	1,006.69	1,070.25	1,078.00	1,143.10
Net Revenue Working Expenses	732.34	765.44	784.32	809.14
Appropriation to Depreciation Reserve Fund	100.00	105.00	105.00	110.00
Appropriation to Pension Fund	15.00	15.00	11.50	16.00
Net Miscellaneous Expenditure	14.62	17.91	15.95	15.73
Total	861.96	903.35	916.77	950.87
Net Railway Revenue	144.73	166.90	161.23	192.23
Dividend to General Revenue	164.57	173.77	152.15	159.70
Net Position	- 19.84	- 6.87	+ 9.08	+ 32.53
Operating Ratio	84.2%	82.7%	83.5%	81.8%

upper classes will suffer a rise in fares. The fare for ordinary second class would be increased by 25 paise per ticket for a distance between 20 and 50 km., to Rs. 2 for distance beyond 1500 km. The increase for air-conditioned chair car, first class and airconditioned class respectively will be Rs. 3, 5 and 10 per ticket for distance over 1500 km. An increase in the basic fare has been proposed, by Rs. 30 per ticket, for airconditioned and by Rs. 10 per ticket for airconditioned chair car. These will fetch Rs. 1.63 crores. Suburban passengers in Bombay and Calcutta—Madras has been omitted only because fares here are already higher—will have to pay more for their season tickets, the increase bringing the cost of their tickets to the level obtaining in Madras.

Supplementary Charges to Cover Uncertainties

In addition to fare and freight increase, the budget proposes a small supplementary charge of 5 per cent on existing parcel and luggage rates.

This would give Rs. 2.5 crores in a full year. The supplementary charge has apparently a rationality based on uncertainties of a marginal nature in respect of estimate of additional originating goods traffic. To the extent the railways are out of the red, the charge may not be capable of justification because the buoyancy of revenue should take care of such uncertainties.

The latest tax effort of the Railway Budget should be presumed to be for financing additional expenses on Plan schemes estimated to cost Rs. 125 crores. Perhaps the Minister feels that he needs more money to recoup earlier losses and to reduce indebtedness. But cannot these be tackled by internal adjustments in expenditure between diverse allocations? In any case, with larger earnings and higher fares and freight charges, the Government had better remove familiar causes of complaints such as non-availability of wagons for transporting fertilizers, cement, heavy chemicals and coal. There has to be greater concentration on improving efficiency and reducing operating costs. Only

then the growth in revenues will be automatic and painless for everybody.

Improving the Line Capacity

As for the details of the Plan expenditure, outlay for railways has, as has been stated already, increased to Rs. 1400 crores, a rise of Rs. 125 crores. With this, the railways will be able to acquire additional rolling stock worth Rs. 37 crores and spend another Rs. 60 crores on increasing line capacity on certain sections and on the constructions of new lines during the remaining period. The policy of having a single gauge system is now being implemented in stages. The supplementary grants approved by Parliament last September would meet the cost of converting 1,057 kilometres of metre gauge into broad gauge lines. The Minister announced in this connection the decision to establish a broad gauge link between Kanyakumari in the southern tip of India and through Delhi to the foot hills of the Himalayas in the north.

FOCUS: RAILWAYS

Our Gargantuan Railways

Next year, about this time, the Railways in India will be 120 years old. Indisputably it will continue to be the oldest industrial system of the country, the largest nationalised public sector undertaking, providing employment to the largest labour force. The Indian Railways are the largest single governmental network in entire Asia and are the fourth largest system in the world.

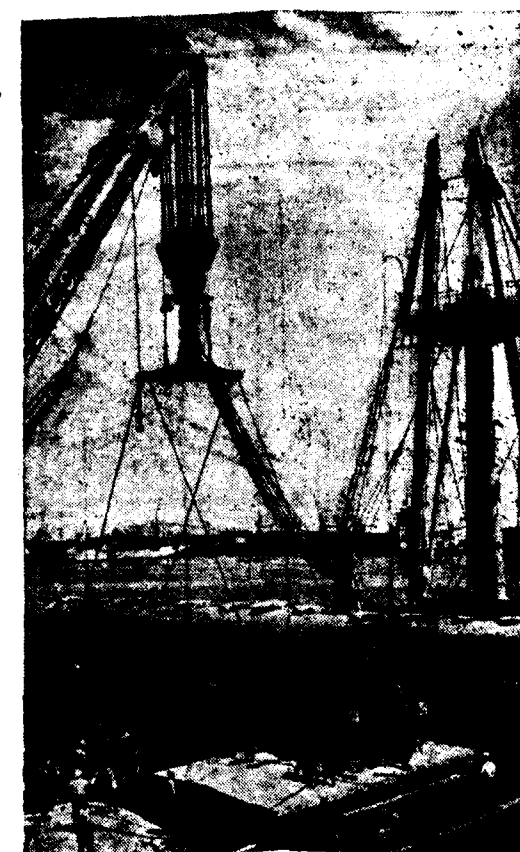
Some statistical facts about this colossal system are worth noting. The total route kilometerage, taking into account all the three gauges, is 59,790, while the running track kilometerage is 71,669. The men who run the system number more than 13.7 lakhs. The vehicle fleet of the Railways consists of 11,300 locomotives (steam, diesel and electric), 35,000 passenger coaches and 385,000 freight cars (goods wagons).

Traversing the length and breadth of the sub-continent, the system serves about 7,065 railway stations scattered all over the country, from one remote corner to the other, from east to west and north to south. The capital invested on the railways matches the astronomical figure of about Rs. 4,000 crores.

Carrying 6.7 Million Passengers a Day

All the railway paraphernalia help move the gigantic one per cent of the bursting population of the country every day from one point to another. The very fact that 6.7 million passengers move by rail every day all the year round and that the railways are able to cater to their requirement of mobility, pays a compliment and a tribute to the sprawling giant. Nor is this all: More than 570,000 metric tonnes of goods of all description are booked each day for carriage over the system. Each of the 5,70,000 tonnes

booked is moved over an average distance of nearly 650 kilometres. About 0.6 million tonnes of freight traffic is moved by the Railways every day. Of the total wagon fleet of 384,000, nearly 10 per cent of holdings—about 3,600 wagons—are loaded daily for movement of freight materials.



Indian Railways manage its own units for the production of passenger coaches, diesel and electric locomotives and other traction equipment, apart from maintaining a large number of workshops which manufacture a wide range of equipments needed by the Railways. The production units of the Railways at Perambur and Chittaranjan are known for their efficient functioning. The Diesel Locomotive Works, Varanasi is turning out an increasing number of diesel locomotives every year.

Picture shows one of the passenger cars turned out by the Integral Coach Factory for export to Taiwan Railway Administration being loaded in Madras Harbour.

Yet more staggering is the fact that the Railways in India play a unique and almost singular role in the economic and social life of the country. The guiding consideration for bringing the railway system into the country from the United Kingdom was to facilitate administration, speedy movement of troops and provision of an easy and cheap means of transporting raw material to the ports for shipment to England to feed the many factories there, and, reciprocally, the movement of finished British products for which India was a ready market. Secondly, Railways did provide an opportunity to the local entrepreneurial talent for establishing industry and facilitating trade operations. It is, therefore, not coincidental to find that the textile mills in the Bombay area and jute mills in the Calcutta region made their appearance soon after the railways came on the scene in these places.

The wars and the intermittent famines convinced the British authorities of the positive role of railways in the economic and social spheres gaining precedence over the purely administrative considerations. The very vital role played by the railways during and after the partition of the erstwhile India and in easing the problems of Bangla Desh refugees' movement leaves no one in doubt about the indispensability of this most taken-for-granted transportation system of the country.

Furthering Economic Activity

That the Railways have contributed significantly in furthering the tempo of economic activity in the country is not in doubt at all. The ravages of partition left the Railways in a crippled state and it was indeed

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imperative to heal the scars quickly and prepare it for shouldering the onerous job of moving the steadily increasing heavier traffic loads offered by the generative economy. Thus from the modest figure of 93 million tonnes of originating traffic moved in 1950-51, the Railways went from one peak to another till their best performance was achieved in 1969-70, when they moved 207.9 million tonnes. The following graph illustrates the position of increased quantum of originating tonnage in the Plan periods.

The figures in the graph represent the total originating traffic and thus include both revenue earning and non-revenue earning traffic.

The total tonne kilometres (in millions) distance run in respect of the figures listed in the chart for the years 1950-51 and 1969-70 was 44,117 and 128,248 giving an average lead of 470 and 617 kilometres per tonne. For 1970-71, the corresponding figures are 127, 358 and 648.

Persistent Losses

An attempt is made here to define areas of loss of revenue on the railways, giving possible palliatives to remedy the malady. First, however, it must be realised that Indian Railways were a solvent venture till 1966-67. From that year onward they have been continuously in the red. The enormity of the problem is such as calls for a really bold approach in its solution.

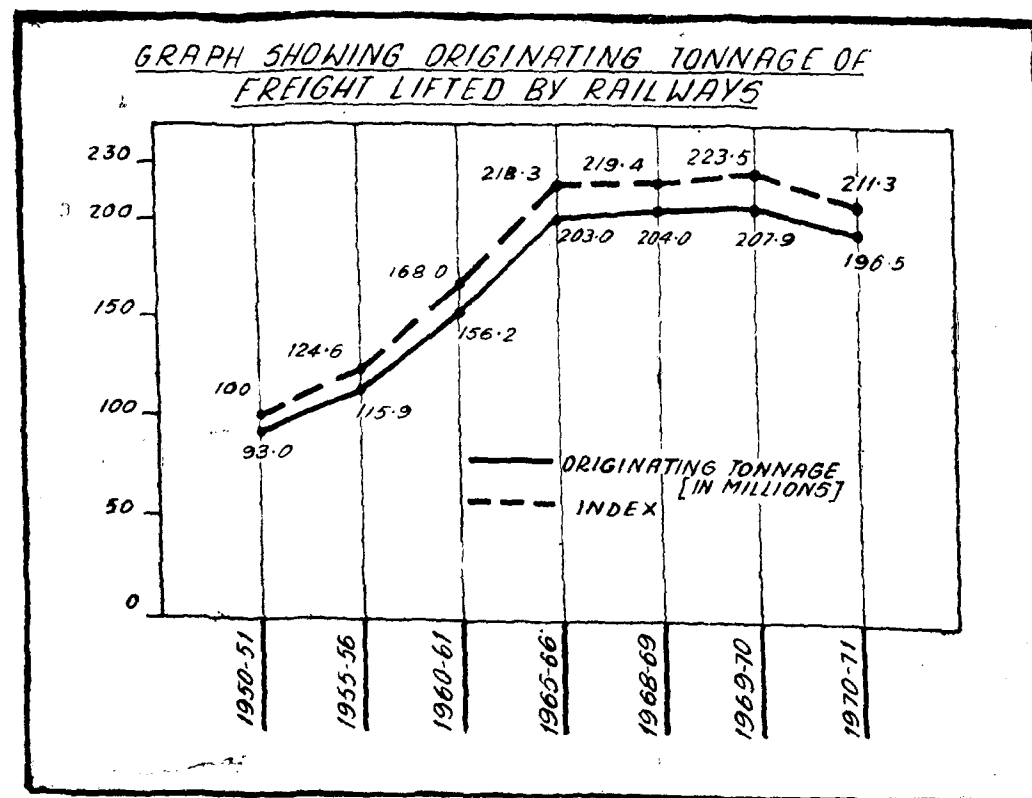
A very substantial portion of the originating traffic is accountable in respect of bulk commodities for which the Railways are pre-eminently suited as a means of transport, particularly over long distances. These commodities are: coal, iron and steel, ores of all description, stones, cement, food-grains, fertilizers, petroleum (including crude oil) ... The chart in page 19 brings out the impact of these bulk commodities from an overall traffic angle and highlights their earning potential viz-a-vis other commodities transported by the Railways.

The Burden of Bulk Commodities

The progressive increase in the quantum of bulk commodities offered for movement is evidenced from the fact that while in 1950-51 the figure stood at 58.2 per cent of the total revenue earning traffic, in 1969-70 this traffic accounted for 80.3 per cent. For the years 1970-71 and 1971-72 there has been some further increase. Now, against the total load of 80.3 per cent, the revenue earning capacity of this traffic was only 69.3 per cent. It is primarily the commodities other than the bulk commodities, representing only 19.7 per cent of the total goods traffic, that account for 30.7 per cent of the earnings from total freight

squeak when the question of dividend payment or interest on loans arises.

Two obvious solutions are offered. First, a more rationalised freight structure should be evolved, permitting a reasonable margin of profits on the carriage of all types of commodities. The consideration that since coal, cement, stone, petroleum, iron ore and steel, etc. are commodities peculiarly suited for transport by railways and are basic commodities for use by the common man (and, hence, no substantial increase in freight rates therein should be permitted to avoid increase in general prices) should not stand in the way of upward revision of freight tariff if the Railways are to make an honest attempt to ensure profitability.



Contribution to General Revenues Only on Profits

Secondly, if this suggestion, for some reason, be unacceptable to the powers that be, the general exchequer should not, henceforth, insist for a rigid rate of payment of dividend on railways. Only when the railways make profits on operation should they be expected to contribute to the general revenues. After all, the Central Government does levy taxes on com-

modities irrespective of the fact whether they are extensively used by the commonality or not. Likewise, if the railways were also permitted to marginally increase their rates on the bulk commodities, why should the social responsibility of the railways be called to account so vehemently?

Disband the Uneconomic Lines

There are two other spheres where the railways are losing sizeable revenue because of the so-called social commitment. Annually, the railways lose about Rs. 8 crores on the operation and maintenance of unremunerative branch lines. There is clear justification for disbanding such lines,

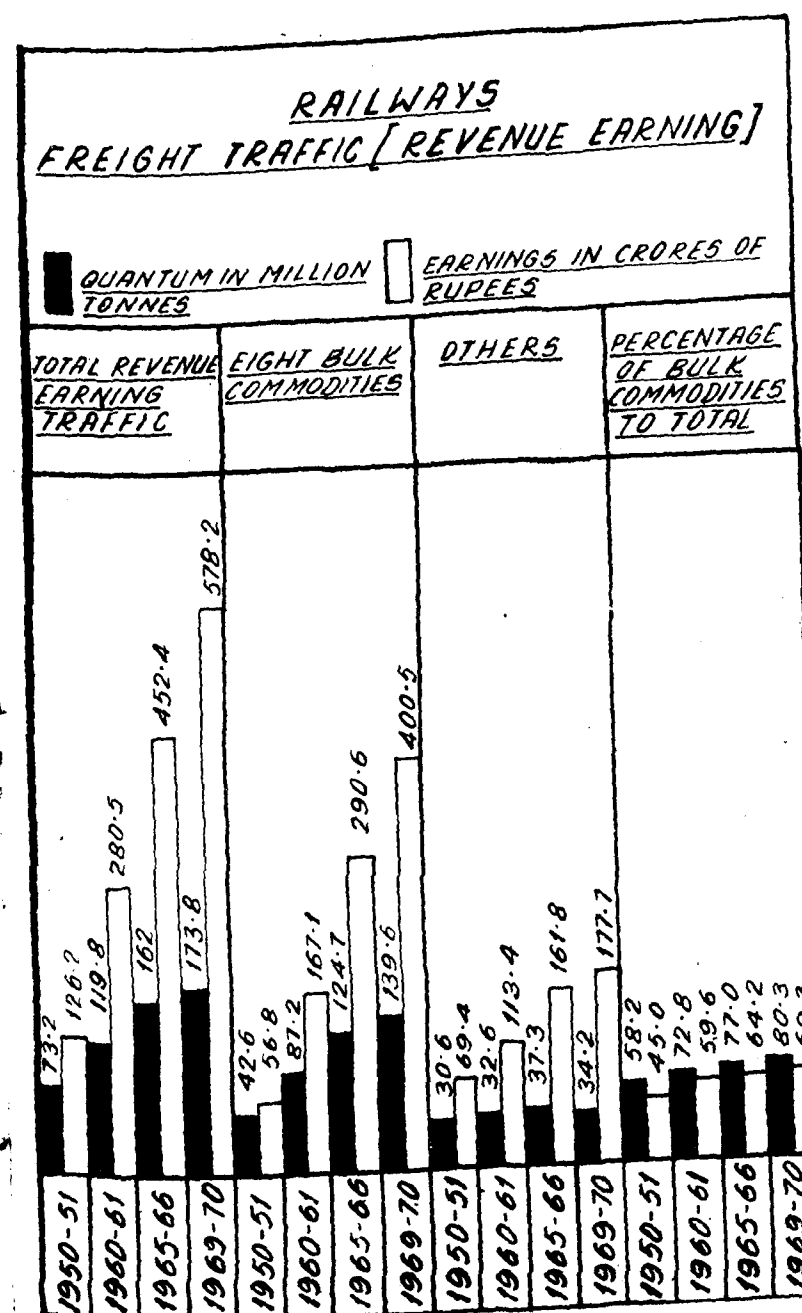
but political, more than social, factors weigh heavily in the questionable decision to keep such lines running.

Rationalising Suburban Fare Structures

There is quite an appreciable extent of loss on certain coaching services, sizeable element of which consists of suburban traffic. The total annual loss on this account almost matches the figure of loss on the low-rated bulk commodity freight traffic—Rs. 52 crores against the latter's Rs. 59 crores. This particular problem is rather ticklish, but it is high time that an attempt was made by reducing the loss on suburban services, particular-

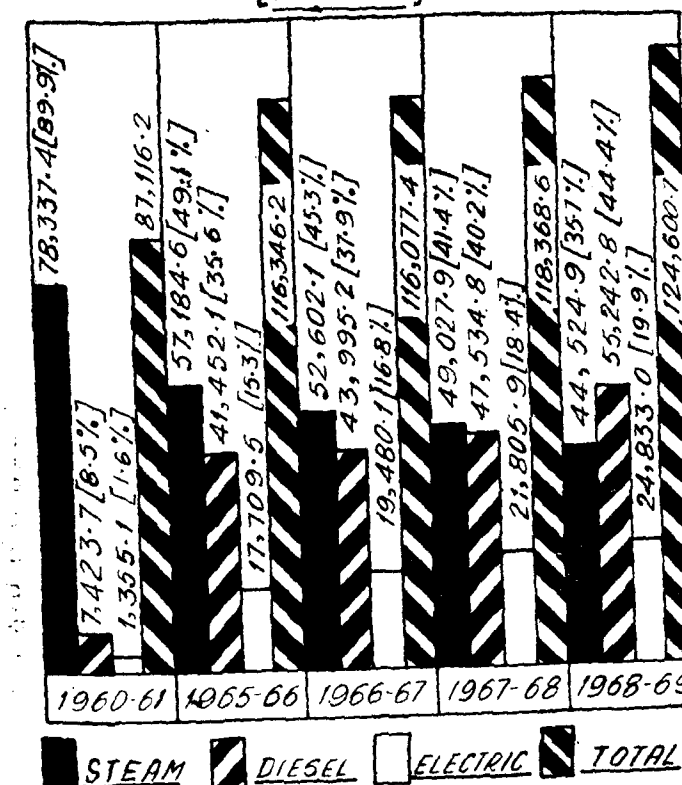
ly, through increasing marginally the fares in conformity with the patterns obtainable on comparative road routes. It is indeed heartening to see that the Railway Minister has made some attempt in this direction by somewhat rationalising the suburban fares in the metropolitan cities of Bombay and Calcutta, in his Budget proposals for 1972-73.

One obvious reason for a swell in losses is the tremendous increase in the costs of running the railways. The cost of staff which accounts for 60 per cent of the total running expenses has gone up by 181 per cent in the last two decades. Expenditure on fuel has gone up appreciably—138 per cent on coal, 102 per cent on diesel



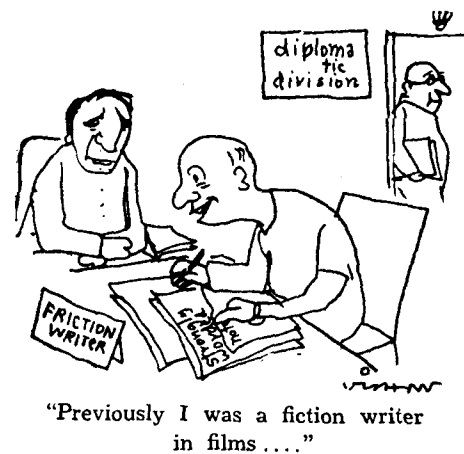
INDUSTRIAL ECONOMIST

NET TONNE KILOMETRES HAULED BY DIFFERENT TYPES OF TRACTION [MILLION]



Over the years there has been a progressive increase in diesel and electric traction as has been indicated in the chart above. This has naturally contributed to more efficient and quicker transportation of passengers and goods.

According to a press note the Indian Railways maintain 9200 steam, 1300 diesel, and 525 electric locomotives. The efficiency of the last two categories will be evident from the fact that their number forms just under a fifth of the number of steam locomotives in operation, but account for nearly two-thirds the total tonnage hauled.



oil and 80 per cent on electricity. Iron and steel now costs 200 per cent more than what it used to in 1950-51. ... Compared to these galloping increases in costs, only snail pace credit registrations are the result: to wit, per passenger kilometre and per tonne kilometre rates have been increased only by 75 per cent on an average. Thus, when price of the output is not matched with the cost of input, loss is bound to arise. The increased cost of the inputs has been, to some extent, nullified by greater efficiencies injected by means of dieselisation and electrification.

Ticketless Travel Costs Over Rs. 20 Crores

Some other serious points of losses are the bane of ticketless travel so very rampant all over the system, more particularly in the northern and eastern regions. The ticketless travel accounts for as much as Rs. 20 to Rs. 25 crores of loss per annum. Then there is a large chunk of revenue lost by the payment of claims for compensation in respect of goods lost, damaged, or pilfered in transit. All these require to be plugged firmly.

Although the budget for 1972-73 has shown a surplus, it has to be remembered that this surplus is not a generative and positive surplus accruing from profits as such, but mainly because of the concessions (in fact, remissions) granted by the Railway Convention Committee. To a great extent it is a manoeuvred profit obtained through book adjustments.

As per the recommendations of the Convention Committee adopted by the Parliament, the Railways save over Rs. 21 crores by way of dividends and interest charges on unremunerative lines. Thus, what appears to be a gain of the Railways, is in effect a loss to general revenues. To achieve a positive result, the railways will have to eliminate all points of losses referred to in this article, as also streamline its managerial functions and increasing personnel efficiency so that best advantages can be reaped from out of the opportunity afforded by the developing economy.

Modernisation of the System

During the last few years appreciable progress has been made in the matter of the modernisation programme of the Railways in India. Increasingly, the electric and diesel traction has been given prominence in replacing antiquated steam traction. From the steam traction's supremacy of 89.9 per cent of the total volume of the freight traffic hauled in 1960-61, it has come down to 35.7 per cent in 1968-69 and has further gone down since. On the other hand, the diesel and electric traction which were barely 8.5 per cent and 1.6 per cent respectively in 1960-61 have jumped up to 44.4 per cent and 21.0 per cent. The chart in page 19 gives a clear picture in this behalf.

The advantage of introducing diesel and electric traction are many-fold. Apart from ensuring faster traffic generally, they are specially suited in the movements of perishable traffic, providing better services to industry and trade. Faster movements of freight traffic helps reduce the inventory element of the business and trading clients of railways. Another advantage is the release of line capacity and wagons which would otherwise be needed for movements of coal as fuel for the Railways' own use.

The Diesel Economics

In the matter of passenger traffic diesels as also electric engines can haul

longer trains thus reducing the persistent overcrowding. The speeds being more than what the steam traction has hitherto been able to achieve, cleaner travel ensured by this traction indeed has made it more popular with the travelling public as is evidenced by pressing demands for longer haul diesel trains.

Furthermore, compared to steam traction, diesel traction has resulted in considerable savings in direct operational cost. As a result of study made in 1967-68 it came to light that per thousand gross ton km. cost of operation for through goods traffic was Rs. 7.68 for steam, Rs. 4.60 for diesel and Rs. 3.57 for electric traction on the broad gauge

In addition to lower direct operating costs, introduction of diesel traction increases the throughput capacity of a section appreciably because of higher speeds and greater hauling capability of diesel locos. Furthermore diesel traction also increases the throughput of the section without any additional investment and thus results in considerable saving of capital expenditure.

The Railways will dieselize 3000 km of track during the Fourth Plan period in addition to the 23600 route km. which were under diesel traction at the end of 1969-70.

—Rail Master



"With a stroke of our brush we've brought first class travel within the reach of the common man...."

INDUSTRIAL ECONOMIST

Newspaper Empires: From Vertical to Horizontal Monopolies

When the Government is able to curb the monopolistic trends in a wide range of sectors, its efforts to check such tendencies in the field of newspaper business appear to be unsuccessful. It is true that in exercising its power over the allotment of newsprint, it has been able to regulate some of the major papers from gaining monopolistic control. But this helps only in curbing the vertical growth—we mean the growth of the single newspaper—beyond a particular point, but chain newspapers resort to horizontal expansion by taking to new publications off and on. The *Times of India* provides a classic example of this practice.

Terrific Expansion of Times of India

Apart from the near monopoly position in regard to its dailies—*Times of India* simultaneously published from Ahmedabad, Bombay and Delhi and *Nav Bharat Times*—which hold enormous sway in Western India particularly, the group has developed a number of periodicals, *Illustrated Weekly of India*, *Femina*, *Filmfare* ... with their Hindi versions. A few years ago, it came out with a full-fledged economic daily, the *Economic Times*. It also took to the publication of a science magazine, *Science Today*, and a children's magazine, *Indrajit Comics*. Last year it introduced the *Times Weekly*, incorporating many of the features which were included in the Sunday edition of the *Times of India*. It was priced initially very low at 6 paise per copy of 16 pages; today at 10 paise including an Excise Duty of 2 paise, is still priced very low. More recently this group has come out with the announcement of yet another publication called *Youth Times*, specifically devoted to the youth. This is to be released as a fortnightly from March 31, 1972.

Possibility of 'Tag-Sales'

One advantage in founding a number of smaller publications as part of

a giant newspaper chain is that it can ensure the creaming off of a substantial portion of the available advertisement budgets. The group can take advantage of tag-sales which is very successfully practised in consumer selling. This consists in tagging slow-moving items with a fast-moving ones such as, for example, Goodyear pushing across the cycle dealers a sizable quantity of a relatively slow-moving items such as cycle bells or pumps with their fast-moving tyres on which there is a good margin. Or, Glaxo. Its much sought after baby foods are pushed across with a number of other items such as Glaxose-D and the more recently introduced Energy Tabs, on which margins to the dealers are relatively less. Likewise selling of space in the newer periodicals can be tagged on covertly to those on which space is highly sought after. The same possibility exists in regard to sale of copies too.

Dimensional Advantages

The other advantage of enormous resources, facilities and expertise available through the established giants to the new paper/periodical also puts the thousands of smaller papers to serious disadvantage. The news network, the sophisticated printing facility, the distribution channels ... have all been geared to such high efficiency that it often becomes a very unfair competition for even an established small newspaper to survive against the onslaught of these newer introductions from giants. The *Times Weekly*, when it was introduced, claimed a circulation of 2.5 lakhs and its advertisement tariff was fixed on this basis. Likewise *Youth Times* states that it is scheduled to touch a circulation high almost immediately, thanks to the wide distribution network of the *Times of India*.

Other Leading Papers Branch Off

The *Hindustan Times* and The *Statesman* have already branched out

on these new lines following the example of the *Times of India*. *Hindustan Times* also issues a Sunday edition, the *Sunday World*, again priced low. The *Statesman* also publishes the *Junior Statesman*. The *Hindu*, which was running the *Sport and Pastime* for a long time and closed it a couple of years ago, might also think of entering the field of periodicals in a big way.

How Can Small Papers Thrive?

Under such practices by the giants, any talk of encouraging small papers and curbing monopolies in the newspaper field makes little sense. Either in the matter of import of machinery or in getting finances, the small papers do not have adequate support from the Government. There is as yet no newspaper finance corporation to help the small newspapers. These are not recognised by agencies such as the National Small Industries Corporation. Even banks are directed by the Reserve Bank not to treat these small newspapers as coming under the purview of small scale industry. Applications for import of machinery takes such a long time for clearance that the small papers are not able to survive the agonies of the delays involved. In all these cases, the giant papers enjoy distinct advantages. By the time the information on the availability of funds for importation of machinery reaches the small papers, the credit lapses and in the meantime the bulk of the available credit is knocked off by the bigger chain newspapers.

Nandiniji, it is not sufficient to make repeated statements that the Government would help the small papers and curb the monopolistic growth. A little more vigorous action is necessary towards implementation.

Making Neyveli Operations Viable

The Tamil Nadu Government told the State Assembly the other day that it had pressed the Centre for a second mine cut in Neyveli and advance action for a new giant thermal power complex utilising the yield of the new cut. As all the hydel possibilities of the State have been practically exhausted, the anxiety of the State Government to plan on a big scale for non-hydel power generation during the rest of the present decade is understandable. By 1974 power demand will far outstrip supply and by the end of the decade the present generation of around 2,000 MW will hardly be sufficient for meeting a third of the demand.

There could be several non-hydel sources of power—atomic, coal, lignite. There are differences of view as to how to go about installing more capacity. The State Planning Commission which is due to present to the Government the outline for a perspective plan has given its thought to the problem. While a coal-fired or a nuclear power complex is felt to be desirable at the southernmost end of the State (somewhere around Tuticorin) there could be no quarrel over utilising the State's own lignite reserves at Neyveli.

Optimising the Output of the Present Mine-Cut

The question naturally arises as to whether a second cut can be opened soon at Neyveli and lignite can continue to be mined economically for a certain length of time. Everyone is aware that there has been consistent failure to utilise fully the capacities already existing at Neyveli. The under-utilisation of the power plant and the partial operation of the urea and briquetting plants are a direct result of the poor output of lignite from the existing cut. The first problem would, therefore, appear to

be to maximise the output from the present mine-cut.

The Union Minister for Steel and Mines, S. Mohan Kumaramangalam is naturally worried over the performance of the giant Neyveli integrated enterprise and before any decision is taken on opening another cut he is understandably eager to set things right in the Rs. 180 crore complex. With this end in view he commissioned a study of the entire problem by a committee headed by a competent geologist Prof. K. V. Subrahmanyam. The Committee is due to submit its report to the Minister shortly.

The main problems confronting mining in Neyveli are two: pressure of groundwater and excavation of an enormous amount of overburden before extracting lignite. If the problem of groundwater had not been there the lignite field could have been exploited on a far more extensive scale.

Should Mining be Open-Cast?

The committee went into the basic question whether lignite mining in Neyveli has necessarily to be open-cast. Opinion seems to be that it need not. Several instances could be given where lignite mining is under-ground. Even in India in Palana (Rajasthan) until some years ago lignite was mined by underground operations. One danger met with in Palana was that the underground conditions were so dry that it was susceptible to spontaneous fires. Also, there the seam is not continuous and not thick enough for economic mining. These do not apply to Neyveli: here the lignite is of a much better quality, the seam thicker and continuous and being essentially watery, there is no problem of spontaneous combustion. One could expect the Committee to come to the view that if the problem of water could be tackled economi-

cally there should be no difficulty in mining open-cast in those areas where the overburden-lignite ratio is favourable and plan for underground mining in other areas where the disadvantages of Palana do not exist.

Recurring Import of Components Affects Excavation

The problem of excavation has been bedevilling the authorities for a long time. Excavation has been done by giant imported equipment. Non-availability of spares for worn-out components often halts production. Adequate experience has been accumulated over the years in the matter of excavation. The Government which has been approached for a further sanction for foreign exchange for import of bucket wheel excavators has not taken a decision yet. After allowing some five or six crores of rupees in foreign exchange for this purpose the Government wants to examine the possibility of using some of the excavating and earth-moving equipment made in India. It is of course conceded that some components like the gears and the diamond bits might have to be imported as it would not be worthwhile to manufacture them. Another suggestion that came up before the Committee was that of entrusting the excavation work to a private contractor. The economics can be examined.

Ground Water: A Valuable Co-product

The other problem in Neyveli is ground water. The new approach seems to be that it should not be looked upon as a mere nuisance to be avoided but as a co-product with lignite in the exploitation of the field. If the ground water problem could be tackled successfully then underground mining becomes a distinct possibility. That means, instead of a precarious dependence on one single open-cast mine a group of mines open-cast and underground can be developed. That would render possible the maximum lignite output and turn Neyveli into a reliable source of energy for power-starved Tamil Nadu.

—V.M.

Another of Mr. Nixon's Brainwaves

From the time the dollar was devalued, the Americans seem to be feeling that they have been compelled to eat grass through Mr. Nixon's default. On the eve of an election this could have dangerous complications. The image has got to be corrected and this has to be done without seeking to fly in the face of facts. Mr. Nixon has therefore devised a plan which will respect bloc mentality and yet provide the dollar with the relief that none is prepared to give it at present—a relief that matters most for righting the US payments deficits.

Identifiable Monetary Unions

The plan is indeed very simple. The world should be carved out into certain identifiable monetary and economic unions. There are to be four such blocs. These should comprise first, the Soviet bloc, the second an expanded European Economic Community that should include all of West Europe besides most of Africa linked to the franc or sterling, the third of countries of the New World besides Japan, the Philippines and some African States (with the US as the big brother here) and the fourth constituted entirely by China (Mao's China, of course, since Taiwan has already been dropped like a hot brick.

Looking at the composition of economic blocs (as suggested to be organised), it is fairly clear that Mr. Nixon wishes to build a dollar group as a counterpoise to the EEC. Japan is included in the group on the presumption that its trade ties with the US are so overwhelming that the Japanese would hesitate a thousand times before delinking themselves from the US. But, is this presumption fully justified? The Japanese exports are booming because exports are the only way of obtaining the progressively rising volume of import which Japan needs. That explains its preparedness to sell its wares abroad, sometimes, for less than marginal profits. In the process the Yen has been building up a strength in it which has set off

already considerable speculation about a further upward revaluation. Thus if the US bloc materialises, it will be dominated by a weakening dollar and a rising Yen much in the same way as the franc and deutsch mark have been behaving inside the EEC. Can it be pretended that the EEC has solved its headaches over this? On the contrary, is it not true that the discussions of the Common Market Commission have consistently reflected two minds, one of France and the other of West Germany? If that were not the case, the first phase of the Common Market Monetary Union should have been a *fait accompli* by now, but it is not.

EEC's Impact on US Payments Deficit

Supposing for a moment we overlook this and examine whether the US bloc could become a counterpoise to the EEC bloc, we cannot resist the conclusion that it will never be this. This is because any success in this direction depends on the impact of the bloc on the US payments deficit. The US is no doubt accustomed to considerable trade isolation; but its prospective partners, particularly Japan and the Philippines, who have had bitter experience of single-track deals with their erstwhile conqueror, are unlikely to be very warm about sinking into collective isolation with the US against the rest of the world.

China's Economic Langour

Analysing the scheme a little more, we find that there is little that is worthwhile in it about the other monetary blocs. China, according to Mr. Nixon, has to be a bloc all by itself. Why, please? Is it because he is afraid that China will feel insulted if he were to suggest that it should 'bloc' with any one, friend or neutral? Or is it because he feels the Chinese economy is so unique that, in any bloc to which it is tagged, it will behave as if it were in a world singularly its own? Or

could it be that the economy is far too medieval and far too populous to be anything but a liability to any bloc it may join? Indeed this should be the real reason. For, even if political expediency required that China should be treated with a unique distinction not extended to anyone else, the truth cannot be hidden that it is an economy which no country will be prepared to touch except with a pair of tongs. It should be a mistake to presume that Mr. Nixon's visit to China has made him a greater friend of that country. For one thing, the US was never China's friend; and for another, the US diplomats who accompanied their President on his Chinese visit could not have failed to notice the economic langour there which coexists with a vast market potential; and they should have readily framed up a programme for keeping off the former but exploiting the latter.

At first sight it may appear that Mr. Nixon has sought to offer equally most favoured nation treatment to the Soviet bloc. But to those who have been closely following his recent diplomatic antics it should be obvious that he is having illusions about his ability to play off Russia against China and bask in the resultant success. Like most of his other schemes, this one also will surely go awry.

Truth About Currency Values

These distortions cannot disappear unless and until currency values represent their actual economic strength instead of what is imputed by national fiats. The organisation of a bloc is no solution here so long as nationalism will always wreck adjustments in parities on considerations of prestige. Besides, members of a bloc should be willing to sacrifice domestic policies which may affect other members adversely. It is common knowledge that the gold standard foundered because nation states could not just afford such altruistic self-abnegation. What has happened between 1931 and now to change this? In fact, nations have become less and less altruistic. Therefore, the Nixon idea is fated to die very much in its embryo.

Brezhnev on Soviet Involvement in Asian Affairs

The address of Mr. Leonid Brezhnev, Soviet Communist Party Secretary, at the Congress of the Soviet Trade Union Organisation in Moscow has been quite outspoken on Asian issues and US policy in Asia. Starting with the premises that, since two-thirds of the Soviet territory is in Asia what happens in Asia concerns Russia most, he has unequivocally stated that the Soviet union "had come out and was coming out for the development of the best relations with Asian States." In a reference to recent developments in Bangla Desh, he said: "In our striving to strengthen friendship with India we encounter full understanding and reciprocity of the Indian Government" and that the "Soviet Union was a consistent exponent of development of relations of lasting peace and good neighbourhood among India, Pakistan and Bangla Desh." Of course, like all big powers, Russia has always been saying so much on the forces of peace it seeks to foster. When Mr. Brezhnev spoke of their determination to help countries resist imperialism, India will have had no illusions knowing what such concern means for weaker nations and how there is little to choose between imperialists of different lines.

The hall mark of the address is, however, the Russian suspicion about Mr. Nixon's deal with China. Mr. Brezhnev is understandably worried over how far Mr. Nixon would have gone in seeking to assist in the fulfilment of the Chinese dream of seizing dominance in Asia, *ipso facto* at the expense of Russia. Though it is too early to venture surmises on this score, it is crystal clear that Mr. Nixon's Moscow visit should be deemed crucial enough. As formalities demand Mr. Brezhnev has stated that the visit will be availed of to discuss steps to broaden and deepen Russo-US cooperation. It is anybody's guess as to how far such cooperation will materialise so long as Russian mental

reservations on the Chinese talks of Mr. Nixon cloud the atmosphere.

Challenges Ahead for India

The year ahead is indeed pregnant with many challenges that India will have to tackle at the diplomatic and event at the military level. As Gen. Niazi has observed the Russians have done their job as friends to India in a better manner than the Americans and the Chinese did in the case of Pakistan. This cannot be taken to indicate that India will have little cause for worry in the future. The Indo-Pak war could have turned Bangla Desh into another Vietnam had only the US Seventh Fleet been



USSR COMMUNIST PARTY
SECRETARY BREZHNEV

allowed to fulfil the task assigned to it and the Chinese had followed up their protests of Indian incursions into their territory with more incendiary action. If Mr. Nixon wins the election, it can be assumed straightaway that he will believe that he had obtained popular mandate for his brinkmanship diplomacy in Asia. In that case, the detente with China will be intensified in a manner that can hold a meaningful threat to India. In this circumstance, the Indo-Russian treaty is our only safeguard. With Bangla Desh licking the wounds inflicted by the Hun, Tikka Khan, India's enemies may be inclined to

try at putting the clock back in favour of Bhutto. The only guarantee that they may note is the recent resolution of the US Senate calling for diplomatic recognition of Bangla Desh. Thus between Mr. Brezhnev and the US Senate, the Indian case would have obtained the international hearing it deserves.

Mandate for Dynamic Policies

The rub lies however in that strength in this respect depends less on foreign sympathy than on one's own strength. The country has got for Mrs. Gandhi the mandate she had demanded for dynamic policies. It stands to reason that the dynamism of such policies will make little sense if they did not assure faster industrial growth at home and greater friendship abroad. Indians, rightly or wrongly, have won the notoriety that they stick to holier-than-thou attitude. In fact, self-righteous propaganda based on this weakness has undermined goodwill abroad. The recent victory in the war has only intensified our negative attitude in as much as there is a tendency on the part of those in the higher echelons of power to feel great and act great when they should be humble. To overplay the advantage of the treaty with Russia is to forget the elementary truth that Russia has not cared to vindicate our Prime Minister's contention that India ordered unilateral ceasefire independently and not under pressure from the Soviet Union. In politics there are only interests and not principles. That is precisely why most of Mr. Brezhnev's talk about the benign principles motivating Soviet Policy in Asia cannot cut any ice with knowledgeable Indian critics. And simply because it is interests and not principles that guide policy, India had better make an earnest effort to awaken itself to such interests as should matter most to it instead of sermonising as of old on what ought to be done by others and how.

INDUSTRIAL ECONOMIST

BUDGET: PART-A

Rs. 375 Crores Net Deficit for 1972-73

Presenting the General Budget for 1972-73 to Parliament on March 16, Finance Minister Y. B. Chavan, said that the overall Budgetary deficit next year, at the existing rates of taxation, will be Rs. 375 crores. There will be a surplus on revenue account of Rs. 219 crores, but this would be more than offset by the deficit on capital account of Rs. 594 crores.

Plan Outlay Rs. 3973 Crores

Mr. Chavan said that the main feature of the Budget for 1972-73 is substantial increase in Plan outlay. Taking the Centre, the States and the Union Territories together, the total provision for the Plan next year comes to Rs. 3973 crores as against Rs. 3263 crores in the current year—an increase of Rs. 710 crores or 22 per cent.

Within the total Budget provision for the Plan at the Centre, as much as Rs. 240 crores is being earmarked for schemes with an accent on social justice as well as economic growth. An important innovation is a new lump-sum provision of Rs. 125 crores to cover the requirements of rural water supply, rural home sites, slum clearance and improvement, primary education and schemes for the educated unemployed. Mr. Chavan said that a lump-sum provision of this nature would make it easier to make an impact in each State in the field where such impact is most urgently needed.

Speaking of assistance to Bangla Desh, the Finance Minister said that a sizable beginning has already been made in the current year itself. The commitments so far made amount to roughly Rs. 130 crores. The intention is to provide for a total commitment of Rs. 200 crores, of which Rs. 82 crores might be disbursed during 1971-72 and the balance during 1972-73.

Rs. 1408 Crores for Defence

Defence expenditure for 1971-72 is now estimated at Rs. 1,411 crores as against the Budget provision of Rs. 1,241 crores, an increase of Rs. 170 crores. The provision for Defence next year is being kept at Rs. 1,408 crores, about the same as the revised estimates for the current year. The Finance Minister said that apart from providing for normal increases in costs, salaries and dearness allowance, adequate provision has to be made for recouping the losses suffered during the war and for looking after the families of those who made the supreme sacrifice for the defence of the motherland.

Deficit in 1971-72—Rs. 385 Crores

Reviewing developments during the year that is coming to a close, the Finance Minister said it is possible to look back on the events with a degree of confidence in the

economic sphere. Despite the extraordinary stresses and strains which were compounded by natural calamities over many parts of the country, it should be possible to end the current fiscal year with our foreign exchange reserves more than intact, Government stocks of foodgrains of nearly eight million tonnes, the general price level reasonably stable and a deficit in the Central Budget significantly lower than what one might have apprehended.

The overall deficit in 1971-72 is now expected to be restricted to Rs. 385 crores. This is because receipts under Income and Corporation Tax are expected to be rupees eightythree crores higher than the Budget estimates, Union excise duties will be higher by rupees thirtyone crores and customs revenue will exceed Budget estimates by Rs. 118 crores. Receipts from market loans also show a substantial increase and collections under Small Savings should amount to Rs. 210 crores as against Rs. 180 crores assumed earlier.

Central Plan Outlay

Giving details of the Plan outlay for 1972-73, Mr. Chavan said that he proposed to increase the Budgetary provision for the Central and Centrally-sponsored Plan schemes from Rs. 1,455 crores in 1971-72 to Rs. 1,787 crores in 1972-73. This increase of Rs. 332 crores, or by nearly one-fourth in a single year, represents the sharpest step-up attempted in the Central sphere for many years. The increase is spread over virtually all the sectors of the economy. Agriculture, Community Development and Co-operation account for an increase of Rs. 23 crores; Irrigation and Power—Rs. 18 crores; Mines and Metals—Rs. 23 crores; Industry including Petroleum, Chemicals, Steel and Heavy Engineering—Rs. 44 crores; Shipping

and Transport—Rs. 56 crores; Posts and Telegraphs—Rs. 14 crores; Railways—Rs. 8 crores; and Atomic Energy—Rs. 30 crores.

Among other schemes, the Budgetary provision for the Small Farmers Development Agency is being doubled from Rs. 6 crores this year to Rs. 12 crores next year and for marginal farmers and agricultural labourers from Rs. 3 crores to Rs. 6 crores.

In addition to the provision made in the Budget for the Central Plan, Mr. Chavan said that resources are also available from internal surpluses of public sector enterprises and by way of contribution from financial institutions. The total Plan outlay on Central Plan schemes is thus expected to increase from Rs. 1,823 crores in 1971-72 to Rs. 2,307 crores in 1972-73—by Rs. 484 crores or by about 27 per cent.

The annual Plan outlay of the States and Union Territories for 1972-73 is expected to be Rs. 1,666 crores, an increase of Rs. 226 crores over 1971-72. This includes Rs. 782 crores by way of Plan assistance from the Centre. Mr. Chavan said that a substantial part of the increase in the Central Plan outlay is really on schemes which are initiated and executed by the State Governments themselves.

States' Overdrafts

In addition to Plan assistance, a provision of Rs. 130 crores is being made next year to continue the scheme of special accommodation by way of loans to those States which have substantial non-Plan gaps. But the State Governments on their own will also have to mobilize substantial resources if their Plan outlays are to be implemented without recourse to overdrafts from the Reserve Bank. States which have genuine difficulties in liquidating past overdrafts over a short period will be asked to repay next

BUDGET AT A GLANCE

		(Rs. in crores)		
		1971-72 Budget	1971-72 Revised	1972-73 Budget
REVENUE				
Receipts	..	3,727	4,081	4,343
Expenditure	..	3,587	4,107	4,124
		(+) 140	(-) 26	(+) 219
				(+) 133**
CAPITAL				
Receipts	..	2,023	2,587	2,095
Expenditure	..	2,396	2,946	2,689
		(-) 373	(-) 359	(-) 594
Overall Deficit	..	(-) 233	(-) 385	(-) 375
				(+) 133**

** Effect of Budget proposals. Uncovered Deficit 242.

INDUSTRIAL ECONOMIST

year only 15 per cent of the estimated overdrafts at the end of 1971-72. The State Governments have agreed to reduce the overdrafts progressively. A new set of procedures will be adopted to ensure that overdrafts are not used in future as a continuing mode of financing State expenditures.

Special Levies

Mr. Chavan said that the continuance of special levies imposed last year is unavoidable in the present circumstances. These levies would bring in Rs. 70 crores next year as against Rs. 20 crores in the current year. The Finance Minister said that during 1972-73, he expected the yield from Income-Tax and Corporation Tax to increase

from Rs. 985 crores to Rs. 1,060 crores. Revenues from excise duties should increase from Rs. 2103 crores to Rs. 2,330 crores and from customs duties from Rs. 652 crores to Rs. 700 crores. Unfortunately, he said, a significant part of the additional revenues will be offset by an increase in food subsidy from Rs. 30 crores in the Budget estimates for the current year to Rs. 100 crores in the Budget estimates next year.

Referring to the food situation, Mr. Chavan said that the welcome increase in foodgrain production has added to the fiscal burden in another way. During 1972-73, the additional financial requirements of the Food Corporation of India for carrying the buffer-stock of foodgrains are estimated at Rs. 120 crores. A Budgetary provision of

Rs. 25 crores only is being made; the balance of Rs. 95 crores will have to be found by the Corporation by additional borrowing from the banking system.

Speaking of external assistance, Mr. Chavan said that net receipts from external loans next year are expected to show a substantial decline from Rs. 469 crores this year to Rs. 374 crores in 1972-73. Recent events have once again served as a reminder that even as we strive for greater growth and social welfare, we cannot neglect the urgent need for reducing the dependence on external assistance. No effort, whether by way of provision of finance or otherwise, will be spared to accelerate this process of self-reliance through import substitution and export promotion.

PART-B

Mobilisation Efforts for an Additional Rs. 183 Crores

Finance Minister Y. B. Chavan's new taxation measures provide for a total revenue of Rs. 183 crores during 1972-73. The Centre's share will be Rs. 133 crores, reducing the initial deficit of Rs. 375 crores next year to Rs. 242 crores.

Of the total additional taxation of Rs. 133 crores, excise duties would account for Rs. 145 crores, of which Rs. 97 crores will accrue to the Centre and roughly Rs. 48 crores to the States. Countervailing import duties which will apply in respect of all changes in excise duties other than those relating to iron and steel and aluminium are expected to yield an additional revenue of Rs. 13.40 crores. Other changes in customs duties will yield an additional revenue of Rs. 8.60 crores for the Centre. The additional yield from direct taxes for 1972-73 will be Rs. 14 crores for the Centre and Rs. 2 crores for the States.

Touching Those Favoured by Fortune

In the field of direct taxation, Mr. Chavan said he proposed to make no change in the rates of income-tax as also of surcharge on income-tax in the case of tax-payers other than companies. Winnings from States or other lotteries will be taxed on a concessional basis. In computing incomes from such winnings, a deduction of Rs. 5,000 plus 50 per cent of the balance will be allowed. There will be a deduction of tax at source at the rate of 34.5 per cent from crossword puzzles and lotteries. Casual losses will be allowed to be set off only against the same type of income.

Payments made to contractors by the Government, local authorities, statutory corporations and companies will be subject to deduction of tax at source at the rate of 2 per cent. Payments made in turn by contractors, other than individuals and Hindu undivided families, to sub-contractors will attract a deduction at the rate of one per cent.

From the beginning of the new financial year, Government will pay a rate of interest of 12 per cent per annum, as against 9 per cent at present, on the amount of refund the payment of which is delayed. Capital gains arising from the transfer of jewellery held for personal use will be chargeable to the Capital Gains Tax. Dividends received from co-operative societies, at present completely exempt from income-tax, will be included in the "A" categories of income which qualify for exemption from income tax upto Rs. 3,000 in a year.

These measures are likely to yield Rs. 6 crores in a full year and Rs. 3 crores in 1972-73 of which about Rs. 2 crores will be the share of the States.

Corporate Taxation

The Finance Minister proposed to do away altogether with the special deduction of 5 per cent of profits in the case of domestic companies engaged in priority industries. The yield: Rs. 6 crores in a full year and Rs. 4.5 crores in 1972-73.

The surcharge on company taxation will continue to be two and half (2½) per cent for the assessment year 1972-73. But on income tax payable in advance during the financial year 1972-73, the surcharge will be at the rate of 5 per cent. This change will yield Rs. 12 crores over a full year and Rs. 9 crores in 1972-73.

Mr. Chavan proposed a number of other changes to prevent evasion or avoidance of taxes and to rationalise the incentives available to promote saving and investment. These include changes in relation to taxation of charitable and religious trusts in the light of recommendation made by the Wanchoo Committee. Voluntary contributions received by such institutions will qualify for exemption from income tax only if these are applied to charitable or religious purposes or are accumulated for such purposes in the specified manner.

Investment in industrial proprietary concerns or partnership firms will now be included among assets which qualify for exemption from wealth tax up to Rs. 1.5 lakhs. Contributions made towards the Unit-Linked-Insurance Plan of the Unit Trust of India will qualify for deduction in computing the taxable income of an individual in the same manner as life insurance premia and contributions to provident funds. The income of approved gratuity funds will be exempted from income tax prospectively from the assessment year 1973-74.

'Special Recognition' to I. T. Assessees

Each income tax payer will soon be given a distinct and permanent account number of his own. This is designed to make it difficult to avoid taxes.

Referring to the demand made by industry that while the development rebate may be withdrawn, Government should introduce some other fiscal concessions to impart a continuing momentum to industrial growth, Mr. Chavan said Government is not averse to the grant of fiscal concession. But these should relate specifically to our social and economic objectives. The Finance Minister said that after examining the Wanchoo Committee's recommendations carefully, Government would come up with specific provisions in the Taxation Amendment Bill which is proposed to be introduced later in the year. These provisions would be designed primarily to promote industrialisation in the backward regions of the country.

The total yield of all the changes in direct taxation will be Rs. 24 crores in a full year and Rs. 16 crores in 1972-73; the share of the Centre would be approximately Rs. 14 crores.

Rs. 8.6 Crores More from Customs

In December last, a regulatory customs duty was imposed at the rate of 2.5 per cent

ad valorem on most imported products with a higher duty of 10 per cent on a few selected items. The Finance Minister proposed to apply a ten per cent *ad valorem* rate to all items which pay a duty of 100 per cent or more as well as to the few selected items already included in the 10 per cent list. A new rate of 5 per cent *ad valorem* will apply to all items on which a duty of 60 per cent or more but less than 100 per cent is payable. The remaining items will continue to bear the regulatory duty of 2.5 per cent. Items which were totally exempted last December will continue to be so treated. These changes will bring in an additional revenue of Rs. 8.60 crores in a full year.

Excise Duties

The Finance Minister's major taxation proposals were in the field of excise duty. He proposed to transfer to the States the entire proceeds of the regulatory duty of 15 per cent of the effective basic duty on unmanufactured tobacco which was levied last December. This is being done by converting it into an additional excise duty which is itself being rounded upwards on different varieties. As a result, the States will gain to the extent of Rs. 11.56 crores by way of additional duties, whereas the Centre will lose Rs. 9.70 crores by way of regulatory duty. At the same time, the basic and special duties on different varieties of unmanufactured tobacco are being merged and opportunity being taken of rounding the rates upwards to make up, in part, for the loss of revenue to the Centre. The yield of the combined duty, exclusive of the additional duties for the States, will go up by Rs. 9.31 crores.

In the case of cigarettes, a similar rationalisation and rounding off would result in a gain of Rs. 7.63 crores to the State Governments by way of additional excise duties and a loss of revenue of Rs. 4.64 crores under other duties which would now be combined and shared with the States.

Art Silk Fabrics

In the field of textiles, there are four different rates on the price of art silk fabrics per sq. metre—3 per cent, 5.7 per cent, 8 per cent and 10 per cent. Mr. Chavan proposed to reduce the 5.7 per cent rate to 5 per cent and increase the rate of 10 per cent which applies to fabrics worth more than Rs. 5 per square metre to 15 per cent. Of the additional revenue of Rs. 8.59 crores, the share of the States by way of additional duties will be Rs. 5.80 crores and the rest will accrue to the shareable pool between the Centre and the States.

The revenue by way of additional excise duties will increase by Rs. 25 crores and this entire increase will go to the States.

Special Excise Merged with Basic E.D.

In keeping with the principle laid down by the Fifth Finance Commission that from

1972-73 the special excise duties which have been levied in the past exclusively for the benefit of the Centre should also be included in the divisible pool, Mr. Chavan said he has decided to merge the special excise duties with basic excise duties and to round off the combined rates so as to introduce a certain measure of simplicity in the rate structure. As a result, with just half a dozen exceptions, all the *ad valorem* rates of excise duties will fall under six different slabs—10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent and 50 per cent. For example, in the case of cement, the basic duty of 20 per cent and the special duty of 4 per cent will now be replaced by a combined duty of 25 per cent. Similarly, items which carry a basic duty of 15 per cent and a special duty of 3 per cent will now have a rate of 20 per cent. There are only four items, including latex foam sponge and tyres for motor vehicles, which have a basic duty of 40 per cent and a special duty of 8 per cent. The new combined rate for these items will be 50 per cent. In the case of coffee, the aggregate rate which works out to Rs. 102 per quintal will be rounded downwards to Rs. 100 per quintal. Similarly, in the case of vegetable non-essential oils, the rate is being reduced from Rs. 110.25 per metric tonne to Rs. 100 per metric tonne.

In the case of wireless receiving sets, instead of taxing certain component parts as at present, it is proposed to make suitable changes in the duty on wireless receiving sets in such a way that the incidence of duty will increase with the price of the set. The present exemption from duty for sets of valued of exceeding Rs. 165 and manufactured by the small-scale sector will be continued.

The combined result of the rationalisation measures would be a gain in revenue of Rs. 10.70 crores.

"Rationalisation" and Revenue

There are a few items where the opportunity of merging the special duty with basic duty is also being taken to raise additional revenue. In the case of paints and varnishes, the additional revenue will be Rs. 2 crores and in the case of paper, it will be Rs. 5 crores. The higher rates of duty on paper, however, will apply only to the more expensive varieties of paper and board. Printing and writing paper used for exercise note-books and text books will not be affected. Newsprint would also continue to be exempt from duty and there would be no change either in the case of mill-board and straw-board where the smaller manufacturer is involved.

Similar increases are being made in the case of rayon and synthetic fibres and yarn. The more expensive varieties of artificial synthetic fibres and yarn such as polyester fibre and yarn will bear higher duties. However, rayon filament yarn, which is a comparatively cheap item, will remain un-

affected. The additional revenue from these changes is expected to be Rs. 6.50 crores.

The basic duty on steel products is being raised by about 30 per cent and the regulatory duty of fifty per cent will apply to these higher basic rates. The total additional revenue from steel products is expected to be Rs. 36.20 crores, of which Rs. 11.80 crores will be by way of regulatory duties.

Similarly, the regulatory duty of twenty-five per cent on aluminium and its products is being raised to 33½ per cent of the basic duty. This will yield Rs. 4.18 crores.

Increased Duty on Kerosene

The Finance Minister proposed to increase the duty on kerosene by Rs. 59.75 per kilo litre or roughly by about six paise per litre. (This has been reduced to 4 paise/litre). The hitherto comparatively low rate of duty on kerosene has encouraged its adulteration with other products, particularly high speed diesel oil. Mr. Chavan said he was aware that kerosene is an item of common consumption both in the rural and urban areas, but in view of its misuse by certain sections, some additional taxation on kerosene could not be avoided. The new levy will result in an additional revenue of Rs. 29.80 crores in a full year.

The definition of the existing tariff on compounded lubricating oils and greases is being suitably amended to make marketable oils yield an additional revenue of Rs. five crores. The duties on asphalt and bitumen as also on petroleum waxes are also being suitably revised to yield an additional revenue of Rs. 3.30 crores.

Fertilizers and Pumpsets to Cost More

As for taxation of the agricultural sector, Mr. Chavan said that while the whole question is examined by the K. N. Raj Committee, steps have been taken to raise additional revenue from this sector by levying a duty on tractors and fertilisers. He proposed to raise the duty on fertilisers from ten per cent to fifteen per cent, yielding an additional revenue of Rs. 12.50 crores. Another Rs. two crores will come from duty at the rate of ten per cent on power-driven pumps designed primarily for handling water.

Mr. Chavan also proposed changes in the rate of duty on items such as synthetic organic dyestuffs and optical bleaching agents, aerated waters with blended concentrates and pistons which will now be added to the list of motor-vehicle parts for the purposes of duty. The combined effect of these changes will be a revenue of Rs. 4.78 crores.

The Finance Minister also announced a few concessions on excise duties which would cost the exchequer rupees two crores in a full year. There are no proposals this year in regard to postal and telegraph rates. The Finance Bill provides for some changes in the Sales Tax Law applicable to Delhi in order to plug some loopholes.

MODIFICATION IN CENTRAL EXCISE IN SELECT ITEMS

Commodity	Unit	Rate of duty		Estimated addl. revenue in one full year (Rs. lakhs)
		Existing	Proposed	
Aerated waters	Q	10% a.v.	20% a.v.	165
Coffee		Rs. 102	Rs. 100	-5
Unmanufactured Tobacco		Addl. Excise Duties in Lieu of Sales Tax		1128
Cigarettes	HL		-do-	
Kerosene		Rs. 235	Rs. 300	306
Asphalt, bitumen and tar		30% a.v.	Rs. 100/MT	29 4/5
Petroleum products				240
Blended or compounded lubricating oils and greases				90
Paints and varnishes				500
Fertilizers		10% a.v.	15% a.v.	200
Soap :				1250
(1) Household, laundry and those produced without use of power		7.8% a.v.	10% a.v. }	-30
(2) Others		15% a.v.	20% a.v. }	
Synthetic organic dyestuffs				240
Tyres :				
(1) For motor vehicles		48% a.v.	50% a.v. }	291
(2) For others		18% a.v.	20% a.v. }	
Rubber Products :				
(1) Latex foam sponge		48% a.v.	50% a.v. }	68
(2) Plates, sheets, strips ...		30% a.v.	30% a.v. }	
(3) Piping and tubings		18% a.v.	20% a.v. }	
(4) Belts & beltings		18% a.v.	20% a.v. }	
Paper :				
(1) Cigarette tissue	Kg.	Rs. 1.20	Rs. 2.00	500
(2) Blotting, toilet, target, teleprinter, typewriting, manifold, bank, bond... parchment board, coated board ...		" 0.60	" 1.00	
(3) Printing, writing, packing, wrapping ...		" 0.42	" 0.50	
(4) All other kinds		" 0.60	" 1.00	
Rayon and synthetic fibres & yarn				-950
Cotton yarn				- 60
Woollen yarn				- 15
Jute twist, yarn, thread & ropes				120
Yarn, not otherwise specified				1700
Artificial silk fabrics				859
Cement		24%	25%	227
Iron or steel products :				3420
(1) Semi-finished steel incl. blooms, billets, ...		Rs. 50.00*	Rs. 75.00*	
(2) Bars, rods, coils, wires joists, girders, angles. .		" 50.00*	" 75.00*	
(3) Plates, sheets, ...		" 300.00*	" 500.00*	
(4) Flats, skelp and strips		" 300.00*	" 500.00*	
(5) Pipes, tubes, ...		15% a.v.**	" 500.00**	

† Duty since reduced to 4 paise per litre from 6 paise proposed.

* Plus the excise duty for the time being leviable on steel ingots.

** Plus the excise duty for the time being leviable on pig iron or steel ingots as the case may be.

(6) All other steel castings	"	5% a.v.*	" 200.00*		
Aluminium		Different rates for different items. For foils of thickness not exceeding 0.15 mm from 25% a.v. to 30% a.v.			418
Tin plates	MT	Rs. 400	Rs. 600		110
Electric motors		Rationalisation			165
Power driven pumps		—	10%		200
Electric batteries :					
(1) Dry		Rationalisation			91
(2) Storage		-do-			
(3) Parts, viz., containers covers and plates		19.25% a.v.	25% a.v. }		120
Wireless receiving sets					

SUMMARY

	States' share	Centre's share	Total
(a) Basic excise duty	2270	8928	11198
(b) Addl. excise duty in lieu of Sales Tax	2503	24	2527
(c) Regulatory duties of excise	—	750	750
	4773	9702	14475

Book Review :

Panoramic Survey of India's Industrial Evolution

THE INDUSTRIAL EVOLUTION OF INDIA IN RECENT TIMES — 1860-1939: By Dr. D. R. Gadgil. Published by Oxford University Press, Bombay. Fifth Edition, 1971. Price Rs. 25. Pages 362.

The first edition of this book was published in 1924 and its contents were those of the thesis submitted for the degree of Master of Letters of Cambridge University by the author. It covered the period upto 1914. The present is the fifth edition surveying the process and progress of India's industrialisation upto the beginning of the Second World War. That is to say, a period of fifteen years has been added to the original one. The author claims to have rewritten the sketch of economic history from 1914 to 1939 as a whole.

The author believes that the development of modern industry in India has been very slow during the period of this study. "Whatever little growth in towns there had been was due much more to the growth of commerce than of industry." The author saw three important changes taking place in the agricultural sector during the period: commercialisation of agriculture (by itself quite a beneficial movement), dispossession of the old proprietors, and excessive subdivision of land. According to him, it was for the purpose of getting higher rents that the landowners used to let out in small plots than to carry on cultivation on a large scale. This attitude retarded our agricultural progress and put hindrances in improvements in agriculture.

Preference to Indigenous Articles

The First World War brought out in a striking manner the industrial poverty of India. It made the Government realise the national importance of an all-round industrial development. Government control of trade and industries was progressively undertaken, and as the war proceeded the necessity of actively stimulating certain industries became urgent. Indian public opinion clamoured for giving active assistance to industries. At last the Government appointed in 1916 an Industrial Commission specifically to enquire as to how direct encouragement to the development of industries could be given. It was then followed by the appointment of a Fiscal Commission in 1921 for determining the nature of fiscal policy. It recommended a protectionist policy on a discriminatory basis. With the adoption of reforms, industries became a provincial subject. It was decided by the Government to give distinct preference to articles of indigenous manufacture as long as the price was reasonable.

Dealing with the trend of change in national income, the author points out that from 1860 to 1900 the per capita income at 1948-49 prices rose from about Rs. 170 to Rs. 200 or by about 18 per cent. At the same time, as population grew by about 22 per cent during the period, the national income in real terms increased little more than 40 per cent. With the same set of constant prices, national income grew from Rs. 200 in 1900 to Rs. 260 in 1930 i.e., by

about 30 per cent in 30 years. After that it remained stable and even declined to a level of about Rs. 250. It is significant to note that the larger rise between 1900 and 1930 followed by stability until 1950 in terms of per capita income does not, however, depict the rate of growth of national product because of a dissimilar rate of population growth during the two periods.

Depression of the Thirties

Evaluating the impact of the world-wide Great Depression of 1930s, the author remarks that there was an unusual movement of export of gold out of the country. In the 'thirties, the total export of gold and precious metals from India amounted to over Rs. 300 crores. On the question of institutional changes, Gadgil points out that the rise of modern industry is closely associated with an appropriate institutional structure. From this angle, the setting up of the Imperial Bank of India in 1920 was a landmark in our economy. Then it was followed by the creation of the Reserve Bank of India in 1934 to act as the true central bank entrusted with the management of both currency and credit in the country. During the inter-war period, there was a considerable growth of Indian joint-stock banks and their business. In other spheres, it was the Companies Act of 1937 which governed the operations of companies floated within the country. This then set in motion the institution of the now defunct managing agency system.

A book unique in its own way, it must ever enthuse people for knowing the economic setting of the country before India as a free country could launch, upon its own massive programme for progress in all directions.

—Navin Chandra Joshi

AGRICULTURAL DEVELOPMENT BRANCHES BEING OPENED

R. K. Talwar on need to remove hurdles

Shri R. K. Talwar, Chairman, State Bank of India, has announced the Bank's programme of opening 150 Agricultural Development Branches all over the country to provide finance in accordance with the assessed needs of selected areas.

He emphasised the need to demarcate areas for development among different financial institutions so as to avoid overlapping of efforts as also the risk of over-exploitation of the ground-water potential. He also appealed to the State Governments to remove legal disabilities of commercial banks in the financing of agriculture.

In his speech at the Seventeenth Annual General Meeting of the shareholders, held in Calcutta, on Friday, the 24th March 1972, Shri Talwar said :

It gives me great pleasure to welcome you all to the seventeenth annual general meeting of the State Bank of India, particularly because this is the first opportunity I have had—or any chairman of the Bank has had—of meeting the shareholders in Calcutta. As you are aware, the first 14 annual meetings were all held in Bombay. In 1970 we broke that monopoly and convened the meeting in Ahmedabad. It is the intention of your Board of Directors that in future years these meetings should be held in different cities as often as practicable, taking into account the likely attendance of the shareholders.

On an occasion like this, when we have gathered to review our business operations during 1971, one feels impelled to refer to the significant events that culminated, as it were, in a regeneration of what is basic in our national character. We have witnessed a victory for Truth and Justice under the inspired leadership of our Prime Minister, Shrimati Indira Gandhi. The unseen hand of the Supreme guides the destiny of our nation, and, while we pay homage to those who fought and laid down their lives in the cause, we do so in the sincere hope that we shall make ourselves worthy of a much more glorious future that awaits us.

Working Results

The annual report including the balance sheet as on the 31st December 1971 and

the profit and loss account for 1971 is already in your hands. I am happy to state that, as was hoped for by us last year, our working has shown better results. The profit figures for 1970 and 1971 are, however, not comparable; this is due to the fact that the bonus paid to staff, instead of being treated as an appropriation from balance of profits as in previous years, has been shown as a charge thereon. This is as it should be, because bonus is no longer an *ex gratia* payment and is, in point of fact, an item of expenditure on staff, like any other.

Fall in Credit Demand

As brought out in the annual report, the deposit growth of the Bank during 1971 was higher than in the previous year while its pace of credit expansion slackened. By and large this would appear to have been true of the entire banking system. During the year the Bank improved its liquidity, as indeed it had been called upon to do during the earlier months of stringent money conditions, and the credit/deposit ratio came down. In the latter part of the year, the Bank did not suffer from any lack of resources in dealing with credit demand from the various sectors of the economy.

Small Scale Industries

Our loans to small scale industries went up during the year by Rs. 25 crores. The



Shri R. K. TALWAR

pace of growth was lower than in the previous year; this could be attributed to the impact on small scale industry of the decline in the growth of industrial production. There is evidence to show that the credit needs of small scale industrial units were, by and large, being met.

Employment-Oriented Lending

Our most important scheme for generating self-employment relates to the financing of technician entrepreneurs. The number of such entrepreneurs securing assistance from our organisation kept rising in 1971 at the rate of roughly one for every working day. At the end of the year, we had 807 entrepreneurs on our books with credit limits aggregating Rs. 10 crores. We know a lot more still remains to be done, and are making conscious efforts to make ourselves more useful and effective in helping young men seeking to set up their own establishments.

We have, in addition, selected 60 pilot centres throughout the country with a view to gaining first hand experience in self-employment-oriented lending for individual artisans, craftsmen, etc. We propose to so organise ourselves at these pilot centres that anyone — particularly the educated unemployed — approaching the Bank with a proposition that gives evidence of a sincere desire and effort to venture on gainful and profitable self-employment,

will receive sympathetic and objective response. Creation of fresh and/or gainful employment opportunities requires a high degree of almost total planning and complete co-ordination amongst various governmental and financial agencies in any given region. Our work in the pilot centres, will, we expect, receive the support needed from State authorities and help to throw up the likely impediments in productive lending and in the designing of suitable promotional measures for progressive extension of our activities in this direction to many more centres.

Financing of Agriculture

I made the point last year that commercial banks should adopt the policy of area approach in financing agriculture. As for the State Bank Group, I indicated our intention to select about 150 Intensive Centres throughout the country. We have already identified 67 of these, mainly in areas covered by the Government programmes for small farmers and other weaker sections of the rural population. Forty-six of these Centres have been cleared with the concerned State Governments; such consultations with the State Governments are essential for the sake of ensuring co-ordination with other agencies connected with agricultural development. Each of these centres is expected ultimately to cover anything upto 100 villages.

At each Intensive Centre we propose to open an Agricultural Development Branch, supported by technical and other field staff. We already have the Reserve Bank's approval for the opening of 33 Agricultural Development Branches, and 20 such branches have been opened. Outside the Intensive Centres Scheme, our programme of Village Adoption is also gaining momentum, about 2,400 villages having so far been adopted.

As each Intensive Centre is identified, the surrounding area is surveyed by our technical staff and special schemes are prepared to provide agricultural finance in accordance with the assessed needs of the cluster(s) of villages taken up for attention in the first phase. Further clusters of villages would be similarly covered in later stages. Schemes will be tailor-made to cover the special requirements of individual groups of villages; the objective will be to find out how best the Bank's credit should be invested to create surplus income for the farmers, out of which they would not only be able to repay the bank loans but also improve their living standards, and the economy of the region.

The magnitude of finance required for this purpose all over the country will be stupendous. The term loan requirements for agricultural development schemes around

each Agricultural Development Branch may be well over Rs. 2 crores even on a very conservative basis. If we were to take the total requirements at one centre at even Rs. 1 crore, the total term loan requirements at the proposed 150 centres will aggregate about Rs. 150 crores, and this in addition to crop loans and finance for allied agricultural and non-agricultural activities. In view of the long-term nature of these investments we shall naturally lean heavily on the Agricultural Refinance Corporation. The importance of this lies not only in financial support that will enable us to maintain our liquidity, but, even more so, in the benefit we shall consequentially derive by subjecting our schemes to a second look at the hands of technical experts of the Agricultural Refinance Corporation. We have already submitted to the Corporation schemes involving a total outlay of well over Rs. 50 crores and approvals of these have started flowing in.

One major problem which is bedeviling our programme for opening Agricultural Development Branches relates to co-ordination with the co-operative banks and demarcation of the respective areas. Co-operatives are spread all over the country, although they have not been successful everywhere. Even in States which are well developed in this field there are gaps and inadequacies which the commercial banks can help to fill. Where co-operatives have done substantial lending, or have programmes to do so, it will be inadvisable for commercial banks to come into the picture. Elsewhere, to avoid overlapping of efforts and the risk of over-exploitation of the groundwater potential, it is necessary to identify villages, in clusters, which could form the area of operations of different institutions. Our experience, repeated over a number of places, is that although we expend much effort in identifying the areas of operations of our Agricultural Development Branches either the State Government's clearance is not promptly forthcoming, or, if that hurdle is crossed, the co-operative land development bank is not agreeable to area demarcation. It seems to me that a high-level body at the State level — one for each State — should be formed without delay and charged with the responsibility for the much needed co-ordination in this respect and for resolution of wasteful conflicts. I venture to suggest that the Reserve Bank of India, as the apex body for agricultural credit operations throughout the country, might perhaps take the initiative in instituting these arrangements as soon as possible.

Yet another problem in this field relates to the legal disabilities of the commercial banks. The important ones arise from (i) legal obstacles in the way of the farmers raising loans against mortgage of land; (ii) heavy stamp duty and registration fees on the creation of mortgages; (iii) cumbersome and

time-consuming processes involved in the creation of mortgages; and (iv) the statutory prior charges which co-operatives enjoy over the farmer's land. The Expert Group appointed by the Reserve Bank, of which I had the privilege of being the Chairman, went into this matter in great detail and has made several recommendations with a view to removing the various legal disabilities of commercial banks in the financing of agriculture. This Group took pains to suggest a Model Bill which, if enacted, would save the State Governments the labour involved in searching all the relevant current legislation and finding out what all amendments would be called for. Both the Reserve Bank of India and the Government of India have supported the recommendations of the Expert Group, and have urged the State Governments to take steps to adopt the Model Bill. I would appeal to the State Governments to give evidence of their keenness for commercial banking support to agriculturists by expediting the necessary amending legislation. Surely it is they who are concerned more than anyone else.

Expansion of Branch Network

On the expansion of our branch network, also, our record has been good. In 1970 the commercial banks opened as many as 2,137 offices, followed by another 1805 in 1971. In this two-year period, the State Bank also increased the network of its offices by 814, or by almost half as many as were in existence at the end of 1969. The Bank and also its Subsidiaries are now drawing up plans for expansion in the three-year period 1972 to 1974, for which the Reserve Bank of India has compiled a perspective plan envisaging the opening of 5,000 new offices by all commercial banks. This means opening 139 new offices a month as against the average of 149 a month from June 1969 to October 1971. The perspective plan emphasises the need for priority to the relatively under-developed or under-banked States like Assam, Bihar, Jammu & Kashmir, Madhya Pradesh, Nagaland, Orissa, Uttar Pradesh and West Bengal.

There are no two opinions on the need for expansion of banking facilities at as fast a rate as possible. However, I venture to suggest that our enthusiasm in this respect has to be tempered by awareness of the realities. The pace of expansion of branches in the last two years has imposed an almost unbearable strain on trained man-power resources, and we are already faced with the reality of the lack of adequately trained personnel for jobs requiring competence of a high order. While on this subject I would like to reiterate that though we are doing all we can to expand our recruitment and training programmes and facilities, in the ultimate analysis there is no substitute for experience on the job. Preliminary training prepares staff to discharge their duties com-

petently, but the deployment of public funds, management of men and an intelligent interpretation of developing policy do require self-confidence and maturity of judgment of an order which can only be developed over a period of actual working under guidance. Branch managers and other field staff carry heavy responsibilities and cannot be turned out in the training colleges alone.

What I wish to emphasise is that our branch expansion has been spectacular enough so far. Plans for further expansion must be well co-ordinated, so that the resultant strains are organisationally bearable, having regard to trained manpower resources in particular. We have initiated a dialogue with the authorities to this end.

Foreign Offices

You will be happy to hear that in pursuance of our efforts to maximise our foreign exchange earnings, we have upgraded our Representative Office in New York to the full status of a branch and also opened a new Representative Office in Beirut. In December I had the pleasure of inaugurating these two new offices which hold promise of new opportunities of widening and diversifying our activities in the sphere of foreign exchange business which continues to constitute a salient feature of our operations.

Reorganisation

One of the important developments which took place in the Bank last year was the reorganisation of two Circles (viz. Ahmedabad and Bombay Circles, excluding Bhopal Region) broadly on the pattern which emerged out of the study we had undertaken of our organisational structure and administrative practices. The new design was principally based on the concept of market segmentation, whereby our activities have been sought to be oriented towards meeting the different needs of different classes of customers. Such an approach, we felt, would help us in better identifying the characteristic needs of different customer-groups and providing appropriate services to meet these needs by introducing, where necessary, new schemes and facilities.

An integral part of the reorganisation scheme is the budgetary control system through which the business, incomes, costs and profits of each unit of the Bank are planned on an annual basis. The actual performance of each unit is evaluated periodically to ascertain the variation with the budgeted levels, and appropriate remedial measures initiated in time to bring the performance in line with the planned growth-levels. The system as introduced enables the Bank to plan its business growth with due regard to its available resources and the

changing environment, and provides for the active participation of the operating officials in determining, along with their controlling authorities, their own unit budgets. The budgetary control system thus serves not only as a useful mechanism for linking the unit objectives with corporate objectives but also gives a sense of direction and purpose to each operating unit.

Although budgeting is not a new concept in the industrial world, its application in commercial banking is quite recent even in foreign banks. This is so because of the difficulties involved in quantifying meaningfully many of the items of banking business; these difficulties are less in the case of manufacturing concerns, where physical units of production are clearly identifiable and measurable. Because of this it was difficult for us to visualise how far the budgeting process could be made really effective. I am happy to state that our experience in two Circles has convincingly demonstrated that very encouraging response can be evoked. We feel assured that our budgetary control system holds good promise.

The experience of the working of the reorganised structure in the two Circles has helped us in refining the new design as well as systems and procedures to suit operational requirements. Based on this experience we have undertaken studies to further streamline our methods of working and the scheme of delegation of authority. We are confident that the results of these studies will assist us in improving the administrative and operational efficiency of the Bank. We plan to extend the new scheme to all the remaining Circles, including the proposed new Circles centered at Bhopal and Patna, on the new pattern with effect from the 1st July this year.

Staff Relations

In the field of staff relations, attempts were made and continue to be made to further strengthen the institutional mechanism of bipartite negotiations for resolving issues. This institutional mechanism can work only so long as there is a climate of mutual trust and a common appreciation of the issues involved. If this basic climate is provided, it would be possible to generate a problem-solving attitude, and we have experience to show that the solutions thus reached have a more lasting value. We had a programme at our Staff College in which representatives from the management and the trade unions were involved and we believe that this did, in some measure, help in throwing up evidence of common awareness for bringing about the desired climate. Sympathetic understanding among conflicting groups is an arduous process and we know we are nowhere near a perfect accord. What is heartening, however, is the positive response that we have received from our unions; this

gives us confidence to intensify our joint efforts at reaching common ground in regard to basic relationships that we would like to establish.

Apart from the improvement in the mechanism of bipartite talks with the Staff Federations, we feel that the management's philosophy vis-a-vis the individual employees and their morale needs attention. We believe that our employees, as individuals capable of sustained effort in attaining the institution's objectives, are our prime resource. We have commenced a serious review of our personnel and administrative practices — recruitment, placement and promotion policies, communication channels and co-ordinating mechanisms. Our objective is to create conditions that would facilitate the full development and employment of individual talents, enabling the growth of individuals to sustain the long-term growth of this institution in the national interest.

One aspect which needs to be looked at in this context is the change in the nature of the banking tasks themselves. The concept of banking as it is now emerging, as an instrument of economic change to maximise social good, is different from what prevailed in the past. The day-to-day handling of work at the base line cannot remain static in the face of this changed concept of banking. Apart from structural changes in the organisation, there is need to review the work-structure from the cashier and clerical level up to the level of senior management. We believe that the present generation of dynamic and qualified youngsters in banking is anxious to get out of the groove of repetitive monotonous work involved in the purely accounting side of bank transactions and is looking for opportunities that lend scope for creativity and effort in keeping with individual capabilities. We in the State Bank have had ample proof of this urge in the results shown by our staff in the fields of deposit mobilisation and agricultural business. Arising from this recognition of employees' needs, I feel it is time we gave thought to re-designing the jobs at the baseline to provide more responsible and meaningful tasks to clerical and cashier staff. This change needs to be worked through the active participation of employees of all cadres and the respective Staff Federations and I voice the hope that we shall before long make constructive progress in this regard.

Local Boards

Before I close, I wish to welcome Shri Vijay M. Merchant to the Bombay Local Board and also thank Shri Mathuradas Haridas and Shri Rana Raja Yogendra Chandra, who ceased to be on the Local Boards at Bombay and New Delhi respectively during the course of the year, for their able guidance and direction.

Merger of Erstwhile Banks with Industries Hold Out Bright Growth Prospects

TELCO — Central Bank Merger

Nearly two years after the Government decided to pay compensation on the amended basis to the fourteen major nationalised banks, the Central Bank of India Ltd. has found it possible to finalise its merger with Tata Engineering and Locomotive Company Ltd. and the share-holders of the former can now expect to be allotted equity and preference shares and convertible debentures in TELCO on a stipulated basis. Even here, the Government has not formally granted its approval as its contentions before the Bombay High Court were not upheld and it was felt that the Supreme Court may hear again these contentions on an appeal by the Government.

It is now pointed out in some quarters that this contingency may not occur and the feeling is gaining ground that there was nothing really wrong in permitting these mergers as the industrial units concerned had been duly granted licences for their expansion schemes and could easily raise the resources for financing these schemes. It is rather unfortunate that needless delay has resulted in considerable loss of production even in cases where the industries involved were in a position to deliver goods.

These anomalies apart, the question now is whether other mergers involving erstwhile banks with industrial units will be quickly completed and the large resources at the disposal of the banks usefully employed. TELCO will of course have the great advantage of obtaining over Rs. 16 crores without increasing its paid-up capital immediately in equity and preference shares to any great extent and without also being obliged to approach the Government for large loans which were liable to be converted into equity shares. It is not known why Tata Iron and Steel Co. Ltd. did not think of mergers by taking over the resources of two other banks as it requires only Rs. 30 crores for its modernisation scheme of Rs. 108 crores.

Whatever may be the ultimate decision of the Government in respect of TISCO's modernisation scheme, it is only reasonable to expect that there will be no further delay in implementing the merger schemes of Bank of India Ltd. with Calico Mills, Union Bank of India Ltd. with Mahindra and Mahindra, Indian Overseas Bank Ltd. with Travancore Rayons, Canara Bank Ltd. with Larsen and Tourbro, and Bank of Maharashtra Ltd. with Swastik Rubber. It has been recently reported that Dena Bank Ltd. is trying to conclude some arrangement with major industrial units while the Syndicate Bank Ltd. was reported to be

thinking on the same lines though it has adopted a new move latterly.

According to this plan a new finance company, Industrial Credit and Development Syndicate has been formed and it will be raising capital for Rs. 5 lakhs in equity shares of Rs. 10 each. The promoters and their friends will be subscribing to equity shares of Rs. 2.5 lakhs and the balance of Rs. 2.5 lakhs will be offered for public subscription. After the company had raised its capital, Syndicate Bank Ltd., may merge with the former and it is anticipated that there will be an announcement in regard to the merging terms with the new company. This scheme is similar to the one proposed by United Commercial Bank Ltd., sometime back under which it was contemplated that the development company would raise its own resources through borrowings from its shareholders and use also the funds of United Commercial Bank Ltd. For a time, there were also efforts for merging with other industrial units. But it was later indicated that the mergers would take a long time to fructify and it would be advisable to go into voluntary liquidation as the tax experts were of the view that there would be no great liability in respect of taxation either in the hands of the company or those of the shareholders.

Frustrating Problems

Divergent views have, however, been expressed by experts. Also, bearing in mind the observations made by the Board of Direct Taxes, it is feared that in the event of a dispute only a specified portion of the compensation may be allowed to be distributed and the balance frozen till the courts had given their rulings. This kind of tortuous approach to the whole problem has naturally had a frustrating effect on the shareholders of the erstwhile banks and it has naturally been emphasised that the liquidation of erstwhile banks should be avoided where it can be helped. Allahabad Bank Ltd. has of course its own limitations as it is a completely owned subsidiary of a British Bank and when it was no longer in a position to carry on banking activities in the same fashion as before, the only course open to it is probably to return whatever could be salvaged out of the compensation amount.

Punjab National Bank Ltd. is yet to decide upon its course of action though it has been repeatedly stated that it would like to resume its banking functions. But the legal implications and the practical difficulties involved are yet to be got over. It is not known what the United Commercial Bank Ltd., will ultimately do. It has

been reliably stated that Indian Bank Ltd. will go into voluntary liquidation. There were for a time attempts to formulate merger schemes. They were however abandoned as it was felt that the merger schemes would be unduly delayed and the wise course would be to wind up the company voluntarily and distribute the remaining assets to the shareholders.

While this procedure may not create difficulties for those shareholders who will not be getting large amounts, those in the middle income groups and who have even 50 shares besides other holdings would be adversely affected as, on the worst interpretation, it is stated that the amount distributed in excess of the paid-up capital will be treated as income at the hands of the shareholder and he will be liable for payment of tax on the basis of the slab rate if his income was in excess of the permissible limit of Rs. 3,000. It is quite likely that there will be many shareholders in this category while institutional investors will be unduly penalised. It is now fairly certain that any erstwhile Bank going into voluntary liquidation will be liable for capital gains tax and that if there was liquidation and subsequent distribution of assets, there will be heavy tax liability on that portion of the distributed amount which is treated as income.

In view of the fact that the income from the compensation amount may enable the payment of a small dividend and there are many industrial units which are anxious to raise additional capital for implementing their schemes already sanctioned by the Government the opportunity for formulating merger schemes on practical lines should not be missed. Now that the full implications have been more or less clarified and mergers may not present difficulties where the schemes of industrial units have been already sanctioned and only resources had to be raised it should be the objective of every erstwhile bank to make the best use of its resources through fruitful mergers.

—Meenam

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Post-Budget Outlook Cheerful

There is no big change in the outlook for industry in general after the Central Budget. The new levies have been mainly in the indirect field and the corporate sector which had already been burdened with heavy income taxation has been called upon to pay only a small additional surcharge of 2.5 per cent. But the removal of the priority status of a number of key industries which had been enjoying for some years a straight deduction in profits will add to their tax burden significantly. As the deduction allowed was 5 per cent (it was 8 per cent earlier), the increase in tax burden including the doubled surcharge of 5 per cent will be about 4.2 per cent of profits (from 53.56 to 57.75 per cent). Also, there has been no extension of the date of withdrawal of development rebate which will expire by May 1974. This one factor alone may be a serious retarding factor in new investment decisions of many an entrepreneur and the industries whose growth would suffer most will be capital intensive ones like heavy machinery, automobiles, shipping etc.

While the new direct tax burden is not heavy, the indirect imposts, this year have been concentrated on a few items. The hike in fertilizer levy from 10 to 15 per cent, though justified as a measure to tap rural incomes, and the new impost of 10 per cent on pump-sets may come in the way of larger use of farm inputs and well irrigation. The stiff rise in excise duty on basic steel will push up costs of many engineering units and may also thwart the export effort. It also remains to be seen how the rationalisation of duties on commodities like cement, man-made fibres and fabrics, tobacco and cigarettes, synthetic dyestuffs, radio sets, expensive varieties of paper and board and higher regulating duties on aluminium affect sales and profit margins.

But the stock markets have taken these fresh imposts in their stride and prices for many industrial scrips have hardened significantly. What has impressed the markets and investors is the substantial set-up in Plan outlay in the Central and State sectors by over Rs. 700 crores in 1972-73 which must help boost demand for many capital and consumer goods. As the availability of steel, non-ferrous metals, raw cotton oilseeds and other critical raw materials will be much higher this year following improved indigenous output and food prices may be contained within reasonable levels thanks to a bigger harvest, it will not be surprising if there is a sharp recovery in industrial activity in the coming months. There are however some policy uncertainties and the fear of nationalisation of more key industries has

grown in demension recently after the take-over of Indian Copper Corporation. There may also be radical measures in respect of urban property now that most States are under Congress rule.

National Rayon

Even with lower earnings, National Rayon Corporation Limited, has raised the distribution on equity capital for 1971 to 40 per cent taxable from 32 per cent taxable in 1970 with the announcement of a Silver Jubilee bonus of 8 per cent. The turnover was actually better to Rs. 27.05 crores against Rs. 26.23 crores in 1970 but the net profit before depreciation and taxation, dropped to Rs. 4.83 crores from Rs. 5.70, crores, mainly due to a provision of Rs. 1.33 crores towards labour liabilities. After providing Rs. 1.37 crores (Rs. 1.28 crores) for depreciation and Rs. 2 crores (Rs. 2.60 crores) for taxation the transfer to development rebate reserve is Rs. 14.25 lakhs (Rs. 13.05 lakhs). The balance of Rs. 1.31 crores (1.69 crores) has been taken to general reserve. The equity and preference dividends will claim Rs. 1.38 crores (1.12 crores) of this. There may be an increase in production particularly of tyre cord with an improved demand from tyre units but sales of yarn and profit margins thereon may be affected by the reduction in free sale quota under the new agreement with weavers. The pulp project proposed in Himachal Pradesh has been dropped but there is a scheme for manufacturing nylon yarn. The company has approached ICICI for a loan to finance this project.

Bright Outlook for Aruna Sugars

Aruna Sugars Limited has virtually completed its expansion of capacity to 2,000 tonnes per day and will derive some benefit in the remaining season from a larger crushing of cane. There is also a proposal to further raise the capacity to 3,000 tonnes a day at a cost of Rs. one crore. It will then be possible to handle 4 lakh tonnes of cane per year. The company is also paying attention to developing the factory area to help ryots increase cane production. The chairman of the company Mr. K. Palani, has told shareholders in a statement that the factory will be crushing a larger quantity of 2.8 lakh tonnes against 2.47 lakh tonnes in 1970-71. Besides a satisfactory recovery, the rebate in excise duty on production in excess of 80 per cent of the 1970-71 output is expected to benefit the company substantially while the better average selling price this

season will also be helpful though the increased cost of cane will reduce the increase in earnings to some extent. Arvind Distillery (P) Limited, a subsidiary of Aruna Sugars which has invested Rs. 5 lakhs, will be shortly going into production of arrack. The project has cost Rs. 30 lakhs.

Mysore Sugar

Mysore Sugar Company Limited expects to produce much better results this year. Though its factory has already closed for the season, the quantity of cane crushed is understood to be higher at 3.61 lakh tonnes against 3.36 lakh tonnes in 1970-71 and with a further marginal improvement in recovery to 10.5 per cent from 10.3 per cent the output of sugar will be 37,989 tonnes against 34,423 tonnes. The output in 1969-70 was 44,176 tonnes from 4.86 lakh tonnes of cane at a recovery of 9.09 per cent. This will be reflected in a sizable increase in earnings as better prices are being realised and the excise rebate on excess production will also be significant. The earnings for 1970-71 have had to be revised downward following the suggestion by the Government auditors that no credit should be taken for profits on sale of sugar stocks made after the close of the accounting year (It may be recalled some of the Tamil Nadu sugar companies had adopted this procedure for the latest year which helped to boost profits). Mysore Sugar's profits, before depreciation and taxation for 1970-71 will now amount to Rs. 71.01 lakhs against Rs. 83.36 lakhs originally announced. As a result, the tax provision is only Rs. 3.20 lakhs against the earlier Rs. 10 lakhs. Depreciation and other allocations are unchanged as also the dividend of 20 per cent.

The distillery worked on a profitable basis, with a larger output of 1.07 lakh hectolitres against 87,633 hectolitres in 1969-70 but there may be a fall this year with a difficult molasses position. The acetic acid unit has not yet stabilised itself due to poor offtake and shortage of alcohol though production last year improved to 2177 tonnes from 2080 tonnes. The rehabilitation—cum-expansion of the sugar mill has made good progress. When this is completed, the factory will be able to handle upto 4,000 tonnes of cane daily. The expansion is being financed by internal resources and fixed deposits from the public besides issue of privately-placed debentures to the Unit Trust and the LIC for Rs. 1.25 crores. A one-for-two right issue is also to be made at a premium of Rs. 2 per share to raise additional capital of Rs. 36.07 lakhs in May this year. A sum of Rs. 18.03 lakhs was capitalised out of reserves in September last for issuing bonus shares in the ratio of one for three. The bonus shares will be ranking for dividend out of this year's earnings, while the right shares may rank for dividend only from the earnings for next year.

Big Jump in Ceat Tyre's Sales

Ceat Tyres of India Limited, has derived considerable benefit in 1971 from the completion of its expansion of capacity from 4 lakhs to 6.50 lakh sets of tyres and tubes and with no interruption of production unlike in 1970 when there was a prolonged strike. There was an increase of as much as 80 per cent in turnover to Rs. 31.34 crores from Rs. 17.31 crores in 1970. The net profit, before depreciation and taxation has gone up nearly three times to Rs. 329.06 lakhs from Rs. 118.32 lakhs. After setting aside Rs. 64.70 lakhs (Rs. 32.39 lakhs) for depreciation and Rs. 32.75 lakhs (Rs. 5.08 lakhs) for development rebate, the tax provision has been trebled to Rs. 1.27 crores (Rs. 40.75 lakhs). The disposable surplus of Rs. 104.61 lakhs (Rs. 40.10 lakhs) has been taken to general reserve. The dividend on equity capital has been raised sharply to 15 per cent taxable from 11 per cent taxable for 1970.

Madura Mills

The directors of Madura Mills Company, Limited have explained the decline in earnings for 1971 by one-third despite a much larger turnover as due to the abnormal increase in cost of Indian cotton, higher interest charges on high valued stocks of fibre, loss on exports even with higher incentives and reduced margins on synthetics due to sluggish demand. Sales would have been even higher but for the disturbed conditions in Eastern India in the second half of the year. Exports declined to Rs. 6.18 crores while sales of yarn and industrial products, were not satisfactory for most part of the year. Overall production was also lower as compared to 1970 due to sluggish demand as also labour trouble. A five year settlement has however been entered into with labour which should help production to be kept at a high level. The modernisation programme is making good progress while the company hopes to get the export obligations tied to the letters of intent for installation of an additional 100 industrial looms and 400 civil looms revised as these commitments are unworkable. At the end of last year, the net block amounted to Rs. 6.81 crores against which the paid-up equity capital was Rs. 7 crores and reserves and surplus Rs. 4.03 crores.

Chemicals & Fibres

The sluggish conditions in textile trade and the additional 10 per cent levy on garments besides a fall-off in consumer purchasing power have resulted in tapering of demand for polyester fibre of Chemicals and Fibres of India Limited towards the closing of the year ended September 30, 1971. It is pointed out that the additional capacity that will come into being from this year will create glut conditions unless the end prices for

synthetic fibre and fabrics are brought down through substantial relief in excise duty. The expansion scheme to raise capacity from 4,500 tonnes to 6,100 tonnes is expected to be completed shortly. There is also a proposal to manufacture 2000 tonnes of polyester film and 500 tonnes of photographic film base using the know-how of I.C.I. The current year's working has been affected by a six-week lock-out in October-December last year. There was an increase in net block in 1971 to Rs. 5.18 crores from Rs. 4.42 crores. The paid-up equity capital was Rs. 5.34 crores against which reserves and surplus amounted to Rs. 2.93 crores.

Bayer (India's) Maiden

Bayer (India) Limited has been successful within a short period of operations as a public limited company in India in showing a surplus profit after wiping out the debit balance and meeting the depreciation charge in full. The company's operations in 1971 have been very encouraging and the directors have declared a sumptuous maiden of 15 per cent taxable on the equity capital. With better sales of rubber chemicals and pharmaceuticals and a significant improvement in offtake of pesticides, the turnover for the year jumped to Rs. 10.52 crores from Rs. 7.42 crores in 1970. The net profit, before depreciation also rose sharply to Rs. 2.18 crores from Rs. 1.61 crores while the disposable surplus is Rs. 1.44 crores after providing Rs. 53.42 lakhs (Rs. 54.66 lakhs) for depreciation, Rs. 3.85 lakhs (54,000) for development rebate and adjusting the debit balance of Rs. 17 lakhs brought in from the previous accounts. The equity dividend will require only Rs. 45 lakhs. At the prevailing rate of Rs. 270 per share the earnings per share amount to Rs. 48. The company has received a letter of intent for producing Toluene Di-Isocyanate, a vital raw material for polyurethane foams.

Bombay Dyeing Repeats

Bombay Dyeing and Manufacturing Company Limited was able to increase its sales by 25 per cent during 1971 to Rs. 34.13 crores from Rs. 27.05 crores in 1970. But with a sharp increase in costs, there was even a slight decline in the net profit, before depreciation and taxation to Rs. 1.80 crores from Rs. 1.87 crores in the previous year. The dividend on equity capital has been maintained at 13 per cent, taxable, with a final payment of 9 per cent taxable. The company's exports were higher at Rs. 5.48 crores against Rs. 4.92 crores in 1970 but were lower against the 1969 level of Rs. 6.69 crores. There were larger exports last year to U.K. Australia and New Zealand. However the future outlook for exports is considered uncertain in view of the fluctuating cotton prices and changing export policies of Government. The absence of preferential

tariffs will also hit exports to U.K. But the company has been paying more attention to the internal market which took 25 per cent more of its products in 1971. The Chairman Mr. Neville N. Wadia, has stated that the benefits of modernisation of the mills will be increasingly felt by the shareholders in the form of improved profitability. There is a programme on hand to modernise all the looms.

Out of the profit for 1971, the provision for depreciation is Rs. 95.24 lakhs (Rs. 95.31 lakhs) and taxation Rs. 51 lakhs (Rs. 48 lakhs). The allocation to development rebate reserve is Rs. 18 lakhs (Rs. 10 lakhs) while general reserve gets Rs. 46.50 lakhs (Rs. 27.20 lakhs). The profit of Rs. 45.35 lakhs (Rs. 7.80 lakhs) from sale of land was helpful in effecting the appropriations. The interim dividend had claimed Rs. 14.46 lakhs (same) while the final payment will be made out of general reserve absorbing Rs. 32.53 lakhs (same).

Syndicate Bank

Syndicate Bank Limited has announced a dividend of 20 per cent taxable for 1971 same as for 1970 and 1969. Some part of the compensation money would be utilised for the purpose. There was a larger net profit of Rs. 28.38 lakhs against Rs. 17.63 lakhs. But taxation claims as much as Rs. 16.28 lakhs (Rs. 9.75 lakhs) while there is a transfer to profit and loss account of Rs. 12.60 lakhs (Rs. 37.23 lakhs) out of the excess of compensation over paid-up capital and share premium account. The dividend will require Rs. 25.22 lakhs while there were two payments last year for 1969 and 1970 absorbing Rs. 49.08 lakhs.

The shareholders may look forward to some new remunerative scheme to employ the compensation amount. A new company called Industrial Credit & Development Syndicate Limited has been formed to take-up hire purchase financing of durable goods, house-building and other activities. The company has an authorised capital of Rs. 1.5 crores in equity shares while the issued capital will be Rs. 5 lakhs. The directors and their friends have taken up shares for Rs. 2.5 lakhs while the balance will be offered to the public for subscription, shortly. It has been stated in the prospectus that negotiations are under way with Syndicate Bank Limited for its merger with the new company as this would get Rs. 2.70 crores. The merger will have to be approved by the shareholders of both companies and also the High Court and the Central Government.

Kothari (Madras)

The amalgamation of the three plantation companies and two textile companies into a single company, Kothari (Madras) Limi-

ted can now be completed with the judgment of the Madras High Court in the appeal against an earlier decision and the rejection of the contention against the ruling relating to repayment of preference capital and the argument that no reduction of capital was involved. As there may be no further appeal against the latest judgment the scheme is being implemented. (It had been argued that payment of cash under the amalgamation scheme involved a reduction in share capital of the amalgamating companies without following the procedure prescribed under the Companies Act. Also it was contended that repayment of preference capital would be invalid except in the case of winding up).

The consent of the Controller of Capital Issues has also been obtained by the new company to issue equity and preference shares in exchange for the shares of the amalgamating companies and the shareholders of these companies can now hope to receive a good dividend out of the accumulated profits for the two years 1969-70 and 1970-71. The total profits of the five companies, before depreciation and taxation, for the two years amount to Rs. 172.25 lakhs. Of this, the disposable profit, after providing Rs. 67.88 lakhs for depreciation, Rs. 12.19 lakhs for development rebate and Rs. 51.35 lakhs for taxation is Rs. 40.83 lakhs. The paidup capital of Kothari (Madras) will be Rs. 222.59 lakhs in equity shares and Rs. 18 lakhs in preference shares; against which reserves may be over Rs. one crore.

Philips India's Sales Up

Philips India Limited has recorded for the year ending December 31, 1971 a significant increase in sales amounting to Rs. 46.56 crores. This marks an improvement of 23.6 per cent over that of the preceding year (Rs. 37.68 crores).

Profits before tax for the year, after charging depreciation at Rs. 1.28 crores (Rs. 1.10 crores) amounted to Rs. 11.57 crores (Rs. 6.72 crores). Profits after tax amounted to Rs. 3.87 crores (Rs. 2.47 crores). There is a higher provision for tax at Rs. 7.70 crores (Rs. 4.25 crores).

A sum of Rs. 18 lakhs (Rs. 20 lakhs) has been provided for development rebate reserve while debenture redemption reserve accounts for Rs. 10 lakhs (Rs. 10 lakhs). Transfer to general reserve fund accounts for Rs. 3.21 crores (Rs. 1.71 crores).

The Directors have proposed a final dividend of Rs. 1.40 per share subject to tax, which will absorb Rs. 76 lakhs and is to be paid out of the general reserve. An interim dividend of Rs. 1.00 per share subject to tax was paid in December, 1971.

India Sugars Skips Again

In line with the experience of most other companies in the industry, India Sugars and Refineries Limited has improved its performance during the year ended September 30, 1971 with a big rise in its net profit, before depreciation, to Rs. 21.46 lakhs from Rs. 1.90 lakhs in 1969-70. But it has not been possible to resume the dividend on equity capital as it was necessary to clear the arrears of depreciation of Rs. 13.29 lakhs besides providing for regular depreciation of Rs. 10.12 lakhs (nil). Expenses relating to earlier years claim Rs. 2.31 lakhs while an allocation of Rs. 1.52 lakhs has been made towards taxation pertaining to earlier years. There is also a small transfer of Rs. 70,480 (Rs. 1.40 lakhs) to general reserve. The arrears of preference dividends for 1968-69 and 1969-70 are to be paid. The last dividend paid was 15 per cent taxable for 1967-68.

Walchandnagar Industries

Walchandnagar Industries Limited has turned the corner during the year ended September 30, 1971, when it earned a small profit of Rs. 7.17 lakhs against a huge loss of Rs. 95.32 lakhs in 1969-70. This performance is all the more creditworthy as it has been achieved even with a drop in sales to Rs. 9.41 crores from Rs. 10.16 crores. The equity dividend has again been skipped. The latest dividend paid was 10 per cent taxable for 1968-69.

Nagpal-Ambadi Petro-Chem.

The shareholders of Nagpal-Ambadi Petro-Chem Refining Limited can share the hope of the directors that the company will be able to pay a maiden equity dividend from the earnings for 1972-73. The Vice-Chairman Mr. G. B. Newalkar has told the annual meeting that the turnover in the current year will be about Rs. 3.8 crores and this will go upto Rs. 8.3 crores in 1972-73 and again to Rs. 9.2 crores in 1973-74. The profit margin is also expected to be 'quite good'. With uninterrupted supplies of lube base stocks from Madras Refineries, production of transformer oil this year (ending August 31) will be 6,450 tonnes and of white oil 3,600 tonnes. The erection of the acid sludge decomposition and gas clearing plant is to be completed by September this year when the whole complex will be ready. However, there has been an overrun in the cost of the project by Rs. one crore. This is proposed to be met by issue of debentures for Rs. 80 lakhs to financial institutions.

Bajaj Tempo Earns More

Sales of Bajaj Tempo Limited have risen during the year ended September 30, 1971

to Rs. 6.22 crores from Rs. 5.41 crores in 1969-70. The net profit, before depreciation and taxation, has improved sizably to Rs. 72-74 lakhs from Rs. 58.53 lakhs in the previous year. But the directors have decided to pay the same dividend of 10 per cent taxable on equity capital as in the previous year. This is because of a smaller disposable profit of Rs. 27.95 lakhs against Rs. 37.28 lakhs, after providing Rs. 18.86 lakhs (Rs. 14.49 lakhs) for depreciation, Rs. 5.64 lakhs (Rs. 2.20 lakhs) for development rebate and as much as Rs. 20.28 lakhs (Rs. 4.65 lakhs) for taxation. For 1969-70 it was necessary to wipe out accumulated losses.

More Indo-Malaysian Joint Ventures

In recent months quite a few enterprising Indian firms have won global tenders against stiff international competition in the Middle East as well as Far East. A few public sector undertakings also find a place among these.

Instrumentation Ltd., Kota, a public sector undertaking, recently secured a Rs. 1.5 crore turn-key job in Malaysia to design, supply, install and commission instrumentation for a thermal power plant for their National Electricity Board. The job is to be completed in a phased manner in three years.

It may be recalled that already the High Pressure Boiler Plant of Bharat Heavy Electricals Ltd., Tiruchi, has been executing two major orders for high pressure boilers for Malaysia.

As the next stage of development many Indian firms are setting up joint ventures in some of these countries.

After the success here of the established ones such as Godrej and Parrys, India Pistons is setting up a joint venture in Malaysia for the production of pistons, rings...

And Kirloskars have just inaugurated their manufacturing operations. Indo-Malaysian Engineering Co. SDN (Berhard) is an Indo-Malaysian enterprise for which Kirloskar Electric Co., Bangalore and Kirloskar Oil Engines, Poona, have offered their know-how and management for the manufacture of electric motors, alternators, sluice valves, pumps and diesel engines. While Kirloskars contribute Rs. 40 lakhs in the form of machinery, the other half of the capital is contributed by private sources in that country.

This is the first time when an India firm supplies capital, know-how and management for a joint venture in Malaysia.

One advantage in this is that the venture is assured of a rich and growing market in the contiguous areas of Malaya, Singapore, Thailand and Indonesia right from the start, with a high potential for the manufacture of components and ancillaries in the area.

Advertising in the March

By 'NIRAJ'

USHERING IN AN ERA OF CHANGE

In a world in the midst of an ocean of change, many a cherished idea or time-honoured custom, not to speak of products, become anachronisms.

Ushering in this new era of change, Television sets—these bring in their trail a change for a better, happier tomorrow—are in the news now. TV has made its entry in the Capital and many a home in Delhi is enjoying the fruits of this innovation. A greater number share the benefits. And the time is not far off when Bombay, Calcutta and Madras will be enjoying this celestial bliss.

It is understood that Government has granted licences for 53 small-scale sector firms, 4 in the medium-scale sector and 3 in the large-scale sector to manufacture TV sets. To promote a sophisticated product like TV sets, publicity campaign has to be launched in a massive and extensive scale. Both the class and mass circulation press media should be geared to the full, if the advertising campaign is to bring in the desired result. And to what extent the small-scale sector can compete with the large-scale sector firms in this regard is a mighty poser indeed.

Electronics Corporation of India, J.K., and Elevisa are running a vigorous nationwide press advertising campaigns and are paving the way for their eventual market. 'ell begun. Let the lamp of enthusiasm glow brighter, we wish.

A SUPERB SERIES FROM SIMOES

What has an industrial product to do with a child? It has everything to do, so the Siemens ads try to prove. In their ads, a child—crawling, sitting pretty and standing—

is juxtaposed to the product in display. Through the visual of a child, Siemens put to good advantage the complexity of the human anatomy is for a comparison with their own sophisticated products.

Siemens have probed deeper still when they say that 1,00,000 Km. of cable network has been spread out in a human mechanism in the form of veins, blood-vessels, arteries and the like. It has taken a millennia to develop the control systems in a human being. A better motor cannot be developed than the one in a child's chest with a longevity of 75 years and more. Siemens own that their products cannot compare with God's creation; yet they do their best and give of their best.

Switchgears, motors and cables are the products taken up for promotion. The 'why and how' of the products find elaborate treatment in the body copy, systematically analysed. A lot of effort must have gone into the creation of both headlines and body. Live photograph of the child is an asset to the ad. An excellent ad in all aspects to appear in recent months. And the credit goes to Simoes.

AN IMPRESSIVE AD. FROM ULKA

In the field of health drinks, established products hold sway for years. People are in a way tradition-bound and do not change habits so easily. And to make a breakthrough and take the onerous task of persuading people to break tradition and switch over to a newer product calls for ingenuity of a high calibre. Viva has come forward to do it.

From an effective 'Fortifies you for the day, relaxes you for the night' theme, Viva has turned to the 'Why Viva?' poser to become a more aggressive seller in the market. In any copy theme, the 'Why' approach catches

instant attention. And in the case of Viva, excellent photograph is an additional and powerful asset.

The layout is remarkable, impressive and well-balanced and does ample justice to the large space taken. An ad that will remain long in memory. Well done, ULKA!

HOT RUSH FOR A COOL DRINK

Off-the-beat copy and illustration mark the ad of Bisleri. The Indian branch of the Italian firm Bisleri has been Indianised with the attendant advantages. The body copy elaborates these advantages. A happy story of Signor turned Shri Bisleri!

The veri veri happi stori of
Signor Shri Bisleri



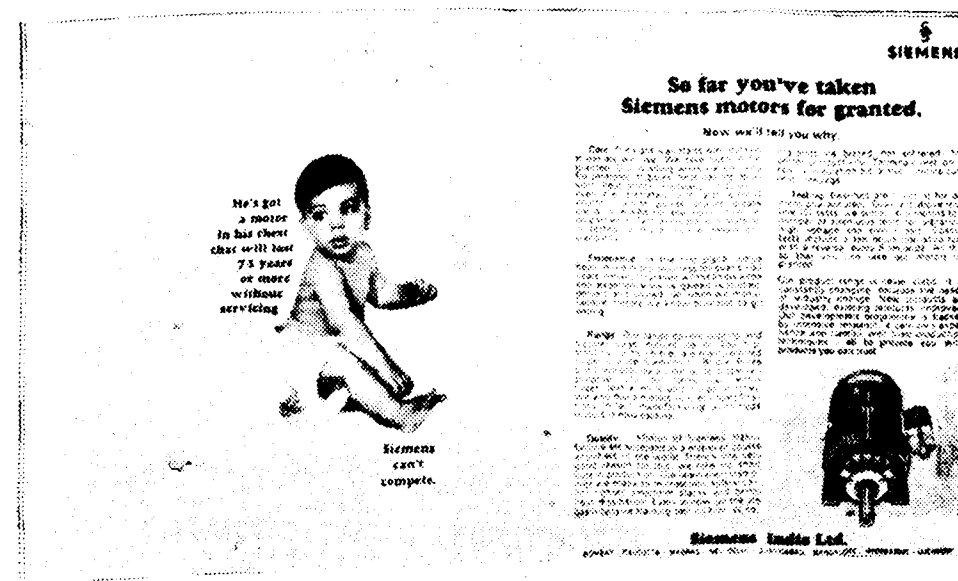
Bisleri
Italiano
becomes
Bisleri
Indiano

Bisleri's is the real Indian way—cheers!

The gentleman returning home post-haste, throwing aside his official insignia and holding the bottles of Bisleri Limca with a gay abandon has been caricatured with remarkable effect. A fine and timely memory-brusher for the drink—(soft drink, of course) addicts!

A CASE OF TARNISHED FACE

WESTCLOX timepiece combines smartness in appearance and accuracy in keeping time, so the ad, purports to say. The offer is a two-in-one benefit. The plus features are dealt at length in the body copy. As if to spoil this image, the illustrations, both the feminine faces, appear crude and repulsive and are more prone to drive away than attract the reader. Even the nice illustration of the timepiece could not redeem the ad from sinking.



Siemens

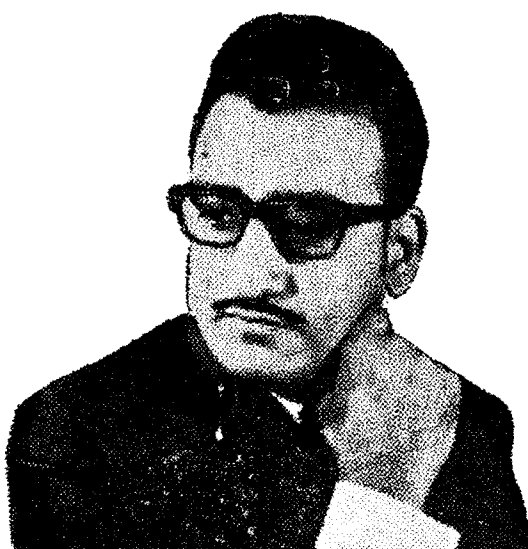
So far you've taken
Siemens motors for granted.

Now we'll tell you why.

He's got
a motor
in his chest
that will last
75 years
or more
without
servicing

Siemens
can't
complete.

Siemens India Ltd.



No Bank pays Interest on a Current Account...



But Bank of Baroda pays Attention!

That something extra... swift, friendly, efficient service. Welcome to the busy businessman.

Also:

• Unlimited withdrawal facilities • Issuing of a periodical statement of Deposits and Withdrawals. (To simplify your record-keeping.) • Acting on your Standing Instructions about payments and collection of dues.

Get personal attention !

Open a Bank of Baroda Current Account.



Thou shalt forever
be prosperous with

Bank of Baroda

A network of over 625 branches in India and abroad—in U.K., East Africa, Mauritius, Fiji Islands and Guyana.

Shilpi BOB 5A/72

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Industrial Economist

A FORTNIGHTLY ON INDUSTRY & FINANCE MADRAS

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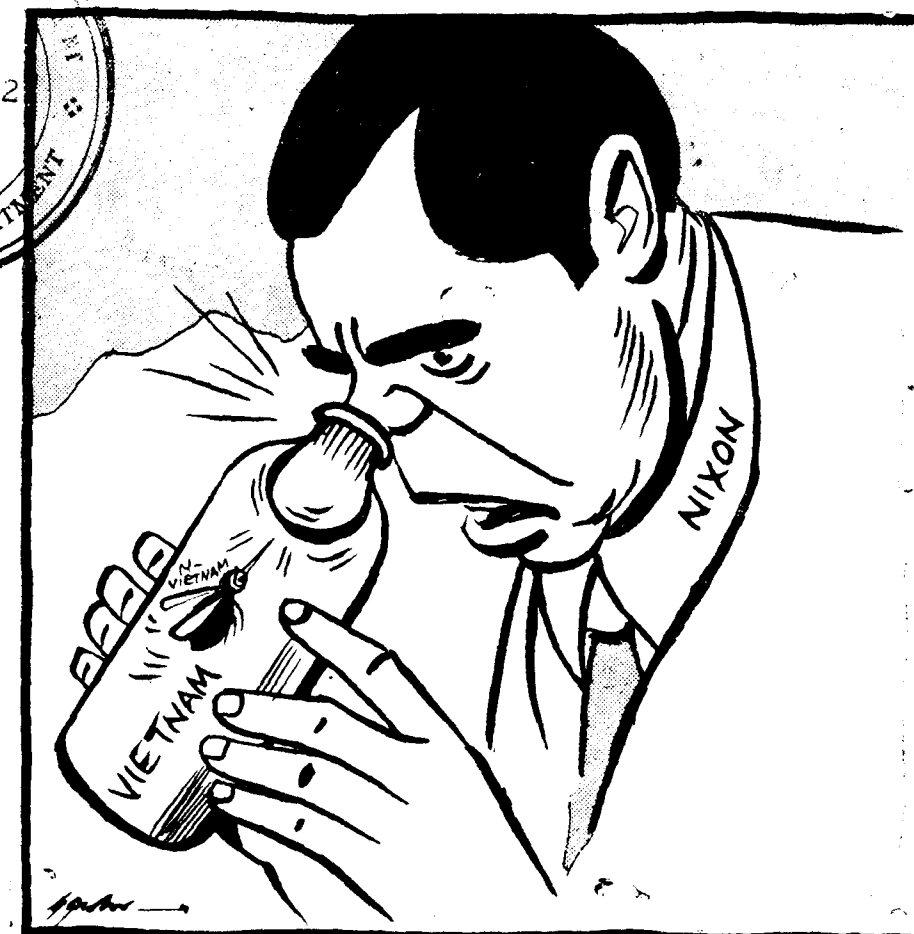
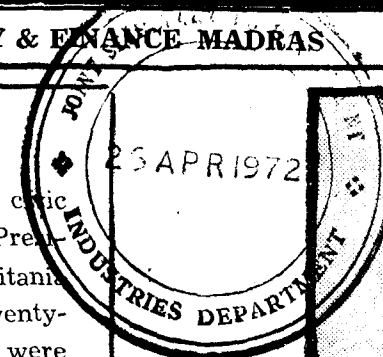
APRIL 15, 1972

Price: 75 Paise

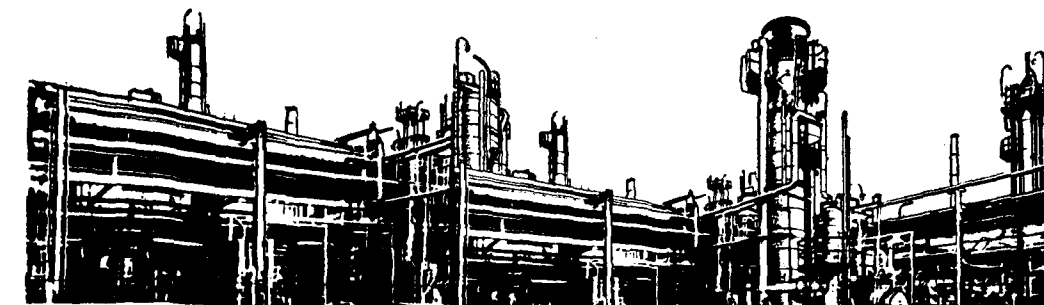
A Gala Meeting...

Walrus recently attended a chic reception accorded to the President and the First Lady of Ruritania which was attended by all the twenty-five ministers including ten who were expected to be dismissed in a few days and five who were re-instated only recently. Walrus pompously marched with his guest to the cushion seats reserved for press—nowadays much coveted. The meeting started with the reciting of a portly old maid, announcing some words purported to be a prayer song. As usual, Walrus closed his eyes when he heard somebody welcoming the august audience with a homily on "social objectives" and "egalitarian society" and "the ties between the two countries, social, religious, cultural, ...". Preparing for a sweet slumber, he was rudely shaken by a poke on the ribs administered by the press reporter on his right. "Look!", this chap cried with wonder: "What a courageous lady to agree for an impromptu address!". On the dais, the First Lady of Ruritania advanced modestly to the mike and murmured demurely: "On behalf of the women and children of Ruritania, let me greet the women and children of your great country." Walrus heard the reporter on the right sobbing into his hand kerchief and tears of joy glistened on his cheeks. "wh...h...at a talented lady!... must rush the news to my editor. He'll be delighted..." gasped he, wiping the tears off and starting on his feet. Suddenly he slumped back on the seat, seeing the lady pulling a little book from under a bag. "These are some of the lullabies composed by me. I'll sing one now for you," she said and started to croon. Soon, Walrus observed the reporter on the right snoring comfortably and even a hard shaking could not wake him up.

—Walrus



STURDY BASE FOR INDUSTRIAL PAGE ...



SANKAR CEMENT

FOR QUALITY, STRENGTH AND DURABILITY

Guaranteed by  hallmark



INDIA CEMENTS LTD.

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Factories:
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Sankari

Did you know? Bank of Baroda works 'round the clock 'round the world.



At any given time, you will find a branch of ours working somewhere in the world. After all, we have the largest number of foreign branches among Indian Banks (26, to be precise, including our Uganda subsidiary), spread over different parts of the globe such as the U.K., East Africa (Kenya & Uganda), Mauritius, Fiji Islands and Guyana. And of course, over 600 branches throughout India. All this and more—expert assistance and prompt, courteous service at all our branches. No wonder, so many businessmen and others at home and abroad prefer to bank with us. If you have any problems on import, export, foreign exchange, etc., please leave them to us and relax.



Thou shalt forever be prosperous with

Bank of Baroda

SHILPI BOB 3A/72



High Cost of Fresh Steel Capacity

The commissioning of the 50,000 tonne Continuous Steel Casting Plant at Arkonam in Tamil Nadu will help meet the growing demand for steel, particularly from re-rollers in this part of the country. But the enormous escalation in the cost of setting up this plant as also the giant ones like Bokaro, cause a good deal of anxiety on future steel plants. The Arkonam steel plant, for example, was estimated to cost around Rs. 3 crores originally, but it has actually cost over Rs. 7.5 crores presently even for the first stage. Likewise there has been more than a doubling of the cost on creating the 1.7 million tonne capacity in the first stage of Bokaro.

The capital cost for creating a tonne of steel capacity has been increasing at an alarming rate. For the establishment of the first one million tonne capacity at Rourkela a decade back, the capital cost worked out to Rs. 2,200 per tonne of capacity. For expansion of capacity to 1.8 million tonnes, the capitalisation worked out to Rs. 1,800 per tonne. For Bokaro, the present sights indicate over Rs. 4,500 per tonne of capacity, in the 1.7 million stage; for expansion of capacity to 4 million tonnes, the cost per tonne is likely to be in excess of Rs. 3,000.

On present estimates, the cost of creating a tonne of steel capacity for Vijayanagar Steel project is likely to be in the region of Rs. 4,000 and for Visakhapatnam, it will be around Rs. 3,500. However, if the Bokaro experience is any indication to go by, this is bound to escalate further.

The present shortage of steel in the country is estimated to be in the range of 1.5 to 2.0 million tonne. Imports in the last year alone have cost the country around Rs. 300 crores. Efforts are now being made to increase the utilisation of the current available capacity from around 62 per cent to 85-90 per cent which would help bridge the gap between demand and production. But then production in the region of 8 million tonnes is far inadequate for a country and population of our size. It will be necessary to plan for increasing the steel capacity in the country to around 100 million tonnes at the beginning of the next century. The present rate of growth is far from adequate to take us anywhere near this goal.

The country has created, during the last decade and a half, an excellent base in steel technology. With the availability of abundant iron ore of good quality, it should be possible to plan and execute schemes for large sized steel plants. But it seems, we are caught up in the mire of exorbitant capital costs which make the whole operation of creating steel capacity a very highly uneconomical proposition. Understandably, the Government is very seriously concerned about it. However much it is willing, there are limitations in improving matters to any great extent by the Steel Ministry alone.

INDUSTRIAL ECONOMIST

What are the factors that have contributed to such high capital costs? The first one is, of course, the enormous cost of steel plant equipment manufactured in the country. With the Heavy Engineering Corporation (HEC) utilising but a fraction of its total capacity, the costs are bound to be high until such time as the HEC achieves optimum rate of production. During 1970-71 for example, the HEC utilised just a fourth of its capacity. Likewise other manufacturers of steel plant equipment such as the Mining and Allied Machinery Corporation are turning out equipment which is but a fraction of the total capacity available. No wonder this inefficient operation is reflected in the high cost of production of equipment which has to be borne by the steel plants.

The second major factor that contributes to the high cost of new steel plants is the continually increasing price of steel, which has more than doubled during the last 8 years. The basic price of steel has risen by about 40 per cent during this period. The element of excise duty has increased from Rs. 91 in March 1964 to Rs. 287 in March 1972. Of course, there are numerous other components such as freight increase that have contributed to the price of controlled varieties of steel increasing to Rs. 1,152 in March 1972, from a mere Rs. 661 per tonne in March 1964. Such steep increase in the price of basic commodities such as steel which are used in large quantities in mighty projects such as steel plants violently escalate the cost of these projects. This high project cost will, in turn, be reflected in the higher production cost of steel and hence higher price of end-products; and so the cycle continues.

As a result of these frightening increase in the cost of creating fresh capacity for steel, there has not been any sign of enthusiasm for future steel plants.

According to a recent report, the Salem steel plant, which will be manufacturing only flat products based on Kanjamalai iron ore, will cost Rs. 336 crores. The other two Southern steel plants together will cost around Rs. 1,500 crores. With an allocation of only Rs. 110 crores for the new steel plants during the current Plan, the total allocation that will have to be made for establishing these three steel plants and also to provide for expansion of the existing ones without providing for preliminary work for any additional steel plants, will be of the order of Rs. 2,000 crores in the Fifth Plan. Even for adding capacity from around 10 million tonne to 20 million tonne, the extra investment needed would be in the region of Rs. 3,000 crores, calculated on the favourable basis of Rs. 3,000 per tonne of capacity. The difficulty of finding the wherewithal can be imagined.

The experience of establishing Bokaro and the mini steel plant at Arkonam should help us isolate those areas which have contributed to the enormous cost escalation.



560,000,000 PROBLEMS?

Yes...as many as there are people

Each individual is a problem. His food, health, education, employment...all become the concern of a welfare state.

Of course, problems do exist the world over. But efforts to solve them reveal the potentialleading to progress.

So, problems are forerunners to progress.

projects national problems. Attempts their solutions.



INDUSTRIAL ECONOMIST

11-B, Ramachandra Iyer Street,
MADRAS-17

TRIO-1E-8

INDUSTRIAL ECONO

Arithmetic of Development and Trade

The Economic Survey published ahead of the recent Union Budget confesses that 'the excursions into the new technology, it is now fairly well recognised, left virtually untouched in large parts of the country the small farmers and the vast army of landless labourers.' The position regarding Small Farmers' Development Agencies is very well underscored by the survey. Sanctions amounted to Rs. 3.07 crores by the end of March 1971 out of which an expenditure of Rs. 89 lakhs alone have been incurred. The progress of the scheme is reported to be uneven in West Bengal, Assam, Orissa and Bihar. Under the scheme for marginal farmers and agricultural labourers, besides Small Farmers' Development Agencies, total funds sanctioned upto March 1971 have been Rs. 10.99 crores against which the expenditure incurred is only of the order of Rs. 2.15 crores.

Co-operative Bias for Development Schemes

Likewise under the dry farming scheme intended for the benefit of rural jobless, an outlay of Rs. 2 crores has been sanctioned, but the expenditure actually incurred is Rs. 45 lakhs. To the extent an agrarian society like India has to lift itself in the beginning through agrarian benefaction schemes, the emphasis in our planning programmes has no doubt been right. What has misfired is implementation. The Government reports that development schemes for marginal and small farmers have been given a co-operative bias. It is time that the Government recognised that a more dynamic approach was needed and that a century of inefficiency in the management of co-operative institutions was proof positive for a need for a sea change in the Government policy. In fact there is no point in failing to recognise that despite two decades of planning we have not shaped the tools to tackle acute privation of a sizable number of our fellow citizens.

While there is so much to do on the home front, there is equally a lot more

to be done on the export front. The Union Minister for Foreign Trade Mr. L. N. Mishra told the UNCTAD III that "it was regrettable that the richest among the rich have not so far implemented the generalised scheme of preferences in favour of imports from developing countries." Mr. McNamara says that the world Bank has estimated that, for countries with greater capacity for the export of manufactures, an export growth rate of 6 percent should be feasible. This will require an increase in export earnings of 10 percent per annum. The only items that can provide this increase are manufactures. To the extent the unmanufactured goods sector represents a field where world demand grows at a faster rate, there is a theoretical justification for exploiting this field.

Empty Solidarity Against the Rich

But is there a practical justification as well? The practical justification consists in part on the developing nations utilising their export advantage in developed markets for their labour intensive goods. Much depends on the richer nations allowing preferential treatment. The European Common Market, Japan and the Nordic countries have in principle agreed to implement a Generalised Scheme of Preferences in favour of import of manufactured goods from the developing world. But there are so many variants to the scheme with so many exceptions that one is prone to conclude that the G.S.P. has not made the rich less inward looking than they had been all these years. In respect of countries like India which have a sizeable export trade with the Soviet bloc, a mental reservation gets built up in the free world almost automatically against Indian goods. And to the extent our diplomacy has not been successful in pulling our neighbours along with us in Western Chancellories, we are definitely operating under a serious handicap. In the circumstances trade meets like UNCTAD tend to become

formal occasions when the poor seek to demonstrate their empty solidarity against the rich.

This is not to say that export is pointless. On the contrary we are yet to learn some of its nuances without which we are likely to be abandoned by the wayside at a time when world trade bids fair to boom. Governments of developing countries like India can do a lot to shore up exports even with minimal efforts. They can reduce needlessly heavy protectionist tariffs on imports. They can work out a viable scheme for developing small labour-intensive, export-oriented enterprises. This was how Japan built its foreign trade. The catch in the Indian case is likely to be, apart from timely credit, entrepreneurship. That is precisely why the industrial licensing system as it obtains at present has been found wanting.

Above all there are the costs of development. Part of it used to be met through official development assistance. But, Mr. McNamara points out, the proportion of aid to GNP has been declining of late. If a target of 0.7 per cent of GNP as aid is taken as the measure, as has been done in the past, only Norway and Sweden will exceed the target. Six more including Australia, Belgium, Canada, Denmark, France and the Netherlands may come close. But the United States which accounts for half of the GNP of these Countries will have reduced its contribution from 0.31 percent of the GNP in 1970 to 0.24 percent of the GNP in 1975. The collective GNP of developed countries in 1970 was \$2,000 billions. In constant prices it will grow to \$3,000 billions in 1980. Hence in order to raise the current official assistance from 0.35 percent to 0.7 percent, the developed countries, according to Mr. McNamara would need to devote only about 1.5 per cent of the amount by which they themselves will grow higher during the decade. And aid is not gift; it is repayable. Why then should countries like the U.S. be behaving queerly?

—R.S.

INDUSTRIAL ECONOMIST

Strikes, Lock-outs Cost 23 Lakh Man Days in 1971

Labour Management relations in the Central Sphere Undertakings during the year 1971 remained much less disturbed than in the previous year according to the provisional figures available. In 1971, there were 380 strikes and 17 lock-outs which resulted in the loss of 18,98,455 and

4,14,577 man days respectively making a total of 23,13,032 man days as against 490 strikes and 24 lock-outs making a total loss of 37,96,745 man days during 1970. The main causes of the strikes were non-implementation of recommendations of the Central Wage Boards, non-payment of profit-sharing

bonus, demand for reinstatement of dismissed workers, abolition of contract system, charter of demands, revision of wages, and inter-union rivalry.

During 1971, 6,912 industrial disputes were handled by the Central Industrial Relations Machinery as against 7,620 in 1970. 6,056 disputes were disposed of in 1971 as against 6,664 in 1970.

During the year under review, 7 threatened lock-outs and 371 threatened strikes were reported. The Central Industrial Relations Machinery intervened in 4 threatened lock-outs and 358 threatened strikes, of which 3 lock-outs and 303 strikes were averted.

In the ports and docks, the labour situation remained comparatively peaceful in 1971. There were 48 strikes resulting in a loss of 1,06,973 man days. In the previous year there were 84 strikes and a loss of 24,07,151 man days.

The industrial relations and the labour situation in the Air Transport Industry remained comparatively disturbed in 1971. There were 3 strikes and one lock-out resulting in the loss of 52,530 and 1,85,550 man days respectively in 1971, as against 8 strikes resulting in the loss of 4,212 man days in 1970.

The labour-management relations in mines during 1971 were generally peaceful. There were 270 strikes and 8 lock-outs resulting in the loss of 13,60,982 man days and 2,06,667 man-days respectively as against 271 strikes and 23 lock-outs resulting in the loss of 6,53,146 and 2,14,775 man-days respectively in 1970.

There were 36 strikes in banks during the year under review resulting in a loss of 42,659 man days as against 92 strikes resulting in a loss of 84,114 man days in 1970.

The stay-in strike resorted to by the employees of the Reserve Bank of India, Madras from June 7, 1971 was called off on June 15, 1971 following the intervention of the Regional Labour Commissioner, Madras.

There were 2 strikes reported in the Insurance industry, resulting in a loss of 336 man days. In 1970, there were 5 strikes resulting in a loss of 3,031 man days.

INDUSTRIAL ECONOMIST

Thoughts on the Fifth Plan

With the Fourth Plan drawing to a close by 1973-74, greater attention has been devoted to sketching the Fifth Plan. According to present indications provided during Planning Minister C. Subramaniam's reply to the debate on the mid-term appraisal of the Fourth Plan, the public Sector outlay of the Fifth Plan will be Rs. 28,000 crores which compares well with Rs. 1,960 crores for the First Plan, Rs. 4,692 crores for the Second Plan, Rs. 8,577 crores for the Third Plan and Rs. 15,900 crores in the Fourth plan. It is apparent that the Government has, like the Bourbons, learnt nothing and forgot nothing. A massive plan is theoretically a cure for massive under-development. All the trouble arises, however, from a neat piling up of totals on presumptions of "musts" under every head of development without worrying whether all the money could be spent and, what is worse, could be safely spent without perpetuating inflation. Those who have long memories will recall how the catastrophe of Russia's over-ambitious Third Plan was averted by the intervention of war and how, even under the controlled conditions in which the Russian economy was operating, the monetary menace of plan spending had devalued the rouble in astronomical terms. Of course there is something in history which is conveniently treated as deadwood; otherwise history could never repeat itself. But a closer look at the emerging facts of planning will itself show that even contemporary signs of plan spending do not look healthy.

The Problem of Spending

At present a massive effort is going on to complete the Fourth Plan which means that the Centre and the States will be spending Rs. 3,973 crores on continuing schemes. This marks an excess of over Rs. 1815 crores over last year's allocation. A more accurate computation will put it at an additional

Rs. 1,000 crores to be spent this year when, all over last year, allocations made could not be spent fully. The Centre may seek to assure us that increased Central spending of Rs. 585 crores involving deficit financing of Rs. 185 crores may not induce any overall deficit. But can it be taken for granted that the spending spree being indulged in by the Centre and the States will not release inflationary pressures? The arithmetic of the Fifth Plan being what it is, there is every possibility that the Centre and the States may well make a bid to keep their lockers clean for receiving fresh allocations of much larger dimensions in the Fifth Plan Period. This is just the circumstance in which fallacious arithmetic will be indulged in to show that people must be prosperous if they can pay Rs. 5 per kilo of sugar!

The Approach to Fifth Plan

Jokes apart, what matters most is the approach to the Fifth Plan. Mr. Subramaniam has affirmed that the Fifth Plan would place its biggest emphasis on time-bound programmes. Mr. Mohan Dhar, his deputy in the Planning Ministry, has stressed on "multi-level planning with the district as the basis." Hints about the approach paper to the Fifth Plan refer to "policy objectives of provision of basic minimum needs of the people on the basis of a time bound programme, integrated rural development to provide more jobs and build up the infrastructure and a stable price policy." The paper affirms that this strategy of social justice should be related to growth and production of items of mass consumption. There is special mention besides of land reforms and of changes in the system of production and distribution. Of these many objectives, planning from the district level is a nuance of planning long forgotten but now revived. Mr. Dhar commended the example of the Tamil Nadu Government in

organising a Planning Body while many States have relegated the business of planning to an obscure wing of the Government whose only business seems to be to keep track on correspondence on planning.

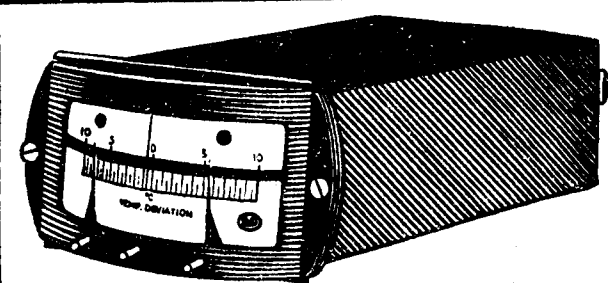
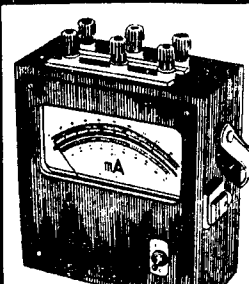
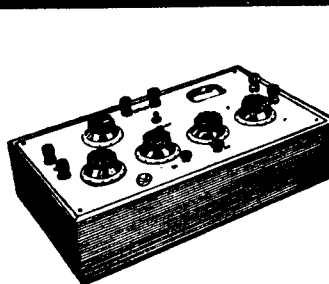
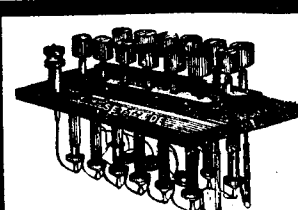
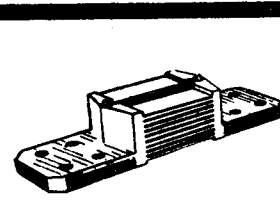
Need for State Planning Commissions

It is a tragedy that planning at the State level for a country of this size has not been taken up in earnest so far. It is not a question of more autonomy for the region—a political prank of questionable merit. On the contrary, the territory of planning is so vast and variegated that central direction can scarcely make do for regional planning. Most of the States in India are bigger than some European States and hence their economic development has got to be attuned to the compulsions of their size and individually peculiar needs. A state planning body becomes a must under these circumstances though it has got to function, if it is to keep its shape in the nation at large, under Central coordination. The policy of planning in the past overlaid central coordination and underplayed regional responsibility. The manner in which many pilot projects like small farmers' development agencies have been implemented on a half-hearted basis is proof of this lacuna in planning. The Centre's responsibility in a system of decentralised planning is well nigh delicate inasmuch as it will have to play the role of a peace maker and assure its bonafides by working out the means for rectifying regional imbalances in an effective manner. What one hopes is that the new plan will not have in it schemes like rural works programmes as in the past which had proved costlier than straight charity.

At the same time, the ramifications of the financial part of the Plan require to be adjusted in greater detail and with greater circumspection than in the past; of course as on previous occasions, from September onward opportunity will be provided to different strands of public opinion to comment on the Fifth Plan draft. Since the size of the Plan is massive, it stands to reason that the intellectual

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elite in the country exercises its responsibility to offer its opinion without fear or favour and that the planners take into consideration, as they have always done, views quite opposed to their thinking ideology. The only major trouble is going to be that, since Mrs. Gandhi has won a landslide victory and mostly on promises of egalitarianism, the Fifth Plan will have a deep ideological bias about it. How far this would auger well for enterprise is a matter for the event to show.

In the Capital....

From VASANTHA RAMAKRISHNAN

Throbs with Life

Delhi is full of life again, as if she was awaiting the end of winter. Fairs, exhibitions, seminars, shows and performances besides the Parliament Session have given a new charm to the Capital.

The unprecedented victory of the Congress at the polls over Jan Sangh has made the former realise its responsibility to maintain, if not enhance, the beauty given to Delhi by its previous administrators.

The Post-war dust has not yet settled. Films and TV newsreels on Bangla Desh continue to engage your eyes.

Liquor deaths have given a handle to the opposition. The Government promptly assured the opposition that it would do its best to prevent its recurrence.

The World Book Fair, which was held as part of the International Book Year, attracted more than two lakh visitors. An unexpectedly large number of books was sold at the fair. An International Seminar on Books for the Millions, a Writer's Camp and Meet the Authors Sessions were the highlights of this fair.

The post-budget discussions were heard everywhere, including at the Terene Exhibition. 'The Promise of Terene', they called it. 21 leading mills displayed at this exhibition, which was sponsored by the Chemicals and Fibres of India Ltd., manufacturers of Terene. The exhibition narrated the story of Terene fibre and how it is used by textile mills.

The Rose show, which displayed more than 500 varieties, was exotic and elegant. Exhibition of American Folk Art, and the Plastics Exhibition were also interesting. The All India Exhibition of Leather Footwear and Leather Goods Industries could have been better arranged with provision for sales. The annual output of this industry is about Rs. 2,000 million. Exports are of the order of Rs. 900 million, or roughly 45 per cent. It employs 8 lakhs persons, 6.6

Playing Soft on Pet Ideologies

One can, however, hope that because of her massive victory she may play soft on pet ideologies. Whatever the future may hold for the country, there can be little dispute over the fact that the agrarian society of this country has to be served to its last lap. It was encouraging to hear Mr. C. Subramaniam observe at Haryana Agricultural University Convocation that while setting targets for agriculture, the planners would have to go beyond

traditional considerations like fixing output levels to be reached in given crops in given periods and think in terms of providing adequate work opportunity to all. The emphasis should shift from mere crop production to human welfare goals. At the same time, very great importance, unlike as in the past, will have to be provided to dry farming as the scope for extension of cultivation in irrigated areas is running towards the dead end.

The Large Reservoir of Unemployed Man Power

Mr. Subramaniam conceded that, with an inelastic supply of land and an ever growing population which was unable to find an outlet for earning a living in the urban areas, there was a large reservoir of unemployed manpower in the villages both among the landowners and among the landless. In devising future strategy, what is of interest is not merely an improvement in income and employment for agriculturists, but that this improvement comes about predominantly, if not exclusively, to the small cultivators and the landless labourer. For this the planners would have to ensure that the country had the right organisational and institutional framework. It is clear, therefore, that the problem of the village is going to be the dominant problem for many years. One does not detract from the need for industrialisation when one asserts that the country's economy, as it is poised on the eve of the Fifth Plan, has not escaped completely out of its agrarian shell. So long as future planning overlooks this fact by design or otherwise, the country's growth rate will, no doubt, be surging steadily upward as it had done in the past but a sizeable number of its citizens will still have failed to share in the fruits of prosperity. If the Fifth Plan could assure a viable farm sector with an equally viable industrial sector, it can be confidently predicted that the economy would have achieved the take-off stage of self-sustaining growth half way through that Plan. Any lapse will keep the machine grounded to our dismay and mortification.

—RS

Glimpses

By P. R. SRINIVAS

Indo-Ceylon Trade Agreement

The understanding arrived at between India and Ceylon in the matter of trade between the two countries must be considered an encouraging first step. Even in this restricted field, on important questions such as the joint marketing board for tea, no headway seems to have been made. As two close neighbours with a lot of cultural links and common interests in the matter of security from external aggression or interference, the two countries have a lot to gain by coming closer together. It is also necessary in the interests of goodwill between the two to have the question of Stateless citizens settled satisfactorily. When the members of the European Economic Community can have mobility of labour in its member-countries, it is most regrettable that people of Indian origin should be edged out from the lands in which they have settled for more than one generation and thrown deep roots in these countries.

Reduction of Trade Deficit

But the scope of the talks in New Delhi appears to have been restricted to the reduction of the trade deficit which Ceylon has now with India. Her imports from this country are as much as Rs. 20 crores against exports of only Rs. 1 crore. The latter had in the past amounted to about Rs. 4 crores and the progressive reduction is the result of our self-sufficiency in regard to arecanuts, copra and other products, the output of which we have found it easy to increase. The talks with Ceylon have brought out the fact that our trading partners have to be afforded the means of exporting some goods to us, even if we are in a position to do without such imports. There would probably be occasions for extension of this principle to other countries of this region. But the consequences or the advantage, immediate and remote, of such extensions will have to be

carefully gone into. By far the more important of the new avenues that can be opened is Ceylon's acceptance of India as a partner in her economic development. The fact that both countries are Socialist in aims may at first sight seem an advantage. But in point of fact it would be an obstacle to the flow of private capital, which is a far more powerful engine of progress in a developing country.

Chavan's Realisation

At long last, the Union Finance Minister has recognised that "the policy of high rate of taxation has been with us for quite some time and it is high time that we gave trial to a policy of lower rate of tax". The statement was in reply to the appeal of Mr. A. B. Tandon, President of the Institute of Chartered Accountants for a policy of lowering the tax rate. But the recommendations of the Wanchoo Committee have also weighed with Mr. Chavan, who has of late been bestowing some fresh thinking on our present fiscal policies.

It is encouraging to find a surprising readiness on his part to move out of the mental ruts of the last two decades and more. The first notable change was when he declared that there was little scope for increase of direct taxes and the burdens on urban incomes and that the inequality must be redressed by the taxation of agricultural incomes with such changes in the powers of the Centre and the States as may be required. He has now followed it up with an admission of the evils of high taxation and the need to give a trial to a lower tax policy. But he continues to harp on the same old strings when he says that "the fiscal measures will continue to be relied on as tools not only for the much needed resource mobilisation but also for achieving other socio-economic objective like curbing ostentatious living, reducing disparities and preventing concentration in incomes power."

One might wish him well in respect of these objectives, now that he recognises the virtues of a lower tax policy. Its merits are both positive and negative. On the one side, it would serve to blunt the temptation to evade taxes, reduce the evil of black money, check the demoralisation of the economic life and even perhaps of public administration. On the other, it will increase the revenue realisation through declaration of true incomes and even induce and stabilise a strong sense of civic obligation.

It is said that in Britain during the time of the Second World War, people queued up to pay their taxes. While there is no similar compulsion of national emergency in India today, there is no doubt that assesseees of the higher slabs are heartily sick of the conditions in which evasion, harassment and the suspense about all manner of punitive measures seem to be inevitable. Lower tax rates may involve payment of more by way of taxes than when large scale evasion was being resorted to for various reasons. The scope for making incomes, which will not bear the light of day and have to be kept from the prying eyes of income tax officials, must be reduced to the minimum. And so should the threat of harassment which sprang from the unregenerate days of the past. As Mr. Chavan was careful to remark, the co-operation of Chartered Accountants in simplifying the procedures to the advantage of the Exchequer as much as the taxpayers is also most essential. But the first step lies with the Finance Minister. It remains to be seen whether he will prepare himself to face the opposition of leftist extremism.

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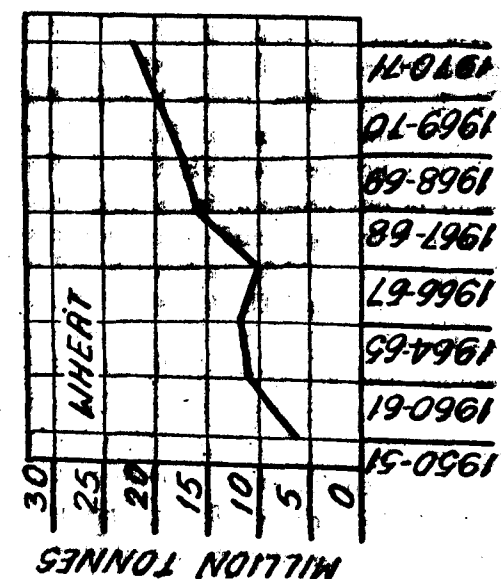
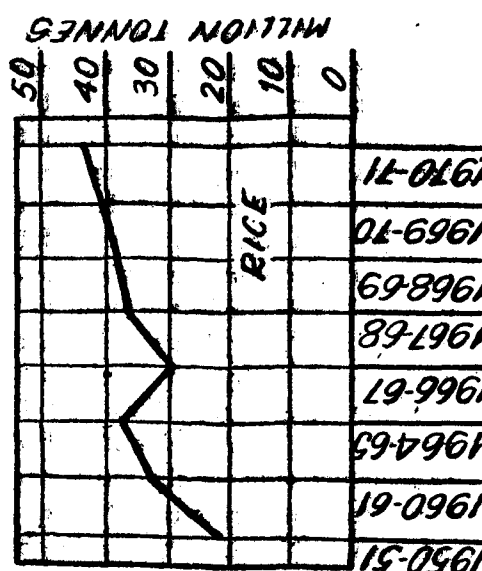
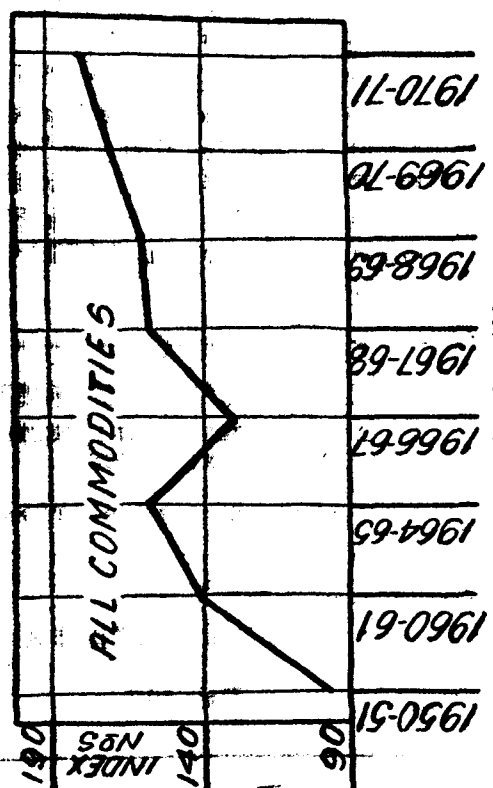
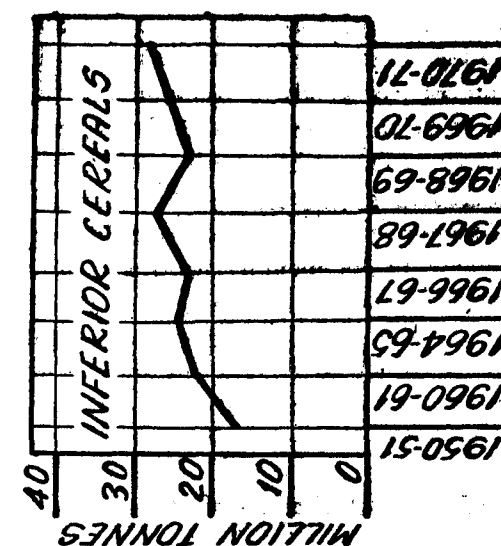
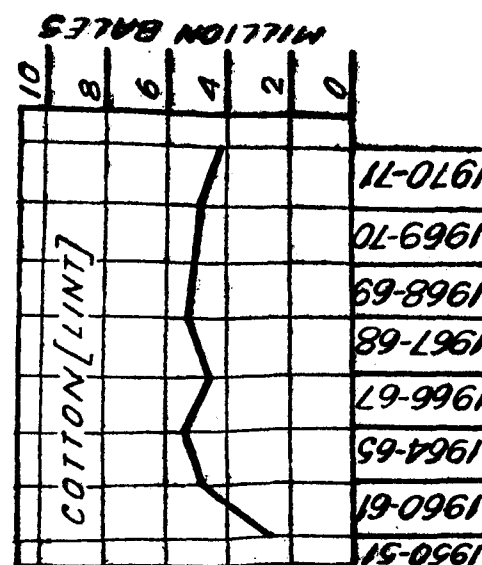
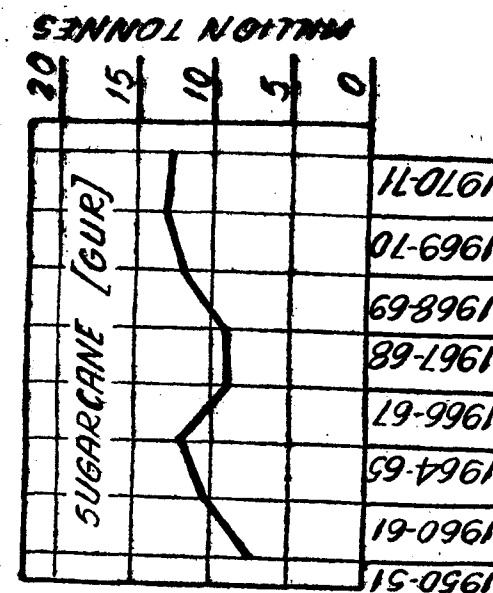
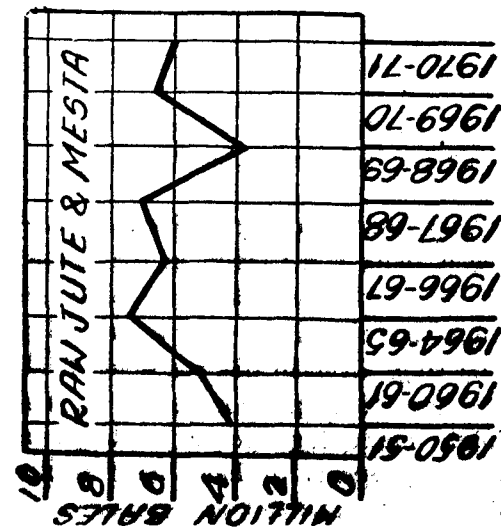
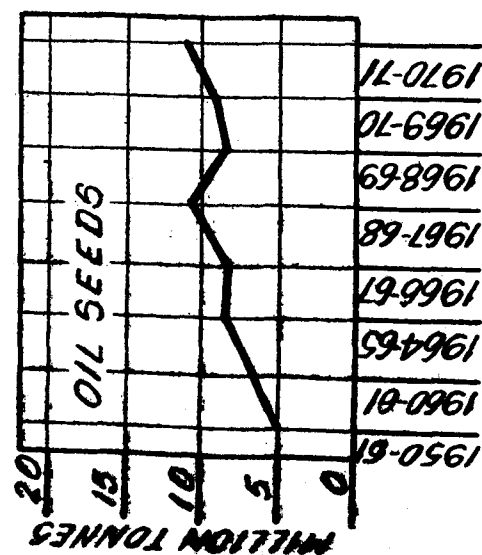
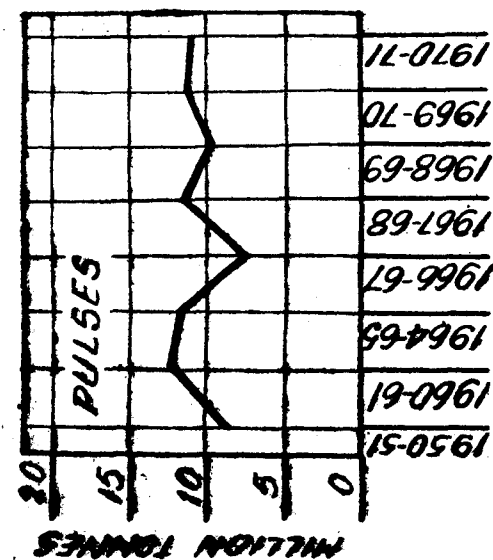
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INDIAN SOCIETY FOR TRAINING DEVELOPMENT

A Special Supplement to Industrial Economist

TRAINING TO IMPROVE PRODUCTIVITY POTENTIAL

By S. K. PARTHASARATHI

In industry today there is a significant shift in emphasis from investment in machines and materials to investment in human beings. As stated by Professor Galbraith, "we get from men pretty much what we invest in them." Thus the training of men in industry has acquired a special significance in our day.

Any training is designed to fulfil certain identified needs of individuals and organisations so that they can turn out to be better suited for the discharge of their present and future responsibilities.

In India, the industrial take-off depends entirely on trained manpower. But the attitude towards training swings between extremes. Some organisations are fond of Courses, Seminars and Programmes, almost believing that training is a 'wonder drug'. The other extreme is to denounce training activities as a fad, useless or time-wasting. Anyway, trainers are so few and the need for training so great: 'Never have so few had to teach so much to so many.'

As in life, so in work there is no substitute for experience, but proper training helps to imbibe experience quickly and in the right selective manner. It helps the individual to gain from the experience of others. It is indispensable for those who enter industry for the first time; those already employed, because of rapid technological and social changes and new processes and organisations, for meeting the challenges of change.

Training may be regarded as an intensely practical form of education. It concerns itself with those attitudes and work habits which are basic to good performance, and is more than mere remedial action.

In industry it has the same function as in the fighting services or in sport. No one will dream of sending untrained troops into battle or untrained boxers into the ring. It is equally criminal or ridiculous to entrust untrained employees to untrained managers.

In industry, training is precisely the process of imparting the 'know-how' through carefully selected methods according to a well-laid plan by competent trainers in a 'suitable learning climate', to shorten learning time.

Of course, the trainer cannot teach everything; he can try. The employee will learn only what he is interested in and capable of

MEETING THE CHALLENGE

The second in the world in terms of population and having vast areas to be tapped for natural resources, our country may not perhaps be lacking in men or materials to be employed in activities of economic and industrial growth. But till recently, there was no organised effort by industry, both private and state-owned, to apply the modern techniques of management training to industry for optimising production and minimising wastage of human or material resources, by resorting to methods of behavioural sciences.

Within the last decade, a number of technical institutes to impart such a training, analogous to that obtained in other industrially advanced countries came into existence in India and the Indian Society for Training and Development is one among them. Started in 1969, ISTD has engaged itself in experimenting with suitable forms of training in industry to cope with the needs of a changing society and a developing nation.

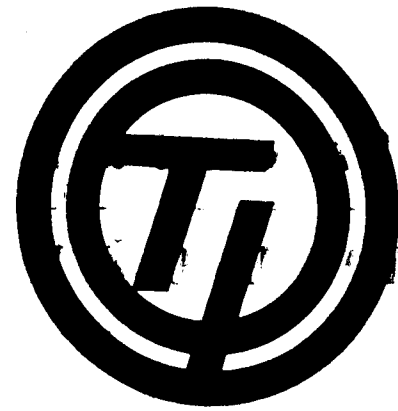
INDUSTRIAL ECONOMIST, the fortnightly on Industry and Finance published from Madras is happy to issue this special supplement at the inauguration of the Third National Convention of ISTD at Madras. The supplement carries articles by some of the men associated with the Society from inception to the present position of its strength and confidence.

learning. It is well said that in ETD (Education, Training and Development) about 80 per cent has to come from the individuals (self development); around 10 per cent from the individual's boss/trainer (motivation) and the balance from the organisation (culture). Training for individuals and groups can be divided into three broad types:

1. in skills—technical, supervisory and managerial.
2. in knowledge—policies, plans and programmes of the organisation.
3. in attitudes/behaviour.

The first aims at helping a person/group to 'learn by doing' and to respond in the desired manner in particular situations. It fails him when the situation changes. Hence, such programmes should always emphasise the necessity to look for new and better ways of doing the job, according as the situation demands. Training to improve knowledge of company policies and programmes is more an orientation. It helps the individual indirectly through the development of a sense of belonging to the organisation and by attuning his activities for helping to achieve organisational goals.

After a vigorous training employees become proficient in their jobs in less time. Plants and equipment are utilised more efficiently. Wastage is minimised. It raises one's self respect of morals, helps to correct absenteeism, general dissatisfaction, maladjustments, low morale, poor understanding and general disharmony. The well trained worker needs less supervision. Group training improves team work. Trained men are more flexible, adaptive and receptive. They take the challenge of change in their stride. They appreciate the organisational goals more easily. Thus proper training can help both the individual and the organisation to use their potential for advancement to the fullest extent. Sound training plays a very important part in improving the productivity potential.



Tube Investments of India Limited—pioneers in Management Training and Development in South India, greet the delegates to the Third National Convention of Indian Society for Training and Development commencing on 6th April 1972 at Madras.

TI are deeply aware of the need and scope, and are committed to Training for national progress.

TI wish the Convention all success.

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WHY ISTD?

By GYAN HAKSAR

The ISTD — a cooperative organization sticking to the basic non-profit motive is vigorously active and shows promise of growing like its American counterpart, American Society for Training and Development (ASTD). The ASTD came into being in 1945 with 56 members: today, it has 10,000 members and is active throughout the States.

The spark for forming the ISTD was provided by Mr. F. Caraccilo of the Ford Foundation, New Delhi early in 1969. The time was ripe: Industry and Government were searching for accelerators to make up for the setbacks stemming from the 1968 recession. The need and scope for "change agents" was being appreciated more keenly. The need for a Society devoted to training—specially "training trainers" was felt urgently. This is how and why ISTD was born.

The Society was registered early in 1970 and the First National Convention was held in Vigyan Bhavan, New Delhi in March 1970. It generated a lot of interest and enthusiasm for raising training to its proper place. It marked the beginning of the transformation of the trainers of Government and industry, from a disgruntled lot standing on the sidelines and giving advice and *ad hoc* assistance on a "take it or leave it" basis to a more purposive professionals. Another significant contribution of the First Convention was the fund of data available to the delegates and through them to their respective organizations, on new training approaches for integrating organisational development with individual development.

Following the First Convention and the formation of Regional "Chapters" of the Society in Bombay, Calcutta, Delhi, Madras and Poona and latterly in Bangalore, the range of activities increased. Frequent meetings, seminars and workshops were organised by the Chapters. These helped wider appreciation of the function of training.

The Madras Chapter concentrated on a Cooperative Approach to Training. The germ of this idea came from the discussions in Calcutta in the Seminar on "Whatever is Happening to Executive Development." The possibility of enhancing the value of in-company training by a cooperative approach avoiding the academic extremism associated with specialist training institutes, appealed to many of the industrialists in the Southern Region. Industry felt that priority attention was needed to reorient staff, for handling the human side of work expertly, and to train them in the major areas of "Work Study" for improving productivity. Initial encouragement and continued support for the Southern Region have been forthcoming in ample measure. The advice and

assistance of Tube Investments of India, India Pistons, Easun Group and TVS Group, particularly in the formative stage, deserve to be recorded specially.

The Southern Region accordingly organised Residential Courses for Staff in the Regional Labour Institutes, Adyar an ideal location for conducting training programmes—covering 40 companies and 300 participants. The courses were designed to serve four interest-groups viz. participants, managers, organisation and training technicians.

The highlights of the cooperative approach which are appreciated by all concerned, are:

Courses are residential, offering excellent scope for exchange of ideas outside the regular sessions. Although residential, the cost per participant is quite low; Each organisation nominates at least two and a maximum of four participants per course, including one or two discussion leaders. This has helped about 80 executives (who are not training technicians) to improve their insights into the subjects handled by them as also to improve their abilities to "transfer learning" and discussion leaders are "evaluated" by the participants: this has helped executives to see themselves and their performance as perceived by "customers"—the participants.

Came the time for the Second National Convention. This was held in Bombay in April 1971. The theme was "Training in the Indian Environment". As in the First Convention, participation was from all over India and all sectors. The proceedings pinpointed the need for adopting methods used in the economically advanced countries without ignoring the importance of adapting them to our culture, background and genius. The example of Japan in basing their growth on their national culture, was highlighted.

The Society's work has been gathering momentum. The Third National Convention is being inaugurated by Mr. K. K. Sahh, Governor of Tamil Nadu. The Convention is having the benefit of a top level Advisory Board, of which Mr. D. C. Kothari is the President. The theme of the Convention is "Training for Progress." There will be Plenary and Concurrent Sessions on the 7th and 8th April, following the inauguration on the 6th. 25 Panelists/Discussion leaders and some 250 delegates from all over India will be cooperating and participating.

The awareness in Government and industry of the contribution training can make, awaits translation into positive, purposeful integration at every level of activity for national progress.

Need for a Training Act

"Twelve per cent the total wages and salaries paid in the U.S. is spent on training of personnel. In India not even a fraction of one per cent is spent on this vital necessity," said Mr. S. K. Parthasarathi, Chairman of the convention committee of the Indian Society for Training and Development.

Mr. Parthasarathi, speaking to pressmen, said: "In the context of the changing demands of managers' functions, a substantial investment has to be made on the human side of the industry, which alone can ensure the development of organisations."

Particularly in the context of the inadequacy of the educational outfit of many of the employees in different levels requiring a good deal of in-plant training over and above what they have received in the training or educational institutions through which they came out, Mr. Parthasarathi said that this factor has not been given adequate attention in the country.

Excepting a few large units the importance of training the managerial personnel through

various orientation courses and seminars has not been fully realised by others. Mr. Parthasarathi added that nearly 78 per cent of the industrial units in India are controlled by owner-managers. Professionalisation of managers is now being attempted, he said.

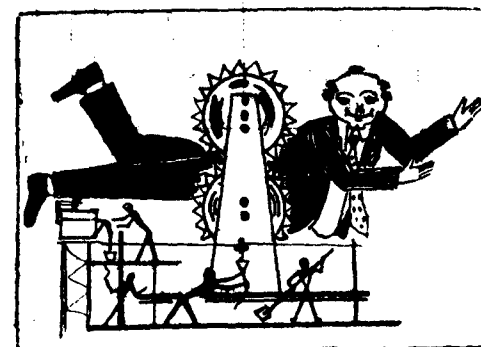
Citing the example of the U.K., Mr. Parthasarathi said that the British Government thought it necessary to pass the Training Act in 1964. This makes it obligatory on the part of industry to contribute a portion of its sales or income for the purpose of training personnel. Understandably the British Government was alarmed at the relatively lower rate of increase in productivity in the UK, which was estimated at less than a half per cent compared to around two and a half per cent in the US. He felt that just as in the case of the passing of the Apprentices Act which makes it obligatory on the part of industry to take a certain number of apprentices for training, a day would come when industry in India too will be asked to contribute a portion of its income or sales for training.

—S.V.

THE TRAGEDY THAT IS TRAINING

By SHARU S. RANGNEKAR

Not too long ago, a manager—when found lacking in any aspect—was expected to work harder and become better. In those days, hard-work, like castor oil, was cure of many ills.



"Put meat at the top of the grinder and receive minced - meat at the bottom..."

The days have changed; today, as soon as a manager is found lacking in any aspect, he is earmarked for training. Even those who are not particularly deficient in any specific aspect, are expected to become better by training. Just as nudists believe that more sunlight on greater part of the body means better health, organisations seem to believe that more training to more managers means better management.

So the time has come to study how this training is planned and how it is organised.

Common Approaches to Training

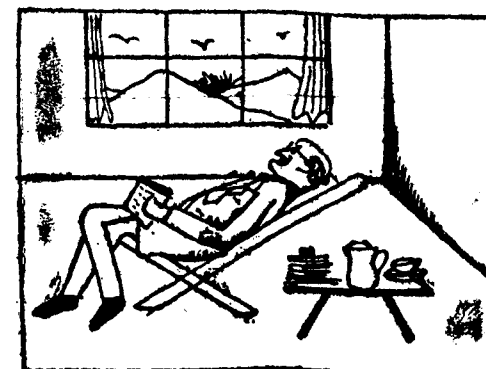
The study of the organisational planning for training has revealed the following five approaches:

1. **Minced-meat Approach:** The approach is characteristic of production-oriented organisations. You put the raw material at one end and you get finished product at the other end. You put meat at the top of the grinder and receive minced meat at the bottom. Similarly you send your manager-designate for management development course and lo and behold! Here comes back the developed manager; but this does not happen and the organisations are disgusted by the fact that the chaps who return after three months' residential management development training are nowhere near to the finished product.

2. **Spare parts approach:** Some organisations are more modest in their expectations. They do not expect a finished product from the raw material. They only expect the particular wrong characteristic to be replaced by the right one—Something like sending the car to get the faulty carburettor replaced. They expect that the manager who does not delegate adequately will start delegating when he goes through

a three day seminar on delegation. In spite of the modest expectations, these organisations also seem to be frustrated about the results

3. **Assembly line approach:** Some organisations are more realistic. They realise that in some cases one operation may not give the result. An assembly line of operations is essential to finish the product. So they arrange a series of courses to 'finish' the



"Somewhere between a holiday home and superannuation benefit..."

managerial staff. However, success seems to elude even in his approach.

4. **Fringe benefit approach:** Some organisations seem to view training in a different light altogether. They do not seem to be worried about the development aspect. They emphasise the *ex-gratia* leave, expense paid residence in a location with good climate, etc., and include it in their fringe benefits

scheme—somewhere between a holiday bungalow and superannuation benefit. The various training courses are then graded in order of their attractiveness and are available to the staff according to their level of seniority.

5. **'Noblesse oblige' approach:** Here the training is held as an unavoidable evil: A company with a good name has got to send persons for training courses as *patronage*. The person sent is the one who can be most conveniently spared. One company ultimately appointed a training officer, when it found difficult to spare persons for training from its regular staff on all occasions. The job of this training officer now is to attend training courses.

Status Symbol

The greatest development in the field of training is the phenomenon called the *Management Trainee*. This is a blue-eyed boy who is expected to wander around the company watching people working and thus learn how to do things. It is generally considered impractical to create engineers by asking the aspirants to look at an engine. However, the idea of creating managers by asking the trainees to look at people being managed, is gaining in popularity.

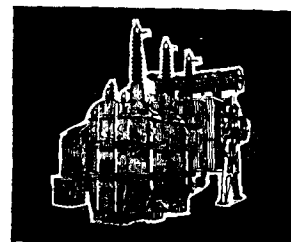
In fact, it is now a status symbol to have management trainees—or at least advertise for some. Even those who actually recruit management trainees seem to spend most of their efforts on drafting attractive advertisements. Training schemes are rarely



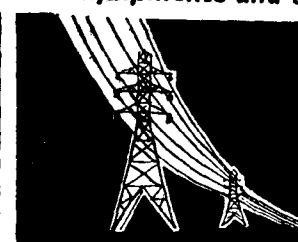
An orientation programme for top executives too! Many chiefs of companies attended the above course directed by Dr. Bernard M. Bass from Rochester.

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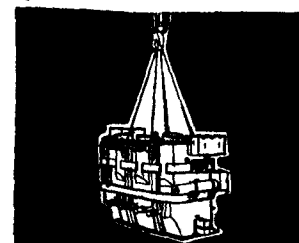
Talents to serve industry through various electrical, mechanical and structural equipments and services.



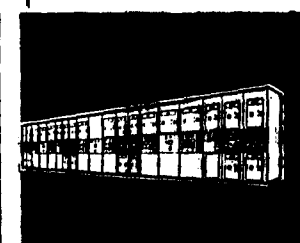
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worked out and trainees are left on their own. 'This is an interesting experience,' remarked a trainee; 'we are getting pension at the beginning of our career rather than waiting till the end.'

Now let us look at the organisation of training courses. With increasing demand for training, it only needs a supply to start the orgy of training. The supply is provided by various bodies like management training institutes, professional associations, management consultants, and commercial quacks. The faculty, however, comes from four major sources.

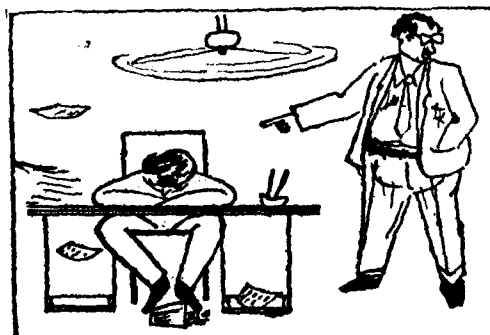
Tribes of Preachers

1. **Professors:** These are the lean, hungry-looking bush-shirts-clad individuals who

can spout more jargon in an hour about management than a manager is likely to encounter in his whole natural life. They emphasise the essential techniques of profit optimisation—and in real life managements seem to be making good money without following any of them. For long courses a few from this tribe are essential—on account of their stamina.

2. **Executives:** While the participants are awed by the jargon from the academic tribe, they are more impressed by the plump, prosperous-looking well dressed fellow executives. Consequently, there is an increasing demand for executives-preachers. This has led to wonders. Executives have been rummaging through books that their handsome secretaries have hastily collected

from assorted sources and dictating copious notes on such unheard of things as management by participation, channels of communi-



A Special Officer to attend training courses...

cations, etc. The gap between preaching and practising goes on widening as the executive preachers improve in their preaching.

3. **Consultants:** The resources necessary for starting management consultancy in India are very modest. Just a board and a pot of paint. No profession requires fewer qualification and experience than that of management consultancy in India. This tribe provides a sizable supply of faculty for training courses as they will do anything to keep their body and soul together.

4. **Tourists:** Everybody is an expert 500 miles away from his home town. If he crosses the seas, he becomes a foreign expert, which is an improvement comparable to that from a cock to a pea-cock. If he can speak English, he is ipso facto a very desirable faculty for any training course. If he is British, he has good for attracting a sizable number of participants. If he is American (that being the limit of all foreign expertise) the sponsors of the training course can pick and choose from the aspiring participants. Europeans, Canadians and

THE MADRAS CHAPTER IN ACTION

With 107 individual members and 17 institutional members, the Madras Chapter is the largest of all chapters of ISTD in India. More than 350 executives from over 75 companies drawn from all over India have benefited through its grammes.

The programmes for the Southern region already conducted by ISTD include various interest topics such as Basics of Supervision—work study oriented and also Organisation Method based, ISTD—MITRA Programme on Management by Objective and Decision Making, ISTD—MITRA Advanced Training Programme for Trainers, Marketing Management Programme and Finance for Non-finance, with the help of 88 faculty members drawn from the participating industrial houses themselves and academic institutions. With a commendable spirit, these faculty members, have been giving their services free of cost to the society.

Australians fall somewhere between these two limits. Asians, Latin Americans and Africans do not rate very high as foreign experts for the purpose of training faculty—unless they have British or American qualifications.

Tricks of the Trade

With the increase in the number of organisations conducting continual training courses, certain degree of competition has crept in the field. This has led to clever devices to attract participants. Some typical devices are as follows:

1. **Special rates:** Most organisations offer concessional rates to their members. Since the members get very little else from their membership, they are induced to take advantage of the concession. This is similar to the 'Grand Reduction Sale' practised almost continuously by many retail stores.

2. **Package rates:** Offering package courses for two or more persons at an advantageous rate has proved attractive in certain cases. Similar to the package offer of toothbrush—toothpaste-shaving cream, there is a package offer to train materials manager, purchase assistant and stores clerk in a 3-level materials management course at a package rate.

3. **Package deals:** This takes advantage of the enthusiasm of the executive preachers to be on the faculty. In one course at a hill station, the deal offered to the executives of the company was:

- a. For sending 1 participant: 1 faculty member will be invited for 1 lecture (1 day stay).
- b. For sending 2 participants: 1 course director will be invited to stay for one week.

c. For sending 3 participants: 1 course director will be invited together with his family to stay for the entire duration of the course.

4. **Mutual benefit deals:** In this deal, the executive of Company A sends a participant to the course organised by the Institute X in return for a participant to be sent from Company B to the course organised by the Institute Y. Obviously, the executive from Company A is the Chairman of the Institute Y, while executive from Company B is the Secretary of the Institute X.

The Tragedy: The situation could not have been more comical but for two facts. Firstly it represents waste of our scarce resources. Secondly it minimises the effective training actually imparted. And, all said and done, the paucity of our managerial talents as well as our management practices emphasise the urgency of effective training.

BEHAVIORAL SCIENCES & MODERN MANAGEMENT

By G. V. N. MUDALIAR

Behavioral Science emphasises that Human Motivation is the product of many diverse elements, including a person's social background, family background, level of intelligence, need, hierarchy, education, outlook towards life, ambitions, goals, philosophy and environment.

When an organisation recruits a new person, it expects him to work for the organisational goals, the individual employee also has goals of his own, like continuous and uninterrupted employment, good working conditions, considerate boss, safety and security for his dear ones, fair remuneration. The organisation when it recruits the person indicates that it will look after him and these needs and wants the individual also to agree to abide by his part of the 'contract'. In practice, however, for many reasons, frustrations set in and both sides fail to be guided by the 'psychological contract'. It is the major responsibility of the organisation and the managers to do everything possible to prevent frustration and where it sets in, to control, if not, remove it by every available means. This is Management of the Human Side of the Enterprise.

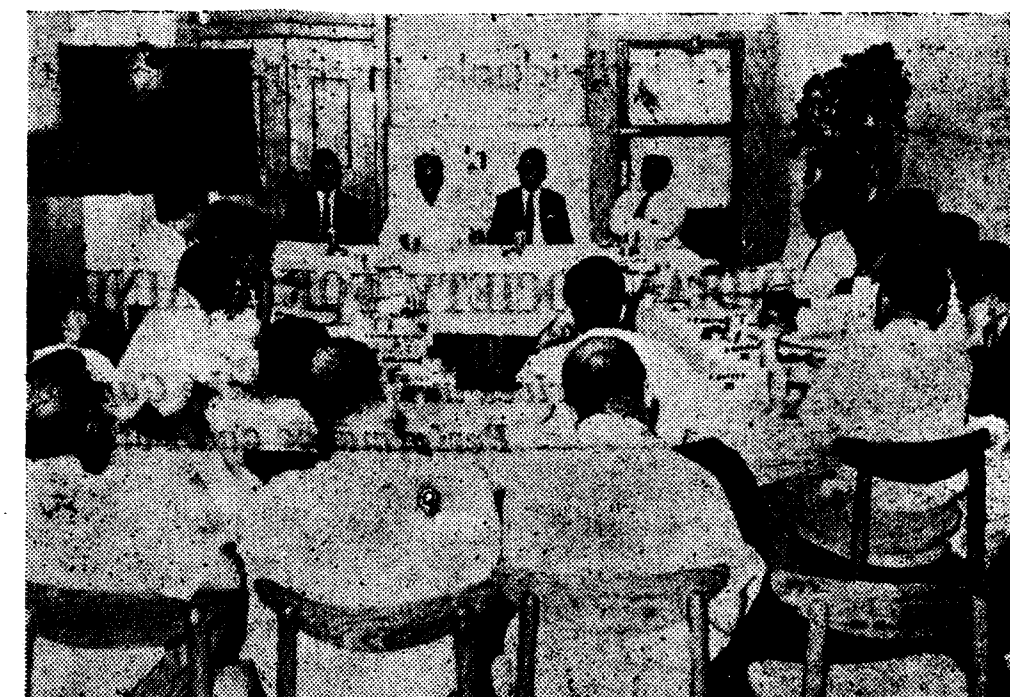
The employee gets frustrated if any of his needs, comes up against some barriers real or imaginary. This employee alienation is the highest in a coercive rigidly hierarchical system. Some business organisations have tried to motivate employees by invoking the principle of 'Utility Man', but monetary rewards alone cannot bring about employee participation and involvement.

It is only by a Normative Managerial approach and by bringing about employee par-

ticipation in the managerial decision making process and activity, that an organisation can arouse the interest of the individual and motivate him to work better by integrating personal and organisational goals.

In spite of efforts on the part of management and employees to understand each other's objectives, conflicts are bound to emerge in any organisation. Indeed the existence of a mechanism ensuring an inte-

grative approach to solve these conflicts, is the one good sign of a growing organisation. The integrative approach ensures one thing, namely the ability of the Management and Employees to cope with the changing needs of the undertaking in an attitude of 'problem solving'. It is this dynamic 'Management of Change' which must replace the pet fads and the dogmatic views of the uninitiated higher echelons of administration.



A course on marketing management conducted by ISTD, Madras is in progress. Hindustan Lever's Mr. Ramaswamy (centre) inaugurated the programme. Seated to his left is Mr. S. K. Parthasarathi and right, Mr. C. K. Prahlad.

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*Strives in Bridging the Gap Between
Performance and Potential.*

Supplement to INDUSTRIAL ECONOMIST released at the inauguration of ISTD Third National Convention, April 8, 1972

Rs. 3,973 Crores for Plan Outlay for 1972-73

The total Plan outlay of the Centre, States and Union Territories for 1972-73 will be Rs. 3,973.42 crores. This is about 25 per cent of the Fourth Plan outlay in the public sector and represents a step-up of 25.8 per cent over the outlay of Rs. 3,158 crores for the year 1971-72.

The sectoral distribution of the outlay for 1972-73 is as follows (Rs. crores): Centre 2,144.20; Centrally-sponsored 162.97; Union Territories 64.50; and States 1,601.75.

Self-Reliance and Social Justice

The significant increases to the Plan outlay in 1972-73 have been combined with specific attention to correcting the shortfalls noticed in the mid-term appraisal and for promoting the main emphasis at the present juncture, namely, self-reliance and social justice. Special programmes have been included to achieve increased output from existing capacity in steel and fertilizers as also for expansion and new projects. The modernisation of export-oriented traditional industries like jute and cotton textiles will get special attention.

High priority has been accorded in the Annual Plan to firm commitments, spill-over expenditures from the previous years, completion of works in an advanced stage of construction, expeditious construction of other works on hand and fuller utilisation of capacities already created.

The outlay for 1972-73 for Central schemes is higher by about Rs. 585 crores as compared to the corresponding outlay for 1971-72. Last year an outlay of about Rs. 105 crores was provided for certain non-Plan schemes, namely crash scheme for rural employment, schemes for drought-prone areas, schemes for educated unemployed, etc. These are now included in the Plan. In the case of Centrally-sponsored schemes, the outlay for 1972-73 is up by about Rs. 21.5 crores as compared to the corresponding outlay for 1971-72. The outlay for Union Territories is higher by about Rs. 11 crores on a comparable basis.

In the Annual Plan, a large overall provision of Rs. 125 crores has been made for special welfare schemes relating to the educated unemployed, expansion of elementary education, slum improvement in the major cities, rural water supply and rural home-sites. The main emphasis in the complex of schemes relating to rural employment and development will be to get the maximum impact out of them by effective coordination. The special employment schemes will result not only in providing employment to the educated unemployed but will also promote the design of integrated rural surveys, the staffing of elementary schools, investigations for rural water supply and the setting up of self-employed entrepreneurs in rural areas.

The individual provisions for the various

schemes indicated in the Annual Plan are tentative. Reappropriation based on needs and performance capabilities will be possible either within the same scheme or within the overall provision. The orientation of the Annual Plan for 1972-73, apart from making a qualitative change in the current Plan, thus provide a sound basis of experience for making a much bigger effort for greater social justice in the Fifth Plan.

Agriculture and Allied Programmes

In the agriculture sector apart from the on-going agricultural programmes, certain schemes which are designed to overcome the main deficiencies and shortfalls that have been identified in the Mid-term Appraisal of the Fourth Plan will be taken up during 1972-73. Special efforts will be made to boost the production of important commercial crops such as cotton, jute and oil seeds where production has fallen short of the Plan targets.

Completion of Continuing Schemes

Priority has been given to the completion of the continuing schemes which are in an advanced stage of construction. Adequate provisions have also been made in respect of inter-State and multi-purpose projects. A number of new major and medium irrigation schemes will be launched. In addition, outlays will be provided for investigation of irrigation and power projects. In part these outlays will result in preparatory action for the Fifth Plan; they will also create additional employment for engineers and technicians.

The total outlay provided in the Annual Plan for 1972-73 is Rs. 793.39 crores. The bulk of the outlay is intended for basic industries like steel, fertilizers, petroleum, mineral development and non-ferrous metals. The steel projects account for about 30 per cent of the outlay envisaged for 1972-73. In non-ferrous metals, substantial additional provision has been made for the aluminium and copper projects as compared with the previous year.

More for Oil Exploration

Increased provision has been made for oil exploration and the Haldia refinery; it is also envisaged that the construction of new refineries at Bongaigaon and in the North-west region will be taken up during 1972-73. Another major direction in which progress in implementation is expected is the construction of the naphtha cracker and associated facilities in the Gujarat petrochemical complex. In fertilizers, substantial additional provision has been made to proceed speedily with the expansions and new projects.

Particular attention will be given to fuller utilisation of existing capacity. Necessary provisions have been made for balancing or additional equipment that need to be set up and for technological improvements for achieving higher level of output. As a result, better performance in industries like steel and fertilizers is envisaged in 1972-73.

Production of Consumer Goods

The need for expanding activities in the production of consumer goods which are in short supply has also been taken into account. In particular, provision has been made for speedily proceeding with the scooter project, for the expansion of the production of drugs and speeding up the implementation of projects for the manufacture of cement and paper.

It is proposed to give particular attention to the industrial development of backward areas. Subsidy will be provided on the lines already announced to projects to be set up in the selected backward districts in different States. Apart from concessional finance, the Industrial Development Bank, in collaboration with other institutions and the State Governments, will also carry out studies on the industrial potential of the backward districts.

Provision has also been made for new projects to be taken up by way of advance action for the Fifth Plan, as for example, Visakhapatnam and Salem. Particular emphasis has been placed on speeding up surveys relating to natural resources in the mineral sector, as an essential pre-requisite to the identification of projects in the metallurgical, petroleum and allied sectors. In addition provision has also been made for investigations and preparation of feasibility studies for projects, to be got ready in time for consideration for the Fifth Plan.

Increase in Sale of Energy

The installed generating capacity in the country at the beginning of 1971-72 was 18.5 M.KW which is expected to increase to 17 M.KW at the end of 1971-72. In 1972-73, 1.5 M.KW are expected to be added which will step up the aggregate installed capacity in the country at the end of the financial year to about 18.5 M.KW. The total sale of energy is expected to increase from about 54,000 million units in 1971-72 to about 59,000 million units in 1972-73. The construction of transmission and distribution lines will be given priority.

The Rural Electrification Programme in the States has received increasing importance over the years. It is anticipated that about 3 lakhs additional pump sets will be energised in 1972-73, bringing the total number of pumps in the country to about 22 to 23 lakhs as against 11 lakhs at the commencement of the Fourth Plan.

Improving Irrigation System and National Integration

The first volume of the Report of the Irrigation Commission, which was placed before Parliament recently, should help the Central and State governments not only to increase and improve our system of irrigation, but also to recognise the unity of the country in a manner in which some State Governments at least have been regrettably dim-eyed. The last Irrigation Commission carried out its enquiry in 1903.

Productivity of Irrigation Schemes

Though the former Commission too was familiar with the idea of the Ganga—Cauvery link, as also suggestion about the linking of the rivers of the Deccan, all it did was presumably, to strengthen the grand Anicut in Thanjavur and the dam at Dhavaleswar. It was also interested in ascertaining the productivity of irrigation schemes and had its own suggestion to put forward about water rates. But the task of an irrigation commission today is far different. It is different not only in scale and scope, but it has also to function after an era of glorious

unconcern for the productivity of irrigation projects, from the point of view of public finance, abolition of land revenue on some pretext or other and a bumper crops of inter-State disputes over river waters. The first volume now placed before Parliament is to be followed by two more which are expected to deal with different States and river basins. Whether the volumes to come will only spark off more controversies and disputes or whether they will be received in an atmosphere of goodwill, such as the first volume with its major findings can be reasonably expected to create, it is too soon to say.

National Council for Irrigation

But there can be no doubt of the commonsense and wisdom of the conclusions of the commission so far as they have been made known. Mr. A. P. Jain, a former food Minister, and the Chairman of the Commission, has described the recommendation for the establishment of a National Water Research council as the next important of the major recommendations of the

council. From whichever angle we may view our problem of irrigation, the need for a National Council presided over by the Prime Minister to act as a high level authority and harmonise regional and national interests in the use of our water resources is unquestionable. Politically, it is dangerous to leave the sources of inter-State disputes unscotched. Economically, the achievement of increases in the output of commercial crops and the reduction of regional imbalances in irrigational facilities and agricultural production would depend on a substantial increase in the availability of water for irrigational purposes. Where many rivers flow wastefully into the sea after running through more than one State while others are dry for a great part of the year, the remedy lies obviously in inter-basin transfer of waters.

The configuration of land, mountains, rivers and river-valleys and deltaic areas is such that only through the transcendence of State borders can an adequate solution of the irrigation problem be found. The Commission rightly observes: "We see no reason why a country-wide irrigation grid should not be treated as feasible". From what little has been attempted or achieved in the matter of inter-basin, Ganga—Cauvery link can be usefully striven for on the basis of a mapping out of regional possibilities. The latest instance of Mysore agreeing to come to the help of Andhra Pradesh after a stiff refusal to do so is a significant pointer in the direction desired. Many of the inter-State disputes can be settled against a background of plenitude in the future instead of the scarcity of the present. It would be only too appropriate if we had an expert Agricultural Commission in the wake of the Irrigation Commission, to take in one broad sweep all the relevant developments of recent times and indicate the lines on which acceleration of progress on sound lines can be attempted. The role that the Union Government has to play in all this is in striking contrast to its nervous aloofness from these spheres in recent years. —(FOC)

Decline in Sugar Production

The situation in regard to availability of sugar is deteriorating. As a result of a reduced area under the crop in the current season and a heavy diversion of cane for being converted into gur and khandsari in Uttar Pradesh and Bihar, the latest estimates indicate that total production in 1971-72 might record a steeper decline than 1970-71 and may amount to only 31 lakh tonnes against 37.04 lakh tonnes in the previous season and 42.65 lakh tonnes in 1969-70. No disturbing trend was noticeable upto the end of February but in March-April as many as 160 sugar mills are reported to have suspended their operations and only the units in Maharashtra and Southern States will be continuing to crush cane till the end of May.

Cane Availability Affected by Unfavourable Weather

It is now felt that Uttar Pradesh will be producing only 8.5 lakh tonnes and Bihar 2.5 lakh tonnes accounting between themselves for a reduction of over 5½ lakh tonnes. In Maharashtra cane availability has been affected to a certain extent by unfavourable weather conditions in the important growing regions but it is still hoped that an output of 9.5 lakh tonnes will be obtained thus giving the distinction to this State of being the largest producer of sugar in the current season. In Tamil Nadu, Mysore and Andhra Pradesh, however, there will be a larger output, Tamil Nadu particularly establishing a new record at 3.35 lakh tonnes. Larger supplies of cane and higher recovery will be mainly responsible for the better performance of sugar mills in the State and the output may well constitute an all-time record.

It will therefore be seen that the share of Uttar Pradesh and Bihar in total production in 1971-72 will be less than one third and once again it has been demonstrated that any decline in the area under cane will result in keen competition for available supplies from gur and Khandsari producers and the decline in the share of the cane crop will be more pronounced in these areas.

This is the reason for the prospect of a drop in sugar production by over 20 per cent even though the decline in area under cane may not be more than 10 per cent.

The adverse developments in 1970-72 notwithstanding the decision of the Government to lift control over prices and distribution of sugar in May last year are the result of the lack of imagination on the part of the Government in regard to the maintenance of buffer stocks and the grant of facilities to the sugar mills for making prompt payments to the cane growers against purchases. As the latter were tired of waiting, there was a changeover to other crops from cane wherever possible.

Increasing Needs of Home Market

The position would have been serious even now but for the fact that the stocks of over 14 lakh tonnes carried over from the last season are proving to be helpful. The Government dare not regulate releases of sugar for internal consumption every month and make an effort to conserve available stocks as the needs of the home market have been increasing and notwithstanding the slow releases from stocks intended for sale at concessional prices to individual consumers, total despatches from factories have been on an average over 3.10 lakh tonnes. Taking into account also the additional demand that will arise in the festival season and the minimum exports of 2 lakh tonnes the total offtake may be 44 lakh tonnes.

The position will become explosive in 1972-73, if arrangements were not made betimes for increasing production to over 45 lakh tonnes. The Government have naturally been worried about the sharp rise in open market prices in the past few weeks and discussions were actually held between representatives of the Indian Sugar Mills Association, the South Indian Sugar Mills Association and the Government for finding out how additional supplies for distribution

at the fixed prices could be distributed through fair price shop and open market prices also brought down. The idea of differential percentages for quotas of levy sugar was toyed with for some time and it was even agreed in some quarters informally that a higher proportion of 75 per cent of current production and stocks should be fixed for sugar mills in Maharashtra and in the Southern States while only the existing proportion was to be applicable for sugar producers in Uttar Pradesh and Bihar.

Intensive Use of Existing Capacity

This course has not, however, been pursued and the Government is now wondering what should be done to get over a difficult period between June and November and how production in 1972-73 can be raised to the desired level. It is now realised that the required output can be achieved only with intensive use of the existing capacity and a prolongation of crushing season as new capacity has not been created on the anticipated scale in spite of the issue of licences. There is anxiety that a capacity of 53 lakh tonnes should be achieved by 1973-74 and this target can be reached only if the cooperative sugar units were helped with the liberal financial facilities and there was also no inhibition on the part of the financial institutions for providing the required loans and underwriting facilities. The poor profitability of the industry two years back and the apathy shown by the financial institutions for processing schemes for expansion and the establishment of new units in the private sector have been mainly responsible for the present pathetic state of affairs. As sugar machinery can be secured from indigeneous sources without difficulty and many units in the private sector are prepared to implement expansion schemes high priority should be given to them by the term lending institutions. New Cooperative units too should be encouraged to come up without delay. —Meenam

Chances of Indo-Pakistan Talks

Hopes of a summit meeting between India and Pakistan seem to wither as soon as they sprout. The conditions that blight them are not limited as they had been formerly, to the impact of the manoeuvres of the great powers in the wider sphere of international politics. Mrs. Gandhi's attitude in this respect has been consistent, constant and conciliatory. And Mr. Bhutto could not but respond to it, in spite of his dislike of the idea of talks between the officials of the two countries as a breather for scaling to the top. But the trouble is that Mr. Bhutto is less and less in a position to speak for the whole of the country of which he is the titular leader.

Even with Bangla Desh written off and ignoring the question of its formal recognition by Pakistan, the troubles in the Frontier Province are sufficient to

disable the Pak. President for his dealings with India. The understanding, it was believed had been reached with Mr. Wali Khan, the leader of the Frontier Province, has sprung a leak which cannot be easily plugged. Mr. Bhutto cannot find his way to appoint the Governors which the two had agreed on. And the latter, together with its ally the Jamait-ul-Ulema, would not think of voting in favour of Mr. Bhutto's Government and Marshal Law Administration so long as their demands have not been met. There is, in addition, Mr. Wali Khan's anxiety to prevent Mr. Bhutto from stealing his thunder in the matter of socio-economic reforms. The problem is far too woolly for early solution. And if the NWFP chooses to follow the trail blazed by Bangla Desh, it can offer a far stiffer resistance than the poor unarmed peasants of East Bengal.

ISTD Holds National Convention in Madras

The Third National Convention of the Indian Society for Training and Development held recently in Madras helped create a wide-spread awareness of the compelling necessity for training and development in industry and the rich dividends that would flow from it. The convention provided opportunities, never before provided in one forum, to over 200 senior business executives from all parts of the country representing industry in both the sectors, to exchange ideas and to keep abreast of developments both in India and abroad.

In a number of sessions devoted to the objective of training for development, design of the training course, and the machinery for its evaluation, the delegates discussed comprehensively the role of training in the dynamics of national progress.

Need for Right Attitude

As many participants pointed out what was most important was the need to create "an attitude conducive to quick industrial development" in the minds of the men operating enterprises. There are already a number of management training institutions in the country and it should not be the aim of ISTD to add to the list of such institutions where formal instructions are given in specified fields.

This is not to decry those institutions but only to press the point that training must not be a mere formal ritual. Mr. M. V. Arunachalam who presided over the concluding session stressed this point and said that training must be more purposive and

must aim at change of attitude on the part of the trainee. In fact the session that was devoted to "training for development objectives" highlighted the "attitude conditioning" as a major objective. Clearly, the pre-training programmes do not contain the necessary ingredients for "attitude moulding". This session called for well-defined national goals and policies and priorities.

No Chair for Management

There was interesting discussion on the evaluation of training programmes in another session. Pertinent questions were asked whether with all the eagerness shown by the Government for investment in training and development, anybody in authority was measuring the results of such training in terms benefits to the nation. Many who raised the question themselves answered with a 'no'. It is certainly a pity that with as many as four top-class management training institutions in the country comparable to the best in the world, no university in India has bothered to institute a chair for management training.

There were those who argued against industry being asked to contribute more towards development and training of management talent. But every one of the participants agreed that industry should not and would not grudge "greater contribution but only it should not be made over to Government or some common pool. The contributions should be earmarked and sent to specified institutions directly in which the contributors should enjoy an opportunity to watch how the money was

being spent. This was a sort of consensus in that session.

The meeting made a few requests to the Government. There is no precise information about the number of people who have received and are receiving training in management and allied fields and the facilities available for such training in different parts of the country. The Government was requested to set up a machinery for collection and analysis of data on training and also called for a national policy on training and a national training budget.

In the understandable anxiety to provide trained managers for all the enterprises, big and small, public and private, there should be no attempt to create quacks. This point was also dealt with by one speaker.

MEASURES TO OVERCOME PROTEIN SHORTAGE

Protein shortage causes the death of about 25-30 per cent of the developing world's children. Most of the children in these countries die due to this shortage do not live beyond their fifth birthday. This shortage moves in a vicious circle. Malnutrition boosts birth rates as parents tend to have more children to ensure the survival of a few at least. Besides these, lack of protein retards the mental growth.

Taking all these into consideration, the UN General Assembly has embarked on a programme to combat this by enlightening the member-countries in this regard with technical assistance and educational programmes.

It is proposed to increase the production of proteins in plants by genetic engineering; directing research into diet-balancing pulses, legumes and oilseeds; boosting animal and fish protein and preventing unnecessary losses in transport and storage.

One of the easiest ways of checking this protein deficiency in population is by giving adequate dosages of this to expecting mothers with easily prepared "take-home" food, blending 80 per cent of wheat, rice or other cereals with 10 per cent of milk-powder or 20 per cent of groundnut or cottonseed with adequate vitamin dosages.

Self-reliance: Madras Rubber Factory surpasses its own record



Shri K. M. CHERIAN

Text of the speech delivered by Padma Bhushan Shri K. M. Cherman at the 11th Annual General Meeting of the Company, held on Wednesday, March 29, 1972.

Gentlemen,

I have great pleasure in welcoming you to the Eleventh Annual General Meeting of our Company.

TRIBUTE TO OUR PRIME MINISTER

When we met last year, the Parliamentary elections had just been held and the country's destiny had been confided to Mrs. Indira Gandhi. I had then offered our hearty congratulations to Mrs. Gandhi. Now, as we meet again, the Assembly elections have been held, and the results are an overwhelming endorsement of what happened last year. The past year's events have justified the country's instinctive choice of Mrs. Gandhi as leader of the nation; and it is fitting that we begin by paying tribute to our Prime Minister.

Last year, our country had to pass through a fiery ordeal. The Pakistani aggression and the flooding of our country with 10 million destitute refugees posed, for our country, problems of the greatest magnitude. How the war was won in 14 days and how the 10 million refugees were taken care of and finally led back to their homes are splendid feats that have added lustre to the nation's record of achievements. I hope you will agree with me that this has been solely due to the great leadership of Mrs. Gandhi. Events that could have left our country in shambles have been turned into sagas of triumph and glory. Today India is greater than a year before, brooding with inner vigour and with en-

hanced respect from other countries. Let us salute the Leader.

HIGHLIGHTS

WAR EFFORT

The country rose as one man to the defence of the motherland in the year of crisis. The clarion call echoed through the length and breadth of the country. The call came to the Automobile Tyre Industry, too. The Industry responded to the call and in December gave a 15% production increase over November. The tyres were delivered at the places indicated and within the time desired by the Defence authorities. The Government has recorded its appreciation of the contribution of the Tyre Industry and we are legitimately proud of our performance.

SELF RELIANCE

Likewise the country accepted the challenge of development through self-reliance. Whereas originally Automobile Tyres were fully imported, now India makes its own tyres. Its tyre production is adequate, not only to meet the country's needs, but also for exports that earn considerable foreign exchange. Initially, after commencing the manufacture of our own tyres, much of the raw material had to be imported. But today, except for a few items, the required raw materials are procured in India.

In our Company, this quest for self-reliance commenced as early as 1963. In that year, Shri Jawaharlal Nehru inaugurated our in-plant research facility with the words, "Your record is good. Your future must surpass it." The success of our Company has been built on a tradition of self-reliance with no foreign technicians on the staff. The expertise is home-grown. Trained by the Mansfield Tyre and Rubber Company, our American collaborators, our technicians have been wholly responsible for the development of tyre technology in our Company. I believe it is very relevant to mention here that we have achieved a significant break-through in rubber machinery technology. For our new Factory Unit in Goa with a rated capacity of 3 lakh tyres, we are importing capital goods valued at only Rs. 1.15 crores. The balance machinery will be fabricated locally by our engineering staff with the technical assistance available from Mansfield.

GOA UNIT

We have received a letter of intent to start a tyre unit in Goa with a capacity of 3 lakh tyres and tubes. Land has been purchased, civil works have commenced and it

is our hope that production can begin here in 1973. With this new letter of intent for a unit in Goa, we are today the second largest licensee for manufacture of tyres in India.

PROGRESS OF TYRE INDUSTRY

Since 1960, production of tyres has increased three-fold. In 1971 there was a 15% production increase over 1970. In 10 years, India's exports have increased from about Rs. 160 lakhs to over Rs. 700 lakhs. The Government of India is sparing no effort to ensure that the country's tyre needs are fully met. As an urgent measure, existing units, subject to certain stipulations, have been permitted to double their production. As a long-term measure, letters of intent to start new units have been issued to new entrepreneurs.

WORKING RESULTS

The Directors' Report and Audited Accounts for the year ended 30th September, 1971 have been in your hands for some time now, and, with your permission, I shall take them as read. There was a strike in the Company's Madras Factory for a period of 96 days. The loss in production has been considerable. In spite of this, it is gratifying to note that sales achieved for the year have only been 10% lower than that for the previous year. The General Reserve stands at Rs. 113.39 lakhs as on 30th September, 1971 as against Rs. 88.5 lakhs as on 30th September, 1970.

The Directors have pleasure in recommending a payment of 12% dividend on the paid-up capital of the Company as on 30-9-1971.



Mr. JAMES H. HOFFMAN



Mr. M. K. Raju is seen delivering the key-note address at the inaugural session of ISTD. Others (L. to R.): Governor K. K. Shah, D. C. Kothari, J. M. Kitchlu and S. K. Parthasarathy. S.K.P. has been elected President of the ISTD.

EXPANSION: MADRAS UNIT

As I said last year, we hope to complete the expansion of our Madras capacity from 3,60,000 units to 6,10,000 units. Though the strike in the factory held up operations for a period, we still hope to achieve the expansion as originally planned.

EXPORTS

Export was recognised by our Company from its early beginning as a vital factor towards achieving self-sufficiency. Towards this end, our Company has made significant contributions which have been duly recognised through export awards given to the Company. The Government has announced recently its intention to award MRF a Certificate of Merit for its meritorious export performance for the year 1968-69. The Company is meanwhile strengthening its export base and has taken a number of steps in this direction including market surveys abroad and additions to the existing range of products.

During the year under review, though there has been a further increase in the quantum of export orders received, actual exports dropped to Rs. 46,69,000 as against Rs. 58,39,000 for the previous year consequent to the stoppage of production for over three months.



MADRAS RUBBER FACTORY LIMITED

(In collaboration with Mansfield Tire & Rubber Company, U.S.A.) 178/1 Anna Salai, Madras-2 India

SLUMP IN MARKET VALUES OF COTTON

A sharp break in prices has been recorded for all grades of cotton and the low levels of 1969-70 have again been touched though they are still above the floor prices announced last year. The slump in market values has persisted in spite of purchases by the Cotton Corporation of India and the announcement relating to the liberalisation of credit restrictions by the Reserve Bank of India.

The 1970-71 crop could not have been much more than 53 lakh bales as even with the large imports there was no suggestion of any set back in prices until it became clear early this year that the current crop would be very large. The increase in output has come about at a time when it was apprehended that large amounts in scarce foreign exchange would have to be spent on commercial purchases from Egypt, Sudan and other countries for meeting a deficit and there would be a suspension of imports under the PL 480 agreement.

The Central Government and Reserve Bank should organise orderly marketing of a bumper crop. It has been hoped that the

RESEARCH AND DEVELOPMENT

Last year I stressed the need for a continuous flow of technical know-how from our collaborators. While it is true that we have been able to develop indigenous machinery and equipment for the manufacture of tyres, I must gratefully acknowledge the guidance, assistance and encouragement given to us by our collaborators. We will continue to need this assistance as the tyre industry in our country cannot yet afford the colossal expenditure needed on original research. All along, our research has been confined to the field of import substitution. We have, no doubt, achieved some measure of success in this area, but we have to draw from abroad the great scientific advancements that are continuously taking place in tyre technology. Collaboration on a continuous basis is, therefore, the only means by which we participate in these advancements. I can confidently state that the unreserved flow of technical know-how from our collaborators, Messrs. Mansfield Tire & Rubber Company, Ohio, U.S.A., has enabled us to keep pace with the latest developments in tyre technology.

PROSPECTS

The working of our Company for the first five months of the current year has been quite satisfactory. Sales have improved substantially over the corresponding period of last year. It is hoped, that if the same trend continues, the annual sales this year would exceed last year's sales by 40%.

COLLABORATORS

We are deeply indebted to our technical collaborators, the Mansfield Tire & Rubber Company, Ohio, U.S.A., and their President, Mr. James H. Hoffman, for the continuous technical assistance and for help rendered in finding export markets. We are also thankful to Mr. Hoffman for making it convenient to visit our country in February this year and for giving us valuable on-the-spot guidance in many matters relating to expansion projects on hand and the working of our Company.

CONCLUSION

A new agreement with the workers' Union entailing revision in wages, dearness allowance, incentive bonus and certain other benefits was signed on 18th November, 1971 with effect from 1st October, 1971 to 30th September, 1975.

Our Company has completed 25 years of work. All through these years, we have been driven by the desire to be self-dependent, and today, more than ever, we are aware of the demands the country has placed on us—the highest levels of self-reliance both in the fields of raw materials and capital goods. I take this opportunity to thank all our retreader friends, tyre dealers, consumers, banking and financial institutions and suppliers for their close co-operation. I also thank the workers, staff, management and my colleagues on the board for their contribution to the growth and development of our Company.

add upto 35 lakh bales. Allowing for consumption of mills and exports in April, June the net addition to stocks may even be 20 lakh bales, half of which may have to be held by the organised sector. It is, therefore, emphasised that there may be a big bulge in credit before the end of June and the banking system will have to be busy financing procurement operations in foodgrains and the replenishment of stocks of cotton. If the crop proves to be 66 lakh bales and there were imports of 6 lakhs bales total availability will be 72 lakh bales. Allowing for exports and internal consumption which may amount to 68 lakh bales in aggregate the carryover of stocks into the next season may increase by 4 lakh bales, resulting immobilisation of funds of Rs. 50 crores.

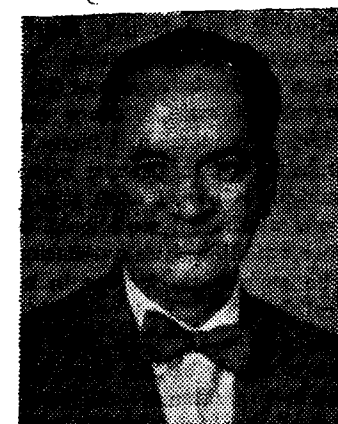
The financing of a net increase in stocks by 4 lakh bales may not be found difficult as prices will be lower and mills also can borrow from outside sources if need be. What is needed is skilful handling of marketable surpluses, quick arrangement of transport facilities and provision of easy credits by banks.

Chairman's Speech:

KIRLOSKAR CUMMINS LIMITED

KOTHRUD — POONA-4

Text of the speech delivered by the Chairman Mr. S. L. Kirloskar at the Tenth Annual General Meeting of the Company of Kirloskar Cummins Limited held at the Registered Office of the Company in Poona on Thursday 30th March, 1972.



MR. S. L. KIRLOSKAR

Gentlemen,

It is my pleasure to welcome you all at this Tenth Annual General Meeting of your Company.

The report of the Board of Directors and the audited statements of account for the year ended 30th September, 1971 have been circulated to all the members well in advance. I am sure you will have gone through them, with interest.

Ten Fruitful Inspiring Years...

Your Company has just completed 10 years of its existence and has entered into the second decade. This marks ten fruitful and most inspiring years of learning and adaptation of new technology obtained from Cummins Engine Company, Inc. of U.S.A. in producing in India advanced and sophisticated diesel engines.

From a modest production of 18 engines in the year 1963-64, the Company will be shipping a little over 1,000 engines during the current year. During this period, it had re-powered wholly out of its own research and application engineering 54 varieties of equipment with Cummins engines.

The Foremost Diesel Engines Exporter

It had also engineered engines into 25 varieties of original equipment produced within the country. Nearly 4,000 engines are today serving in different spheres of our national economy in mines, railways, rivers, construction and irrigation projects, while 413 engines—a little over 10% of KCL produced

engines—are operating in 25 countries around the world. This achievement has won your Company the coveted merit certificate recognising it as the foremost diesel engines exporter.

The high standards of quality comparable to those of Cummins, built into your Company's products have been acclaimed by Cummins. As a result your Company has the distinction of being the sole source initially for the four cylinder 135 horsepower engine for worldwide supply. Cummins Engine Company have now phased this engine out of other Cummins facilities and have advised their worldwide customers and distributor network to source their requirements for this engine on your Company.

The Company had also recently commenced building the second family of Cummins engines—the bigger bore engines in the higher horsepower range. Soon it would be entering into the third family of Cummins range by producing for the first time ever, the V type 800 horsepower engines in this country.

I am sure you will agree with me, that all this is due to the excellent rapport we have built up with Cummins over the past decade. The initial collaboration period has ended during the middle of this month, and with Government approvals, we are hopeful of continued association with Cummins, thus ensuring future success and growth of your Company.

Yet Another Year of Steady Progress

Reflecting back on the year under report, it is gratifying to note yet another year of steady progress. Though engine production had remained nearly the same as in the previous year, sales have risen by about 17%. But this rise has been off-set by rising cost of raw materials and components by about 14%, increase in labour cost by about 18% and in operational expenses by about 30%. Thus in spite of increased sales there is no significant improvement in the profit which increased only by 6.5% from Rs. 6.48 million to Rs. 6.91 million.

I wish the Board could have found circumstances justifying the maintenance of dividend at last year's level; but a larger provision for tax at Rs. 4.8 million as against Rs. 3.6 million in the previous year and provisions on account of depreciation of earlier years and gratuity had to be made. These

have resulted in lowering the disposable profit and consequently prompting the Board to limit the dividend to 5%. The amount is however entirely tax free in the hands of the shareholders.

Let me now review some events of the past year and the implications of the budgetary provisions before I present to you an outlook on your Company's prospects for the current year.

The significant event of the year was however, the worst human tragedy of the century in Bangla Desh and the refugee burden our nation had to bear for almost ten months. The consequent war, which was not of our making, had finally seen the emergence of Bangla Desh as an independent nation and the rise of our country as a new power in South-east Asia. This has no doubt strained our economy severely. The hard earned military victory as well as the political stature must be sustained by our becoming stronger on the economic front.

The return of the New Congress to power with overwhelming majority in almost all the States clearly shows that the people are behind the Government. I congratulate Shrimati Indira Gandhi, our Prime Minister, for her able leadership in steering the nation, through turmoil into peace and stability.

Need for Review of Economic Policies

As I said last year, the opportunity has presented itself for Government to take a bold approach, review its economic policies and help achieve self-reliance, for which the current year has been dedicated. "Arthik Swaraj" advocated by Government can be effectively achieved only if the productive forces are allowed to function liberally with due encouragement from Government without hindrances.

The new budget estimates an overall deficit of Rs. 35.5 billion which is sought to be reduced to Rs. 24.2 billion by rationalisation of existing tax structure and additional taxation. I am not sure how this budget is going to help us in achieving "Arthik Swaraj." The abolition of development rebate with no concrete alternative in the offing, the taking away of the benefit of priority industries of the "special deduction" allowance and the additional surcharge on corporate entities will only retard their capacity to save. It will also not result in raising the much needed production. I had always advocated that more production can alone be the catalyst for generation of larger resources and employment.

I sincerely feel that our Hon'ble Finance Minister has not availed of the opportunity in mobilising corporate resources for investment purposes. I would urge Government to seriously reconsider this matter, since if priority of certain industrial production is recognised as the basic need of the country the fiscal measures will have necessarily to go along, to support that objective.

Self-Reliance Through Larger Exports

Another matter I would like to comment upon, pertains to export. The stoppage of U.S.A.I.D. is bound to affect our resources position and consequently industrial production in certain spheres of the economy. Self-reliance could be achieved only through larger exports.

The Ineffective Incentives

Government has been vociferously advocating more and more exports, putting forward different incentive schemes, atleast on paper. The experience of the exporters in realising such benefits has been frustrating. The incentives are becoming dis-incentives, thanks to the authorities in charge of administration of these benefits. This is the experience of your Company and I am sure of many others. Most of the benefits are invariably and indefinitely delayed, while some of these are altogether denied. I really do not see how Government is going to better exports when one of its own arms is straining to deny every benefit and incentive that the Government has declared would be available to exporters. Some flimsy technical objections are raised to deny the benefits, resulting in never ending delays, appeals and rejections.

To cite an example, the manufacturer-exporters of diesel engines are denied the benefits on export of "diesel engine powered generating sets", for which tremendous opportunities exist in the international markets. The manufacturers invariably have to compete in the international fields at international prices, which as we all know are off-set to a limited extent by cash assistance—mark the word ASSISTANCE—and the export replenishment licences. But even these meagre benefits are denied on the technicality that the diesel engine manufacturer cannot be considered to be "the diesel generating set" manufacturer, which incidentally is only an assembly operation, not requiring any industrial licence. Conse-

quently he is branded as a non-recognised manufacturer-exporter.

Now what export efforts would you expect from these units? How could anybody expect these units to take a loss and export their products?

Take another example. The spare parts of diesel engines exported by your Company, cannot be considered by any stretch of imagination to be anything but as such. These parts cannot be used for any other purpose, because they are designed only for the diesel engines that are exported. But the authorities are very resourceful. The spare parts are classified under some convenient item which would entitle them to the lowest rate of benefits—anything but as spare parts of diesel engines. I am sure such an interpretation was never intended by policy makers in Delhi; but just the same, they seem to be oblivious to the hardships and sufferings of the exporting units.

Extend the Benefits to Whoever Exports Whatever

I really do not see any rationale behind such an attitude. Because, if the nation is expected to earn more and more foreign exchange to sustain its economy, what fruitful purpose would it serve by denying the benefits which the Government have assured to the exporters. I would say—"grant the benefits to whoever exports whatever, so long as he is an exporter". It should not matter if he is a trader or a manufacturer, whether the item exported is manufactured under an industrial licence or otherwise. Let us all remember that once recognised, the exporters cannot be treated with suspicion, until and unless the contrary is proved. So also once a certain amount of benefit is notified by Government Policy, any attempt to reduce it should be discouraged.

I wish the Foreign Trade Ministry, which is also the administrative ministry in charge of the authorities granting these benefits, would look into the matter closely and

evolve a streamlined procedure cutting down the time lag and the undue harassment.

Now to the current year. The engine order book is excellent, the best we ever had. The spare parts business is also growing rapidly. As I have mentioned earlier, the engine production may touch the figure of 1,000. The production capacity is also being geared up and some of the machinery which is getting old is being replaced while some is being planned to be added to achieve maximum national content. I am optimistic of better results, during the current year.

The only soft spot is the shortage of foreign exchange for component imports, primarily as a result of stoppage of U.S. A.I.D. Your Company is making every effort to maintain higher production. Since it is a priority industry with defence orientation, the Government is also, I must say, sympathetic to our needs and we should be able to tide over the difficulties satisfactorily.

It will be appropriate for me to remember our collaborators and partners, Cummins Engine Company, Inc., who have all along been extremely helpful to us and sympathetic to our problems and aspirations. They are rendering us assistance in the export markets, trying to source some of their component requirements on us and even helping us in some of our new engine applications which we are exploring. Without their responsive co-operation, I am sure, your Company would not have been able to reach its present status.

I must also convey our appreciation to the Managing Director under whose leadership the Company has been able to grow steadily and take up the different range of models of engines for numerous applications.

Our thanks are also due to the members of the staff and the employees for their loyal and wholehearted support.

Thank you.

Note: This does not purport to be the record of the proceedings of the meeting.

Interim Budget of A.P.

By V. S. GANAPATI SARMA

The formation of the new Cabinet headed by Mr. P. V. Narasimha Rao was immediately followed by a session of the Assembly whose main purpose was a Vote on Account for four months, to enable Government to carry on till the legislature considers the full Budget later in the year.

In his address to the joint session of the Assembly and the Council Mr. Khandubhai Desai, Governor of Andhra Pradesh laid emphasis on the 15-Year Perspective Plan for each of the three Regions of the State—Coastal Andhra, Rayalaseema and Telengana.

The Perspective Plan, the Governor said, would enable each region to tackle its special problems so that regional disparities would be reduced; they would also accelerate the overall growth of the economy of Andhra Pradesh as a whole.

The State's Fourth Five Year Plan would be of the order of Rs. 480 crores, said the Governor. This was a reduction from the outlay originally planned and even this would need mobilisation of additional resources.

The revenue budget with a surplus of Rs. 12.94 crores was presented by the

Finance Minister, Mr. A. Bhagavanta Rao—with the receipts estimated at Rs. 344.70 crores and the expenditure at Rs. 331.76



A. P. Chief Minister
P. V. NARASIMHA RAO

Boom in Dry Cell Battery Industry

By C. VEERARAGHAVAN

Dry cells have become a daily necessity in almost every Indian family—urban as well as rural. They are used in flashlights, bicycle lamps, telegraphic and defence services' mobile communication equipment, meteorological instruments, transistors, appliances like hearing aids, tape recorders, medical instruments.

Dry cell batteries were first manufactured in India by the Eveready Company of Britain in a small factory in Calcutta.

Estrela Batteries Ltd., Bombay, set up in 1939, was the first company with Indian capital to manufacture dry cells and batteries on a mass scale. In 1963 Estrela negotiated with and finalised a technical collaboration arrangement with La Pile Leclanche of France. Before World War II these two were the only dry cell manufacturing units in India with an annual production output of 18 million cells.

Increase in Production

The production of dry cells has increased according to demand. 301 million cells were manufactured in 1965 and 329 mil-

lion in 1966. In 1968 production jumped to 449 million cells. It is estimated that by 1975, demand may be of the order of 1,350 million cells a year.

There are at present dry cell manufacturing units, their total capacity being a little over 600 million cells: Union Carbide India Ltd., Calcutta and Madras, Geep Flashlight Industries, Allahabad, Estrela Batteries Ltd., Bombay and Haverro Industries Private Ltd., Bombay. Besides there are a few units in the small scale sector which manufacture dry cells in a limited quantity. The licensed capacity is 550 million cells a year, while the demand, according to a conservative estimate, is 650 million cells annually. The Government has issued eight new licences not only to meet the existing demand but also to increase production to a level of 1,050 million, which is the projected demand for 1973-74. The projects, with an individual capacity of 60 million cells, would involve financial outlays of Rs. 15 million each.

One of the units, Toshiba Anand Batteries Ltd., Cochin set up with Japanese collaboration was commissioned in Febru-

crores. The outlay on the Annual Plan for the year 1972-73 was fixed at Rs. 165 crores—the same as for the preceding year.

The net effect of the financial transactions under Debt and Deposit heads, including Loans and Advances, would be Rs. (plus) 2.17 crores. The anticipated overall deficit would be of the order of Rs. 38.57 crores. Taking into account the anticipated opening overdraft of Rs. 79.76 crores at the beginning of 1972-73, the year was expected to close with a minus cash balance of Rs. 118.33 crores.

The final overdraft position at the end of 1972-73 would amount to Rs. 118.3 crores the Minister added. Of this, Rs. 70.8 crores would be adjusted by Central Loans to be repaid under terms to be settled later. The unbridged gap of Rs. 47.5 crores was expected to be covered by the raising of additional resources, collection of arrears and further economy measures.

For the second year in succession, Andhra Pradesh—often hailed as the Rice Bowl of India—is in the grip of a drought. The crops in Krishna Delta and the Nagarjuna Sagar Ayacut were in danger of withering away in the first half of April. The situation was saved by the Mysore Government's agreeing—after reconsideration of its earlier negative decision—to release three T.M.C. of water from the Tungabhadra Reservoir for these crops, for a period of ten days—a graceful gesture of inter-State cooperation.

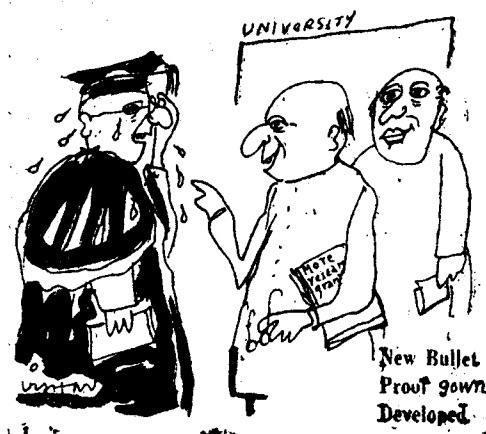
ary last. The Japanese giant Matsushita will be setting up two dry cell units one in Baroda in collaboration with D. D. Lakhapal, Bombay and the other in Nellore in collaboration with P. Obul Reddy.

Industry Aided by Green Revolution

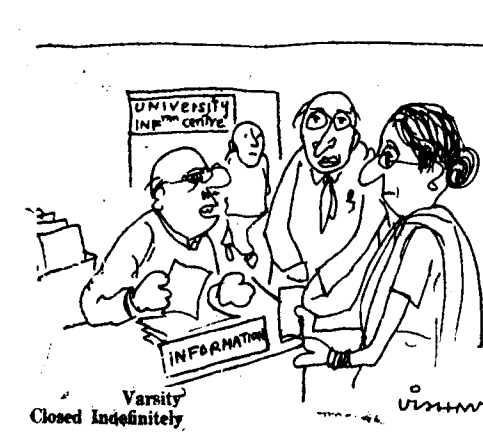
The green revolution has been a boon to the dry cells battery industry. Due to bumper harvests and better farm prices there is an ever increasing demand from rural areas for flashlights and transistor radio sets which run on dry cells.

With the advent of transistors and miniaturisation the demand for dry cell batteries is increasing at a faster rate than originally estimated. According to one estimate, the total demand for dry cells by 1975 will be closer to 1,500 million cells a year. It is expected that market conditions would be much more favourable than anticipated earlier and the production target would be surpassed before the completion of the Fourth Plan period.

India is currently exporting dry cell primary batteries to 42 countries including Aden, Ceylon, Italy, Kuwait, Libya and Iran. In 1969-70, exports of dry cell primary batteries were of the order of 9.8 million cells valued at about Rs. 4.2 million.



"We need additional research funds to air-condition it..."



"I'm afraid without a computer we can't tell you which ones are open and which are closed at the moment..."



"It was meaningless to go on because the teachers have started theirs..."

Improved Outlook for Cotton Mills

The cotton textile industry can hope to improve its profitability of working in the current year with adequate availability of cotton thanks to a very satisfactory crop for 1971-72. There has been a sizable increase in cotton output by at least a million bales to over 64 lakh bales, and even with the suspension of imports under PL 480 agreement, it is expected that there will be no problem for mills to get their requirements to a greater extent than in 1971 when there was a poor crop and large imports had to be arranged. There has also been a steep fall in prices for indigenous cotton since the closing months of last year and most categories of cotton are now available at around the lowest levels touched in 1969-70 season. In fact, glut conditions have been reported in some of the growing areas like Punjab and Gujarat and with a sizable portion of the current crop yet to be marketed, easy conditions may continue for some more months: The Cotton Corporation of India has so far been purchasing only on a very limited scale and with the mills also not eager to increase their inventories, the decline in prices has been rather exaggerated. The Government and the monetary authorities have already started taking measures to enable brisker marketing of the remaining crop by liberalising stock limits allowed for the trade and industry and easing the credit curbs. The recent strike in textile mills in Coimbatore and elsewhere and the disturbing power situation in northern and western India have also had a restraining effect on mill purchases of cotton. It must however be cautioned that the stocks carried over from last season are not much and the move to cut imports by 2.5 lakh bales may have a complicating effect in the closing months of this season if the vigorous efforts by the Cotton Corporation to absorb a much larger quantity prove to be successful and mills also start buying on a bigger scale in the coming months. But the mills will definitely have a lower average cost for this year and if the demand for cotton and blended textiles shows a smart pick-up as is quite likely in the latter half of the year, there will be a significant improvement in sales and profit margins, particularly with the increased selling prices for yarn and cloth effected last year to meet part of the soaring cost of cotton. The industry is however concerned about the year to year fluctuations in its fortunes due to erratic cotton crops and is already co-ordinating its efforts with the Government schemes to stabilise and even increase production of fibre on a sustained basis. There may also have to be a rationalisation of the selling prices for both

controlled and non-controlled varieties of cloth which would help reduce consumer resistance and increase offtake. Meanwhile, the modernisation of spinning and weaving departments in mills will have to be encouraged as a cost-reducing measure. The present comfortable position should not lead to complacency on the part of Government as well as the industry which must tackle the long-term problems of raw materials, selling prices, modernisation and finance on an integrated basis. The export markets for Indian textiles are gradually dwindling due to various factors and only a strong and efficient industry can take care of indigenous needs as well as the sophisticated foreign markets.

Tube Investments

Tube Investments of India Limited was able to keep its sales at a fairly high level in 1971 despite raw material difficulties. It was necessary to change the pattern of production of various products particularly of tubes, depending on the steel items. The demand for tubes from cycle manufacturers was lower while all the sections except the cycles division reported higher output. Thus sales were proportionately higher in 1971 at Rs. 14.32 crores against Rs. 18.57 crores for the 17-month period ended December 31, 1970. The net profit, before depreciation and taxation, was also slightly better at Rs. 155.14 lakhs for the 12 months against Rs. 216.99 lakhs for the previous longer period. After setting aside Rs. 53.46 lakhs (Rs. 72.83 lakhs) for depreciation, the provision for taxation is Rs. 52.20 lakhs (Rs. 56 lakhs). The transfer to development rebate reserve is Rs. 3.40 lakhs (Rs. 10.56 lakhs) and debenture redemption reserve Rs. 12.50 lakhs (Rs. 5.21 lakhs). After taking credit for Rs. 3.20 lakhs, tax provision no longer required and Rs. 20.76 lakhs, development rebate written back, the allocation to general reserve is Rs. 21.55 lakhs (Rs. 13.66 lakhs). A dividend of 10½ per cent taxable, is to be paid on the equity capital. In 1970, there was a payment of 15 per cent taxable for the 17 months, which works out to roughly 10.6 per cent for 12 months. Thus the dividend rate has been almost maintained for 1971. There has been a pick-up in offtake of cycles latterly this year while a third tube mill is to be installed to increase the capacity to the licensed limit for meeting the increasing demand for various kinds of tubes. The foreign exchange required for importing plant and machinery is to be obtained from a statutory financial institution. There may be no issue of additional capital for complet-

ing the expansion programme now under way or for setting up the new tube mill.

Indian Bank Ltd. to Wind Up

The directors of Indian Bank Limited have decided to wind up the company as they have found all other avenues not advantageous from the shareholders point of view. The decision is to be approved by the shareholders but it is not clear how payment will be made to them out of the compensation and what will be the tax liability of the company as well as the shareholders. There are divergent views on the latter aspect. Meanwhile, a provision of Rs. 12 lakhs has been made tentatively for this purpose apart from the allocation against the earnings for 1971. The compensation bonds have all been sold at a loss of Rs. 7.15 lakhs and the proceeds along with other surpluses totalling Rs. 2.32 crores have been placed with banks as fixed deposits. The profit for 1971 after allowing for the loss on compensation bonds, was Rs. 4.55 lakhs (Rs. 6.80 lakhs). The interim dividend of 6 per cent will also be the total dividend for the year as there is to be no further distribution on equity capital. There was a payment of 3 per cent last year for 1970.

Union Bank Ltd. Merger

While the management of Indian Bank Ltd have not been able to fix a thriving industrial unit for a merger many other erstwhile banks have been making good progress in their merger schemes. After the clearance of the Central Bank-TELCO proposal, another merger that has been cleared by the Bombay High Court involves the Union Bank of India Ltd. and Mahindra and Mahindra. The scheme can be proceeded with after getting the approval of the Controller of Capital Issues for the issue of equity shares and debentures of Mahindra and Mahindra to the bank shareholders. The merger is to be made effective from May 1, 1971 and the new equity shares and debentures that may be issued will be eligible for proportionate dividend and interest from the earnings of Mahindra and Mahindra for the year ended September 30, 1971.

G.E.C.'s Equity Issue

One of the new issues eagerly awaited by the Indian public is that of General Electric Company of India Limited. The company is to issue additional capital in order to increase the Indian participation in the capital

before launching on its expansion schemes. The public issue may be announced after the accounts for 1971-72 are finalised. It is proposed to issue fresh capital for Rs. 116.20 lakhs at a premium of Rs. 6.50 per share of Rs. 10 each. Out of this, Rs. 2.63 lakh equity shares will be offered for subscription to the resident shareholders in the ratio of one share for every two shares held while 27875 shares will be allotted to the Indian employees. The balance of 8.71 lakh shares will be placed on the market for public subscription at the same premium. GEC shares have firmed up recently from Rs. 25 to 30.62 on news of the right issue.

Blue Star Know-how for Kuwait

Blue Star Limited, which has been in the refrigeration and air-conditioning field for over 30 years, has been marketing an increasing number of water coolers to a number of countries. In fact, it is the biggest exporter in India of this item now and its exports are more than the combined exports of all other units. The company has recently signed a licensing agreement with a Kuwaiti firm. Yusuf A. Alghanin & Sons, for the sale and technical know-how and patent right for manufacture and sale of its water coolers in that country.

E.I.D.-Parry

The Chairman of E.I.D. Parry Limited, Mr. R. Venkataswamy Naidu, is confident that a major portion of the accumulated losses will be wiped out by the earnings for the current year, if the continuing improvement in working in the first five months following the resumption of profitable working in the second half of 1970-71 is maintained in the remaining months of this year. Any hopes of a dividend on equity capital will arise only after the losses are completely wiped out and the preference dividend arrears for 1970-71 are cleared. This may be possible only from the earnings for 1972-73. It is expected that the sugar cane crushed in the current season will be only 4.18 lakh tonnes against 4.69 lakh tonnes in 1970-71 but with a better recovery sugar output will not be proportionately lower at 35,800 tonnes against 37,400 tonnes. There has been some delay in commissioning the new boilers and other equipment to raise the capacity to 2500/2600 tonnes a day due to early start of crushing and labour strike at Nellikuppam. While a major portion of the production of spirit at Nellikuppam has been diverted to arrack, efforts are being made to get permission to increase the capacity of the distillery so that the requirements of other traditional customers can be met. The turnover in fertilizers was satisfactory last year but the working of the Ennore factory was affected by a prolonged strike and lock-out. There has however been a considerable im-

provement in production of ammonium phosphate and ammonium sulphate in the first five months of the current year and it is being investigated how to improve further this performance while representations have been made for an increase in selling price for ammonium sulphate. The company expects to get a satisfactory return from its investment of Rs. 20.25 lakhs (46 per cent) in an electronic components unit at Poona.

It is now proposed to convert this sterling company into a rupee company and negotiations with the Central Government on this, are under way. Though the company was incorporated in London, the seat of control has been Madras for years now and the company has been a resident domestic company for Indian tax purposes. Today 80 per cent of the equity holding are in resident Indian hands. But it is still technically a foreign company by virtue of its incorporation in England under English Law and it is subject to certain restrictions and handicaps under the Indian law.

Camphor and Allied Does Well

Camphor and Allied Products Limited, the only manufacturer of synthetic camphor in the country, has reported a vast improvement in working results for 1971. While sales rose to Rs. 2.95 crores from Rs. 2.52 crores in 1970, the net profit, before depreciation and taxation, increased to Rs. 80.34 lakhs from Rs. 68.63 lakhs. The directors have increased the dividend on equity capital to 15 per cent taxable from 12 per cent taxable in 1970 when the payment was on a higher capital as raised by a one-for-five bonus issue. The provision for depreciation is Rs. 10.14 lakhs (Rs. 8.16 lakhs) and development rebate Rs. 4.12 lakhs (Rs. 30,000) while taxation claims Rs. 37.10 lakhs (Rs. 39.13 lakhs). General reserve gets Rs. 29 lakhs (Rs. 12.50 lakhs) against Rs. 6 lakhs transferred to replacement reserve and Rs. 2.50 lakhs to deferred taxation reserve. The dividend will require only Rs. 9 lakhs (Rs. 7.20 lakhs) and will be paid out of general reserve. The company is setting up a research centre for terpene chemicals at Baroda and a loan of Rs. 19.23 lakhs in being obtained from ICICI for importing the required equipment for this centre. A rupee loan for Rs. 25 lakhs will be obtained from a bank for the same project which will be completed by the third quarter of this year.

The terpene chemicals project is nearing completion at Bareilly while for two items, terpene resins and para-menthane hydroperoxide, pilot plant trials are in progress. Production of camphor last year was higher at 790 tonnes against 636 tonnes in 1970 while production and sales of new chemicals were also higher. The sum of Rs. 25 lakhs to the credit of deferred taxation reserve and Rs. 6 lakhs in replacement reserve have been transferred to general reserve.

Dunlop India

Dunlop India Limited has been trying to undertake new lines of production as part of its diversification programme. While the expansion at the Ambattur factory has been completed, the production of bicycle rims has commenced. The company also enlarged its range of Metalistic rubber-to-metal bonded products last year with the introduction of draft gear pads required for the centre buffer couplers of railway wagons. Dunlop India also made a notable contribution to the war effort by stepping up production of tyres for army vehicles including tanks and for I.A.F. aircraft. It is the only manufacturer in the country of aircraft and tank tyres. At the same time, the company has been developing new and improved tyres to suit particular working conditions. Exports of tyres and other rubber products to 71 countries including highly developed ones like the US., set up a new record in 1971 at Rs. 3.34 crores against stiff international competition. The Managing Director, Mr. R. G. S. Nairn, has however cautioned that there will have to be a continuous growth in production and turnover if increasing costs and wages are to be absorbed and reasonable profits made. The expansion applications, both for automotive tyres and industrial products, are pending with the Government. The company has also been paying increasing attention to research and development and expenditure under this head in 1971 amounted to as much as Rs. 30 lakhs. A recent project relates to the development of the main wheel tyre for Jumbo jets while an R & D centre is being established for cycle tyres and tubes. Net assets at the end of 1971 were higher by Rs. 5.20 crores at Rs. 18.09 crores against which the paid-up capital was Rs. 10 crores in equity and Rs. 70 lakhs in preference shares while revenue reserves and capital reserves amounted to Rs. 13.82 crores.

Wavin India

Wavin India Limited was able to increase its turnover in 1971 to Rs. 1.31 crores from Rs. 1.06 crores in the previous year. But the net profit, before depreciation declined to Rs. 20.62 lakhs from Rs. 29.30 lakhs. Even then, it has been possible to declare a maiden dividend of 6 per cent taxable as there was a larger disposable profit. In 1970, earlier losses for Rs. 15.28 lakhs had to be wiped out. The sum set aside for depreciation is Rs. 8.96 lakhs (Rs. 8.19 lakhs) and for taxation Rs. 5.25 lakhs (Rs. 1.25 lakhs). Development rebate reserve gets Rs. 1.58 lakhs (Rs. 2.16 lakhs) and general reserve Rs. 6.08 lakhs (Rs. 1.21 lakhs). The dividend will be paid out of the latter reserve.

Atul Products

Atul Products Limited had no great difficulty in maintaining its production and sales

for 1971 at a high level despite the sluggish conditions in the textile trade. In fact, sales improved to Rs. 15.43 crores from Rs. 14.77 crores in 1970 though the profit margin was eroded by increased costs and the net profit, before depreciation and taxation declined to Rs. 236.73 lakhs from Rs. 261.76 lakhs. The dividend on equity capital has at the same time been increased to 15 per cent taxable, from 14 per cent, taxable. Depreciation claims Rs. 1.03 crores (Rs. 1.06 crores) while taxation gets a larger sum of Rs. 50.50 lakhs (Rs. 28.50 lakhs) due to the small provision for development rebate of Rs. 7 lakhs (Rs. 36.60 lakhs). The allocation to ebenture redemption reserve is Rs. 10 lakhs nil) and general reserve Rs. 62.06 lakhs Rs. 95.99 lakhs). The dividend is to be paid out of general reserve.

Kerosene from Russia

The Soviet Union will be supplying half a million tonnes of kerosene during 1972 to meet the marginal deficit for this petroleum product in the country. In spite of a steady rise in refinery capacity there has been inadequate availability of certain products like high speed diesel oil, furnace oil, kerosene, etc. due to a steeper increase in consumption. The indigenous output of kerosene meets 85 per cent of the requirements. The imports from Russia are valued at Rs. 12 crores and an agreement for the supplies was recently signed by Mr. Kamaljit Singh, Managing Director, Indian Oil Corporation (Marketing Division) on behalf of the Corporation and Mr. N. A. Ramazanov and Mr. V. V. Orlosky for the Soviet oil organisation, 'Sotuznefteexport'. Indian Oil is also considering import of high speed diesel oil, another item in short supply, from Russia.

Carborandum Universal's Expansion Cleared

It appears the Cabinet Committee on Economic Co-ordination has cleared the expansion proposals of Carborandum Universal Ltd.

This company is engaged in the manufacture of grinding wheels and bonded hand-coated abrasives. Expansion proposals from this company were referred to the Monopolies Commission, which by a majority recommended it on the ground that expansion was in national interest.

It is interesting to note that in 1969 the licensed capacity was only of the order of 6270 tonnes. It is estimated that there will be a more than two-fold increase in demand at 14,000 tonnes by 1973-74. While giving their recommendation, the Monopolies Commission has taken this factor, among other things, into consideration.

The present expansion proposals, when implemented, will result in a saving to the tune of Rs. 60 lakhs in foreign-exchange. The company has also agreed to double its exports to Rs. 30 lakhs from the present Rs. 19 lakhs.

Warner-Hindustan Exports

With its latest consignment to U.K. Warner-Hindustan's exports of specialist basic organic chemicals (Alpha Picoline, Pyridine and Bases) reached 203 Tonnes.

The Chemicals Plant at Hyderabad, built at a cost of over Rs. 1 crores, has the distinction of being the only one of its kind in this part of Asia.

This plant was designed to meet the entire home demand for these basic chemicals—imports of which used to cost the nation Rs. 10 lakhs in foreign exchange every year.

Warner-Hindustan have, today, not only achieved success at home but have also won recognition abroad. Exports of chemicals, manufactured at this plant to sophisticated markets all over the world, now earn more and more foreign exchange for the country.

Fouress Valves to Poland

Fouress Engineering (India) Private Ltd., has secured an order for export of industrial valves to Poland, valued at Rs. 12 lakhs.

This company is a pioneer in the field, having undertaken to manufacture these to meet Esso's demands in the country. The products of this company have helped import substitution to the tune of Rs. 2 crores so far. They have met the requirements of all major refineries, fertilizer plants and other industrial complexes.

It is of interest to note that they have supplied valves to both Middle-and Far-Eastern countries.

HEC's Output Goes up in 1971-72

The production target for 1972-73 of the Heavy Engineering Corporation has been increased by 50 per cent over the target of 1971-72. The Heavy Machine Building Unit and the Foundry Forge Unit of the Heavy Engineering Corporation Ltd., Ranchi, have touched a new high of production output in 1971-72. The output in both the units was very close to the target which is a record as compared to the production during preceding years. At the Heavy Machine Building Unit the production in 1971-72 increased by 32 per cent. The output achieved was 30,468 tonnes of mechanical and structural equipment against a tar-

get of 34,000 tonnes. The production in this unit in 1970-71 was 23,108 tonnes and in 1969-70, 24,462 tonnes. Production at the Foundry Forge Unit rose by 31 per cent in 1971-72 as compared to the output in the previous year. The unit almost achieved the target with an output of 20,954 tonnes of castings and forgings. At the Heavy Machine Tool Plant the percentage of indigenous components in the machine tools produced was considerably higher this year than the previous year. In 1971-72, 20 machine tools of the value of 166 lakh were produced as against 28 machine tools of the value of 105 lakhs produced in 1970-71.

FCI Earns Rs. 1.66 Crore Profit

The Fertilizer Corporation of India earned a profit of over Rs. 1.66 crores during 1970-71 despite substantial production losses in many of its units due to power cuts, power interruptions and other uncontrollable factors.

The Annual Report of the Corporation revealed that the Corporation's profits amounted to Rs. 17,06,79,047.00 before providing for depreciation and interest on loans.

During 1969-70, the F.C.I. earned a profit of Rs. 2.51 crores; its profits before providing for depreciation and interest on loans amounting to Rs. 18,23,06,911.00. But the Corporation suffered production losses in 1970-71 totalling about Rs. 7.5 crores. As much as 45,369 tonnes of Nitrogen production alone was lost mainly in the Nangal, Gorakhpur and Sindri units of the Corporation.

The operating results, however, showed that there was significant improvement in some units, particularly those at Trombay and Namrup, which registered an increase in production over 1969-70 figures. Excluding Nangal, where the production was limited almost exclusively due to power cut, the aggregate production in the other four units of the Corporation at Trombay, Namrup, Sindri and Gorakhpur, showed an increase of 4,000 tonnes of Nitrogen. The production during the second two quarters of 1970-71 was 39 per cent higher than in the first half.

The total production of Nitrogen in various plants of the Corporation was 2,92,000 tonnes as against 3,14,000 tonnes in 1969-70. The P₂O₅ (Phosphates) production during the year under review increased by 7,000 tonnes to total 24,000 tonnes. The production of K₂O (Potash) was 11,000 tonnes as against 12,000 tonnes in 1969-70.

The sales during the year totalled Rs. 78 crores as against Rs. 66 crores in 1969-70, showing an increase of 18 per cent over the previous year.

Summer is on and the relentless rays of the sun spare nobody. Press campaigns have been launched by the manufacturers of various brands of fans. Manufacturers vie with one another to present their case and stress the special characteristics of their products.

The popular names in the 'fanny' world, viz., Usha, Orient, G.E.C. Bajaj and Rallis are already there, with their familiar *modus operandi*. With their established reputation in the market, it is only a matter of widening their horizon. Newer firms too are entering the market, like Hompro and Khaitan. And the variety presented is wide indeed—ceiling, pedestal, table, mini, mobile and air-circulators to suit homes and offices as also individuals.

Home consumption for fans is steadily on the increase, what with the climatic necessity and more and more villages coming under electrification. The pace has been set, the manufacturers are enthusiastic, the mass-media is there to coax people into making a purchase and there is the ingenuity of the ad-men to use the media to the best advantage.

All said, however will anyone feel like dancing under a fan? Why not, poses an ad!

A SPANISH DANCE UNDER A BEACON FAN

In the sweltering heat of the summer months, if any body feels like doing a dance under a fan, it is really Fantastic! Blessed indeed is he (she)!! In the advertising world, fantastic things are happening of late. Acceptable or not, they provide us some lighter moments in a grim world. Thanks to Focus who are introducing Beacon fan in a fantastic way.

"FANDANGO is a dance under the beacon fan," the copy reads. To suit the copy, a ballerina is visualised under the Beacon fan.

The plus points given in the body copy are just routine affair. FANTASTIC presentations are not necessarily the BEST ones too!

FORTUNE HUNTERS

To an executive a 'Fortune hunter' is paying no tribute to the executive. The decor of an office building is certainly incomplete without a suitable furniture range to match. But unfortunately the manner in which the 'Bhawsar' people have chosen to express (impress?) themselves does not command the desired attention. And the sales talk is not quite effective. Routine types and lack of punch in the copy further contribute to the readers' attention to waver.

Advertising in the March

By NIRAJ

FROM BLADES TO...

Sorry the headline could not be completed. Centron Industrial Alliance Pvt. Ltd., does not tell us what.



In their headline copy, Centron has reversed the gear—"All our baskets in one egg" Diversification with a difference is the object behind Centron's venture, as has been Swish, Platinex and Super Swish—to making made clear in the body copy. From blades—of machine for the manufacture of razor blades and for other industries. What are

they and what is the range of the machinery contemplated? Elucidation will follow in the subsequent ads. we hope.

An egg with ambiguous, perhaps symbolic black stripes operating inside is the visual. The twisted copy and a matching visual have succeeded in arousing curiosity. And what follows next should sustain that interest. MCM has produced the ad.

IN THE ARENA

A shrewd competitor is ever alert and takes a cue from the rival product itself, to his own advantage. Smith, Kline & French appears to have done that trick. "Shields wounds from bandage torture" so said the Burnol ad. Smith, Kline & French have named their product Shield and introduced it in the market, in a mighty way too.

"New SHIELD. It has the power to heal burns-fastest." So reads the headline. Where does this power come from? 'Nitrofurazone' a medically-proven antiseptic is the power behind and this U.S.P. has been given stress in the tail-piece as well. "SHIELD destroys germs, does not just check."

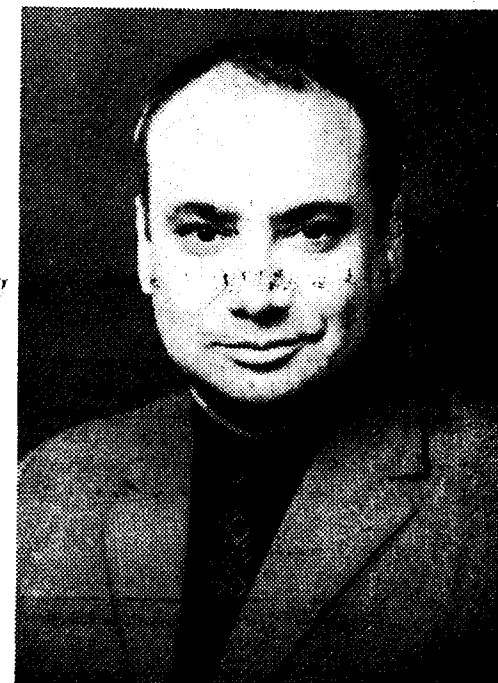
The headline is set in bold enough types as to force its impact on the reader. The body copy too, while it amply elaborates the plus points of the product is presented in a readable, interesting manner. Juxtaposed against small relevant illustrations, the matter does not strain the eye and pleasantly allows it to wander leisurely over the contents.

Gyan Haksar, President Elect, PRSI

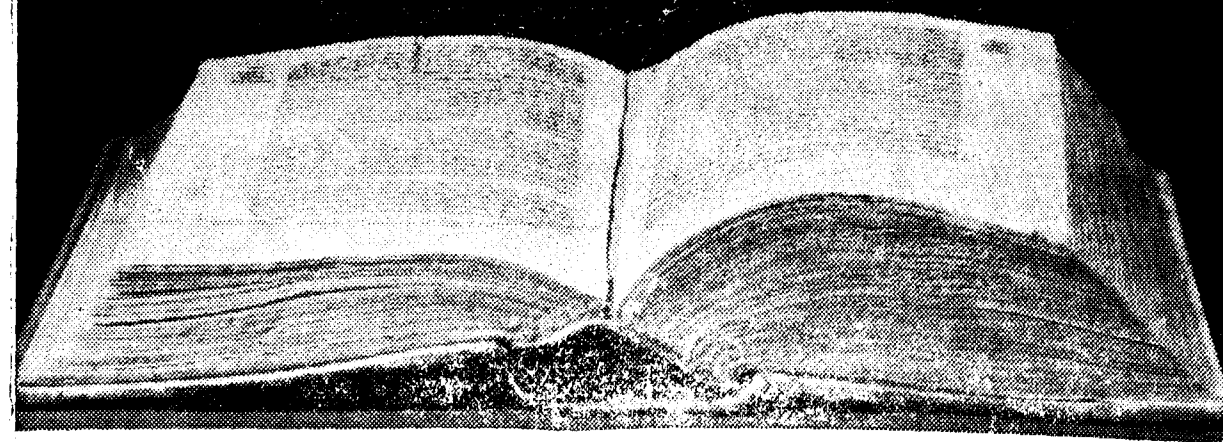
Mr. Gyan Haksar, who has been the Chairman of the Public Relations Society of India, Madras Chapter, is to become the President of the PRSI for the current year.

Mr. Haksar, who is the Public Relations Manager of the Easun Group of companies, has contributed a good deal to the spread of the public relations movement in this part of the country. The Madras Chapter has the largest number of individual as well as institutional members among the different chapters in the country.

Mr. Haksar is also connected with a number of other professional bodies in the country.



*A large
volume of
industry's needs
is superbly
covered
by Kamanis.*



Transmission line towers, radio masts from KAMANI ENGINEERING CORPORATION * Rolled non-ferrous metal sheets, strips and plates from KAMANI METALS & ALLOYS * Extruded and drawn brass and copper tubes, rods and sections from KAMANI TUBES * Zinc oxide and red lead for chemicals and other industries from KAMANI METALLIC OXIDES * Reclaimed rubber for cycle tyres, soles from INDIAN RUBBER REGENERATING CO

Persons 5118 A/R

Kamani Engineering Corporation Limited
Kamani Metals & Alloys Limited
Kamani Metallic Oxides Private Limited
Kamani Tubes Private Limited
Indian Rubber Regenerating Company Limited

Kamani Chambers, Nicol Road, Ballard Estate, Bombay 1 BR.
Telephone: 268261 Telex: 011-2673

K SYMBOL OF INDUSTRIAL VITALITY

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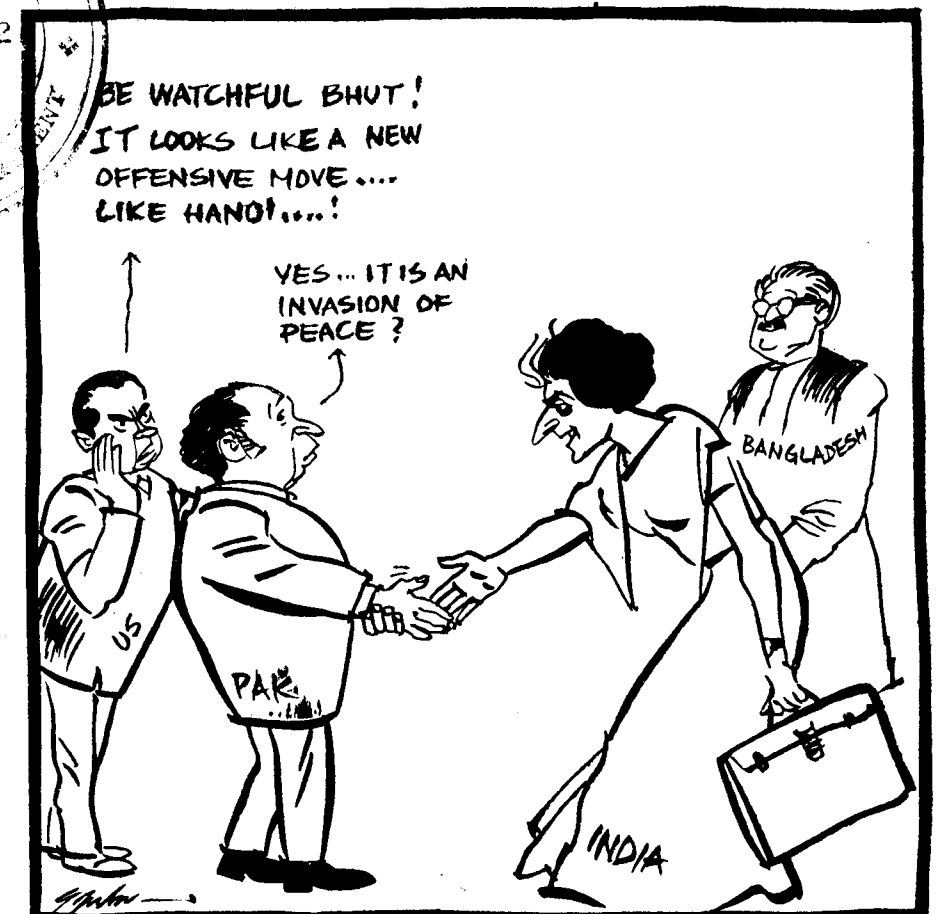
Words, Words, Words.

Public speaking, for some, is a craft rather than an art. Anyway there have been many crafty politicians who have thrived solely on their oratorical stamina than on proven efficiency. Still there are many who have cultivated public speaking as a fine art. Winston Churchill is reported to have practised every one of his speeches (even the Cheroot) in front of a mirror. It was Disraeli (*Platipus* always attributes any profound saying only to this ant, without a qualm) who said, "if you want a ten minutes address from me, give me a week's time. If you want an hour of speech from me, well, I am ready now!"

Of course, the speaker cannot always ramble on, testing the patience of the audience. A longwinding speaker, acquainted to *Platipus*, got a severe jolt, recently when he made an impassioned appeal to posterity. A heckler impolitely told him, if the speech was not cut short, only posterity would be there to listen to him! Such dull speakers missing the punch line of a joke get one on the paunch instead. That is why *Platipus* always liked the candidness of the American orator who boasted of two types of speech. The first was *The Mother Hubbard Type* almost covering everything but touching nothing. The second was *The French Bathing Suit Type* covering only the essential points!

But the shortest and the greatest speech ever heard was delivered by a grizzly sociologist. Rising to speak on that eternally interesting theme of sex, he said "Gentlemen, it gives me great pleasure...." and just sat down!

—*Platipus*



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**PRODUCTION SINCE INCEPTION
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operating in Bombay area.

And supply of

*Main Steam Turbines for propelling
Indian Navy Warships

*1,20,000 KW Steam Turbine Generator.



**HEAVY ELECTRICALS (INDIA) LIMITED
BHOPAL**

(A Govt. of India Undertaking)

Newfields



A Case for an Indian Industrial Service

The generalist administrator has been assuming a continually expanding role in a public administration. This is but natural in the context of the increasing role of the State in modern times as contrasted with the duties of largely "policing" in the pre-Independence era. Looking back at the origin of the civil service one finds it essentially as the innovation of the East India Company to manage its affairs in India. In the subsequent years the civil service began assuming responsibilities in wider areas still largely with the view to take care of the administration of the colonial empire.

By the nature of its very job, its responsibilities devolved around law and order, collection of land revenue and various other facets of district administration. Thus the role of the civil service men in those days could come within definable limits.

With the prestige attached to the posts, with the service conditions proving to be very attractive and with the authority vested in the civil service officials, the scramble for this service was understandable. It was possible to prescribe and successfully scout for talents of a high order. With intensive training of the successful candidates in selected areas of administration—which had not assumed the dimensions as are evidenced today—it was possible to breed a long list of highly efficient and talented civil service personnel.

With the advent of Independence, there has been a tremendous change in the complexion of the service. Firstly, with the increasing role of the State in a variety of fields, the demand for civil service officials has increased many fold. Secondly, with the rapid industrialisation of the country, a variety of new skills and faculties are demanded of the civil service officials in fields which did the necessitate any specialisation on the part of their predecessors. Thirdly, the former civil service officials did not have the need to attempt the even spread of the fruits of democracy and socialism right up to the village levels. So long as their major functions related to the maintenance of law and order and collection of land revenue, the reciprocal obligation to ensure the welfare of the people coming under the administration or to look after the social welfare requirements of the region under their command did not weigh with them as much as it has got to be done in today's democratic, socialistic set-up.

The enormous increase in the number of posts in administrative service and the little improvements in service conditions, have contributed to a certain extent of watering down of the rigid standards that used to be witnessed in the earlier era. For instance, the scale of the IAS officer at Rs. 400-50-950 has been remaining unchanged for a number of years now. The consolidated emoluments of an IAS officer in the first two years is around Rs. 500, whereas Management Trainees in a number of private organisations are started at higher scales and are given a wide range of

perquisites. By the time the officer enters the senior scale of Rs. 700-1,200, his counterpart in a growing private company clears double his total emoluments. No wonder over a period there has been a perceptible decline in the rush for this service.

More alarming than this is the enormous increase in the responsibilities that are expected of an IAS officer. Today, he can be placed in any one of the following jobs:

- Deputy Collector of a District;
- Deputy Secretary to anyone of the numerous Departments, from Agriculture and Animal Husbandry to Women's Welfare in the Secretariat of the State Government;
- He can be asked to manage one of the many State owned Corporations dealing with industrial development, financial disbursement, small scale industries, transport, agro-industries, slum clearance, housing or industrial promotion;
- He can be put in charge of municipal administration;
- He can be appointed to any one of the numerous industrial concerns and co-operative factories coming under the State's jurisdiction;
- He can then be sent as the Collector or Commissioner of a District.
- He can be pulled back to Delhi and get absorbed in the whirlpool of secretariat work or asked to administer any of the numerous Central Government undertakings or institutions. . . .

As pointed out earlier, it was all right to build up the case of a general administrator in the earlier days when his responsibilities lent themselves for clear definition. Can we afford to assume this sort of omniscience on the part of the administrative officials without training or preparing them for such onerous and diverse tasks? In private organisations the promoters bestow enormous amount of care and attention on appointing the chief executive of a company involving even a modest turnover of, say, Rs. 50 lakhs per annum. He is chosen after very careful selection and is offered attractive terms. For example an average sized plant employing around 500 persons and manufacturing some parts for bicycles or motor-cycles selects its chief executive after close scrutiny of a variety of applications received, and fix the person at around Rs. 60,000 or Rs. 1 lakh per annum. Contrast this with the generalist administrator who has been serving in an odd department in the Secretariat suddenly asked to assume charge of a large corporation with an outlay of around Rs. 10 crores and employing a couple of thousand workers. What is the training that has been imparted to such an administrator? Have there been any aptitude tests conducted by competent authorities for the selection of the officials for such jobs? What are the terms offered to these who are asked assume

such enormous responsibilities? The IAS officers in charge of these corporations are usually in the scales of pay in the region of Rs. 1,300-1,800 per month, which corresponds to that of a Manager of a division in a company in the private sector.

The worst part of this is the frequent changes that are effected at the top management level of these State corporations. In Madras, for example, the Chairmanship of a large State-owned Corporation has changed at least 5 times in the last three years. If somebody is to administer an organisation, it requires a certain time to study its problems before attempting at improvements. Is it at all possible to ensure this in a system in which changes are made all too often?

No wonder in spite of the brilliant conception under which many of the State undertakings are promoted, it has become extremely difficult to make much headway because of these in-built constraints.

These are the days of professionalisation of management functions. With the problems of intricate licensing procedures requiring constant and intelligent follow-up at various levels, with the growing problems of industrial relations, with a high degree of sophistication prevailing in cost control and financial management, with greater degree of skills required in material procurement and inventory controls, and with massive problems of marketing, there is certainly need to have highly qualified and well trained professional managers at the top. The private sector, with all its initiative and dynamism, has large limitations in the form of the inevitable need for placement of the kith and kin as well as the near and dear of the promoters at the higher echelons. The public sector does not have any such constraints; but, unfortunately, often it turns out to be the other way now with the political bosses

distributing these posts according to their whims and fancies. In fact, the public sector with all the resources at its command and with all the posts that are to be filled by it, must take the lead for professionalising management.

This takes us to the fundamental question of the definition of the role of civil service in these changing times. With the substantial number of such officials assuming responsibilities in industrial management, it has become very necessary to think in terms of preparing them fully for such tasks. For industrial management, for example, an intensive ten year programme from the time of recruitment could be thought of. A separate cadre of officials can be brought up to assume responsibilities of these posts in the numerous State-owned corporations both at the Centre and in the States. Alternatively, the Government could introduce a new service, the Indian Industrial Service, and open it up for candidates coming in the age group of 30-35, by which time they would have acquired sufficient amount of experience in managing industries in the country. This will also help the Government to scout for the wide variety of talents that would be available from both the private and public sector undertakings and from this point prepare them for assuming charge at higher levels of management. This process would also release a number of IAS officers for specialisation in the vast areas of civil administration.

To make it attractive, the starting salary for this class can also be fixed at higher levels which will help draw a wide range of applicants with the requisite background and training. The case for the generalist administrator has unfortunately contributed to a great degree of wastage of administration talent reared at a high cost. The time has certainly come to take note of the great demands of specialisation needed of an administrator and hence prepare these with imaginative selection and intelligent training.

A Successful Step to Forge Indo-Pak Amity

The recent visit of Mr. D. P. Dhar for the preliminary talks at the emissary level to prepare for the summit meeting between Mrs. Indira Gandhi and Mr. Bhutto must be hailed as the accomplishment of a first step forward in an unprecedentedly difficult ground.

The issues outstanding between India and Pakistan were never few or simple. Nor was there at any time the measure of freedom from the interference or wirepulling of the great powers so essential for the conclusion of bilateral talks. While it is natural that, with their centuries old habits of thought, the great powers regarded continued tension between India and Pakistan as something to their advantage, Pakistan itself has been averse to any settlement that would conduce to

a stable peace between the two countries.

Whether or not there is any specific issue in which the conflict of genuine interest between the two countries is irreconcilable, it is certain that Pakistan has, since its inception, aimed at obtaining a distinct vantage for herself in any possible war with India. The Kashmir problem has been regarded only from the strategic point of view, though India has more reason to regard it in that light, once Pakistan looks on Kashmir as a base for attacks on India. Now that Bangla Desh has been well established as an independent republic and Pakistan has no chance of attaining military parity with India except with abundant foreign help of an essentially disreputable kind, it may be possible for Pakistan

to take a more sober view of the Kashmir problem and thus open the door to amicable settlement of other issues. And that is precisely what the US and China are trying to prevent. The other issues, too, are not as simple as one would wish or be inclined to assume.

Agreement on the desirability of a summit meeting or on the need for exploratory talks at the emissary level has been arrived at only because India has stuck to her "no conditions" stand and Pakistan cannot afford to continue indefinitely to mark time. The abandonment of attempts to formulate an agenda or determine the order in which the issues should be taken up for discussions or negotiation has enabled the taking of the first step. But neither country can say, 'one step is enough for me'.

Is the World Closer to Monetary Reform?

The Managing Director of the International Monetary Fund, Mr. Pierre-Paul Schweitzer has devoted his entire address at UNCTAD-3 at Santiago towards highlighting the need for evolving expeditiously a consensus on world monetary reform. The main headache about world reserves is that they are heavily dependent on two national currencies, the dollar and the pound both of which have been weakened by their relative payments position. Naturally, a system based on trickling flows of gold and therefore on massive use of reserve currencies "tends to be increasingly subject to strain as currency holdings become the dynamic element in reserve creation through continuing deficits of the major reserve centre." To run a deficit as the means to supply resources for rehabilitation of war-torn economies looked all right so long as rehabilitation lasted. But its continuance under diverse considerations of political and military expediency had in a sense exported domestic inflation on a scale witnessed never before. As European writers have been pointing out, the flush of Euro-dollars has strengthened hot money movements just when European currency parities had developed a degree of uncertainty which was paradise for the speculator. The crux of the matter is that gold, dollar and the pound can no longer be the means of reserve creation despite all aspirations to the contrary. This implies that "world payments means" can be taken out of the red only by ensuring that all major currencies which are the means of world payments have parities reflecting their normal strength.

Par Value System of Exchange Rates

The IMF has always maintained that the par value system of fixed, exchange rates is the best. It has no patience with those who argue in favour of floating exchange rates or floating pegs (if at all a peg can be a peg if it keeps on moving). The interim report of the Executive Directors of the IMF has arrived at the following three conclu-

sions: First, the par value system, under which exchange rates should be held stable so long as they are at a realistic level, is sound and it is neither feasible nor desirable to go in for any other system. Secondly, stability of exchange rates does not and should not imply rigidity and there would be advantages in smaller and prompter changes in parities. Thirdly, there should be a further study of appropriate ways of introducing flexibility into the system while preserving the basic reliance on par values.

The critics of these views believe that if parities should be disturbed and promptly too, there should be nothing wrong theoretically at least in voting for floating rates. The risks of floating being uncertain and on occasions calamitous, there would automatically be a disciplining of the working of these rates by spontaneously more efficient monetary management. While all this looks attractive in theory, the point cannot be missed that the world monetary system depends on how nationalist aspirations interact (and overwhelm in many cases) international altruism. If the experience of the world since the Second World War is any guide, it should be obvious that but for fixed parities the monetary situation could have gone out of hand and that the system acquitted itself creditably not because it was rigid but because it was able to discover a thousand ways of contriving the needed degree of flexibility through swaps, credit to tranche, standby agreements and the like.

Utility of Fixed Parities

It should be mentioned here that the leading countries of the World have of late begun to concede the utility of fixed parities properly realigned. A lot of dust has still to settle down. Last year's adjustments have meant no victory for anybody. Till the dollar was devalued and the mark and yen were revalued, there was a natural hedging for positions. The

US accused West Germany of trying to get away with an undervalued currency under cover of which the West German export boom had been induced. The West Germans accused the US of sinning through an overvalued currency which helped neither itself nor its friends. The changes in currency parities since made alongside of the increase in the world price of gold had put a lid on such cross-talk. It should not however be imagined that everything is all right now. What has actually happened is that the countries concerned have bought some time through a temporary arrangement which cannot be expected to last for long.

A healthy sign towards this goal is the willingness expressed by the developed countries to hold consultations with the poorer nations on the question of monetary reform. The recent meeting of the Economic and Finance Ministers of the enlarged European Common Market decided that the Group of Ten should be expanded into the Group of Twenty to provide representation for the developing world. The Americans desire that a separate Group of Twenty should be created to replace the present Group of Ten. While the Europeans desire to keep trade issues out of the Group of Twenty, the Americans feel that the Group should be a forum for the discussion of trade issues also. Whether as an addition to the Group of Ten or as its replacement, there seems to have emerged a consensus in favour of allowing representation to developing countries. This has what these countries have been asking for. That this point has now been conceded means much but not all. For, there are umpteen international organisations where there is representation both for the rich and poor nations. Such representation by itself has not induced a bridging of wills between the two sets of countries. On the contrary, every such body behaves like a mere talking shop where on occasions there had been a clash of tongues and a fray of tempers. One hopes therefore that

when the Group of Twenty comes into being, this experience is not sedulously repeated. Of course, choosing ten representatives from the developing world can also be a difficult matter. It may require considerable goodwill on the part of every developing country in favour of every other so that power politics is not played by vested interests of the richer nations leading to needless divisiveness and weakening of solidarity.

Enlarging Special Drawing Rights Scheme

Perhaps even now it should not be very difficult to devise some way by which there is a bridging of minds between the rich and the poor. This can be done by enlarging and enriching the Special Drawing Rights Scheme. It may be recalled that this new asset was created in order to bring about a growing degree of collective and deliberate control of international reserves, with the expectation that

reserve assets in the form of gold and currencies would over the years decline in importance. Of course any restructuring of SDR will be devoid of purpose if ways cannot be found for siphoning off the explosive flow of Eurodollars and official US dollar balances via their payments deficits. This is the most immediate task that requires to be attended to. At the same time it has to be recognised that, for developing countries, SDR must have some link with developmental assistance. The IMF has been studying this question in response to the desires of many Governors at the last two annual meetings. This study will now have to be set in the context of the larger role that SDR may play as the growing element in international reserves and the principal source of international liquidity in years to come.

The report of the UNCTAD Secretariat on the international monetary situation has set forth arguments in favour of the link. The Fund is going

to study that report as well. The question to be settled is what collateral uses can be compatible with the effective functioning of the international monetary system. The IMF Governors have suggested various ways in which a link could be established between SDR and development financing. There has to be a proper examination of the relative merits of each of these various forms of linking SDR with aid. The US has already expressed itself in favour of creating \$2 billion of SDR for aid. What is important to ensure is that whatever link is decided upon does not have unfavourable effects on the quality and quantity of developmental assistance.

Regionalisation of Economic Links

It cannot be overlooked that developing countries cannot wait for SDR to lift them out of the red. In the past, there was greater awareness among nations of the indivisibility of poverty as well as prosperity. In recent years, unfortunately, that spirit has weakened and the actions of developed countries—despite their growing affluence, have not measured up to their responsibilities. Development assistance has faltered badly. Trade concessions to developing countries have been far below the mark. There has been a regionalisation of economic links sometimes with an aggressive exterior. In a large world, trade can function only through grouping. What matters is that the groups do not become, each of them road blocks with the emphasis on inward looking fiscal, commercial and monetary policies. How to preserve the golden mean between the extremes of groupism? Mr. Schweitzer makes a suggestion in this regard. He says that since policy issues in the years ahead may display great complexity, there may be need for quick consultations within manageable groups. The IMF Board meetings as at present arranged are unwieldy. The better thing would be to have a small committee of the Board of Governors representing both the developed and developing nations which can evolve goodwill in the process of discussion.

Chancellor Brandt's Headaches

There is considerable speculation about political trends in Western Europe in the wake of the French referendum on enlargement of the European Common Market and the headache Chancellor Brandt is having from the opposition in the West German legislature. The French referendum which ratifies the expansion of the ECM is interpreted in knowledgeable circles as a disappointment to President Pompidou. The vote is not high enough to make him the natural leader of West Europe in the expanded E.C.M. It is a matter of political necessity for the opposition to cut down the party in power to size without damaging that party's long term policies in which the opposition has a common stake. What is essential to be established is this vision of continuity in policy especially on the external front. So long as none would confuse President Pompidou with General De Gaulle in their respective hold over the country, the French referendum may at the worst signify the relative difference in the leadership role without any adverse effect on policy lines especially at the diplomatic front.

Disability of National Interests

In some quarters of European opinion the view is expressed that the expansion of the ECM with the admission of Britain and the Nordic countries will naturally water down the quality of the Market as originally envisaged in the Treaty of Rome. The Treaty envisaged the ultimate political unification of Western Europe with the Economic and Monetary Union paving the way for it. The expanded ECM in this context will be a disability inasmuch as the diversity of national interests—especially of Britain—will limit agreements on policies to matters economic.

Even from the earliest days of the Treaty of Rome, a powerful body of opinion has been harping on the theme that a bigger ECM will function like the British Commonwealth. Some have even gone to the extent of

predicting that admission of new members (beyond the original six) will compulsorily lead to the evolution of a system of checks and balances in which the emphasis will be more on checks and less on balances. Even those who did not go the whole hog with De Gaulle in his mental reservations against Britain used to say that De Gaulle had a point in his favour if he was speaking about the quality of the ECM being altered by British entry.

Conflict About Choice of Common Currency

The discussion on the European Monetary Union has already thrown up fears about conflict between the choice of the common currency. Though among European currencies, the mark has had the greatest strength borne as it is on the West German export boom, the sterling has a superior claim as having had considerable prestige as a reserve currency with a sizable bloc of world trade serviced by it. Will the Europeans be prepared to concede this in actual practice by making it as the pound dollar of Europe? If that is not going to happen, the wrangle over a common currency unit—something like Roosa's Crusa—will consume the best part of the deliberations of the ECM Council for most of the decade ahead. This is mentioned just to stress the fact that even as an economic commonwealth, the ECM will have a looseness about it which will mortify expectations in the Rome Treaty.

The political problems of President Pompidou and Chancellor Brandt that have of late developed on the continent appear to tilt issues, however transitionally so. If president Pompidou's referendum is not the vote of confidence that he demanded, the leadership should naturally go to the West German Chancellor. May be the French may on final analysis muster behind their President. But the leadership issue is not one that will depend on the support at home. For among European economies, West

German's is the most powerful and affluent. With British entry into the ECM the power balance will be further tilted against France and in favour of an adjustment between Britain and West Germany. It will be immature to describe the adjustment as a tussle at all, for with certain similarities in their problems of productivity and exports, Britain and West Germany have an interest in keeping close to each other in policy decisions. But the immediate worries in this regard *vis-a-vis* the other members of the ECM will be that of West Germany. It is precisely for this reason that the hold Chancellor Brandt is likely to have over his people is intrinsically very, very important. The stress is on the hold on the people as reflecting its pull in the legislature rather than on what happens every now and then to the Chancellor's proposals in the legislature. Much of the judgment of what has happened in this regard in the last fortnight is in this sense significant.

Rejection of the Budget

The rejection of Mr. Brandt's budget by the Bundestag should not be taken as offering any clue to the trend of the voting next week on the ratification of the treaties. The budget was rejected because it met with a tied vote, 247 deputies voting on each side with one deputy abstaining.

Having come up the hardway all these years, the West German economy requires the respite in which its trade and economic policies *vis-a-vis* those of the ECM and of Eastern Europe do not get needlessly disjointed. There is a segment of public opinion building up in West Germany which seeks to ensure that the economic motivations do not overwhelm military and strategic considerations. This segment wants the ECM to build a new bridge with the US on the defence side instead of needlessly speaking in disparagement of American influence in Western Europe. It is felt that without this influence, Western Europe will be militarily weak against the Soviet bloc. Only time can show how far these views are acceptable to the majority of West Germans.

Successful Return of Apollo 16

The return to earth of Apollo 16's three explorers a day ahead of schedule after fulfilling their main mission, despite more than one upset up in space, confirms America's mastery of the techniques involved in manned flights to the Moon. Astronauts John W. Young and Charles M. Duke Jr. were beside themselves with joy when they actually landed on the lunar surface after suffering serious doubts about its practicability and what is more, finding that they had barely escaped hitting a treacherous slope. The television too took some time to screen the pictures before the eyes of the people on the ground. The unflinching confidence with which the ground control got over such disconcerting development as the strange movements of the needle is stronger confirmation of the scientific knowledge and practical efficiency that

make for successful space flights than perhaps a smooth, clocklike run to the Moon and back could be deemed to be.

Apart from the mishap to the cable which Young broke accidentally and which was meant to detect heat ranges within the Moon, and relay them to earth, astronauts accomplished their tasks. They established an advanced miniature laboratory and collected two white rocks which geologists expect to be most important in their understanding of the Moon's formation. What is perhaps even more important is that scientists believe that an 'awful lot' will come out of the scoop of lunar soil collected by the astronauts from a permanently shaded area in the Moon's Descartes Highlands, which is described as "cold trap", since it may throw invaluable light on the production of simple organic compounds in the lunar soil.

Accelerating the Pace of Rural Electrification

The setting up of a separate corporation to finance rural electrification schemes in the country is one of the most significant developments in the rural electrification programme. Established in July 1969 and initially funded with Rs. 150 crores, the Rural Electrification Corporation during the two years of its existence has approved 196 schemes sponsored by 17 State Electricity Boards involving a total loan outlay of Rs. 125 crores. Any unbiased observer can see that the REC financed projects have helped acceleration of the pace of rural electrification and in particular energisation of pumpsets. In all, 18,500 villages in 142 districts have benefited from the activities of the REC.

Very few states like Tamil Nadu and Haryana could be called advanced States in rural electrification. The rest of the country is really backward in this respect. The leeway to be made and the endeavour envisaged in the Fourth Plan will become clear from the following facts. During the Plan period a financial outlay of Rs. 520 crores for rural electrification is envisaged. This is made up of Rs. 295 crores under the plans of States and Union Territories, Rs. 150 crores under Central plan and Rs. 75 crores expected from financing institutions. Target-wise, 1.5 million pumps are to be energised and 75,000 villages are to be electrified before 1974. The present total achievement in the field of rural electrification stands at more than 110,000 villages electrified and more than 1.8 million irrigation pumpsets energised.

Norms for Lending to Electricity Boards

Mr. Venkatappaiah, Chairman of the Corporation, explained at a press conference in Madras recently that the Corporation's norms for lending to Electricity Boards are similar to those prescribed by the World Bank which has advanced credit for several generation and transmission schemes. The World Bank prescribes that a Board should be able to show a net return of 11 per cent for being eligible to borrow. The REC does not however

stipulate any return for the whole Board. It goes by the economic viability and technical soundness of the projects for which assistance is sought by the Board.

Mr. Venkatappaiah pointed out that allowance was given for the long gestation nature of rural electrification schemes. The areas were classified as forward, not-so-backward and backward and the interest rates also varied and so designed as not be a burden on the projects. The rates ranged between four and six per cent, he said.

Low Availability of Financial Resources

On one point, however, the Chairman could not be definite in his reply. While, according to him, the REC has enough funds to advance to worthwhile rural electrification schemes, subject of course to the need for special attention to certain weak States, the Electricity Boards are known to go slow on these schemes for want of finance. Factories engaged in production of meters, cables, transmission transformers, towers, etc. have brought down their scale of production as the off-take by the Boards has considerably come down. Mr. Venkatappaiah could not reconcile the abundant physical resources in the shape of equipment and the low availability of financial resources notwithstanding the potentiality of raising vastly increased funds. The Corporation might perhaps have to lower their norms and scale down the expectation of return from an electrification project.

A few other points emerged from the press conference. The Rural Electrification Corporation's functions extend beyond the mere financing of schemes. It has a special responsibility to ensure that the schemes are properly formulated in accordance with the prescribed norms of economic viability. It should see that the schemes are coordinated with other development programmes in the rural areas and that they help to increase agricultural production. Its role is that of a development financing organisation.

Financing Rural Co-operatives

It performs one other function. It promotes and finances rural electric-cooperatives. The cooperative system of power distribution in rural areas is being tried in an experimental way. Five such cooperatives in Andhra Pradesh, Gujarat, Maharashtra, Mysore and Uttar Pradesh have been promoted. These are phased over a period of five years. On completion, the projects will result in energisation of 27,605 pumpsets and power supply to 1,553 small industrial units. About 800 villages would also be electrified and electricity made available for domestic connections and street lighting.

Need to Observe Economy

The Chairman stressed the need for economy in carrying out rural electrification. There is a continuous search for more and more economy in materials and construction practices and to this end, to evolve standards for the structural components for installations and optimisation of rural system-design. Recently standardisation and improvement in the existing designs have been taken up in a systematic manner by the Rural Electrification Corporation. REC has established a cell with expert staff to study this problem and has held consultations with manufacturers, research organisations and State Electricity Boards. As a result, it has been possible to evolve standards in respect of conductors, distribution transformers and insulators. These items constitute a significant proportion of the total cost in rural electrification. It is estimated that with the adoption of the standards evolved, construction can be economised to the extent of ten to 20 per cent. REC has also evolved standards in respect of several construction practices in rural distribution. It is the hope of Mr. Venkatappaiah that REC will evolve with the cooperation of the Electricity Boards, manufacturers, research organisations, etc. standards in respect of other aspects of rural electrification also.

INDUSTRIAL ECONOMIST

Retaining Incentives for Increased Production

The apprehension that has been felt by many as to the use to which Mrs. Indira Gandhi may put her electoral triumphs may perhaps be reduced by the two significant statements made by her during the third week of April. The first of these was in regard to the grant of some licenses to big industrial houses which have presumably been criticised by her most leftist supporters, as needless concessions to big industry inconsistent with the established policy of the government. The second statement is a disavowal of the intention to effect indiscriminate nationalization of all industry. The two statements taken apart or in conjunction point to the Prime Minister's determination not to be hustled into actions which are fully in the national interest and which can be justified on grounds of socialist doctrine or political pressure.

Relaxing Licensing Policies

Relaxation of the rigid licensing policies adopted by the government in the late 'sixties may be said to have been on the cards for sometimes. Nearly every enquiry into the best ways of making the most of the potentialities which the national economy revealed most clearly after revival of our agriculture has pointed to the dangers of adhering too closely to the licensing policy. Exemption from the provisions of the Monopolies Act has been advocated by the enquiries into the most effective methods of export promotion. And in the case of industry generally, though some attempts were made to suggest that the inclusion of small industries within the scope of the index of industrial production would alter the picture appreciably, the slowing down of the rate of industrial growth is now admitted on all hands. With the targets of production for the various industries as they are, it is necessary to ensure the prompt utilisation of licenses instead of being content with granting them to small industrialists and their denial to the big industrialist. The Prime Minister has therefore pointed

out that where neither the small industrialist nor the State Government is prepared to step in, the grant of licenses to the big industrial houses should be regarded not as a deviation from established policy but as an action in consonance with the national interest. This change of attitude has a significance which cannot be underrated.

Full Development of Present Potentialities

Even more important is Mrs. Gandhi's declaration that Socialism is not complete nationalisation of all industry or that the commitment of socialism involves any such indiscriminate action. The statement is important because it was not long ago that Mr. Chavan talked of the nationalisation of a number of industries in the near future. And sometime ago another Union Minister went so far as to say that he would rather have no development than development through the instrumentality of big business. It is obvious that unlike Ministers who are of this way of thinking, the Prime Minister recognizes the imperative need for development for the full limit of present potentialities. For one thing, the needs of defence preparedness will not allow any slackening of productive effort. Secondly, the unemployment position calls for exploring every possible avenue of additional employment. Most important of all, the rousing cry of *Garibi Hatao* is in danger of coming into ridicule as an empty electoral slogan, if it is not followed by a spurt in production. The Prime Minister has been careful to point out that *Garibi Hatao* does not mean the creation of positive prosperity among the masses but the removal of the hardships of scarcity of the necessities of life. It would be wrong for the Government to be too choosy about the removal of such scarcities.

Rethinking in the West

Indiscriminate and complete nationalisation for merely ideological

reasons carries grave risks. And the socialist nations have had sufficient experience of nationalisation to know that it is not a panacea that it was supposed to be and that it is not the principal or sole means of attaining socialist ideals. In the West the socialist democracies have long felt the need for socialist rethinking. But it is a sad fact that those like Mr. G. D. H. Cole who attempted such revision of ideas only fell out of favour with the trade unions.

In a country like India with its massive and growing unemployment and with its leading political parties ready for any measure for reduction of economic inequalities, nationalisation should lose some of its former gilt. And the obvious need to retain incentives for increased production cannot be shirked. The Prime Minister's recent statement points to a change of approach which should prove effective. With her personal ascendancy in a majority of the States in addition to the Centre, her pragmatism should lead to substantial progress in the national economy and in the standards of living among the masses.

FACTS ABOUT A.I.R.

A.I.R. broadcasts an aggregate of 700 hours a day on its countrywide network.

Of these about 308 hours are devoted to music, 157 hours to news and 234 hours to talks, discussions, plays, features and programmes for specialised groups.

A.I.R. has 39 principal broadcasting stations and 29 auxiliary centres.

The *Vividh Bharati* programme runs into 360 hours a day.

Every day A.I.R. broadcasts 230 news bulletins in 31 Indian and foreign languages. Of these, 83 bulletins in 18 languages are broadcast from Delhi; 92 bulletins in 18 languages and 33 tribal dialects from regional stations and 55 bulletins in 25 languages on the external services for overseas listeners.

In the home service A.I.R. programmes are broadcast in 20 principal languages, 22 dialects and 91 tribal languages.

In the external services, programmes are broadcast all over the world in 24 languages.

INDUSTRIAL ECONOMIST

1971-72 Records Marked Growth in Industrial Production

There was a marked improvement in the output in several groups of industries during 1971-72. According to the latest report of the Ministry of Industrial Development the liberalised industrial licensing policy which was initially announced in February 1970 came into full play during 1971-72.

Raising the Rate of Industrial Production

The year witnessed further relaxation in the policy made in the interest mainly of stepping up the quantum and the rate of industrial production. The new policy continued to seek and foster industrial growth in the context of the broad socio-economic objectives of the Government by encouraging new entrepreneurs, particularly smaller ones, promoting regional development and discouraging the growth of monopoly and concentration of economic power. The role of public sector was given a more concrete shape and its scope was further expanded. The joint sector concept was also given concrete shape through the issue of guidelines to the financial institutions regarding introduction of a convertibility clause in the loan agreements.

In spite of the rise in the ceiling for exemption upto Rs. 1 crore, an unprecedentedly large number of applications were received during 1970-71. As against 905 and 1420 applications received in 1968 and 1969 respectively, 3033 and 2939 applications were received in the years 1970 and 1971 respectively. A large number of letters of intent and licences were granted during 1970-71 as compared with the previous three years. As against 221 and 363 licences issued in 1969 and 1970 respectively, 626 licences were issued in 1971. Similarly, as against 334 and 438 letters of intent issued in 1969 and 1970 respectively, 1015 letters of intent were issued in 1971.

Foreign Collaboration

The Foreign Investment Board which is responsible for all matters pertaining to foreign investment and collaboration completed 3 years of its existence in December 1971. 183 approvals for foreign collaboration were granted during 1970 and out of these 32 cases involved financial participation. During 1971, 245 approvals for foreign collaboration were granted and out of these 45 cases involved financial participation. The main industries in which foreign collaboration was allowed include welding electrodes, heavy duty cranes, dry cells, carburettors, printing machines, electronic components, textile machinery, selected drugs and pharmaceuticals, watches, tractors, automobile components and industrial machinery.

The Ministry of Industrial Development continued to lay great stress on import substitution during the year. A study of 112 in-

dustries which accounts for 80 per cent of the total production of industries reported to the Director-General, Technical Development, showed that the production in these industries increased from Rs. 2,515.8 crores in 1969 to Rs. 2,861.6 crores in 1970 and Rs. 3,141.6 crores in 1971. The saving in foreign exchange due to increased production in 1971 was estimated to be of the order of Rs. 153.76 crores as compared with Rs. 141.10 crores (revised) for 1970.

During the year under review the public sector undertakings made some notable achievements. The National Industrial Development Corporation continued to assist the Government of Iran in the building up of a consultancy organisation in that country. It was appointed as consultant by the Government of Libya for setting up a steel melting and billet casting plant. It was also assigned by the UNIDO a study for development of capital goods industrial projects in Iran. During the year it rendered a wide range of consultancy services to undertakings in India. It also entered the field of management consultancy and is providing services for training and recruitment of personnel for various public sector enterprises and private entrepreneurs. It paid a dividend of 15 per cent on its paid up share capital of Rs. 10 lakhs.

Assisting Small Industries

The National Small Industries Corporation continued to render assistance to the development of small scale industry. It supplied machinery on hire-purchase basis to the small scale units. During January-October 1971, machinery valued at Rs. 760.90 lakhs was delivered to the small scale units. During January-September 1971, the Corporation assisted small scale units to secure orders worth Rs. 25.87 crores from the Directorate General of Supplies and Disposal. During the same period, the Post and Telegraph Department placed orders worth about Rs. 21.16 lakhs while the Railways purchased from January to July 1971 items worth Rs. 252.15 lakhs. It secured orders for export of cast iron pipes and other products upto a value of Rs. 57.80 lakhs and shipped goods worth Rs. 8.97 lakhs till September 1971.

The Instrumentation Limited, Kota, in the very first complete year of production (1969-70) has been able to break even. The value of production during 1970-71 was Rs. 357 lakhs as against Rs. 203 lakhs during the previous year. During the same period the turn-over of the unit has increased twofold (Rs. 532 lakhs from Rs. 258 lakhs). The Company is making continuous efforts to indigenise its product range and expects to reduce the foreign exchange content of its products considerably during the coming two to three years. It has secured export orders/letters of intent from a number of

countries in West Asia and South-East Asia for the sale of its products on retail basis. It has declared a dividend of 6 per cent for 1970-71.

Power Station in Malaysia

The Bharat Heavy Electricals Limited has earned a net profit of Rs. 6.5 million. During 1970-71, the Tiruchirappalli unit obtained an export order for 3 $\frac{1}{2}$ x 120 MW boilers for design, manufacture and erection for a power station in Malaysia for a total value of Rs. 914 lakhs.

The Heavy Electricals (India) Limited achieved a finished output (including major assemblies) of Rs. 28.66 crores against the target of Rs. 30 crores. On the basis of this trend in performance, it is expected that the plant would break even by 1974-75 after it has achieved a finished output of the order of Rs. 46 crores excluding the burden of interest on cash losses.

The Cement Corporation of India is engaged in setting up two more cement factories, each with an installed capacity of two lakh tonnes per annum at Bokajan (Assam) and the other at Poanta (Himachal Pradesh). During 1970-71, 1.83 lakh tonnes of cement were exported. During the current year this figure is likely to go up to 2 lakh tonnes.

During April to December 1971, the combined value of production of all the machine tool units under Hindustan Machine Tools Limited was Rs. 1,404 lakhs as against the production of Rs. 939 lakhs during the corresponding period in 1970-71. The sale of machines during the period under review was valued at Rs. 1218 lakhs as against Rs. 775 lakhs during the corresponding period of 1970-71. During 1971 (upto 31-10-1971) the company exported machine tools worth Rs. 77 lakhs and watches worth Rs. 24,000 as against machine tools worth Rs. 68 lakhs and watches worth Rs. 42,000 exported during the corresponding period in 1970-71.

The Nepa Mills showed a gross profit of Rs. 4,58,590 during 1970-71 as against a loss of Rs. 92.45 lakhs in 1969-70. The financial position of the company is expected to show further improvement in the next year.

Small scale industries in India continued to record satisfactory growth during the year under review and have made important contribution to the growth of the industrial sector in the country. The small scale units have been progressively taking up the production of new and sophisticated items, industrial as well as consumer goods. During the period April to October 1971, 50,000 parties were advised on technical matters, over 21,500 parties were advised on starting new industries and diversifying into new lines of production and about 70,000 on other aspects of small scale industrial production.

Merger of Lending Institutions will Quicken Industrial Financing

By B. R. ANANTHAN

Institutional finance in India has emerged as a vital source to bridge the gap in the capital market by supplying medium and long term financial assistance to industries for accelerating the pace of industrial growth in the developing economy of the country.

A start in setting up the specialised institutions for the purpose was made with the advent of Industrial Finance Corporation of India in the year 1948. This was followed by establishing subsequently the State Finance Corporations in 'fifties, National Industrial Development Corporation Ltd., in the year 1954 and Industrial Credit and Investment Corporation of India Ltd., in the year 1955, and the Industrial Development Bank of India in the year 1964. State Industrial Development Corporations, however, have also been providing financial assistance to industries. Life Insurance Corporation of India and Unit Trust of India, although investment institutions, yet contribute considerable financial assistance to the industries.

Parallel Functions of Different Institutions

These different institutions were established at different times to meet different types of requirements of industrial finance. But by the accelerating pace of industrialisation, the requirements of industrial finance in different forms have increased enormously during the last decade. To cater to this increased demand for industrial finance, the activities of these different financial institutions have also increased to meet, as far as possible, all types of requirements of industrial finance. The functions being performed by most of these institutions are alike and conform to one parallel base assimilating all types of financial assistance being made available to the industrial sector in one form or the other.

This scattered institutional framework, of course, is not free from very many complex problems.

Lack of Co-ordination

First, there is acute lack of co-ordination between these existing institutions. Consequently, joint financing by several institutions to one project is troublesome. With the present limited resources, one single financial institution is unable to meet the financial requirements of a big industrial undertaking. It has, therefore, to approach the other financial institutions for similar assistance. But different financial institutions follow different patterns of processing the request of the borrower-concern and prescribe different conditions of the loan or other assistance, thus resulting in delay in financing the implementation of the industrial project.

Secondly, for availing of the financial facilities from different financial institutions, the borrower-concern has to bear increased cost in the shape of additional expenditure being incurred separately towards application fee or earnest money deposits on applications, legal charges, payment of travelling allowances and incidental charges of the inspecting staff of different institutions supplying different types of information to several institutions, keeping liaison with them, etc., etc.

But the major problems of Indian industries, viz: excess capacity, high cost and low productivity and limited market, especially angled in the recessionary context, have remained unsolved for want of funds to be utilised towards working capital requirements. With all these problems retarding the rapid industrial growth, should it be argued that these financial institutions be merged together to augment their resources and widen the scope of their operations?

Need for a Dynamic Institutional Mechanism

For an improved productivity of the industrial sector and rapid growth of the nation, it is necessary to visualize and identify the requisitions of industry and set up a dynamic institutional

mechanism to meet the different financial requirements at different times and in different circumstances without delay and cost hazards. This aspect is neglected vehemently by the existing framework of institutional finance.

Financial facilities can be advanced to the industrial units at lower cost and lower rate of interest if these major institutions co-ordinate with each other. Inter-institutional co-ordination should have been followed on procedural lines by calling for the appraisal reports, inspection reports, credit worthiness, details of financial position of the borrower industrial units from other institutions. This again, is not feasible as all such information cannot be supplied by the institutions to each other so quickly as to avoid all inevitable delays in the sanctions and disbursement of the financial facilities. Even if this could be done, then the question arises whether the institution calling for all such information and records, can bear the risk of acting upon it.

Bringing Down Operating Costs

Presently, individual institutions have been incurring a good proportion of their establishment expenditure over the employment of expert technicians and engineers in different branches of engineering, viz: civil, chemical, mechanical, electrical, meteorological, etc., and sugar and textile technologists in their technical cell, large number of lawyers and legal experts in their different legal cells. If the possibility of merging these different institutions is explored, this huge expenditure being incurred institution-wise, could be drastically curtailed by centralising such operations. This will bring down the cost of operating the institution enormously.

Consequently, the rate of interest can be brought down by narrowing the cushion between the rate of borrowing and rate of lending. The margin between the interest rates which is specifically left to raise the profit-earning capacity can be slightly

reduced as the basic aim of these institutions should be the service motive and not the profit motive to inspire the industrial growth by financing new projects.

The cost of running these institutions can further be brought down if merger could be implemented. This will grossly curtail the administrative expenditure which is currently being incurred in quite a huge proportion by every one of these institutions. One big institution resulting from merger, could function very well through its branch offices and field staff, which will serve the purpose of decentralising the financial assistance for the indus-

trial development of less developed states on allocation basis economically, rapidly and efficiently.

Management by Exception

An integrated or merged institution's organisation-base would be wider and hence there will be chance for delay in taking either a decision regarding the assistance or disbursement of the amount to the loanee companies when the assistance is sanctioned. To do away with this malady, the rule of management by exception could be very well applied wherein the middle

level and lower level management at branch level can take quick decisions and action thereon, in case of concerns which are eligible for assistance within the limit prescribed, and in exceptional circumstances, as for example, when the loan amount is considerably huge or when the nature of the business of the applied concern is somewhat unusual or new, the manager of the branch concerned can refer the case to top management at the Head-Office level and act according to its opinion. If this is applied suitably, the loanee-concerns will be enabled to implement their planned programmes without much delay hazard.

LIC's New Business for 1971-72 Exceeds Rs. 1,651 Crores

The Life Insurance Corporation has done new business of over Rs. 1,651 crores in 1971-72, as against Rs. 1,303 crores in 1970-71. It works out to 26.7 per cent increase over the last year's performance and this is the highest increase since the Corporation's inception. In the amount of new business, the increase in 1971-72 comes to Rs. 348 crores as against the increase of Rs. 263 crores during the preceding year.

The new business in India of the Corporation has gone up from Rs. 1,025.68 crores in 1969-70 to Rs. 1,642.07 crores in 1971-72 recording thereby an increase of 60.1 per cent in 3 years. It is quite spectacular, as in the earlier seven years viz. 1963-64 to 1969-70 the increase was only by 48.1 per cent i.e. from the total Sum Assured of Rs. 692.50 crores to Rs. 1,025.68 crores. The number of new policies issued in India has gone up from 13.96 lakhs in 1969-70 to 18.98 lakhs in 1971-72, showing an increase of 36 per cent, whereas in the earlier seven year period 1963-64 to 1969-70, the figure had gone down from 16.37 lakhs to 13.96 lakhs—a drop of about 15 per cent. Group and superannuation business during 1971-72 improved by over 80 per cent. A new business of Rs. 142.87 crores under 245 schemes was written during the year. In 1970-71 the corresponding amount was Rs. 78.44 crores under 105 schemes.

The number of policies and sum assured written by the Corporation, both in the ordinary business and the group and superannuation business, are the highest so far recorded by the Corporation. The increase in new business has been not only in the sum assured but also in the number of policies issued by the Corporation, both in India and abroad, the number being a little over 19 lakhs as compared to 16.16 lakhs of the last year. The increase in number of policies by 2.86 lakhs works out to 17.7 per cent as compared to an increase of 15.8 per cent in the preceding year.

Rs. 299 Crores Investment

The Corporation's total investments in 1971-72 exceeded Rs. 299 crores—an increase of over Rs. 31 crores over the preceding year. Under its statutory obligations, the Corporation has made fresh investments in the Central and State Government loans for an amount of Rs. 136 crores during the year as against Rs. 94.26 crores in 1969-70 and Rs. 127.78 crores in 1970-71. The policy laid down earlier investing increasing amounts in welfare schemes was more vigorously followed and greater emphasis was laid on disbursement of loans to municipalities and zila parishads for their water supply, drainage and sewage schemes. This amount has practically doubled during the current year and was about

Rs. 21 crores. In 1970-71 it was Rs. 11 crores and in 1969-70 Rs. 5.5 crores.

More than Rs. 50 crores were advanced to state electricity boards either to complete or to expand their schemes. This amount in 1969-70 was Rs. 32.50 crores and in the year following Rs. 48.00 crores. Besides, the Corporation has invested Rs. 11 crores in the bonds of state electricity boards during 1971-72. LIC continued to advance loans also for housing during 1971-72. Loans amounting to Rs. 45.45 crores were advanced excluding loans under "Own Your Home" and Mortgage schemes which are expected to amount to another Rs. 10.00 crores. The main objective of these investments was to ensure that the money collected by way of premia is ultimately utilised to benefit the common man.

Ambitious Target

Mr. K. R. Puri, Chairman, LIC, envisages an ambitious target of Rs. 2,150 crores for the current financial year, with the objective of doubling LIC's new business within the span of three years. This will mean breaking new grounds by covering several potential and untapped areas and sectors in the community to bring more and more people under insurance cover. The Corporation proposes to penetrate into rural areas more effectively, simultaneously concentrating on urban pockets.

TIDCO's Arkonam Plant Goes on Stream

Tamil Nadu got into the steel map of India when the Continuous Steel Casting Plant of the Tamil Nadu Industrial Development Corporation (TIDCO) was formally commissioned at Arkonam recently.

The commissioning was done by the Chief Minister M. Karunanidhi at a function attended by a large number of industrialists, officials and others. As the Chief Minister unveiled the plaque, the arc furnace emitted giant flames melting the scrap fed into it.

The Soviet Union furnished technical assistance and equipment for the scrap-based Rs. 7.50 crore plant with a designed capacity of 50,000 tonnes of billets.

Licence Obtained for Sponge

The function was notable for some announcements. One of them, made

by the Industries Minister S. Madhavan, was that the Centre had issued a letter of intent to the TIDCO for setting up a Sponge Iron Plant at the Arkonam steel complex. It might cost upto Rs. 9 crores and would be the country's first sponge iron plant. Sponge iron will be produced from iron ore (Hospet) at this plant and it will be fed as alternative raw material to the scarce scrap into the concast furnace for producing billets. Another arc furnace of similar capacity is to be put up for converting scrap into steel. Altogether there will be 100,000 tonne capacity from scrap and an equal capacity from sponge iron.

Mr. Madhavan in his speech urged the Centre to allocate the entire scrap arisings in the State from Central Government undertakings like the Railways to the Arkonam plant. As

for the arisings in State Government enterprises were concerned, instructions had already been issued to make them available to the Arkonam plant. He expected that on a fairly regular basis scrap would be available for 100,000 tonnes of casting capacity. He thanked the Dasturs who had virtually fathered the Arkonam plant and also the Soviet Union for the supply of equipment and machinery.

Mr. Karunanidhi referred to the delay in putting up industrial plants occasioned by the Centre's attitude. He said it was mainly due to the present policy of Centre keeping to itself all the powers concerning the setting up of major industries.

Electricity Minister O. P. Raman said that next to scrap, power was a major raw material for the Arkonam plant. It would consume eight megawatts daily.

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Will Aid Rerollers...

The Chairman of TIDCO, Mr. Harbans Singh said the setting up of the Arkonam plant should considerably relieve billet shortage for rerollers in the State. There are at present 37 of them in the State. He said a grading and sizing plant for the borings and turnings (scrap) used by the furnace would soon be put up. The second arc furnace on which action

had already been taken would cost around Rs. 150 lakhs.

Mr. Balaraman, MLA from the area, pleaded for establishment of rerolling and other steel using facilities to be created at backward Arkonam to create employment opportunities. Mr. Viswanathan, MP from that constituency, wanted another mini steel plant for the State.



Tamil Nadu Chief Minister M. Karunanidhi is seen inaugurating the Arkonam Steel Casting Plant. To his right is Industries Minister S. Madhavan Electricity Minister O. P. Raman and Mr. V. Karthikeyan, Secretary, Industries Department are seen to the left of the Chief Minister.

Mr. Shirinsky, Deputy Trade Representative of the USSR in India said the plant would strengthen the economy of Tamil Nadu.

Mr. T. S. Vijayaraghavan, Managing Director, who proposed a vote of thanks, said the commissioning of the plant represented the fruition of a long-looked forward dream of the State.

The Chief Minister and the Industries Minister who took a keen interest in knowing all complicated details of the working of the plant, spent nearly an hour watching the performance of the different sections. They were in the furnace section where giant flames leapt out. They witnessed the mammoth ladle transferring molten scrap after purification to the concast buckets. They saw at the concast section billets coming down in four strands automatically and being cut into eight-metre lengths. The distinguished visitors spent quite some time in the Control Room where they closely questioned the Russians and others on the use of radio active sensors to observe the performance of the different sections of the plant. —V.M.

GOVERNMENT OF TAMILNADU

Department of Industries and Commerce

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3. Small sized factory sheds in Ambattur Industrial Estates
4. Contribution to share capital for Industrial Co-operatives.
5. Supply of machinery on Hire Purchase through Small Industries Development Corporation.

For further particulars please contact

THE DIRECTORATE OF INDUSTRIES AND COMMERCE

CHEPAUK, MADRAS-5

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Rapid Growth of Small Industries in Tamil Nadu

By N. MAHALINGAM

Member, Tamil Nadu Planning Commission

Tamil Nadu has witnessed a steady growth in the small industries sector since the year 1960. By the end of June, 1971, the total number of units registered with the State Directorate of Industries and Commerce had gone upto 23,208 as against 3,000 units in 1961 and 10,431 units in 1966.

From Small Pins to Heavy Lathes

A variety of items ranging from a small pin to a heavy lathe or a drilling machine, sophisticated items like the sensitivity laboratory and testing equipment, electronic items, other engineering, chemical, plastic, glass, ceramics and food products is manufactured by Small Scale Units in the State. In regard to certain items like electric motors, tanned leather, safety matches and fire works, Tamil Nadu has achieved a special distinction. Nearly 50 per cent of the units (about 11,700 out of the total) are engaged in manufacturing iron and steel products, textiles, food products, non-ferrous metals and alloys, printing and mathematical and other drawing instruments.

A study conducted by the Director of Industries and Commerce, Madras reveals that the total capital invested by 11,800 registered units in the State at the end of 1967 was about Rs. 63.94 crores, employing 1.86 lakh persons. On an average, a small scale unit employs 16 workers. What is more, the study discloses that, a small scale unit invests on an average about 45 per cent of its total investment on machinery alone. Investment has been high in iron and steel based industries and textiles. About 30 per cent of the units in the State do not use power (e.g. safety matches, leather, utensils (non-ferrous) agricultural implements, bricks, bakery and confectionary units).

Governmental assistance and organisational help should be given in a big way for the promotion of the Small Scale Industry in India. The facilities now available for large industries in the shape of cheap and adequate

credit, management training, product certification, productivity techniques, in-plant training etc., should be extended to the small industries also. This can be done by such measures as arranging the supply of raw material, creating an organisation for marketing the finished goods, instituting quality control and providing such facilities as the establishment of design centres and providing for product certification, etc. Besides, the State can also assist in giving priority to the small scale industry by such measures as adoption of preferential tariff rates of electricity and fixing wages by linking it to productivity, thereby avoiding production delays due to labour trouble. Also, there is the need for relaxing labour laws for the small scale sector.

Financial Assistance

Finance is the biggest problem for entrepreneurs who are engaged in this Sector. It is now being given upto 75 per cent both by TIIC and the Banks. The purchase of machinery by hire purchase system is, no doubt, a help. A point to be considered is to see that the sum of Rs. 3 lakhs capital, needed for a project of Rs. 10 lakhs, can be found as follows:

	(Rs. in lakhs)		
	Equity share	Preference share	Total
TIIC's & SIDCO Contribution	0.75	0.75	1.50
Promoter's Contribution	1.50	—	1.50
Total issued Capital	2.25	0.75	3.00
Loans	—	—	7.00
Cost of the Project	—	—	10.00

Out of the project cost of Rs. 10 lakhs, there will have to be an issued capital of Rs. 3 lakhs, made up of equity shares for Rs. 2.25 lakhs and preference shares for Rs. 75,000/-. The promoters will have to be asked to put

up only Rs. 1.50 lakhs in equity shares, constituting 15 per cent of the total outlay. The balance of Rs. 1.50 lakhs out of the issued capital will have to be taken up by TIIC and SIDCO in the form of equity shares for Rs. 75,000 and preference shares for a similar amount. The remainder of Rs. 7 lakhs after raising equity and preference capital, will have to be in the form of loans.

Co-ordination of Sale Pattern

The system of delicensing upto Rs. 1 crore has made it possible for the medium industry to encroach into the sphere of small scale industries. To avoid this, coordination of the sale pattern of the small scale units is very essential. Pumpsets and motors, at Coimbatore, can be made to market under one brand and this will reduce the cost of marketing. Auto-ancillary is another field and small scale industrialists can make a big dent by adopting coordinated efforts.

Development of Managerial Talent

The development of the required managerial talent is a necessary factor in industrial development. This could be brought about only by adopting a policy of associating engineers, designers and other technical personnel to man the various organisations associated with the development of small scale industry as well as in various units in the small scale sector. In the matter of appointments, a definite preference has to be given to technically qualified people.

It may also be necessary to associate the locally available technical personnel such as engineers and designers in the technical training institutes and marketing organisations for assisting the promotion of industrial units. In fact, in the entire small scale sector, the stress on administrative personnel should be reduced. What is required first is the need to appoint qualified technical personnel in all institutions which are engaged in the promotion of small scale industries.

Abolition of a 200-Year Old Institution

The decision to abolish the Board of Revenue taken by the Tamil Nadu Cabinet over two years ago is to be translated into action soon.

The Board of Revenue, the oldest British administrative institution in the Madras Presidency, was constituted in 1780 before the Mysore Wars when the British had not yet established fully their hegemony in South India. The Board was regulating and supervising the work of District Collectors. The importance given to the Board could be imagined when we see that it comprised one of the senior members of the Governor's Council and three of the most intelligent among senior civil servants. The Governor presided and provided the casting vote in case of a tie. In later years, the Governor did not bother to attend the Board's meetings and the seniormost member presided. It was in 1803 the Board was made a statutory body. The Board of Revenue Regulation passed that year is the law in force to this day. It prescribes the procedures, functions and authority of this institution. Members usually did not tour, except on special occasions.

A Sedentary Body

From time to time over the years there have been criticisms about the ineffectiveness of a sedentary body like the Revenue Board operating from headquarters. Proposals were considered for its reform many times during its long history. Though suggestions for reorganisation were rejected by the Madras Government, in 1878 it became necessary to consider some changes commended by the Government of India. The Members were then given the additional designation of Commissioners. By the Madras Act 2 of 1893 the business of the Board was distributed among its members to be dealt with independently. Some business was however reserved for the decision of the collective Board or two members. In fact, the new scheme now envisaged seeks to do nothing more than the 1893 Act contemplated, plus, of course, the formal abolition of the institution as such.

When the Montford Reforms were considered in 1919, it was felt the

authoritarian and conservative Board was not in tune with the times. There were demands for its replacement. The Government periodically appointed committees to go into the question of the expediency and feasibility of replacing the Board. On one occasion, against the opposition of the Government, the Legislative Council carried a resolution for the abolition of the Board. But the Government did not accept it. All this was before the country became free.

Out of Tune with Times

After Independence the question of abolition came up on many occasions but was being postponed. Mr. C. Rajagopalachari, the then Chief Minister of composite Madras, took up the question of abolition in 1953. He considered it was a desirable thing to do away with the board just for the reason it had no contact with the people. The question of an alternative set-up was engaging his attention. Before he could carry out any reform, his term of office ended and Mr. Kamaraj who succeeded him decided to continue the Board with the existing set-up but with slight modifications.

The DMK as soon as it came to power reopened the question and as far back as 1969 an announcement was made on the floor of the legislature committing Government to the abolition of the Board.

The abolition of this nearly 200-year old institution is to be carried out according to a plan submitted by the State Administrative Reforms Commission, headed by Mr. T. A. Varghese. (The other members of the Commission are Messrs. K. S. Sivasubramanyam, J. Sivanandam, C. V. S. Mani, Member-Secretary, and A. R. Subbiah Mudaliar, M.L.A.).

Split up into Independent Units

A detailed report on the subject was presented to the Chief Minister the other day. The functions of the Board will hereafter be performed by five independent departments, each presided over by a Commissioner. There will be thus be five Commissioners for Transport, Excise and Commercial Taxes, Land Revenue and Settlement.

In the present set-up these subjects are administered by five Members of the Board who will be re-designated independent commissioners. According to the recommendation of the ARC, Entertainment and Cinematograph will be administered by the Commercial Taxes Commissioner. The scrapping of the post of the Commissioner of Food Production (one of the members of the Board) has also been recommended.

The abolition of the Revenue Board would require the amendment of a number of Central and State enactments. The Centre has expressed no specific objection to the abolition. A draft bill has been drawn up by the ARC seeking to transfer the functions of the Board and the subjects from other Heads of Departments to the new Commissioners and the retention of the collective authority for certain specified purposes. All the Commissioners will be made Secretaries to the Government for their respective subjects. It has been suggested that accommodation be provided for these Commissioner-Secretaries on the same premises as Ministers when they discharge public duties from chambers. One reason why the once powerful Board got eclipsed was the lack of opportunity of personal contact for the Members with the Ministers and this is sought to be corrected by this suggestion.

It remains to be seen whether the abolition of the Board of Revenue is going to mean much to the people. There are sceptics who think that what is contemplated is the abolition of the Board in name only. The Members (who are even under the present set up known as Commissioners) will be independent Commissioners heading separate departments but will combine at will to function collectively. Anyway the development will have to be watched before meaningful comments are made. But one thing is certain: the move is not going to result in saving in the Government's administrative expenditure. All the staff will continue and if anything, there may be addition and not reduction to the establishment.

INDUSTRIAL ECONOMIST

Harnessing Human Resources for National Progress

By M. K. RAJU

President, All India Management Association

This decade is characterised by the magnitude of the task and the urgency of the task of ensuring a square meal for hundreds of millions of our people. This is indeed the most challenging task India faces today and we have to convert the present popular despair to a hope for better future.

Substantial Rate of Economic Growth

If we are to achieve this objective, we have to plan on a substantial rate of economic growth. Economic development is necessary, but, by itself, it is not sufficient to develop a nation. Growth in social, political, spiritual and cultural fields must keep pace.

In other words, growth cannot merely be a statistics on output. It has to mean not only growth of the economy, but also a change in quality of life.

India, as a country, is particularly fortunate for the substantial opportunities it has for generation of economic growth on an unprecedented scale.

India's mineral resources are at least 100 times as great as those of the world's richest nation, the United States. This conclusion is based on what is known of largely unsurveyed resources.

We have enough land and water not only to feed the present population, but also a population twice its size.

We have tremendous and relatively untouched human and natural resources and if properly harnessed, there is no reason, why we cannot altogether banish ill-health and poverty on the face of India.

Value of Human Capital

As Professor Harbison of Princeton University puts it, a country's capacity to utilise efficiently physical capital is dependent on availability of human capital. Although there has been an increased awareness over the years that the most important asset of any Company is its human resources, much remains to be done in order to realise their potential.

The All India Management Association, in collaboration with the Madras Management Association, conducted a survey last year on *The Managerial Profile in Madras*. The findings are most revealing:—

- * 27 per cent of managers surveyed do not possess a University degree.
- * 54 per cent of supervisory staff are non-graduates.
- * More than 62 per cent of supervisors have less than 10 years of experience. This would imply that they have another 25 years productive run and will be a drag, without an opportunity for training or continuing education, more

so, as many of them may move to Management levels.

- * The total training effort covers only 20 per cent of the sample, a substantial portion of which is due to the impact of only two highly training oriented companies.
- * Amongst the supervision, the total trained excluding, one major company, is only 17 per cent.

If we take the criterion for eligibility of a professional manager as possessing good education, an opportunity and a desire for continuing education, well developed ethical and moral values and a certain experience in 'managing', 54 per cent of our existing managers do not meet these standards.

Absence of Organised Training Efforts

This is indeed a depressing picture. Planning of training is not widely practised—activity wise and budget wise—even in the



Mr. M. K. RAJU

relatively well known and large companies in an industrial metropolitan city like Madras. On the national scene, organised training efforts are more scarce. An area as important as training is taken for granted. We only have lip service, with too little commitment in the country for training and development.

Human resource development is so critical a factor in the economic growth of the nation, that it can no longer be left to chance, or 'corporate conscience' in a few companies. There is an urgent need for a national policy on training and human resource development.

Let us presume, that we accept in principle that this gap must be bridged and we as a country accept training and development, as a part and parcel of our manpower policy. Then, what is the magnitude of our task?

Lack of Data on Management Personnel

The latest estimate from the Institute of Applied Manpower Research projects our demands for the decade 1966-76 at 2.5 lakh managers, of which promotions from within cover at least 1 lakh. What is conspicuous is that the data is so much at variance from one estimate to the other, that it needs to be reconciled. What is even more conspicuous is that no data, not even a rough estimate, is available on the existing management and supervisory personnel in the country. This is so serious, as they form the baseline for our training needs, make the climate for receptivity to training and form at least 80 per cent potential for promotion of supervisory and managerial personnel from within.

These estimates of managerial requirements do not include the 8.5 million odd Government employees from the State and Central Governments and the corresponding managerial needs. Put together, industry, Government and Agriculture, call for an intensive training activity, on a gigantic scale, in our country.

Large Demand for New Managers

Whatever be the criterion we adopt, the estimated demand for new managers is large—anywhere from 25,000 to 50,000 annually. Against this requirement, we turn out about 650 graduates in management education annually from our business schools and Universities. Amongst the existing management personnel, it is estimated that about 10,000 managers get exposed to some training or the other annually through all existing training agencies, associations, universities and business schools. This is from the existing base of about a million management and supervisory personnel.

Thus, our efforts in the direction of training are glaringly inadequate and this, to a large extent, is retarding the tempo of our economic development, regardless of our other investments. This constitutes a colossal task and our policy must be to allocate our resources judiciously prioritising our national requirements.

Utilisation of Existing Facilities

High rate of economic growth is not possible without a better utilisation of existing facilities. Our industrial sectors must, therefore, increase their efforts, in a relentless campaign, to make present workers, supervisors and managers more effective and to ensure an adequate supply of well qualified personnel for the future, if our country has to maintain rapid growth.

With the present industrial base and existing technologies, machines and materials

INDUSTRIAL ECONOMIST

and with only one more input, namely, improved management and massive training at all levels, we should be in a position to restore full utilization of existing capacities, which will be the equivalent of 3,500 million rupees of additional output. Similarly, an efficient inventory management should result in substantial savings in the country. It is, therefore, clear in the present stage of our development, training of existing personnel to improve the efficiency, becomes even more important than even training of new managers.

Role of ISTD

The Indian Society for Training & Development must be a catalyst to close the gap between ignorance and appreciation for training and development, the gap between appreciation and acquisition of knowledge and finally, the gap between the acquisition of knowledge and its application. As a first step, it must take the responsibility to collect facts about existing management and supervisory personnel in the country, both in the Government and the Industry and our projected demands for the future, for a pre-determined economic growth. Secondly, a strategy must be evolved by ISTD to close the gap between ignorance and unconcern for training and its application. Whether the approach will be enterprise wise, or at the individual level; whether it should be through appreciation seminars or through films or through case studies of successes and failures, it is for ISTD to decide.

Impetus to Training

In Philippines, 30 of the more important industrial organizations have contributed enough funds to establish 20 full time professional chairs at the Asian Institute of Management. In United States, the National Alliance of Businessmen have sought partnership with the Government to sort out a national problem to find jobs for half a million hard core unemployed and 200,000 disadvantaged people. More than 500 volunteer executives, who earn about 15 million dollars as their annual salaries are engaged in an honorary capacity full time. In the words of Henry Ford II, Chairman of the Alliance, "Businessmen must not and cannot let them down. Too much is at stake for all of us".

Integrated Plan for Training

Thirdly, I strongly believe that industry can and must take all necessary steps to do everything in its power including investment of large sums to supply qualified manpower. Installation of recruiting, training and selecting centres within the companies on their own initiative, will pay high divi-

NATIONAL TRAINING POLICIES ABROAD

Britain has introduced an industrial training legislation on the basis of a levy and grant system varying from industry to industry (the levy in engineering industry 2½ per cent of salaries and wages). Two million people are being trained systematically each year by the employers.

In France, every employer of more than 10 workers is obliged to pay a uniform training levy going upto 2 per cent on his total wage bill. Under the scheme, total number trained has risen from 190,000 in 1969 to 371,000 last year. It is the legal right of every French worker to get periods of leave to attend approved training courses.

French Managers believe that training must become a permanent process throughout their professional life.

Sweden has implemented a man power and economic policy.

Japan's economic miracle is the success story of their man power policy, where thousands of supervisors

and technicians were trained in a very short time.

Canada has a new man power training programme.

USA spends 12 per cent of GNP for education and training in Industry, Government and Defence. It is reported that 42 per cent of growth rate per product per person is due to education during the fifty years 1910-1960.

Israel has introduced education and job training measures worthy of mention.

In Finland, it is reported that top and middle executives go to school to study professional management, probably more than those in any other country.

In Singapore, with no more than 50,000 management personnel, 100,000 man hours of management training was imparted in less than four years.

In Poland, in one year itself, in 1963, 10,000 personnel took part in courses dealing with management and related subjects.

dends and contribute not only to their own prosperity, but also the country at large. Fourthly, I recommend, we set up National Training Centres in Bombay, Calcutta, Delhi and Madras with facilities such as audio visual aids, auditoriums, libraries and films. Fifthly, this intense training activity pre-supposes an adequate number of competent trainers. It will be worthwhile for the ISTD to study the profile of a trainer, as it exists today and develop a profile for the future, to undertake the tasks ahead. Sixthly, you must prepare yourself as how to meet the challenge of training of a large number of personnel in the country; how to make organizations more effective; how to initiate, set up and organise training in an organization; how to provide enough trainers in quality and quantity and also what approaches to take—the behavioural and the systems—that ideally suit our environment and culture. This includes the training design, training evaluation, both qualitative and quantitative and research into different types and methods. This must become a part of the integrated plan for training in the country.

Lastly, our training goal must match the needs of our national goals of an annual growth rate in industrial production of, 10 per cent agriculture output of 6 per cent

national income of 5 per cent labour productivity of 7 per cent and more than all, real per capita income of 5 per cent.

Evolving a National Plan

This should form the baseline for developing a National Plan for training. Some of the major elements of this plan would be:—

- * establishing priorities between orientation and functional programmes, executive development programmes, post graduate development programmes, as well as derive cost-benefit equations for each one of them.
- * developing sectorial and managerial level priorities for training in industry.
- * establishing the education and training linkages, through constant dialogue between the industry and the academics.

I come back to, where I started. Human resources form the key to our progress. If properly harnessed, there is no reason, why we cannot altogether banish poverty and ill-health on the face of India.

—From the address delivered at the Third Annual Convention of ISTD at Madras ,

Prospects of More Profits from Mysore Iron

By P. S. RAMAMURTI

After being in the red for some years, the State-owned Mysore Iron & Steel Ltd., at Bhadravati, has turned the corner. During 1971-72, the company has made a record sale of over Rs. 30 crores—a 50 per cent increase over that of the previous year.

In a special interview to Industrial Economist Mr. Chandappa Patel, Chairman and Managing Director of MISL, said that the profits were expected to cross the figure of Rs. 1 crore. He said the profit might go upto even Rs. 1.25 crores.

Profit in Spite of Rise in Costs

Mr. Patel observed that this profit had been made in spite of rise in the wage bill to the tune of Rs. 1.07 crores and in the cost of coal and coke which would account for an additional Rs. 18.5 lakhs. The company had also to pay Rs. 8 lakhs towards emergency risk insurance and an additional Rs. 7 lakhs on account of the revaluation of the Deutsche Mark. And in order to step up sales of pig iron, its price at the sale point was reduced, accounting for a loss of Rs. 12 lakhs.

Mr. Patel said that MISL had exceeded production targets in most of the cases, as could be seen from the table below.

Commissioning of New Electric Furnaces

Referring to the highlights in the working of the company during 1971-72, Mr. Patel said that one of them was the increase in production of mild and alloy steels by about 50 per cent and exceeding the targets in many other fields. The company had put into operation two new electric pig iron furnaces, whereby the shortage of pig iron had been eliminated. The Cast Iron Spun Pipe Plant and the Plate Sleeper Foundry had been re-commissioned after a lapse of few years. Another important feature in the working of the company was the manufacture of Tor Steel from March 72.

Regarding cement, Mr. Patel said that an increase in production had been achieved—94,406 tonnes against the rated capacity of 80,000 tonnes—with no addition to plant and machinery. Mr. Patel observed with satisfaction that during 1971-72 the company did

PRODUCTION AT MISL—1970-72

Product	Production 1970-71	1971-72 Targeted Production	1971-72 Actual Production
Alloy & Special Steel	36,763	55,000	52,470
Mild Steel	30,125	35,000	44,510
Ferro-Silicon	19,976	21,960	22,612
Cement	84,922	77,100	94,406
Steel Castings	1,108	2,400	2,500
Pig Iron	—	1,76,900	1,22,575

Role of Plant Engineers in Preventive Maintenance

India has developed sufficient technical skills in various fields of industry and there is no more need for Indian technocrats and engineers to go abroad for specialised training, observed Tamil Nadu Governor K. K. Shah, while inaugurating the Indian Institution of Plant Engineers at Madras recently.

Sophistication and Self-Reliance

Mr. Shah said that sophistication and self-reliance did not always go together, since emphasis on the former meant foreign dependence. The Governor said that the self-respect of the intellectuals of the country should assert itself.

Earlier welcoming the gathering, Mr. S. Govindarajan, President of the Institution said that it would be the endeavour of the Indian Institution of Plant Engineers to combine practical engineering with management problems. The Institution would also

collaborate with other bodies in providing continuous education and development to the practising plant engineers.

Advantages of Single Shift System

Mr. K. Vaidyanath, General Manager of Integral Coach Factory in his key-note address said that frequent break-downs in three shift systems might be avoided by operating machines in single shifts. This would result in better maintenance of machines and more output from them.

Plant Engineering in Irrigation and Power

Mr. Y. K. Murthi, Member, Central Water and Power Commission, referred to the pivotal role of plant engineers in irrigation and power projects. Till now only 100 million out of a total of 200 million acres had been irrigated and it is planned to irrigate

not accumulate any stock of cement, though this could not be said of the other cement plants in the south.

Mr. Patel said that MISL had a capacity to produce annually 77,000 tonnes of special and alloy steels. But its present production accounted for only 72,000 tonnes. The deficit of 5,000 tonnes of high grade steel would be wiped off after setting up a Rs. 5 crore forge plant. Mr. Patel said that project report for this plant had been prepared by the MISL engineers themselves and it had been sent to CEDB. The plant would be put into operation, within two years after it is sanctioned.

The project report for another ferro-silicon plant, prepared by M. N. Dastur & Co. was with the Central Government for approval. However, Mr. Patel said, his company was having second thoughts about the plant, since ferro-silicon was not moving fast in the market.

MISL has introduced a process by which the use of turnings and borings in the production of ferro-silicon would be avoided. In their place is used mill scale which is a waste material and which is obtained in the rolling process. This process would result in a saving of substantial sums in the years to come.

Regarding 1972-73, Mr. Patel said that his company had launched on an ambitious programme of production and sales, anticipating a turnover of about Rs. 42 crores. The physical target for 1972-73 for mild steel was 60000 tonnes, for alloy and special steel 65000 tonnes and for cement, 100000 tonnes.

Referring to the working of the company, Mr. Patel said that it has sufficient, personnel, qualified and competent, to steer it on right lines. Steps, however, are being taken to streamline the organisation and make its operations economically viable.

about 78 million acres during the 'seventies and raise power production to 52 million kw. Such a mighty task could be executed only with the full co-operation of plant engineers, he said.

Presiding over the occasion, Mr. T. S. Krishna, Managing Director, Lucas—TVS, said that the habit of going in for foreign machinery should be stopped and that indigenous machinery should be preferred. Plant managers and engineers should show their ingenuity in this regard. Describing India as the most wasteful nation in the world, Mr. Krishna remarked that our country was the largest consumer of automobile spare parts. This, he said, was owing to lack of preventive maintenance.

Mr. K. Eswaran released a souvenir brought out on the occasion. Mr. K. Ramesan, Vice-President, proposed a vote of thanks.

And Now We Can Fabricate Pulp Plants....

Harihar Polyfibers, a modern plant to produce rayon grade pulp has started trial production and commercial production will commence shortly. Situated on the Dharwar-Chitaldurg border, this plant which can ultimately be expected to produce 200 tonnes of rayon grade pulp per day will initially turn out 100 tonnes a day.

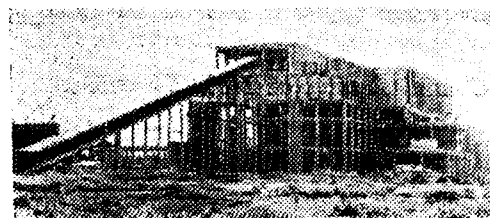
The pulp used in the manufacture of staple fibre, filament rayon... is a scarce commodity. The country's requirement is about 350/400 tonnes a day and the existing three plants in the country supply just about 250 tonnes. About 150 tonnes of pulp are at present imported from abroad. With the commissioning of the Harihar plant, this import could be stopped, saving thereby valuable foreign exchange.

Using Eucalyptus as Raw Material

The raw material for this industry has for long been only bamboo. The bamboo shortage has forced the plant of Gwalior Rayons at Mavoor in Kerala to switch over to all sorts of hard wood. In foreign countries, soft wood (coniferous wood) is used as raw material. The plant at Harihar will be using eucalyptus wood available in abundance all over Mysore—especially in the Bhadravati-Shimoga region.

100 Per Cent Indigenous Machinery

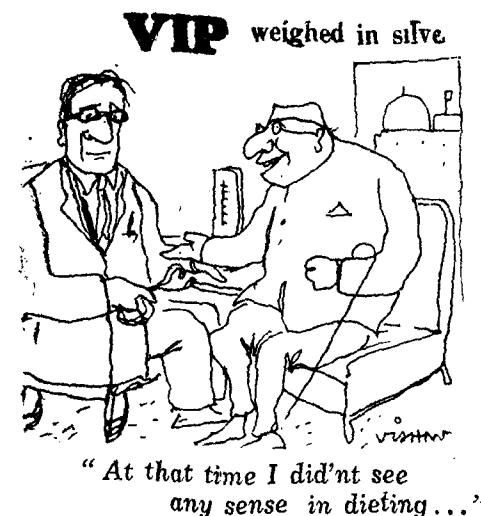
In a special interview to **INDUSTRIAL ECONOMIST**, Mr. V. P. Gohel, General Manager, observed with pride that this is the first pulp plant in India where the machinery used is 100 per cent indigenous. "We have not applied for any import licence," said Mr. Gohel, "and nearly one-third of the machinery has been manufactured in the plant itself." The rest of the equipment are



A view of the rayon grade pulp plant

standard items such as pumps, valves, boilers and they are available within the country.

The work on the plant commenced in February 1969 and the workshop was ready by the end of that year. When the Government put the pulp and paper industry under licence in March 1970, Harihar Polyfibers applied for a COB licence which, owing to some reasons, was granted only in 1972. However, work has progressed fast and the trial runs have yielded satisfactory results.



TELEVISION IN INDIA

In Delhi about 37,000 people possess TV sets.

There are 411 schools with TV sets for educational programmes broadcast for students.

In rural areas around Delhi there are 80 tele-clubs for community viewing of TV programmes, specially prepared for farmers.

Work is in progress for setting up more TV stations at Srinagar, Bombay, Madras and Calcutta.

The Srinagar and Bombay centre are likely to start functioning before the end of this year.

Investment on this project, including land and machinery, is about Rs. 10 crores. This is for the initial output of 100 tonnes of pulp a day. When the capacity is increased to 200 tonnes, it would require just Rs. 2 to 2½ crores more of investment. When the plant operates to full capacity, it would offer employment to about 900 persons, including technical and administrative personnel.

The Plant is laid out compactly and mechanised. The working of the entire plant would be controlled in the control room equipped with sophisticated instruments. A well-equipped laboratory also is in sight.

Can Supply Pulp Plants...

The workshop of the plant is geared up, for the first time in the country, to supply machinery for the manufacture of rayon grade pulp and paper grade pulp on a turn-key basis. It has already received an order for a lime kiln for the West Coast Paper Mills and for equipment for the staple fibre factory of South India Viscose.

Treated Effluent Water for Agriculture

Water for this plant is drawn from the Tungabhadra river. It is interesting to note that the water treatment plant has been indigenously fabricated in the workshop itself. Necessary steps have already been taken to treat effluent water, so that it would not create a social hazard. The water is so treated that it could ultimately be used for agricultural purposes.

On going through the plant, one finds expertise, team spirit and dedication among all grades of staff which, indeed, are necessary in building a sophisticated plant.

—PSR

New PR Manager for Clarion

Mr. D. N. Mazumdar has joined Clarion-McCann, Delhi, as their Account Director and Manager, Public Relations. He has had considerable experience in industry. Starting with the marketing unit of Dunlop India Ltd., he began serving some of the topmost companies in the country. For seven years he was with Indian Oxygen, where he looked after not only marketing but also finance, production, planning and personnel management as well. Later he went to Kilburn & Company as their Chief Executive. In the last three years he was with Thermadyne Private Ltd., for the production and marketing of test equipment for the semi-conductor industry.

A Comprehensive Report to Reorganise Banking

The Banking Commission headed by Mr. R. G. Saraiya has submitted to the Government a comprehensive report and has recommended measures which are far reaching in character. The enquiry, which has been undertaken after forty years, covers a wide field. Many new trends have emerged in banking in recent times and there is vast scope for making the banking system a more effective instrument for hastening the process of economic development. There has been spectacular growth in deposits and it would now appear that an annual rate of increase of even 25 per cent can be easily achieved in the current decade.

Extension of Banking to All Areas

The Commission is naturally concerned with some of the new problems that have arisen and is anxious that the benefit of banking facilities should be made available uniformly all over the country. It has even called for an abolition of the distinction between scheduled and non-scheduled banks and is emphatic that there should be an effective coordination of the activities of commercial banks and co-operative credit societies.

Some careful investigations have been carried out for determining how fresh additions to deposits have been taking place and what should be the optimum size of the bigger banks. Somehow the conclusion has been reached that banks having deposits in excess of Rs. 600 crores tend to be unwieldy and the cost of administration also increases inordinately. This view may be justified in the prevailing circumstances but when there is increase in the volume and size of transaction the funds handled can assume bigger proportions. It may not, therefore, be prudent to conclude, on the basis of available data, that there is no room for many big all-India banks. Before making its recommendations regarding the restructuring of the scheduled commercial banks in

the nationalised sector, the Commission has taken note of developments in U.K. and U.S.A. which are disparate in character. The example of U.K. is not perhaps strictly applicable as it is a small country and business transactions are carried out in a highly integrated manner. Even in that country there are more than six big banks and, with outright mergers many smaller banks have lost their identity while in some cases the entities of the merging units are still kept in tact. There is no doubt, however, the trend towards formation of bigger banks, but the administration of funds is being carried out in a decentralised manner and healthy traditions have been built up over a period. In U.S.A. there are big and small banks; they are still large in number varying in sizes.

Role of Regional Banks

For India there has to be parallel development of all-India and regional banking though it might be argued that regional banking has to be given greater importance. The Commission is rightly of the view that the unevenness in the development of banking should be eliminated without delay and the opening of branches in backward areas which is not quite remunerative can take place only if the respective banks could be enabled to have a proper mixture of profitable and losing banks. There will naturally have to be encouragement to the promotion of regional banks which can operate in contiguous areas in neighbouring States. It has been suggested that these banks should open branches in areas below the district-town level and in order to have some access to remunerative business should be allowed to have branches in district towns also in contiguous areas. The all-India banks should not open branches in centres below the district headquarters levels. These suggestions are eminently acceptable but difficulties will arise if the existing banks in the private sector are sought

to be discouraged or there was a move to restrict unduly the number of regional and all-India banks.

No New Entrant...

The work involved is so large and complicated that there will have to be a fairly large number of banks for the time being though in view of the difficulties involved in supervision and ensuring proper observation of rules and regulations the number should not be unwieldy. By implication it has been suggested that there should be no new entrant in the commercial banking field and more encouragement should be given to the promotion of urban cooperative banks or rural co-operative societies.

It is abundantly clear that there will be an unprecedented proliferation of individual accounts and a growth in deposits for a long time to come will be mainly on account of individual depositors. This will indeed pose serious problems; but with an increase in the number of branches the introduction of mechanised accounting methods and the training of bank personnel, the various problems can be easily overcome. There will necessarily have to be a rationalisation of procedural formalities and elimination of wasteful techniques which delay the grant of credit.

Merger Among Nationalised Banks

There will, of course, have to be a merger of some of the nationalised banks on a regional basis and there is scope for merging two major nationalised banks each in the southern, western and eastern regions. It is also to be decided how the subsidiaries of the State Bank of India have to function as their merger with the recently nationalised banks can give rise to technical problems. The subsidiaries which have still outside shareholders can probably grow in size by amalgamating with themselves weaker units

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and also some flourishing units which have been doing good work on a regional basis. Whatever may be the approach to this question, there will have to be regional banks which can serve effectively all the States and their number cannot certainly be restricted to five or six as suggested by the Commission.

There is certainly a case for reducing needless concentration in some of the well-banked areas. If new branches are opened scientifically, and

the unremunerative units are assigned to banks which are functioning more profitably than others and the remunerative branches are handed over to those who are not well placed there can be faster progress than what has taken place so far. The Government can, however, think of some new methods as has been done in the case of State Bank of India to subsidise the losses incurred by branches in the case of less well-placed units by utilising some portion of the profits which it will be deriving in increasing

measure in the coming years. The development of banking in the changed circumstances should be quite easy though the task involved is very difficult and there will have to be careful selection of personnel, premises and administration of funds. The Banking Commission's Report will certainly stimulate new thinking and there is no doubt that the banking system will achieve a stature in the coming years when it will be an even powerful instrument in promoting growth in all sectors of the economy.

—Maanani

A Thousand Lathes from Mysore Kirloskar

While the machine tool industry now is in an unenviable position owing to the steep decline in investment on engineering industries, it is heartening that Mysore Kirloskar without leaning heavily on internal markets is developing and exploiting the export demands for lathes. Its plants at Harihar and Hubli last year earned through exports nearly Rs. 18 lakhs.

Backed by thirty years of specialised experience in the design and manufacture of a wide range of precision machinery and equipment, Mysore Kirloskar is at present keen on exporting more and more of lathes. These lathes—capstan, turret and auto—are manufactured in Harihar in technical collaboration with Alfred Herbert Ltd., Coventry, England.

Competitive Prices of Indian Lathes

Mysore Kirloskar began manufacturing Herbert lathes in 1958 and shortly the 1000th Herbert lathe will be ready for the market. Herbert, U.K. has completely stopped manufacturing lathes. Mysore Kirloskar is able to manufacture them quite economically as per the designs supplied by Herberts. It is gathered DGS & D is satisfied with the pricing of these lathes. From February last the Kirloskar-Herbert lathes—No. 4 Capstan—have been sold abroad by the world-wide sales net work of Herberts. At present 12 lathes are produced per month, of which 4 are exported. This will soon be increased to about 20 per month. The foreign exchange earning through this will be around Rs. 20 lakhs every year.

Mysore Kirloskar's Harihar plant has been manufacturing from 1963 other Herbert range of lathes also—No. 1 Capstan and No. 9 C

Turret. Arrangements for export of these are being finalised.

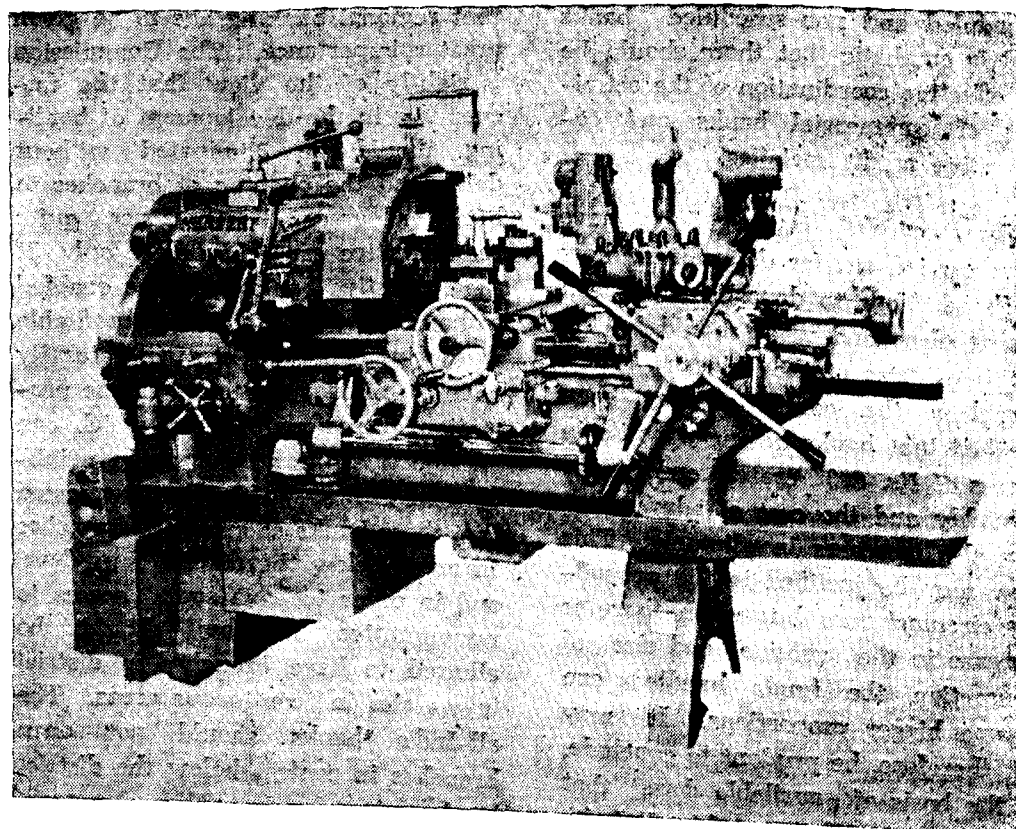
High-Speed Machines Made at Hubli

The Hubli plant has been manufacturing smaller machines for training institutes and small industries. But owing to slackness in the intake of these machines recently, the plant has begun to manufacture high speed

and high power machines which have a good market. These are also being exported.

Mysore Kirloskar has also developed a new trend in casting. Its SG Iron Castings will help greatly transport industry—production of tractors, scooters and also the railways. Though this development in casting is about 20 years old abroad, very few in India have adopted this.

—PSR



One of the machine tools produced at Mysore Kirloskar Limited, Harihar, one of the oldest industrial units of Mysore State.

Company Meeting :



The Vijaya Bank Ltd.

Regd. Office: Light House Hill Road, Mangalore-3.
Admn. Office: Race Course Road, Bangalore-1.

Statement by the Chairman Shri Mulki Sunder Ram Shetty

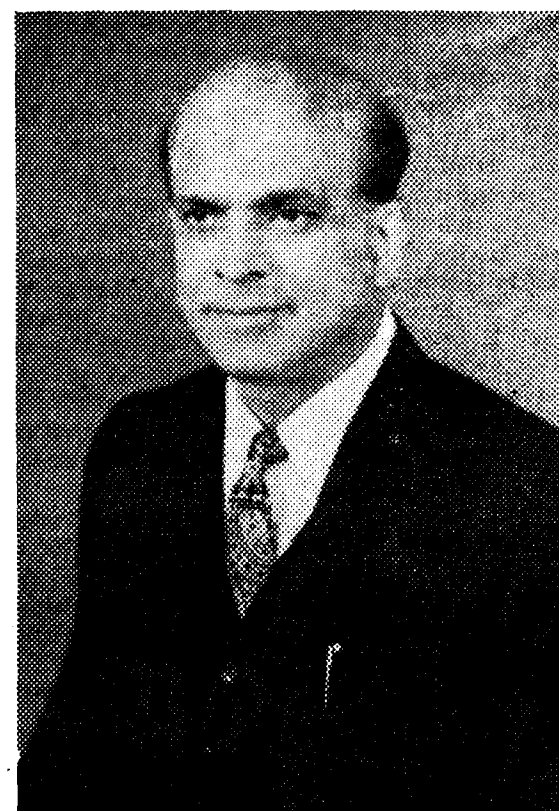
at the 40th Annual General Meeting of the Shareholders
of the Bank held at Mangalore on April 28, 1972

Ladies & Gentlemen,

It is my privilege today to welcome you to the 40th Annual General Meeting of the Bank. Our performance in the period under review has been creditable as will be seen from the figures before you. I take it that you have already read the Balance Sheet and Profit and Loss Account for the year 1971.

built up an image for us in the world of nations, created greater confidence in us and a new spirit to meet the emerging challenges. It must also be said to the glory of the nation that all political parties stood solidly behind the government throughout this period of crisis.

There were natural calamities like floods and droughts in different states, including a



Shri MULKI SUNDER RAM SHETTY

The Economic Scene in 1971

In the year left behind, the political arena in the country was dominant, and replete with events, some of which led the country to the crest of history. Early in the year the setting up of a stable government at the centre, with a thumping majority for the ruling group in the general elections to Parliament was the big event in our political scene. Soon started the refugee problem by the influx of evacuees from East Pakistan culminating in a fourteen day war at the end of the year. While the war with Pakistan left some small dents in our economy it also

devastating cyclone. The familiar features of inflation, rising costs, labour unrest and unemployment did however have their natural repercussions. The financial burden on our economy increased so heavily that additional taxation had to be resorted to by the government in the middle of the year. The dollar crisis and the consequent stir in the exchange market were dealt with by our government with an alert awareness of the international monetary situation. Exports were kept up and the foreign exchange reserve was satisfactory during the year. As the year progressed the economy showed distinct signs of slackening, with a pro-

nounced slowdown in industrial production, but as a redeeming feature, the production of food grains was maintained.

It is against this background that we examine the performance of our Bank, a bank in the private sector working in close competition with the other larger banks spread all over the country.

The Banking System

The year 1971 was a fairly successful year of steady growth for all the banks. The average growth of deposits for all the banks in India together was 20.6% as against 16.4% in 1970. The number of branches increased to 12,985 from 11,184 in the last year. On an average 150 new bank offices per month were opened in 1971. The average population served by a branch of the bank declined to 42,000 in December 1971 from 52,000 in December 1970, and 65,000 in June 1969. The banks met their challenge of deposit mobilisation with added vigour to take the total deposits to Rs. 6,856 crores at the end of the year 1971. The credit needs of the priority sectors continued to get support from all the banks. The total advances of all banks stood at Rs. 4,966 crores at the end of the year. The credit expansion in the banking system was only 11.5% in 1971 as against 23.1% in 1970. Unlike in 1970, deposits did not lag behind credit in 1971. The average credit deposit ratio was as high as 77.4% in 1971 but the bank borrowings from the Reserve Bank to meet credit needs were less than in the previous year.

The report of the Banking Commission set up in 1969 has already been presented to the Parliament. Further developments in the structure and organisation of banking in the country are awaited, depending on the extent of the government's acceptance of the Commission's recommendations.

Our Bank

The deposits of our Bank stood at Rs. 43.64 crores on December 31, 1971. The increase in deposits was 58% as against the average growth of 20.6% of all the banks. For us three successive years have been record years. To keep up the momentum was a big challenge. To have kept it was a proud achievement.

It is no small pride for us to give you a flash back. Ten years ago in 1961 our deposits stood at only Rs. 1.44 crores. In May 1962 your present Chairman took over as the Honorary Chairman of the Bank. Seven years later, in May 1969 when the Honorary Chairman was appointed as the full-time Chairman and Chief Executive of the Bank, the deposits were below Rs. 15 crores. In a few months, by 1969 December, it was Rs. 18.71 crores, an increase of 42% over 1968. In 1970 it was Rs. 27.52 crores, an increase of 47% over 1969. In 1971 it was Rs. 43.64 crores, an increase of over 58% over 1970, probably the highest among banks in the country. I repeat, it was a record for us. Our advances increased by 47% in 1971 and stood

at Rs. 25.84 crores with the average credit deposit ratio in 1971 at 63.35%. As you will see from the Balance Sheet, our working results were encouraging. Our gross earnings rose by nearly 53% and our net profit by about 75% to enable us to step up our rate of dividend this year to 12%.

We have opened 15 branches in the year 1971, taking the total number of branches to 141 at the end of the year. 75% of our branches are in the rural and semi-urban areas and 25% in urban and metropolitan areas. Today, we have over 150 branches. Our target for the year is 200 branches. Against 21 branches in 1961, you can imagine the long way that we have travelled these 10 years.

Current Year

The potential for further deposit growth through branch expansion still exists. But banks have now to go slow and be more selective in their approach to branch expansion. Unless a village or a town is a really potential centre, the banks should not venture into such places. Wastage of manpower and other resources has to be eliminated. Nevertheless, the Reserve Bank of India has programmed the opening of 5,000 branches, in the next 3 years which should work out at about 140 branches a month. In the face of this proposed massive expansion, to what extent an individual bank in the private sector can grow in the years ahead is a matter of guess. But from the growth achieved in the last few years I am as optimistic as ever. Let us hope for the best. It was not a mere expansion for us in 1971 but more a consolidation of our position in centres where we had established earlier.

We obtained in the year under report a licence to deal in foreign exchange. We have opened a Foreign Exchange Department in our Bank to deal in all foreign currencies. Your Chairman went abroad to establish contacts with some of the foreign banks in the month of October 1971. The Bank has now account and agency arrangements with many of the leading banks in other countries. The Bank is at present conducting foreign exchange operations from seven centres — Bangalore, Mangalore, Bombay, Madras,

Cochin, Delhi and Hyderabad. More centres will be covered as and when it is deemed necessary.

Personnel

At the end of 1970 we had on our staff, 1,462 persons of all categories. At the end of 1971 the strength was just 1,896, an increase of 30%. Our staff deposit ratio stood at 52 per crore of deposits at the beginning of the year. It has declined to 43 per crore at the end of 1971. Our working ratio of salaries and allowances to gross earnings declined from 33¼% in 1970 to 29% in 1971.

Our growth is fast and the need for training our staff is engaging our attention. In addition to training them in our own Training Institute, we send some of our officers to courses conducted by the Reserve Bank of India and other training establishments in the country. Our Chief Accountant was at the Administrative Staff College, Hyderabad, for a short course on financial administration. We had sent one of the officers in our agricultural advance cell for a course on Farm Credit Management conducted by the Indian Education Committee, New Delhi. The 23-day course included 18 days tour of Thailand, Philippines, Japan, South Korea and Hong Kong. We propose to depute one of our senior managers to attend the international Banking Summer School in the United States and another officer to Germany for training in foreign exchange. We have plans to train more of them both in and outside India. On the initiative taken by the Reserve Bank of India, a combined staff training college is soon to be set up at Coimbatore for the non-nationalised banks in South India. It will interest you to know that your Chairman has been elected as the first Chairman of the governing body of the combined staff college.

In a developing institution, no single individual at any level is expected to shoulder the increasing demands for technical competence. What we have yet to do therefore is a further streamlining of our administration in keeping with current management thinking. The pattern of banking has changed. As I said a year or two ago, the old concepts in the management of men, money and

material are being pushed out of vogue by the rising tide of social and scientific forces. What is demanded of banks is a high degree of resilience in set up, staff and structure to meet the changing concepts and conditions. The new trends and techniques call for enterprise and expertise at every level. We have to grow our own executive timber. We hope to start a department for management development to develop our own personnel to occupy managerial and executive posts. The purpose behind is to keep well trained men readily available to fill up posts. We must have the right men at the right time in the right place, individuals developed by us with a sense of pride in the organisation and a feeling of growing participation in the progress. We are a bank predominantly youthful in its staff structure with a good spicing of age and maturity at the super-structure. It is only natural for us to grow and grow we must.

Our Thanks

Now let me pay my tributes to our esteemed members of the Board of Directors. My colleagues on the Board gave me their unstinted co-operation. Very sincerely I thank all of them and also the members of the Local Advisory Committees for their unfailing support.

My thanks are due to the Secretary, other Executives, officers and the staff at the Administrative Office of the Bank for their devotion to duty throughout the year. The untiring efforts of group managers, branch managers, other officers and the staff have contributed greatly to our deposit growth. I am deeply appreciative of their dedicated efforts and enthusiasm. I do thank one and all of them.

I take this opportunity to express my gratitude to the Bank's customers and well-wishers for their valuable help, co-operation and understanding at all times.

To you, our shareholders, I am extremely grateful for the confidence reposed in me and my colleagues on the Board.

Thank you.

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

BUSINESS BRIEFS:

New Accent on Electronics Industry

The Central Government has latterly been keen to develop the electronics industry at a faster rate in view of the critical shortfall in requirements of the Defence Services and the increasing use of automation in industry, transportation, telecommunications, medicine, education, etc. The production of electronic items in the entertainment field has been growing at a phenomenal rate, particularly of transistor radio sets while a number of units in both the public and private sectors have been licensed to manufacture TV sets. Already huge orders have been piling up with dealers in Amritsar and Bombay which will come under the TV network getting ready but it is feared that the progress of some of the schemes based on indigenous know-how has not been on the desired scale. The growing use of computers for a number of industrial and research purposes has also necessitated the manufacture of these within the country and there are reports that Soviet know-how may be made available for this purpose. But the future belongs to professional electronics which has made tremendous strides in advanced countries. But present production is confined to public sector undertakings like the Electronics Corporation of India Bharat Electronics, Bhabha Atomic Research Centre, and a few private sector units like Philips India, Asian Electronics, etc. Hence, the Government is eager to promote this section of the industry by even offering special concessions to foreign companies to set up manufacturing facilities for electronic goods and equipment in Santa Cruz (Bombay) bonded area and elsewhere. The Central Cabinet is stated to be considering the recommendations made by Electronics Commission based on a study of similar schemes in operations in Hong Kong, Singapore, and other entrepot centres, where very attractive incentives are available for international manufacturers, to start export-oriented units. India offers an added advantage to intending foreign companies in the form of an adequate availability of cheap skilled manpower which can have a major influence on end costs. While the promotion of completely export oriented units in specified areas may immediately help exports, the expertise and skill gathered at these units can percolate to indigenous units gradually and help expansion of existing units. But the Government will also have to remove some of the hurdles in the way of existing Indian subsidiaries of foreign companies to diversify into the professional electronic sphere where indigenous technology has not developed to any considerable degree. The small-scale sector can at the same time be helped to play a significant role through special facilities to groups of technocrats, to set up

compact units for the manufacture of a sophisticated professional items, gadgets, computer software, etc. No doubt electronics is going to become one of the key industries in the coming years but how soon this happen will depend on a number of factors, some of which are beyond the control of private industry.

Philips India's Plans

Philips India Limited has an ambitious scheme to expand and diversify its activities to be implemented in the next few years. The plan already submitted to Government for its consideration, will involve substantial new investments and will enable the company to introduce new technologies besides improving the profitability of operations. The accent of diversification will be on professional electronics in which Philips is already playing a leading role. It has received letters of intent for the manufacture of tape recorders and hull indicators while it is proposed, to shortly market high wattage incandescent lamps and mercury vapour and other types of lamps. The lamp factory at Bombay (Kalwa) maintained its production at full capacity in 1971, and improved fluorescent lamps were introduced. Production of welding electrodes also increased while that of electronic components at Loni factory was kept at a high level. The Calcutta unit also maintained its output of radio receivers at a satisfactory level. The telecommunication factory at that centre worked at its planned level to meet defence orders during the year. Integrated production of record players was also taken up during the year and new models were added. The new capacity for fluorescent tubes and powder could not be fully used due to large-scale imports.

New Capital Issue

The company is to raise fresh capital to fund part of the funds required for the new schemes contemplated. It has secured the consent of the controller of capital issues for the issue of 13.30 lakh shares at a premium of Rs. 15 per share. Of these the Dutch Collaborators will be allotted 2.94 lakhs shares in conversion of their loan and the Indian resident shareholders 4.20 lakh shares on a one-for-four rights basis while it is proposed in conversion of their loan and the Indian directors and employees. The balance of 5,23,600 shares will be offered for public subscription. After the issue, the Indian participation will rise to 40 per cent from 31 per cent in the existing capital. The paid-up equity capital at the end of 1971 was Rs. 5.40 crores while reserves were as high as Rs. 7.20 crores.

Baroda Rayon Pays More

Baroda Rayon Corporation Limited has reported improved results for 1971 with a significant rise in its net profit, before depreciation and taxation to Rs. 2.35 crores from Rs. 2.06 crores in 1970 though sales were only slightly better at Rs. 7.72 crores against Rs. 7.33 crores. The directors have naturally raised the dividend on equity capital to 12 per cent (including a special dividend of 2 per cent in response to shareholders' representation at the last annual meeting) from 8 per cent for the previous year. Out of the net profit, depreciation claims Rs. 68.02 lakhs (Rs. 65.82 lakhs) while the provision for taxation has been raised to Rs. 113.25 lakhs (Rs. 77.85 lakhs). The transfer to development rebate reserve is Rs. 5 lakhs (same) and gratuity reserve Rs. 2.28 lakhs (Rs. 2.15 lakhs). General reserve gets Rs. 46 lakhs (Rs. 40 lakhs) and the dividend will be paid out of this reserve absorbing a larger sum of Rs. 57.37 lakhs (Rs. 38.24 lakhs). Though gross earnings as a ratio of sales are quite high, the earning per share of Rs. 100 is less than Rs. 10. With a view to improve profitability the company proposes to increase its capacity from 3,000 tonnes to 6,380 tonnes of rayon yarn per annum, and a letter of intent has been received for this purpose. Another proposal for which a letter of intent has been received relates to setting up of a soda ash plant of 1.44 lakh tonnes a year, while applications have been made for establishing a nylon tyre cord unit and a cellophane paper plant.

Kirloskar Tractors

Kirloskar Tractors Limited is setting up its new factory at Deolali on Nasik Road while the assembly unit is coming up at Satpur also in Nasik, which has been declared a backward area. The project a joint venture of Kirloskar Brothers Limited and Kirloskar Oil Engines Limited will have the incentives and concessional facilities offered by both the Central and State Governments. The tractors will roll out of the assembly plant by the end of this year. The estimated cost of the project which is being implemented with West German collaboration, is Rs. 9.49 crores. This is to be financed by issue of capital for Rs. 2 crores, loans from statutory financial institutions for Rs. 1.20 crores and a DM loan for Rs. 2.55 crores while retained earnings will provide Rs. 3.29 crores. The State Industrial Corporation of Maharashtra has agreed to give an interest-free loan of Rs. 44.58 lakhs. There is already a subscribed capital of Rs. 50 lakhs and it is proposed to raise fresh capital in equity shares for Rs. 1 crore.

Philips Carbon Pays Less

Philips Carbon Black Limited has to contend with a serious problem of feedstock supplies in the year ended September 30, 1971. There were disruptions to communi-

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cations due to heavy floods in Bihar while labour troubles also stood in the way of better use of capacity. Sales could be barely maintained at Rs. 3.55 crores with much difficulty but it was not possible to avoid a setback in earnings which fell sharply to Rs. 72.19 lakhs from Rs. 105.04 lakhs in 1970. The dividend on equity capital has been reduced to 12 per cent, taxable, from 15 per cent taxable, in the previous year. The charge in respect of depreciation is Rs. 15.35 lakhs (Rs. 17.77 lakhs) and development rebate Rs. 17,000 (Rs. 20,000) while taxation claims Rs. 31.90 lakhs (Rs. 49 lakhs). General reserve gets only Rs. 24.77 lakhs (Rs. 38.07 lakhs) but the equity dividend will absorb as much as Rs. 22.50 lakhs out of this. The company has failed to get the approval of Government for its expansion scheme and hence it has been decided to set up another plant in a new area under different auspices. The proposal is being processed.

Bombay Dyeing

Bombay Dyeing and Manufacturing Company Limited could increase its sales and earnings during 1971 and maintain the dividend on equity capital at 13 per cent taxable in spite of higher cotton costs and increased working expenses. Sales rose substantially to Rs. 33.59 crores from Rs. 26.48 crores in 1970. Of these export sales accounted for Rs. 5.48 crores against Rs. 4.92 crores in 1970 and Rs. 6.69 crores in 1969. The net profit before depreciation and taxation, improved to Rs. 2.25 crores from Rs. 1.95 crores. But this included a profit of Rs. 45.35 lakhs (Rs. 7.80 lakhs) on sale of surplus land. The company is implementing its modernisation schemes in all the divisions vigorously besides changing the pattern of production in favour of remunerative products. During 1971 new plant and machinery worth Rs. 90 lakhs were installed, using deferred payment facilities for Rs. 40.05 lakhs for buying indigenous machinery.

Polyolefin's Maiden Dividend

Polyolefin Industries Limited, promoted by the Mafatlal Group to produce high density polyethylene, has been able to achieve rated capacity production in 1971 and with highly remunerative internal sales, it has been possible to increase sales and earnings substantially. This has enabled the directors to declare a maiden equity dividend of 10 per cent which will be entirely exempt from tax deduction at source. With full capacity production as stated, the gross turnover jumped by a third to Rs. 12.89 crores from Rs. 9.62 crores in 1970, and net sales to Rs. 9.97 crores from Rs. 7.55 crores. There has been a steady rise in offtake by the internal market from 8,000 tonnes in 1969 to 13,000 tonnes in 1970 and 18,000 tonnes in 1971.

The improved profit margins were responsible for a near doubling of the net profit

before depreciation, to Rs. 324.11 lakhs from Rs. 171.92 lakhs in 1970. The charge in respect of depreciation is Rs. 79.40 lakhs (Rs. 74 lakhs) while a provision of Rs. 1.35 crores (nil) has been made towards development rebate against the total requirement of Rs. 273.78 lakhs. The balance of Rs. 138.78 lakhs will be made out of future earnings. No tax liability is expected for the latest year while out of the surplus of Rs. 109.71 lakhs (Rs. 97.22 lakhs), a sum of Rs. 55.02 lakhs has been adjusted against the brought in deficit. The balance of Rs. 54.69 lakhs has been transferred to general reserve. The equity dividend of Rs. 55 lakhs will be paid out of this reserve. While the good performance in 1971 is attributed to steady supply of raw materials and minimum break-down of the plant, production in the first quarter of this year has declined as compared to the same period last year owing to inadequate supply of ethylene from the sister company (NOCIL) and the regular biennial shut-down of the plant for maintenance purposes. There will however be a sharp pick-up in production in the remaining months of the year and with larger home sales, the working results may be easily maintained at last year's levels. In view of the unsatisfied demand for H. D. Polyethylene, it is proposed to increase the capacity by 50 per cent to 30,000 tonnes for which a letter of intent has been received. An industrial licence has also been obtained to make butane-1 a key raw material for the company's own products. The fair maiden dividend and excellent growth prospects have pushed up the quotation for PIL shares (Rs. 100 paid up) to Rs. 276 from Rs. 260 sometime back.

Madras Refineries

Madras Refineries Limited has achieved a record rate of refining 54,600 barrels per day in March. This is 1,100 barrels more than the earlier record of 53,520 barrels per day in January and works out to 104 per cent of the design capacity of 52,632 barrels a day. Production of lube was also at a new high at 18,500 tonnes in March against the previous record of 17,450 tonnes in October 1971. The working of the refinery around capacity must be helpful in improving profitability substantially though the uncertainty about the price for crude to be paid for the foreign suppliers will upset the company's calculations.

Increase in HEIL's Production

Heavy Electricals factory at Bhopal has registered an increase of over Rs. five crores in the production for 1971-72 over the 1970-71 production. The factory produced plant and equipment worth Rs. 32.76 crores during 1971-72 as against Rs. 27.57 crores in 1970-71.

With this production the factory, since its inception over a decade ago, has made avail-

able to the country and also abroad sophisticated heavy electrical equipment worth over Rs. 158 crores.

The finished output of the factory for the year 1971-72 is Rs. 32.76 crores as against the target of Rs. 36.17 crores. While there is shortfall of about 9 per cent in the overall output largely due to shortage of steel in the country and non-availability of imported as well as indigenous raw materials and components, the factory has exceeded the targets in products like Switchgear, Controlgear, Capacitor, Rectifier, Electric Traction Equipment and Industrial Machines. Besides, some Feeder units have also recorded excess output.

The production highlights of the year 1971-72 include manufacture, for the first time in India, of Insulated DC Industrial Motors, Tank Type Capacitors of 135 kVAR ratings, 67500 kVAR, 25 kV, 4000 Amps Coreless Reactor with special magnetic shield, 30 kA Booster Transformers and largest ever manufactured in the country 1,20,000 KW Steam Turbine Generator.

Expansion of Aruna Sugars

Aruna Sugars have finalised their expansion programme. It is proposed to increase the crushing capacity from the present 2000-tonnes to 3000-tonnes per day from the next crushing season, viz., the middle of December 1972. When this is done, this will be the factory with the largest crushing capacity in Tamil Nadu. The expansion scheme envisages an expenditure of Rs. 97 lakhs. While internal resources will provide an amount of Rs. 17 lakhs, the remainder of Rs. 80 lakhs will be met from the two financial institutions, Industrial Finance Corporation of India and the Industrial Credit and Investment Corporation Ltd., who have already indicated their willingness to advance the required amounts in this regard.

In terms of quantity, the company will crush 4.5 lakh tonnes of sugarcane as against the present 2.7 lakh tonnes when the expansion is completed. Naturally the higher rate of crushing and better recovery are expected to improve the prospects of the company appreciably.

Arvind Distillery Private Ltd., a subsidiary of Aruna Sugars, has already commenced production.

OBITUARY

S. B. JALAN

We regret the death of Mr. S. B. Jalan, Chairman of Asiatic Oxygen Ltd., on April 20, 1972 at New Delhi. He was 60.

Mr. Jalan was largely responsible for the rapid growth of Asiatic Oxygen. He was also partner of Soorajmuli Nagarmull, a big industrial combine and director of various other companies.

WIMCO AND STATISTICS

Statistics is a double-edged blade and the greatest caution is to be exercised when made use of in strengthening a point. Any miscalculation in the survey or slip in the presentation does more harm than good. Again, a heavy dose of statistics is tiresome to the reader and throws him into a wilderness. WIMCO have avoided these two pitfalls and handled the weapon remarkably well in its Press advertising campaign.

Deepa is a housewife. She lives in one of the villages that dot the map of Bardwan district in West Bengal. Deepa happens to be one of the 11% of the rural population in that district who started using Tinopal in the last 3 months. This was also the time when Wimco Matchbox Advertising was first introduced in Bardwan district.

How do we know? Because we took the trouble to find out. In an effort to answer question media managers keep asking us: Can you draw any vital connections between Matchbox Advertising and the sales of a product?

Here are the facts. See for yourself and draw your own conclusions.

Source	Year	Percentage
1. Matchbox Advertising	1970	11%
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A FORTNIGHTLY ON INDUSTRY & FINANCE MADRAS

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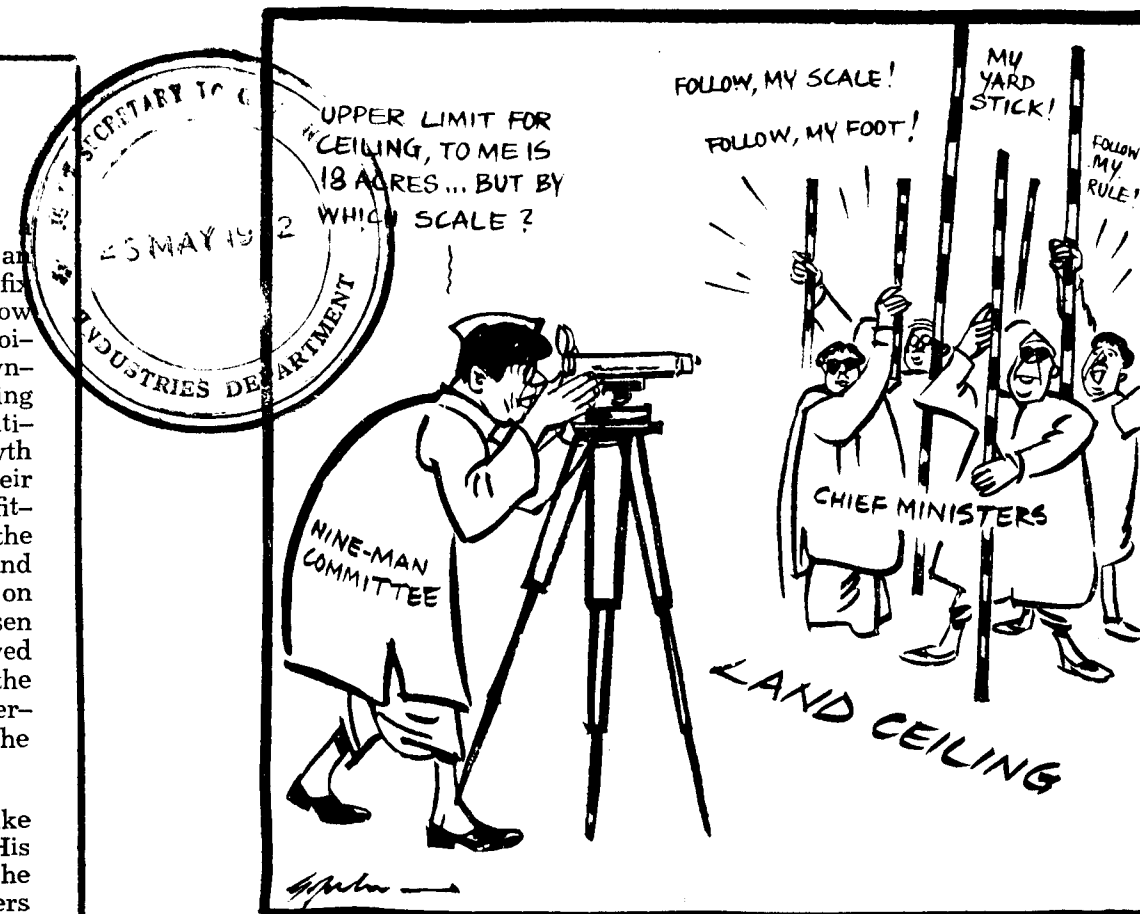
MAY 15, 1972

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CEILING ON CEILINGS

In those good old days, when a spade was simply called a spade, an enthusiastic entrepreneur used to fix his limit for growth as the sky. Now a days such an ambitious and exploitative statement in India will be frowned upon with distaste, since the ceiling is too high. For a few of our politicians, the ceiling of national growth is conceived as not greater than their own height of five feet eight. As fitting the present moment producing the paradox of a diarrhea of words and constipation of ideas, the slogan on ceilings on various properties has risen to a crescendo. *Platipus* has observed that the only properties which the politicians have spared are the properties of chemical compounds and the properties of geometrical figures!

Do not for a moment mistake *Platipus* for an anti-socialist. His philosophy is even deeper. In fact he envisages the time when our leaders who fix the ceiling of five grounds for urban holding will chance to read the story *How much land does a man need?* by Tolstoy and then fix the ceiling as just six feet by three. This will be in keeping with the Vedantic strain of the *Upanishads* also! Shall *Platipus* also add—the Siddhar spirit of the great Tamilian, Tirumoolar? Apart from the ceilings discussed over the columns of newspapers, there are already many operative ceilings. The ceiling of two children per family has precipitated a near catastrophe in a town, reported in the papers, where a certain government-subsidised product costing five paise has gone under black market. A friend of *Platipus* who revels in pun quipped that the government, before attempting proper ceiling must ensure proper sealing of milk bottles supplied at Bombay, Madras and elsewhere preventing a capitalistic mouse or an anti-socialist earthworm from entry into it. Another friend of *Platipus*, a government officer, expressed a private fear that though now he has purchased ten fans to put on the ceiling, in a few days the government may send him an order putting the ceiling on fans as two, and ask him to pay for the rest. —*Platipus*



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A House for Every Family

A three-day seminar on the Economics of Housing in National Development held under the joint auspices of the Government of Tamil Nadu and the Union Government at Ootacamund early this month has recommended the formulation of a national perspective planning for housing covering a period of 20 years with a view to providing house for every family. As an integral part of this plan, the seminar has called upon the Government to draw up a quick programme to provide houses for the houseless poor within the next 10 years.

A number of papers presented at the seminar, the addresses of the Union Minister for Planning C. Subramaniam and the Union Minister of State for Housing I. K. Gujral and the Ministers in charge of housing from the States of Andhra Pradesh, Mysore, Pondicherry and Tamil Nadu, who participated in the seminar all highlighted the need to evolve a national policy for housing which would be implemented within a specified time.

By any standards the progress achieved so far has been insignificant. There has not been a clear definition of a housing policy, fixing up specific goals which are attainable and which are significant. Many other nations have government housing policies which aim at securing a decent home for every family at a price within its means. Even countries which do not profess to be socialistic such as Britain have incorporated as part of their policies, "to encourage, by subsidies, the provision of adequate public sector housing at fair rents in order to meet the needs of those who, because of income or family circumstances, are unable to buy their own homes..."

As has been admitted by Mr. Subramaniam in his keynote address at the seminar, "governmental activity in relation to housing has been characterised by its being predominantly urban-oriented and it was largely restricted to regulating the private activity in the field rather than directly accepting responsibilities to provide adequate and suitable housing to all citizens.

It is indeed surprising that in our country where the State is assuming a continually expanding role in the productive and distributive aspects of the economy, there should not have been any major attempts in assuming the main responsibility for providing houses for citizens. Citing Britain again, out of the total of 362,000 dwellings completed in 1970, more than half were provided by public housing authorities; further of the 19.2 million dwellings in Britain as on 1970, nearly 6 million were owned by public housing authorities.

In India whatever one hears of public housing are those that are seen in Delhi which has received a lion's share of the total amount spent on public housing by the Central Government in these 20 years and to a lesser extent in Chandigarh where the entire city was well planned and built by the State.

As has been indicated by an article presented elsewhere in this issue, against an estimated requirement of nearly Rs. 33,480 crores to set right the housing shortage, estimated to have been around 83.7 million at the beginning of the Fourth Plan, the total amount spent since Independence up to March 31, 1969 was only of the order of Rs. 214 crores; the provision in the Fourth Plan for housing is a mere Rs. 216.6 crores. A less than modest attempt of building 4 houses for every 1000 of the population was in itself woefully missed; so far only one house per 1000 of the population could be built afresh.

By any standards the problem is a massive one. It certainly requires a highly imaginative handling. Even assuming the cost of building a modest house at about Rs. 2000 per house the resources required would be in excess of Rs. 16,000 crores. Allowing for an increase in the requirements of housing over the next 30 years as a consequence of increasing population, another Rs. 8000 to 9,000 crores would be needed, *assuming that prices do not inflate fast.*

Thus, over the next 30 years, a sum of Rs. 25,000 crores would be needed. This will work out to approximately Rs. 800 crores per annum. Even assuming a ten-fold increase in the allocation for housing under the Fifth Plan compared to that of the Fourth Plan, the annual investment on housing would average to Rs. 400 crores, which has to be increased to Rs. 1000 crores in the next 25 years.

Over the years, the Government has nationalised many sectors of the economy; but it is indeed surprising that this major area which has got to be brought under social control has been left untouched possibly because of the magnitude of the burden involved and of the unattractiveness of the return on investments on housing.

As in many other cases of planning, one major constraint in coming to grip with this problem of housing is the inability witnessed so far to control costs. There has been a near doubling in the construction costs, particularly in major cities, within the last 15 years and if this rate of escalation is allowed to continue, any planning, however imaginative it is, will be doomed to failure on implementation.

The regret of Mr. Subramaniam that while many new construction techniques have been developed in the National Laboratories, construction agencies in the public sector have been either unable or unwilling to show the way and demonstrate the effectiveness of these techniques is thus very pertinent. This matter certainly deserved the attention of the Union Ministry of Housing and also those at States' level. The urgency of the problem is such that even before we proceed with defining the policy for housing, there should be serious efforts to bring down

Sowing Seeds for a Wider Conflict

With Mr. Nixon's policies and actions deviating more and more from humanity and even common sense, it is not surprising that they have evoked a spirited condemnation by the Government of India and, at home in the US, even a move for impeachment of the President. That the latest military actions of the US which consist of massive bombing of North Vietnam, shutting off communications and mining the entrances to its ports are totally unjustified will not be disputed by any but the worst partisans of the American administration. Even more indisputable is that these actions contain the danger of a bigger and wider conflict. But it does not follow that the nations of the world will all be prompt in downright condemnation of this action.

So far as India is concerned, the sincere longings of the Government to prevent a widening of the rift between the US and India and even to do whatever lies in her power to heal the breach argues against the kind of condemnation which the American policies call for. But softness in the language of its protest not to speak of silence on the subject has also its dangers. India has responsibilities as Chairman of the International Control Commission and as the leading Asian country in such matters. She cannot, therefore, overlook the US decision to break off the Paris talks unilaterally or the fact that any tepid attitude would only lead to the other Governments of this region virtually giving the U.S. a free hand.

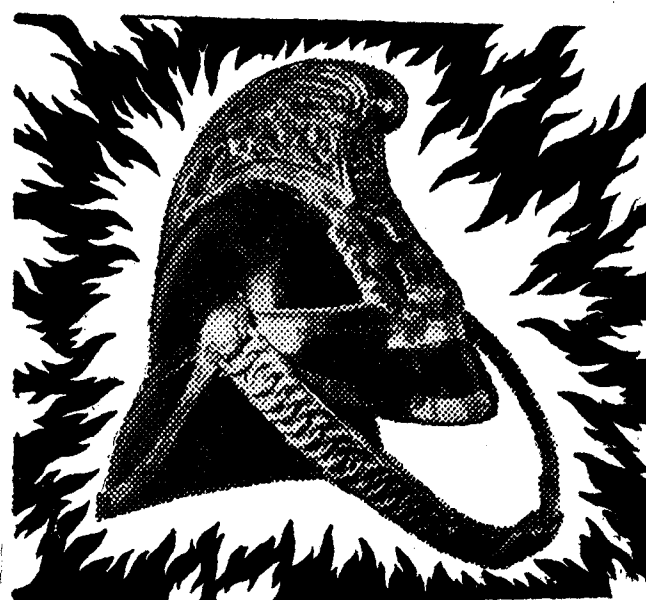
Escalation of the war into a world-wide conflict has not occurred so far, only because the two superpowers which could be expected to take action, are themselves mutually suspicious of motives and possible advantages at other's expense. Such suspicion cannot be trusted for leaving the field free for the US. The mining of the seas is a highly provocative action and the US determination to prevent the clearing of the mines is bound to create a dangerous situation. If these dangers are not heeded by President Nixon, the opposition leaders are most keenly aware of them. Under the American Constitution the impeach-

ment of the President is the only way open to Congress to express its serious disapproval of the President's decision to escalate the war. Even if the Senate should fail to convict Mr.

Nixon, expression of public opinion in this drastic manner cannot be ineffective especially in the matter of a war, in which unity is most essential. The Soviet demand for the immediate clearing of the mines rules out the possibility of mere attrition taking the place of a quick march of events.

—(FOC)

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Imperative Need to Contain Construction Costs

By S. VISWANATHAN

There has been varying estimates on the quantum of shortage that exists in the country, in the matter of housing. The U. N. Statistical Year Book, 1970, has estimated that India at the beginning of the last decade had some 83.5 million houses for a population of 439 millions. We will have to build an equally formidable number of houses to give a semblance of a decent living to our teeming millions. Of course, one must take into consideration the wide variation in the definition of what is described as a house.

At the beginning of the Fourth Plan (1969-74) the shortage in housing has been estimated at 83.7 million, comprising 11.9 million in the urban sector, and the balance in the rural areas. It has also been estimated that the shortage has been increasing at the rate of nearly 2 million houses every year.

The problem by any standards is formidable. The total amount of money required to relieve the shortage of 83.7 million houses, even at the modest cost of about Rs. 4000 per dwelling on an average, works out to an astounding sum of Rs. 334,800 million, while the total allocation during the Fourth Plan has been only of the order of Rs. 2,166 million. In the Plan era up to the end of March 1969, the amounts of money allocated to the States and Union Territories amounted to nearly Rs. 2,795 million for social housing schemes. Even of this, only Rs. 2,140 million had been utilised by the States.

Increasing Costs of Construction

While it is an encouraging sign to note the enormous interest that has developed in housing programmes on a long term basis and while it is equally interesting to come across the many schemes of the State Governments in the matter of clearing slums and in providing rural housing, one is certainly alarmed at the continually increasing costs of construction. If the efforts at solving the massive problem of

housing are at all to make any headway, highest priority must be accorded to areas of controlling costs. It is common knowledge that the cost of construction has been rising at an alarming rate over the years. In a rough survey conducted by us in recent years, the cost escalation per pucca house in the City of Madras has increased from around Rs. 16-18 per square foot in 1958 to approximately around Rs. 32-35 per sq. ft. today. While the increase in the labour content has by and large kept pace with the general trend of increasing wages in other industries, the rate of increase has been large in the case of construction materials.

I collected the figures for working out the relative price increases in construction materials in the last ten years. The extent of price escalation will be evident from the figures given below:

- (a) The cost of bricks of standard size has increased in the open market by nearly 80 per cent in the last ten years. The present market rate is around Rs. 110 per thousand bricks against around Rs. 60 that prevailed in 1960;
- (b) There has been a steep increase in the price of cement, particularly after decontrol of price enforced 3 years ago. The prevailing price is around Rs. 13 per bag. This marks an increase of over 60 per cent in price over the last 12 years.
- (c) The increase most acutely felt is in regard to the price of mild steel, which within the last one year has nearly doubled: from around Rs. 1000 per tonne, prevailing last year, the present price is in the range of Rs. 2000 per tonne. In the last ten years the price increase has been in the region of 150 per cent.
- (d) The increase in the price of blue metal likewise has been of the order of 40 per cent.

Service Facilities Cost More

Particularly the cost of components which go into providing service-facilities has registered far steeper increases. It will indeed be an interesting study to work out the cost involved in water closets, lead pipes, electricity conduit pipes and other sanitary fittings. The cost of lead pipes has registered a near 10-fold rise within the last two decades. Of course, in the case of some of the electricity fittings, there have been a certain healthy trend towards cost reduction.

According to a well-known building contractor in Madras, the cost of providing services—water supply, electricity, sewage connection—alone constitutes nearly a third of the total cost of the building. Any abnormal rise in these three items substantially increases the total cost of construction.

Over the years there have not been many attempts at cost reduction, and so long as this fundamental question remains unsolved, any amount of planning, however ambitiously conceived, is bound to result in little progress.

What is the area that is available for the building contractor to economise on costs? Broadly we can divide the constituents of construction costs into two categories:

- (1) Cost of materials such as steel, cement, blue metal, brick, sanitary fittings, power, water and other fittings....
- (2) Labour costs.

As mentioned earlier, an important factor of the spiralling cost of construction is the steep escalation in the cost of materials. Similarly labour cost relating to both masonry and carpentry in the last 15 years can be taken to be in the nature of approximately 150 per cent, working out to an annual increase of 10 per cent.

Meagre Area for Manoeuvrability

The building contractor has obviously little area of manoeuvrability in the matter of controlling the price of any

INDUSTRIAL ECONOMIST

Need to Reduce Procurement Prices for Wheat

of the constituent components or on labour. Does this mean that there is no scope for cost reduction at all? The answer is an emphatic "no". The one area which has not been exploited to any great extent is towards reduction of the quantum of material used in construction. While it is conceded that one cannot control the cost of steel, cement or brick, one can certainly explore the possibilities of reducing the quantum of materials used by adopting innovations made in this regard by Indian research institutions connected with construction and save substantial amounts on the total construction costs. It is indeed tragic that this aspect of construction has not been given any serious attention to by the numerous building organisations.

In developed countries prefabricated construction techniques incorporating the concepts of material saving have come to stay; mass production has brought in enormous benefits and assembly operations are much simpler. It can save over the period substantial amounts in the matter of labour costs.

Orthodox Methods of Construction

Enormous sums of money have been spent by both the Central and State Governments as well as by citizens on construction. Unfortunately the methods employed have remained unchanged for decades. We have successfully adapted many modern techniques, putting to use the findings of research bodies in the matter of construction of bridges, culverts, roads... Unfortunately, since housing is largely a matter of individual planning, it has just been left to the whims and fancies of individuals. Here again, the individual is dependent on the numerous contractors who are content with taking upon lines of least resistance. No wonder, we continue the age-old practices of construction involving enormous wastage of materials, turning a blind eye to benefit from the large investments made on research towards cost reduction.

Commendable work by SERI

Nearer home at Madras, a lot of interesting things are happening at

the Regional unit of the Structural Research Engineering Centre in the CSIR campus. This body has been spending enormous amounts of money on research on structures, more particularly on concrete work. They have put to use many of the valuable findings coming out of the research in the numerous buildings that have been built by them for their own use. Without impairing the strength characteristics which are open to testing, they have successfully proved that with structural changes in the form of shape and careful material selection substantial reduction in costs is possible. There have been many experiments of which I am taking into consideration only a couple of things which are of vital relevance to our subject under discussion. A couple of years ago, they perfected the technique of funicular shells for floorings and roofings. The principle is simple. Instead of conventional R.C. slabs, a slight variation in shape can mean substantial saving in material usage. Shells are cast in 3 ft., 4 ft., or even 6 ft. squares depending on requirements and can be cast at site by a skilled construction worker. They have been conservative in claiming that this type of construction can result in saving around 20 per cent in construction cost. This has been adapted successfully by a number of private contractors.

An interesting example of adapting this technique for the construction of houses can be seen at Venkatapuram Colony built by the Slum Clearance Board of the Tamil Nadu Government. It is gathered that cost saving in this has been substantial, though precise information as to the quantum is not available. However, the adaptation of this on a large scale has been successfully made by the High Pressure Boiler Plant at Tiruchi. It is gathered that they have constructed 582 houses using this principle.

Funicular Shells Saves Construction Costs

By adopting the principle of funicular shells for flooring and roofing, it has been stated by the engineer-in-charge of construction at the BHEL, Tiruchi that they have saved at least

Rs. 20 per sq. metre of construction. If we take the cost of construction per square metre at around Rs. 54 the saving has been as much as 40 per cent. It is indeed surprising that when such new techniques are available for adoption, there is no great enthusiasm on the part of the construction agencies and Government Departments vitally concerned with this to benefit out of these. Calculated on this basis, the saving on the 600 houses in Tiruchi alone would amount to around Rs. 6 lakhs with which it would be possible to build one more row of houses.

But then there is the general aversion for change. Any innovation or change however much it is for the better, takes time for acceptance and popular usage. I was indeed surprised to hear that in the initial stages of development of this principle, particularly for Governmental departments, even royalty has not been insisted upon for usage of patented designs. A team of scientists is willing to work out designs for a trifling fee. I have known the near impossibility of convincing the conventional contractors to take to this design. When I consulted a well-known contractor in Madras who has vast experience in construction and who is very closely known to me to lend his help for preparing a design for a factory shed we were planning to construct using the above techniques, he advised: "I don't have anything to say against these techniques. But, after all you are building such a building once in a blue-moon, why should you take chances?" If well experienced and qualified contractors are averse to take to new ideas like this, how can there be a large scale usage of these resulting in vast reduction in construction costs? After all with constant complaints of very inadequate allocation for housing, we cannot afford to squander the amounts by using outdated conventional techniques. The saving in the region of 20 per cent in total costs, can mean the addition of 25 per cent more of construction space.

—Speech delivered at the recent Seminar on ECONOMICS OF HOUSING IN NATIONAL DEVELOPMENT, held at Ooty during May 5-7, 1972.

The Central Government has eventually decided to maintain the status quo in regard to the procurement and issue prices for wheat in the 1972-73 marketing season in spite of the Agricultural Prices Commission recommending a reduction in procurement prices. The Commission was of the view that a difficult situation had arisen following the stoppage of concessional food imports under the PL 480 agreement and that heavy losses would have been sustained by the Government if there was no decrease in procurement prices and issue prices remained unchanged. Until recently the commitments in respect of the statutorily rationed areas and sales through fair price shop did not entail any heavy loss because the landed cost of US wheat was much lower than the issue prices and the losses sustained on sale of indigenously procured wheats could be easily absorbed. Indeed, an escapist policy was pursued by the Government as there was anxiety to dispose of imported wheat in order to secure budgetary resources and avoid losses on food transactions.

Quick Utilisation of Imported Stocks

The position has vastly changed in recent months. Sizeable quantities had obviously to be utilised for feeding refugees who came into this country from Bangla Desh in millions while the statutory commitment had to be observed. This resulted in a quick utilisation of imported stocks and is quite likely that the whole quantity of 6.5 million tonnes of wheat held by the Food Corporation is mostly the indigenous products. As releases had to be effected out of these stocks, the subsidy owned by the Government increased in the revised estimates for 1971-72 to Rs. 50 crores against the budget estimate of Rs. 30 crores. In the current financial year a provision of as much as Rs. 100 crores has been made in the Central Budget and it has been pointed out that the actual subsidy may be even Rs. 135 crores if there were no changes in procurement or issue prices.

Though the Agricultural Prices Commission had pointed out that a loss of Rs. 25 per quintal was being suffered by the Food Corporation of India on account of the handling, storage, wastage and interest charges, the difference between procurement and issue prices is only Rs. 2 per quintal and there was no justification for continuing to pay the same procurement prices when agricultural productivity had considerably improved. The reduction in procurement prices has been suggested for several times in succession as the Commission was of the view that there was no justification for incurring unnecessary losses in food transactions when there was plenty. Also, it was felt that high prices for a particular agricultural product should not have a distorting effect on the pattern of production and that it would be healthy from the point of view of economy if there was a shift in the acreage under wheat to other crops which were not so abundantly available.

In spite of the weighty arguments in favour of lower procurement prices and higher issue prices and the observations made by the Union Minister for Agriculture, Mr. Fakhruddin Ahmed, in Parliament that the interest of producers and consumers would be borne in mind when making adjustments, the Government has been compelled to incur heavy subsidies with no great justification when available resources could be used more productively for other purposes.

Higher Cost of Subsidy

Dr. V. K. R. V. Rao has observed that the cost of subsidy may be much higher at Rs. 132 crores in the current year against the budget provision of Rs. 100 crores and the revised estimate of Rs. 50 crores for 1971-72. He feels that there is no case for continuing a preferential subsidy for consumers of wheat when the difference between procurement and issue prices in the case of rice is as much as Rs. 25 per quintal. No difficulty arose until recently in regard to the issue of wheat

out of stocks because imports were arriving on a large scale until 1970. As there was a big gap between the landed cost for wheat and indigenously procured wheat, the profit realised on the sale of indigenous wheat could be more than offset by the profits realised on sales of imported wheat. This facility is not now available as concessional and even commercial imports of wheat have been suspended and sales have to be effected out of the indigenously procured cereal. There is also the additional handicap arising out of rising food stocks which at the end of 1971 were nearly 8 million tonnes.

There may be a further increase in these stocks by 2-3 million tonnes in the current year as it has been estimated that the output of foodgrains in 1971-72 will be further higher at 112 million tonnes in spite of the prevalence of drought conditions in Bihar, Orissa and Andhra Pradesh. It is actually expected that the output of wheat will increase by another 3 million tonnes to 26 million tonnes and a new record in respect of rice. Judging by the satisfactory level of production of raw cotton and oil seeds it is quite likely that there will be also a higher output of coarse cereals and pulses.

R & D in Private Sector

Conditions for research in industries in the private sector are in a bad shape. The private sector investment for R and D has risen from Rs. 15 lakhs in 1958-59 to about 12 crores in 70-71. The share of it in the whole R and investment of the country is only a meagre proportion while it ranges from 36 per cent to 74 per cent in foreign countries. A sample survey has shown that chemical and metal manufacturing firms did not spend anything on research. A few firms spent 0.1 per cent of the total turnover. The main reason is that our industrial research is academic in nature instead of being fitted into the requirements of the consumers. At the same time since the industries enjoy a sheltered market, they do not see any need for research.

—M. E. Raju

Expansion of Existing Industrial Units

The recent spate of issues by the foreign controlled companies and the clearances to the expansion schemes of some industrial units belonging to the larger houses have given rise to the speculation whether there has been any shift in industrial policy and the Government will adopt a really helpful attitude in furthering industrial development. A task force headed by a senior official of the government is briskly scrutinising new schemes of the bigger industrial units with a view to recommending to the government early implementation of some new schemes and also effective exploitation of hidden capacity in excess of the licensed limits.

Expansion of Foreign-Owned Companies

Thanks to the coordination of the activities of the Union Finance Ministry, Union Industries Ministry, the Company Law Department and the Monopolies Commission, many important decisions have been taken in recent months which will facilitate the speedy implementation of some projects useful in boosting production of critical items. Because of the laying down of some new norms for the disposal of applications of foreign-controlled companies to expand their activities, several prominent foreign-controlled companies have been allowed to diversify their production. As sizable expenditure will have to be incurred on many schemes the companies concerned have been asked to raise additional equity capital by issuing right share to the existing resident shareholders and also offer a portion of the new issues for being absorbed by the Indian investing public.

It is interesting to note that the foreign owned companies have thought it advisable to expand their activities in this country and cater also to the needs of the neighbouring overseas market. The manufacturers of pharmaceutical products, electronics

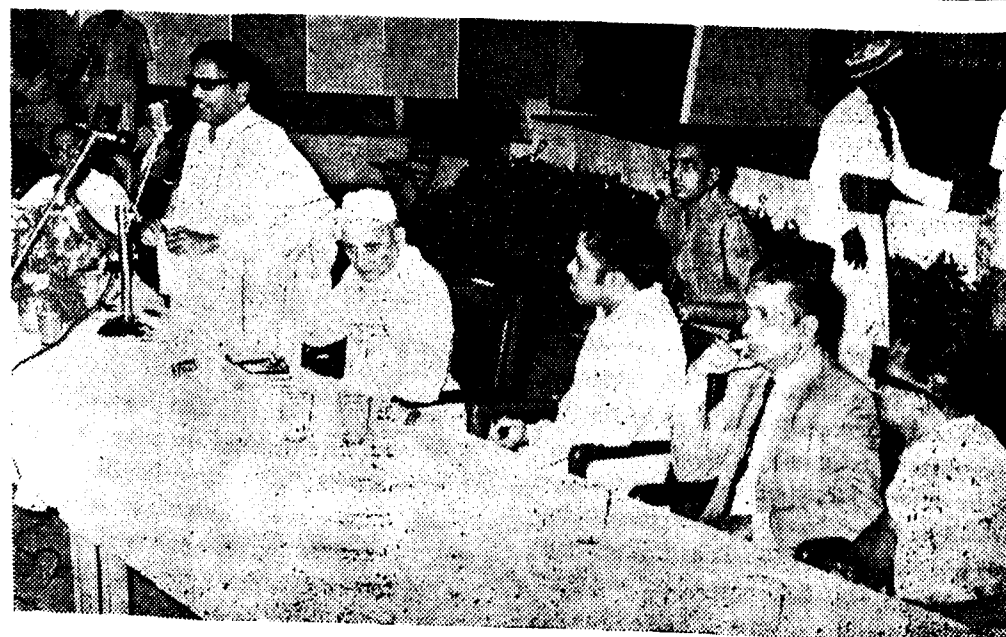
components, automobile components and parts, and engineering equipment will be issuing right shares and offering also a part of the additional capital for being subscribed by Indian investors. The increased facilities of the foreign controlled companies should be helpful in boosting substantially production in vital directions in a short period and there will not be much difficulty in raising the required rupee resources. The different issues will actually be heavily over subscribed as the investors will not have to wait for receiving their dividends.

Expansion of Private Enterprises

In regard to the schemes of industrial units belonging to the larger houses also some decisions have been taken and Tata Engineering and Locomotive Company Limited will be increasing its capacity by 50 per cent, Larsen and Toubro will be increasing its range of production and pushing through also the merger with Canara Bank Ltd., Mahindra and Mahindra will similarly be doubling its capacity for

producing jeeps and completing also the taking over of Union Bank Ltd., Calico Mills is establishing a polyester fibre unit besides finalising the merger with Bank of India Ltd., while Travancore Rayons has received a licence for erecting a cellophane film unit at Coimbatore and the merger scheme involving the taking over of the Indian Overseas Bank Limited is now expected to take shape.

The task force may make a large number of recommendations to the Government in the coming weeks and some decisions may be taken without reference even to the Monopolies Commission. But without pragmatic approach the necessary additional capacity cannot be created within a short period and any attempt to increase plan outlay substantially is bound to result in an accentuation of inflationary pressures. If after a quick review the necessary sanctions were given for doubling capacity by existing units which do not belong to bigger groups, the pace of development can be hastened.



Chief Minister Karunanidhi inaugurated on May 2, 1972 the Madras Press Club. Though many major cities in India have Press Clubs, this is the first time that Pressmen in the Madras City have organised themselves into forming this club. The special function was presided over by the Tamil Nadu Governor K. K. Shah (seated to the left of the Chief Minister). Also seen in the picture are (R to L): Mr. M. P. Cherian, Joint Secretary (Mr. T. K. Tyagarajan, Vice-President, Mr. Murali Maran, President. At the extreme left is Mr. S. Vasudevan, Secretary-General of the Club.

Abusing the Defenceless

In recent months, several attacks have been mounted on the bureaucrats. The main complaint of the politicians has been that the civil servants are not close to the people as they should be. The implication in this is generally that the politicians are nearer than the bureaucracy to the people. Mr. Ram Nivas Mirdha, Minister of State for Home Affairs in the Union Ministry has observed recently that the Government was having under consideration proposals for the reorganisation of the bureaucracy by reorienting the procedure relating to recruitment to the IAS. At the meeting of the Congress Parliamentary party a member has offered the opinion that sons of those who are getting a salary of Rs. 1,000 and above as well as young men trained in public schools should not be selected for IAS because both public schools and rich families produce only souls who have absolutely no place in an egalitarian society! This is only a more forceful expression of the criticism that the IAS officers have no commitment to the socialistic values of the Government. The issues involved are so many that a careful analysis of some of them is essential for clarification of our understanding of them.

Perpetuating Old Practices

First, most of the bureaucracy at present is a left over of the past when the image of the all-knowing I.C.S. officer was accepted unhesitatingly. In the years immediately after independence, the country did not have the requisite talent to attend to diverse jobs. It should be said to the credit of the I.C.S. cadre that it was able to shoulder such responsibility with a reasonable degree of efficiency. When the IAS came into being, the expectation was that it would be manned by persons who would be more efficient generalists as called for under the changing circumstances. But, inattention to detail had led to the perpetuation of old practices that the cadre developed without the right feel about the

demands that were made on it by the explosive requirements of a welfare state.

One such deficiency pertains to the people available for training. They were university students who had qualified on the basis of memory by rote. The UPSC examinations had to be a replica of the average university examination papers if any candidate were at all to appear for it. Thus the young men who were selected lacked initiative and originality because they never had any opportunity to develop these qualities. Thus if the mettle of the cadre is to improve, there has got to be a thorough change of the present system of examinations in favour of one which will assess originality and initiative instead of seeking to test ignorance rather than knowledge. It is of course true that the country cannot wait until a better system is evolved. As an interim measure, it should be possible to use intelligence tests to the extent feasible so as to minimise the lopsided dependence of selection on mere written examinations.

Wrong Man at the Wrong Post

The bigger issue is about the commitment of the cadre. Many writers on administration problems have been emphasising time and again that the bureaucrat, first and last, was some sort of a tool. Since a tool can never be accused of bad intentions, the deficiency should be traced to its capability. Even here the error is that of the politician who places the wrong man at the wrong post. The development of public sector enterprises has called for a good deal of technical efficiency. In the early years of their establishment, the civil servant had to take charge of the top posts. The tasks have become more complex and it is unfair both to the technical men as well as the generalists if the latter continued to be posted there. The time has now arrived for a segregation of the jobs and developing technical

talent to look after technical jobs. To keep the generalists anywhere in them would reflect a policy failure.

At the same time, there can be no gainsaying the fact that our young men are generally more rough than tough. There is great merit in being tough. For this reason it would be advisable, as pointed out by the Administrative Reforms Commission, to keep IAS trainees on longer probation and in the countryside where they will be under compulsion to make numerous improvisations to keep going and thus develop both the necessary toughness and initiative. Placing them in rural assignments will compel them to work shoulder to shoulder with the people. This will enable them to keep their hand on the popular pulse, the best method for an administrator to be closer and be useful to the people.

Alongside of this, there has got to be executed a major reform in the type of jobs in the IAS cadre. There are at present many jobs at the State level which do not belong to the IAS but are manned only by that cadre. A close scrutiny of diverse, generalist jobs at the Central and State levels should be undertaken to determine those that should be part of State services and segregate them from the IAS. This has got to be done even if it will call for a root and branch bill.

As for red tape and regulation, it should not be forgotten that much of the criticism against the civil servant has originated from the politician whose proposals had been rejected by the civil servant. The politician is all the greater because the politician has neither the strength of will nor the arguments necessary to argue against rejection. Knowledgeable people will concede that though red tape has had its severe bites, rules that occasion it are the only sanction against the politician pursuing unworkable schemes at great expense to the nation. In any case, there is no point in casting aspersions on the bureaucrats so long as they are not responsible for the situation in which they find themselves and so long as those who seek to issue directions and directives to them are unable to set an example in initiative, dynamism or integrity.

Favourable Trends Towards a Bright Export Trade

The export trade suffered a serious setback in 1971-72 on account of a shortfall over the target for engineering goods and a slowing down of exports of iron ore to Japan and other countries as a result of a net decline in world steel output. Between these two categories of exports alone, there could have been a loss of export earnings for Rs. 50 crores.

Controversy Over Quantum of Earnings

There is also confusion about the exact quantum of exports in 1970-71 as a controversy has been going on between the Reserve Bank and the Union Ministry of Foreign Trade about the growth in export earnings in that year. There has obviously been over anxiety to boost the growth rate by taking account for shipments in 1970-71—those which really should have been included in 1971-72. This kind of exercise may be helpful in improving the performance of 1971-72 though it does not add to the total pool of foreign exchange resources upto March 21, 1972.

The balance of trade naturally got upset by the small increase of 26 crores in exports of engineering goods to Rs. 135 crores against the target of Rs. 165 crores. It is also estimated that there was a drop in shipments of iron ore over the estimates by two million tonnes accounting for a loss in foreign exchange of Rs. 20 crores. Apart from these "losses", the compulsion to import larger quantities of steel and raw cotton upset all calculations. It is now stated that the value of imports of steel alone would have accounted for an additional outlay of Rs. 135 crores and raw cotton for Rs. 50 crores. Between the loss in exports and the increase in imports, the balance of trade was affected to the extent of Rs. 200 crores and the trade gap would have been nearly Rs. 300 crores or even exceeded it, if there had not been additional foreign exchange earnings through gunnies, tea and coffee and other items for about Rs. 100 crores.

Huge Trade Deficit

The trade deficit for 1971-72 may be around Rs. 200 crores especially as

there had been a substantial decline in concessional food imports and even commercial purchases of wheat have been suspended. The net decline in imports of foodgrains by about one million tonnes can of course have an offsetting effect, though it is not known what will be the difference between total imports under this head in 1971-72 as compared to 1970-71. There will in any case be a net drop of Rs. 60 crores which may give the impression that the final deficit for the past year was still low having regard to the exceptional circumstances.

It is necessary however to remember that imports under the P.L. 480 agreement are being made against aid which is partly repayable in dollars and partly in rupees. If these imports are discontinued it will only mean that there will be no increase in indebtedness to USA. It is however, gratifying to note that there has been no big decrease in foreign exchange reserves in the twelve months ended March 31, 1971 which is an indication that aid utilisation had been effective, and the impact of the suspension of US aid will be felt only in the current year.

Efforts to Step up Exports

The Union Ministry of Foreign Trade is therefore anxious that there should be a stepping up of exports of engineering goods to Rs. 200 crores or an increase of Rs. 65 crores besides the maintenance of exports of gunnies at the high level of the previous year. Other arrangements also are being made to stimulate shipments of cotton textiles, chemicals, plantation products and other items. In order to help engineering units, it has now been decided that imports of steel should be continued liberally even if there was an increase in internal production by one million tonnes.

It has been agreed between the Government and the Engineering Export Promotion Council that the requirements of Steel for export purposes should be fully met and the cost of steel imported on indigenous should be subsidised on the basis of joint plant committee prices plus 2 per cent for procedural purposes. The Engineering industries had demanded that their

requirements of steel should be made available at JPC prices or at international prices whichever were lower. The producers of engineering goods however are now satisfied that the Government has been helpful and that there will be no difficulty in getting steel supplies.

Engineering Industries May Fare Better

There has actually been a distinct improvement in many directions and with an increase in offtake for many products in the home market as well, the order books are in a very satisfactory state. The problem may indeed be one of stepping up production and the task would have been difficult if there had been continued disturbance in West Bengal. With a better climate now prevailing in that region, it is expected that there will be a virtual boom in engineering industries in the current year.

While it should be possible to increase exports of all commodities to Rs. 1,750 crores or even Rs. 1,800 crores in 1972-73, there is also scope for reducing foreign exchange expenditure on imports by pruning imports of raw cotton and fertilizers. The bumper crop of cotton has already been helpful in reducing imports by 4 or 5 lakh bales though there has been some upset in calculations on the fertilizer front. However, with many favourable developments in the industrial situation the problems relating to foreign trade can be managed successfully in the coming months. What is needed is a higher level of industrial production and better use of foreign exchange resources. It is also hoped that there would be a distinct improvement in the power situation after the middle of this year. Aid uncertainties will naturally have a complicating effect. The position in this regard will become clear after the meeting of the Aid India Consortium at the end of May. Even here the bottlenecks can be got over by drawing down foreign exchange reserves, though a different strategy will have to be adopted from the long-term angle in order to reduce dependence on foreign aid.

Industrial Research During the Plans

By DAMODAR KRISHNA POTHUVAL

The main reason for recent low industrial productivity seems to be lack of research consciousness among the industrialists. The cart is set before the horse, it can be said. There has been an inadequate realisation of the role of the indigenous science and technology in the industrial development of the country. It would be evident from a cursory glance at the successive Five Year Plans. The Plans do not talk of the utilisation of the indigenous technology for any of the industrial programmes outlined, nor do they mention the development of indigenous know how in areas where the resources are directed.

The absence of correlation of the Plans for industrial development with research has created a situation where the areas of imported technology and the areas of industrial development were not the areas of R and D. This would be evident from the available data so far. The information thus collected reveals that the areas of heavy industrial investment were not the areas of major R & D investment and suggests a lack of proper coordination of the programmes of industrial development and research. Further, comparison of available data of areas of investment in research in India and other countries reveals a contrast which is significant in so far as it shows a disbalance by way of neglect of areas of considerable industrial significance, and which show greater promise of return from investment.

Role of Indigenous Research and Development

This could only be due to lack of appreciation of the role of indigenous R & D effort in the overall industrial development. Such an approach could lead to, as it did, a reinforcement of a policy of greater reliance on the import of knowhow and technology.

Many private industrialists have been doubtful about the utility of indigenous R & D efforts. Serious doubts have also been raised regarding the present organisational set up and the benefits accruing from the investment made so far. Much of this discussion is unfortunately based on operations which are not supported by sufficient data to arrive at objective conclusions. The reasons for private industrialists to hold these views could be many; from its inherent fear of Government control to that rapidity of development and circulation of innovation.

Returns Not Commensurate with Investment

Scientists and technologists in India are being increasingly called to account for their activities. There is a wide-spread feeling that science has not risen to the occasion and that returns on science are not commensurate with the investment.

There are two lines of thought. Some feel that the present investment is below the threshold value for productive returns and a massive investment in science is needed to make it pay. Their solutions include linking Science and technology with planning, state responsibility for continuation, expansion and direction of R & D investment and control and the application of modern methods of science management, scientific manpower policy and planning to science organisation and institutions.

Then there are others who feel that research in state-sponsored R & D institutes is ineffective because it lacks links with industry. They advocate stopping state investment in industrial R and its captive location in industrial firms. They are also critical of the current emphasis on organisation and management. Unbiased and independent advice by eminent scientists through scientific societies should guide science policy instead of the responsibility being handed over to committees like SACC. These contending views are based on parallels from the UK, USA, Japan and the Soviet Union.

Science is a Team Work

Modern science is very much a team effort and some sectors are becoming increasingly resource-intensive. As such, its needs to be organised and managed. A good science manager can optimise returns from the efforts of a team which may otherwise run to waste. There is a peculiar egosim in the science orthodoxy which refused to acknowledge equality in merit in fields other than pure academics.

The total investment by industries in R & D (public, private and foreign subsidiaries) of about Rs. 15 crores to sustain a production base of Rs. 6,000 crores is hardly sufficient. Our R and D investment is 0.3 per cent of the GNP. The industry contributes only 0.06 per cent of its total sales. Obviously, the Government has to take the responsibility of providing adequate R and D inputs, particularly in vital industrial and public utility sectors. While state motivation for R and D can be social and political, industries undertake R and D only under compulsive conditions of competition. These conditions do not exist in India. So while there could be a better planning and management of R and D in state financed laboratories and closer links with public and private sector industries, it will be suicidal to cut back on resources to public sector research in the expectation of industry taking over the responsibility.

India lags far behind in research work with a result that she has to depend more on foreign technology, turnkey projects and foreign patents. Out of the total foreign collaboration by India between 1957 and 1966, 47 per cent were for equipment and machinery manufacturer, and we have spent

Rs. 600 crores on foreign technology. Further, the turnkey projects that were given to us made us fully dependent on the foreigners. We did not even think to care that most of the foreign technology imported was duplicated and some cases would have been available in India with a little effort. A necessary consequence of the lack of co-ordination of R and D effort with industrial development and absence of proper linkages between the research front and the industrial sector, both private and public, has been the continued reliance on import of knowhow and technology. Between 1961-67, a total number of 1650 collaboration agreements were entered into. The area and countrywise distribution analysed show that Indian situation is affected in four ways: (1) undermined the country's basic economy through unnecessary drain of foreign exchange, (2) created an unfavourable competition with indigenous undertakings, (3) directed the work to outside parties and (4) demoralised the local entrepreneurs and expertise.

Displacement of Scientists

The consequences were in particular, disastrous for R and D. The preference for foreign know how led to ignoring what was indigenously developed or could be developed, and the risk capital for the latter was not available. The import of technology and knowhow lead to considerable displacement and unemployment of scientists and technologists. Further, India had to pay in two ways: while its own investment in R and D does not give the necessary returns and its scientists and technologists remain unemployed or not gainfully employed, it paid, through import of knowhow and technology, for the R and D effort of the advanced countries.

Out of the total expenditure of Rs. 250 crores on R during the III Plan, a mere 1.16 per cent went for mechanical engineering research and the bulk of it was spent on academic research in national labs and in universities. Whereas in foreign countries between 40 and 45 per cent of R expenditure was on mechanical engineering research. So far as patents are concerned, even today 90 per cent of them are foreign knowhow. Coming to Government research work, of which the main agency is the National Research Development Corporation through which are routed most of the research done by the national labs. It has been calculated that the NRDC received Rs. 9.82 lakhs as gross earnings by way of royalties and premia. However if we were to relate this figure to the GNP generated through these inventions it is Rs. 20.60 crores in 1967-68 and compare them with a total ex-factory value of industrial output in India amounting to ever Rs. 4,000 crores, it would be found that it is barely 1/8 or 1 per cent of the total industrial production in the country. Thus the work done by national labs does not seem to have any impact on the development of India.

Kirloskar's Joint Venture in Malaysia

It was in the year 1962 that the Government of India at the instance of the then Ambassador of India in Indonesia, Mr. Appa Pant sent a delegation to the South East Asian countries, specially Indonesia, Thailand, Singapore and Malaysia to study the possibilities of starting joint ventures. The Chairman of Kirloskar Electric Company Limited, Mr. N. W. Gurjar was one of the members of the delegation. After studying the various markets and the long range possibilities for the development of this region both in commerce and in industry, it was thought to start a selling office to begin with at one centre in South East Asia and then eventually commence the manufacture for the products locally.

As such the selling office at Kuala Lumpur was opened in the year 1963 after getting the necessary permission of the Government of Malaysia. After having gained a proper perspective of the possibility of selling our products in the neighbouring countries, it was thought that the time was ripe to set up a joint venture in Malaysia to cater to the markets of Malaysia, Singapore, Indonesia and Thailand. The Government of Malaysia was approached for granting pioneer status for the joint venture. Accordingly, an application was made in September 1968 to the Government of Malaysia for granting pioneer status to the joint Venture.

The Government of Malaysia after studying the project, granted pioneer status in January 1969 and since then various activities like getting a suitable site for the factory at the Batu Tiga Industrial Estate, making arrangements for the capital necessary to start a factory etc., were



A view of the factory of Indo-Malaysia Engineering Co. (Sdn.), Berhad

commenced. The joint venture project in Malaysia would manufacture the products manufactured in India by three of the Indian factories: Kirloskar Electric Co. Ltd.—Electric Motors and Alternators; Kirloskar Oil Engines Ltd.—Diesel Engines, and Kirloskar Brothers Ltd.—Centrifugal Pumps and Sluice valves.

This joint venture at Kuala Lumpur under the name Ms. Indo-Malaysia Engineering Company (SDN) Berhad was inaugurated recently by Enche Mohd. Khir Johari, Minister for Trade and Industry, Government of Malaysia.

Machine Tools from Harihar

The factory has been put up on an area of about ten acres made available in a very short time as soon as the proposal for the joint venture was approved. The major portion of the machinery including machine tools, test plant, winding machines, jigs and fixtures, etc., valued about Rs. 20 lakhs have already been exported from India. The entire machine tools have been supplied by

Mysore Kirloskar Limited, Harihar. The machinery and equipment have since been installed and preliminary production of electric motors, alternators, sluice valves has already commenced.

To cater to the requirement of castings a separate foundry is also being put up which is expected to be in production by the middle of 1972. The latest electric furnaces manufactured in Australia would be installed in this foundry. This foundry will be one of the modern upto-date foundries in Malaysia, where very specialised castings could be made.

By the end of 1972 the company will be producing electric motors upto 15 KW, pumps upto 150 mm, diesel engines upto 10 HP, alternators upto 10 KW and sluice valves upto 150 mm.

The promotion work of this Company has been handled completely by Kirloskar Electric Company. The technical know-how has been provided by Kirloskar Electric Company, Kirloskar Oil Engines Ltd., and Kirloskar Brothers Ltd., to manufacture the products in their respective range. A number of Kirloskar engineers and technicians are now working in the Malaysian Company organising production and training local personnel there.

More Demand for H.M.T. Watches

During the period April to October 1971 Hindustan Machine Tools, Bangalore produced 2,27,500 watches as compared to 2,01,284 watches during the corresponding period of 1970.

During the year 1971-72 (upto 31-10-1971) Machine tools worth Rs. 77 lakhs were exported compared to Rs. 68 lakhs in 1970-71.

The combined value of production at all the machine tool units during the period April to December 1971 was Rs. 1,404 lakhs as against the production of Rs. 939 lakhs during the same period in 1970-71.

Machines worth Rs. 1,218 lakhs were sold in 1971-72 compared to 775 lakhs in 1970-71.

Petroleum Industry Registers Steady Progress

India produced 7.2 million tonnes of crude oil in 1971-4,00,000 tonnes more than in the previous year, according to the Annual Report of the Ministry of Petroleum & Chemicals for 1971-72. The production of refined petroleum products increased to 19.6 million tonnes in 1971 compared to 18.5 million tonnes in 1970.

Stepping up ONGC's Activities

During the period under report, production activities of the Oil & Natural Gas Commission, a public sector organisation and the principal agency for exploration and production of oil in the country, were stepped up both in the eastern and western regions and the rate of production was increased from 10,000 tonnes per day in March 1971 to about 11,157 tonnes per day in December, 1971. During the period April-December, 1971, a total of 2.99 million tonnes of crude oil was produced and despatched from the oil fields of the Commission in Gujarat and Assam. Since its inception and up to the end of December, 1971, the Commission had produced and sold a total of 22.2 million tonnes of crude oil.

The Commission drilled 48 wells with a total metreage of 81,593 in Gujarat, Assam, Rajasthan, Cauvery Basin and Jammu & Kashmir, taking the number of wells drilled from its inception to 930, of which 504 were oil-bearing, 70 gas bearing, 22 water injection and 252 dry wells; 82 were under test.

A landmark in the development of pipeline technology in the country was the completion of Kalol-Nagagam Pipeline to transport oil from the North Gujarat oil fields to Koyali Refinery. The pipeline was designed and executed with wholly Indian know-how and personnel.

During the year, the Hydrocarbon (India) Private Limited, a subsidiary company of the Oil & Natural Gas Commission earned foreign exchange worth Rs. 8.00 crores from the sale of 0.931 million tonnes of crude oil. Hydrocarbon (India) Private Ltd., held 1/6th share in the Iranian Marine International Oil Company operating

in the Persian waters of the Gulf. It struck oil in Rostum and Raksh fields in commercial quantities which was being sold in the international market.

The Oil India Limited, another major oil producing organisation in which the Government of India and the Burmah Oil Company are equal partners, produced 3.14 million tonnes of crude oil in 1971 from its oil fields in the North-Eastern region.

The Company completed during 1971 one exploratory well and 13 development wells. Till December 1971, the Company had drilled a total of 297 development wells and 15 exploratory wells with a total metreage of approximately 955,520 and 64,783 respectively.

Increase in Refineries Operations

During 1971, the nine operating refineries in India refined 19.6 million tonnes of crude oil, over one million tonnes more than in 1970. About 11 million tonnes of crude were refined by the five public sector refineries and the balance by the four refineries in the private sector.

Increasing the Capacity of Koyali

Of the three refineries under the Indian Oil Corporation, refining capacity of Koyali (Gujarat) Refinery was augmented by 0.9 million tonnes per annum by revamping and debottlenecking. Expansion of the Barauni refinery from its present capacity of 2.2 million tonnes to 3.4 million tonnes was expected to be achieved by June 1974 when the third million-tonne unit of the refinery started operating on imported crude. The fourth refinery of the Corporation, being set up at Haldia in West Bengal was making steady progress. According to present indications the fuel part of the refinery was expected to be commissioned by the end of the first quarter of 1973 and the lube complex by September 1973. The refinery was expected to cost Rs. 67.50 crores.

Government had decided to set up a one-million tonne refinery at Bongai-gaon in Assam together with a relat-

ed DMT (dimethyl terephthalate)/Polyester fibre petro-chemical complex.

To meet the anticipated demands of the North-West region of the country, the Government was considering a proposal for setting up a 6 million-tonne refinery at a suitable location in that region. The refinery will have to be based on imported crude to be transported by a pipeline from the Gulf of Kutch.

Cochin Refinery's Successful Operations

Cochin Refinery Ltd. also completed another year of successful operation and earned a profit of over Rs. 1.75 crores. The capacity of the Cochin Refinery was being expanded from 2.5 million tonnes to 3.3 million tonnes. The additional capacity was expected to be commissioned by February 1973.

The Madras Refineries, which went on stream in June 1969, processed 2.09 million tonnes of Darius Crude attaining a crude throughput of 84 per cent of installed capacity in 1970-71, the second year of its operation.

Lubrizol India Limited, in which the Government of India held majority share, showed satisfactory results. The plant with a capacity of 6000 tonnes blended intermediate components into various chemical additives used in the formulation of lubricating oils, etc. The Government had approved expansion of the plant's capacity to 12,000 tonnes at an estimated cost of Rs. 185 lakhs. Expansion was expected to be completed by March 1974.

The refinery of Lube India Ltd., a 50: 50 partnership of the Government of India and Esso, had produced lube and transformer oil base stock to the extent of 1,47,700 tonnes at 90 per cent of its installed capacity during the year under report. The refinery had gone on stream in January 1970.

Growing Role of IOC

According to the Report, the Indian Oil Corporation handled more than



Enche Mohd. Khir Johari, Minister for Trade and Industry, Government of Malaysia, delivering his address at the inauguration function

half (51.60 per cent) of the petroleum products trade in the country. The total sales of the Corporation during 1970-71 were 11.61 million kilo-litres as against 10.64 million kilo-litres in 1969-70, showing an increase of 9 per cent. The Corporation expected to sell 13.40 million kilo-litres of petroleum products next year, i.e. 1971-72.

Production of LPG

Steady progress was maintained in the production and marketing of liquified petroleum gas (LPG). Production of LPG increased from 161,000 tonnes in 1970 to 200,000 tonnes in 1971. Indane gas was made available to 54 more towns during the year under report. The Corporation also

started a limited supply of LPG for industrial use.

The Corporation imported refined petroleum products and lube base stock amounting to Rs. 23.15 crores from April to December 1971 to meet certain marginal deficits. It also developed an export market for disposal of surpluses from public sector refineries and the exports amounted to Rs. 1.11 crores during the same period.

Complete Range of Services from EIL

Engineers India Limited, a wholly Government owned company set up under the Ministry, provided a complete range of services from concept

to commissioning in respect of petroleum refineries, petro-chemical and chemical plants, fertilizer plants, breweries, off-shore engineering, heat exchangers and non-ferrous metallurgical plants. During the period under report, the Company secured a job in Iran (Shiraz Refinery) in association with Snam Progetti of Italy and had tendered in association with Procofrance, for expansion of a refinery in Burma. The Company was at present engaged on process design, engineering procurement and on construction supervision of the Haldia Refinery, Koyali Aromatics Project, Cochin Refinery Expansion, Coke Calcination Plant at Barauni and LPG bottling facilities at Barauni, etc.

Ensuring Industrial Peace and Prosperity

With the Prime Minister more keenly aware of the imperative need for industrial peace, the set back to the negotiations to the efforts to reach an agreement on the question of evolving an industrial relations machinery may be invested with more significance than usually attaches to such breakdowns. There are close links which cannot be ignored by the Government between industrial progress and industrial peace and between the elimination of trade union rivalries and the effective functioning of the machinery of industrial settlement. Agreement among the principal trade union organisations on such questions as the criteria for recognition, the ways and means of ascertaining the genuineness of membership, and the contribution of constituting the body with which the Government or the industry can negotiate is essential for smooth progress, for the necessary legislation on this subject and its enforcement.

Need to Enact Legislation

But the trade unions, though they may be credited with an equal longing for industrial peace, have shown themselves lacking in the spirit of accommodation necessary for progress on

agreed lines. Since the continuance of such a position would increase the danger of frequent and prolonged interruptions to productive activity, the Government will have to consider the formulation of legislation on this subject without waiting for the concurrence of all the trade union organisations. There is, of course, the complication arising from the powers of the State Governments in this sphere and the lack of uniformity in the extent and manner of the exercise of powers. The Union Government can certainly attempt to cross the bridge when it comes to it. And it can meanwhile make it clear that however desirable it may be, the agreement of all the trade union organisation is not altogether indispensable if the principles underlying new legislation on this subject are for all practical purposes sound and unexceptionable. These principles have been clarified and brought to the fore by the recommendations of the National Labour Commission and by the direct experience of strikes during recent years.

Government to Clarify Position

Recognition of genuine trade unions of a required strength, verification of genuineness of members by Government members and the limiting of the

right to enrol members and collection of subscriptions by the recognised union and negotiation with only the accredited representatives of the recognised union are the cordial points of the new legislation. It is not surprising that the setback to the talks among the three trade union organisations occurred precisely over these questions of the method of verification and the grant of recognition. The INTUC stood firmly in favour of the continuance of the Bombay Industrial Relations Act on an experimental basis, so that the restriction of the right to enrol members of the recognised union and the imposition of the responsibility for verification on Government Inspectors can be tested out more satisfactorily in actual practice.

The AITUC and the HMS, the former more particularly, have objected to this on no better ground than that it will help the INTUC to entrench itself more strongly. If the position which AITUC has can only impede a settlement as Mr. Dange has claimed, and not to increase its membership, it can form no valid reason for upsetting prevailing conditions by allowing the expiration of the BIRA. It is for the Government to make it clear that it will not wait for an agreement which is receding like the horizon.

—PRS

INDUSTRIAL ECONOMIST

Vast Scope for Raising Resources Through LIC

The underwriting of a new record of business by the Life Insurance Corporation in 1971-72 at Rs. 1651 crores against Rs. 1303 crores in 1970-71 and Rs. 1025 crores in 1969-70 has given rise to the feeling that Life Insurance is becoming more popular in the rural and urban areas and the management also is in a position to exploit more effectively the new opportunities for expanding its activities. The latest achievement should be considered truly gratifying as prior to 1969-70 progress was uneven and unimpressive. There has also been an increase in the number of policies issued to 19 lakhs from 16.16 lakhs and there was probably a large number of newly insured because there is a lower average value per policy.

In view of the nearly 60 per cent growth in two years it will be worthwhile to find out what income groups have been attracted into the fold and whether apart from new policy holders agreeing to deduction out of the salaries at source, those with agricultural incomes also have found it advantageous to have insurance cover. Serious efforts are also being made to utilise contributions to Provident and Gratuity Funds for providing cover to those with fixed incomes but who would not otherwise be readily agreeable to pay premiums out of their own salaries.

An Ambitious Target

The Corporation is obviously confident of being able to achieve even a better rate of progress in the current year as its new Chairman, Mr. K. R. Puri has indicated that the target has been fixed at Rs. 2,150 crores. This will indeed be a tough job. But it should be possible to cross easily the Rs. 2,000 crore mark with determination and the larger field staff. Group insurance should also make a larger contribution though it is quite likely that there will be a larger number of non-medical policies. It has

been explained that the new objectives would be to bring about a doubling of business in three years so that the benefits of Life Insurance would become available to a larger section of the population.

Concentrating on Rural Areas

It is hoped that the desired growth in business will be achieved by paying greater attention to the rural areas and tapping further the potential in urban centres. If on average 2 million new policies can be issued every year with the rate rising by 20 per cent each year nearly half the population would have been covered. While for some time growth in business will be mainly on account of new comers, after three or four years there will also be a substantial increase in the amount insured as the earlier policy holders might take up additional cover.

Whatever may be the approach adopted by the Corporation for increasing the volume of business, there is no doubt, as in the case of banking, the realisation that it is imperative to provide minimum cover for each family in the event of the main earner fading away from the scene. There is need for adopting new tactics as have been followed by banks and there will have to be small offices in the interior areas with greater benefits for those agents working under difficult conditions. If these methods were adopted, the Corporation can easily hope to touch the Rs. 5,000 crore mark in respect of new business in four or five years.

Cost of Procuring New Business

The cost of procurement of new business should not be needlessly inflated, as is happening in the case of banking development. Also, while it is possible to make the necessary adjustments in interest charges for

finding additional income and meeting the losses incurred in running newly opened bank branches, the same approach cannot be adopted in the case of Life Insurance. There will of course be a temporary increase in expenditure but the nature of the business is such that first year's premiums alone should be helpful in meeting additional development expenditure while the renewal expense ratio can be kept down and even reduced substantially if attention was paid also to the quality of the business secured.

What is really important is the avoidance of a high lapse ratio which is likely when so many small policies are involved and the insured may have difficulties in paying premiums out of regular incomes on account of unexpected demands on these slender incomes. The best course would be to ensure deductions at source out of salaries for premiums and it should be the immediate objective of the Corporation to provide insurance cover for all those employees who are coming under the scope of the Provident Fund Act. This approach may result in a big increase in the volume of business.

While banks are now in a position to invest large amounts in Government securities and the amount investible may be Rs. 450 crores, the Life Insurance Corporation can excel the performance of the scheduled commercial banks if the rate of growth as visualised by Mr. K. R. Puri, is achieved. Even in 1971-72 the additions to resources were Rs. 299 crores or Rs. 31 crores more than in 1970-71. With a faster growth of new business in force, it may not be difficult to increase these additions to Rs. 500 crores or Rs. 600 crores within a short period and thus overtake the commercial banks. Among the Life Insurance Corporation, the Provident Funds and the banking system, the scope for mobilising savings and canalising them into the desired channels is immense.

Fertilizer Production Crosses 12-Lakh Tonne Mark

Fertilizer production during 1971-72 was expected to cross 12-lakh tonne mark, nearly 2 lakh tonnes more than last year. This was stated in the Annual Report of the Ministry of Petroleum & Chemicals for the year 1971-72. Production performance, according to the Report, would have been even better but for inadequate supply of raw materials, etc.

New Fertilizer Units

Two new units—Madras Fertilizers Limited and the ammonia section of the IV Stage Expansion of the Alwaye unit of the Fertilizers & Chemicals Travancore Limited, have gone into production. Two new units, one at Durgapur and the other at Cochin were under trial runs and were expected to commence commercial production shortly. Goa Fertilizer Project was in an advanced stage of construction and was expected to go into production in the latter half of 1972-73. Construction work in respect of the Barauni, Namrup (expansion) and Sindri rationalisation projects was also in progress during the year.

Work Started on New Units

Civil works on four new projects also started during the year. These projects were the two Fertilizer Corporation coal-based plants at Talcher (Orissa) and Ramagundam (Andhra Pradesh), the fertilizer project of Indian Farmers Fertilizers Cooperative Ltd. at Kalol and Kandla in Gujarat and the project of Southern Petro-chemical Industries Corporation at Tuticorin. Preliminary steps were taken for implementation of the third coal-based plant at Korba (Madhya Pradesh).

The Government has also approved six new projects. These were the Haldia (West Bengal), Gorakhpur expansion (U.P.) and Cochin Phase II project (Kerala) in the public sector and the Tuticorin (Tamil Nadu), Konkan (DMCC), and Kota Expansion (Rajasthan) projects in the private sector.

Augmenting Production

To augment production of fertilizers so as to make the country self-sufficient, proposals for establishing additional fertilizer factories and expansion of some of the existing units were being vigorously pursued. Expansion of the Nangal fertilizer factory, modernisation of the Sindri fertilizer factory and establishment of new fertilizer factories in Punjab and Haryana were under consideration. The proposal of Messrs Tata Chemicals Ltd. for setting up a fertilizer factory at Mithapur had undergone some modification and it now envisaged production of nitrogen only instead of both nitrogenous and phosphatic fertilizers as planned earlier.

For the first time, World Bank credits totalling \$30 million were granted for two new projects in the public sector—\$20 million for expansion of Cochin project and \$10 million for expansion of Gorakhpur factory. Negotiations for allocation of U.K. credit amounting to £10.502 million for the establishment of the Mangalore fertilizer project were in final stages.

Public Sector Units

There are three public sector companies under the Ministry for manufacture of fertilizers. Of these, the Fertilizer Corporation of India produced during the period April 1971 to February 1972, 2,73,000 tonnes of nitrogen as against 2,65,000 tonnes produced during the corresponding period of 1970-71. The Corporation had five operating units at Sindri (Bihar), Nangal (Punjab), Trombay (Maharashtra), Gorakhpur (U.P.) and Namrup (Assam). It was now engaged in the construction of seven more units at Durgapur (West Bengal), Barauni (Bihar), Talcher (Orissa), Sindri Rationalisation (Bihar), Namrup Expansion (Assam), Ramagundam (Andhra Pradesh) and Trombay Expansion (Maharashtra). During the year three new projects—Haldia (West Bengal), Korba (Madhya Pradesh)

and Gorakhpur Expansion (U.P.)—were entrusted to F.C.I. for execution.

Production of Catalysts

The Planning & Development Division, the research and development wing of F.C.I., developed techniques for the production of a complete range of catalysts required by fertilizer plants. During the year under review, the Division produced 1073 tonnes of catalysts, 2076 tonnes of chemicals and 940 cu. ft. of resins. The Division for the first time sub-licensed a process to a private party in India for manufacture of sodium nitrite/nitrate. It also secured orders for designing and engineering of nitric acid plant at Kirkee and Ammonia unloading facility for IDPL, at Hyderabad.

The Madras Fertilizers Limited, a joint venture of the Government of India and Amoco India Incorporated (USA), in which the Government held 51 per cent shares, went into commercial production in November 1971. The Company produced till February 1972, 68,317 tonnes of Urea and 48,637 tonnes of NPK complex fertilizer.

Expansion of FACT

The Fertilizers & Chemicals Travancore Limited, the third public sector organisation, was implementing the expansion of its Udyogmandal unit. The entire project was expected to be completed by the middle of 1972. The Cochin Project Phase II, on which work had commenced recently, was expected to go on stream by June 1974. Engineering and Design Organisation (FEDO) of FACT, continued to undertake engineering and contract jobs in different parts of the country. The contract for Rs. 12 crore Khetri Acid-cum-Fertilizer project was won by FEDO against international competition. The contract involved design, supply, construction and commissioning of a Sulphuric Acid plant, a Phosphoric Acid plant and a triple superphosphate plant.

Boiler Plant Maintains its Spectacular Record

It is gathered that the High Pressure Boiler Plant has maintained its record of spectacular growth in the year that just ended. The turnover of the company during 1971-72 was in the region of Rs. 33.5 crores. This marks an increase of 26.4 per cent over that of the preceding year. The performance of the company during the last three years has been as follows:

PERFORMANCE OF BHEL

Year	Turnover Rs. crores	Profits Rs. crores
1969-70	21.11	4.7
1970-71	26.52	5.4
1971-72*	33.50	6.0

*Estimated

The unit employs over 6000 persons. It has given the lie to the general criticism that public sector cannot stand comparison with the efficient units in the private sector. The stabilisation of the operations within a short time of commencing production and the record of the company in achieving spectacular increases in turnover and profitability and their comfortable order position all speak for a very well

managed industrial undertaking which certainly gives the hope for revamping of the other industrial undertakings in the public sector such as the Heavy Electricals and Heavy Engineering Corporation. A team of executives of BHEL led by the Chairman, Mr. O. S. Murthy and Messrs. V. Krishnamurthy (General Manager), S. V. S. Raghavan (F.A. & C.A.O.) and V. R. Deenadayalu (Commercial Manager) of the Tiruchi unit returned after a three week visit to the U.S. to finalise the collaboration agreement with Combustion Engineering Inc., USA, which will help the Indian unit take to production of a range of more sophisticated steam generators than hitherto produced at Tiruchi.

The cost of this expansion is estimated at Rs. 4 crores including the expenditure required for civil construction. In the initial stages the foreign exchange component of this will be in the region of Rs. 70 lakhs. BHEL is trying to develop a number of machine tools required within the country with the help of units such as the Hindustan Machine Tools Limited.

The present collaboration will help the Indian unit to benefit out of the

vast technological improvements made at Combustion Engineering. It was pointed out that with the adoption of some of these improved techniques, it would be possible to bring down the cost of construction of steam generators substantially. The capacity now created will be operative in 1973-74.

Combustion Engineering is the largest manufacturer of steam generators in the world. It is gathered that they meet approximately 60 per cent of the world market for steam generators. Their present range can go up to the design and production of steam generators up to 1000 MW capacity. One can expect that the tie-up with this renowned manufacturer will help expand the export efforts of the Indian unit which has already secured some handsome orders in this regard. It will be recalled that the Tiruchi unit of BHEL has secured two contracts from Malaysia: one for the supply of three numbers of 60 MW boilers valued at Rs. 2.25 crores; and the other for design, manufacture and erection at site of three numbers of 120 MW boilers valued at Rs. 9.3 crores. These contracts were won against stiff international competition.

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.



Slump in Steel Production in 1971-72

The production of steel in the country during 1971-72 totalled 6.3 million ingot tonnes as compared to 6.13 million ingot tonnes in the previous year, according to the annual report of the Ministry of Steel and Mines for 1971-72.

The production of tool alloy and special steels during the year was about 0.3 million tonnes and saleable pig iron about 1.00 million tonnes. With the substantial increase in the production of alloy steels, imports of alloy steels have been stopped.

Increased Production of Steel Ingots

A target of 7.2 million tonnes of steel ingots has been set up for the main steel plants during 1972-73. This will mean an additional production of about a million tonnes of steel ingots representing on the average 80 per cent utilisation of rated capacity. In addition there will be production of mild steel from Mysore Iron and Steel Limited to the extent of 6 to 7 lakh tonnes.

The steel manufacturing capacity at the end of the fourth plan is expected to be 12 million ingot tonnes. In the fifth plan period this capacity will be further augmented by expansion of Bhilai Steel Plant and the Bokaro Steel Plant to about 4 million tonnes each and by establishing two new steel plants at Visakhapatnam and Vijayanagar. The implementation of these schemes by the end of the fifth plan will create a capacity to manufacture approximately 19 million ingot tonnes of steel.

Expanding Alloy Steel Production

A long term development programme has been formulated for expansion of alloy steel production in the country. The product-mix for the expansion of alloy steel plant at Durgapur and the new steel plant at Salem was being examined, keeping in view the likely demand of various categories by 1980.

Steps are being taken to augment the steel making capacity, with the expansion of the capacity of Bhilai in the public sector and Indian Iron and

Steel Company Ltd. in the private sector.

The Bhilai Steel Plant is being further expanded to about 4 million tonnes steel capacity from the present 2.5 million tonnes. This will be achieved by the end of 1976. Action is also in hand to develop the further supporting facilities including mechanisation of the captive iron ore mines and the setting of the second sintering plant.

The Indian Iron and Steel Company has submitted a detailed scheme for expansion to 1.3 million tonnes of steel ingots from its present installed capacity of 1 million tonnes of steel ingots. The scheme is under detailed examination.

The construction work on stage I of the Bokaro Steel Plant for production of 1.7 million tonnes made progress at a rapid pace during the year 1971-72. The civil work on the first blast furnace complex is almost complete. The first coke oven battery was lighted in March 1972, and the first blast furnace is expected to be commissioned within the next few months.

For stage I, as a whole, 99.3 per cent of the earth work excavation, 85.8 per cent of RCC and concrete, 83.7 per cent of ground communication have been completed. The steel structure erected during 1971 was more than 71,000 tonnes, this is one and a half times more than was done during 1970. About 39,000 tonnes of equipment have been erected during 1971; this is double the quantity erected during 1970. In fact the monthly rate of erection of structures and equipment has more than doubled from about 5,500 tonnes in October 1970 to more than 11,000 tonnes per month towards the end of 1971. The refractory lining work increased by five times from 5,568 tonnes in 1970 to 34,026 tonnes in 1971.

Crash Programme to be Launched

The Government has taken a decision to launch a crash programme for achieving a capacity of 2.5 million tonnes of steel ingots between the first (1.7 million tonnes) and second (4.00

million tonnes) stage at Bokaro Steel Plant. The work on the 2.5 million tonnes is expected to be completed by the end of the fourth plan. The work on the second stage has commenced and possibility of further expansion to 5.5 million ingot tonnes is under examination.

The techno-economic feasibility reports, of the new steel plants at Salem, Vijayanagar and Visakhapatnam, which have been received from the consultants, are under examination of the Department of Steel. Meanwhile considerable progress has been made on preliminary items of work for setting up of these plants. Action has been taken on acquisition of land for these plants.

Soil tests, plate-bearing tests etc. for the three projects have been completed by the Hindustan Steel Construction Ltd. and other investigations are also underway.

The Survey of India have completed the topographical surveys of the three plant sites, railways have completed survey for exchange yards, sidings etc., water supply schemes drawn up by the State Governments are being finalised and testing of raw materials is being done by the National Metallurgical Laboratory.

According to the schedule of construction as indicated by the consultants in the feasibility reports, Salem Steel Plant would be commissioned in seven years, while the commissioning of the Vijayanagar and Visakhapatnam Steel Plants would take about eight years from now.

HSL could not Reach Anticipated Production

According to the report, under the original programme formulated by HSL, a production of 4.75 million tonnes of ingots and 3.59 million tonnes of saleable steel were expected from the three integrated steel plants at Durgapur, Bhilai and Rourkela. The total production level envisaged in the three plants, however, could not be reached although the anticipated production of 1.954 million tonnes of ingots at

Bhilai is the highest in the plant so far and 14,000 tonnes more than last year's production; production at Durgapur has exceeded previous year's production by 66,000 tonnes of ingots. Total production was only marginally less than in the previous year in spite of the serious mishap in Rourkela which resulted in the loss of production of about 35,000 ingot tonnes of steel.

The main factors, responsible for shortfall in production as compared to the targets are: the major breakdown in some of the coke oven batteries in Bhilai, collapse of the roof structure of the steel melting shop in Rourkela and the general disturbed industrial relations in Durgapur.

To improve the performance of coke ovens special repairs have been undertaken. A special group was constituted to suggest the most effective measures for increasing coke production. The suggestions are under implementation. To meet shortage of coke oven gas, supplementary fuels are being used. A new coke oven battery was commissioned at Bhilai in January 1972.

The reconstruction of the roof of the steel melting shop at Rourkela was completed in record time. Production had picked up to a good level by February 1972. To ensure timely availability of stores and spares, rolls, raw materials, refractories, etc. a three-year rolling plan for these items, has been formulated for the integrated steel plants in the country. Likewise a three-year maintenance programme for the integrated steel plants has also been finalised. These measures will result in a better and timely maintenance and utilisation of existing installed capacity, and will contribute towards self-sufficiency.

HSL has evolved new production incentive scheme designed to motivate labour productivity and discourage absenteeism and reduce overtime payments. In the field of industrial relations, the emphasis at all levels is on a participative approach to the solution of the problems.

Among engineering units, the Heavy Engineering Corporation Ltd. manufactured 30,468 tonnes of mechanical equipment and structurals (23,109

tonnes in 1970-71), 20,954 tonnes of forgings (16,021 tonnes in 1970-71) and 20 numbers of machine tools (28 number in 1970-71) valued at about Rs. 39 crores as compared to about Rs. 28 crores in the previous year. The value of machine tools produced during 1971-72 was Rs. 126.26 lakhs as against Rs. 105.43 lakhs during 1970-71.

Rs. 1 Crore Gain for HEC

During the year HEC made a net cash gain of about Rs. 1 crore, excluding interest charges and depreciation. If the present rate of improvement is maintained the company would reach the break-even stage in 1973-74. Many important items of equipment were manufactured for the first time in the country.

Passing Away of an Eminent Economist

In the death of Dr. P. S. Lokanathan, India has lost an economist of genuine public spirit, intensive experience of national and international economic problems and eagerness to raise the calibre of the members of his profession in the country. To his careful study of the subject in his undergraduate and postgraduate years in this country, he added the attainments of a course in the London University where his thesis on the

presentation according to need, while the standards for judging its work were set by the practices in the US and the record of the European Economic Commission with which the ECAFE could hardly bear comparison in any respect.

But Dr. Lokanathan succeeded in furthering the different studies inaugurated by the ECAFE and presenting annual surveys of increasing usefulness. The Governments of the countries found in him an able and effective adviser while the higher authorities in the UN learned, though slowly, that their treatment of Dr. Lokanathan could not be different because of his belonging to a subject country. During the time in which he was at the helm of the ECAFE, Dr. Lokanathan revealed administrative abilities which generally do not go with academic attainments. He was careful perhaps to a fault to avoid giving room for possible charges of partiality for the Indian members of the staff of the ECAFE and the result was he was respected by all members of the cosmopolitan staff.

To us in *INDUSTRIAL ECONOMIST*, the loss is more personal. Dr. Lokanathan readily agreed to our request, made at the last moment, to receive the first copy of the journal released at a special function in March 1968. He had contributed quite a few articles of topical interest including a masterpiece on the abolition of the Managing Agency System, the subject for his doctoral thesis.

His retirement in affluence did not tempt him to a life of ease. He was readily available to guide committees of public enquiry into such questions as the sales tax or the sick mills of Coimbatore. He was equally at the service of the big companies in which he acquired an interest. Never in sound health, he managed by sheer self discipline to retain his usefulness to the country. Regret at his demise may be modified by the knowledge that through the formation of the National Council of Applied Economic Research, he has conferred lasting benefits on his country.



Dr. P. S. Lokanathan received the first copy of *Industrial Economist* and had contributed a number of features to *Industrial Economist*. In the picture he is seen addressing the invitees at the inaugural function of *Industrial Economist*

Managing System set the ball rolling for the eventual abolition of a form of company organisation and management which did little to compensate for the loss of its original rationale.

His thesis was mainly responsible for the call to the Editorship of *The Eastern Economist*, which proved to be only a stepping stone to the leadership of the ECAFE. Few in India have any clear idea of the handicaps under which the ECAFE and its chief had to work in the old days. Most of the member countries were total strangers to the orderly collection of economic data and their

Building Kalpakkam Station with Maximum Indigenous Content

Mr. H. N. Sethna, Chairman, Atomic Energy Commission, could not hold out hopes of the Kalpakkam Atomic Power Station being commissioned before 1975 end. He was, however, happy that the schedule had not been very much upset though there were certain circumstances which did come in their way.

From what Mr. Sethna told to pressmen, it was clear that the first 200 MW station would be in operation by end of 1975 or early 1976 provided "the many assumptions" materialised.

One could of course guess unit circumstances contributing to the delay. "This is not an exercise merely in putting up another nuclear power station, but in building up capabilities and talents in the country," Mr. Sethna remarked. It is the Indian talent that is building the complicated atomic power station with maximum indigenous content. Naturally, there is delay in the schedule and also rise in the cost. The AEC authorities perhaps

feel the delay and cost escalation are worth the game. But there is another side to this question. Supply from this source has been taken credit for in the development plan for the last year of the Fourth and the first year of the Fifth Plan. One could therefore imagine the cost the delay would mean to the development of the region.

Big Advance for Indian Expertise

According to Mr. Sethna, the second unit of 200 MW would be commissioned in 1977-78. He made it clear that the Kalpakkam Project represented a big advance for India's nuclear expertise over the other two power stations at Tarapur and Rana Pratap Sagar (Rajasthan). Apart from its being designed and engineered by Indian engineers, its indigenous content is expected to be as high as 80 per cent. Its heavy water (moderator) requirements are to be met by the plant to be put up in Tuticorin.

The present estimates of cost for the two units are Rs. 77 crores and Rs. 70 crores respectively.

Thorium Cycle New Feature

This year more money has been allotted for Kalpakkam. In consequence, work on the fast breeder reactor will be gathering momentum. Atomic power stations with breeder reactors based on thorium cycle are the goal of the Indian atomic energy programmes. Such power stations are not in operations in the world now. But India's super abundant thorium reserves would have to be used to produce electricity cheap.

Mr. Sethna discussed the difficulties that Tarapur Atomic power Station met with. He indicated some design mistakes in the pressure vessel apart from the burning of the transformer as being responsible for shut down. He expected the two units to be re-commissioned soon. — (FOC)

Foreign Collaboration for TV Manufacture to Go

The Electronics Commission has decided that the licensing of additional capacity for the manufacture of TV sets should be based on the guideline that there is no need for any foreign collaboration or know-how for the manufacture of TV sets in India. Other guidelines are: No TV sets with foreign brand names should be allowed to be manufactured and no licences need be given to companies with foreign equity holdings, 50 per cent or more of the total capacity should be sanctioned to units in the small scale sector and here preference would be given to qualified engineers/scientists and consortia of small-scale units and reasonable capacity would be licensed to public sector undertakings, both Central and State and those involving State Industrial Development Corporations.

Panels to Examine Specified Areas

The Commission has also decided to set up, from time to time, expert technical panels to examine various ques-

tions relating to specified areas in electronics. So far, four such technical panels have been constituted covering Electronic Desk Calculators, Ferrites, Semi-conductor Devices and Glass bulbs for television and such applications.

Set up in February 1971, the Electronics Commission has been charged with full responsibility to review the entire field of electronics with regard to research, development and industrial operations, with full authority to formulate policies in this field and to 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.

At present the Commission is involved in making an assessment of the present requirements and those over the future (during the next 5-10 years) in all sectors of electronics including equipment, components and materials.

It is also making an assessment of the imports of all types in the field of electronics of the installed capacities, of letters of intent issued and of electronics of the installed capacities, the public and private sector and the future plans thereof over the next few years. The Commission is also to determine the manner in which additional manufacturing capacity should be generated in the public sector and the private sector.

Focus on R & D

As regards Research and Development, the Electronics Commission has already decided that specialised areas where massive R & D effort is required should be selected, and an all-out effort made to undertake development of these areas within the shortest possible time. During the year 1971-72, funds to the extent of Rs. 3.49 crores have been disbursed for R & D. During the financial year 1972-73, funds to the extent of Rs. 3.50 crores have been provided for undertaking development programmes.

A Scheme to Make Madras More Beautiful

The Cooum Improvement Scheme figured in more than one session of the budget sitting of the Tamil Nadu Legislative Assembly thanks to a popular Tamil journal pointing to serious irregularities in the expenditure of allotted funds. Irregularities were alleged in the implementation of some parts of the scheme. The Opposition members who made these allegations maintained in the face of Ministerial denials that they knew of certain remarks of the Accountant General to the effect that funds had been diverted from one section of the scheme to "an extraneous work." It was specifically pointed out that the Government had incurred expenditure in beautifying the area around Anna Samadhi in the marina out of the funds allotted for the Cooum Improvement Scheme which envisaged beautifying only the region adjoining the mouth of the Cooum river, which was at least a furlong away from the Samadhi.

Both the Chief Minister and the Works Minister denied that there was any such

the scheme in an interim manner pointed to the inadmissibility of debiting expenditure on Anna 'samadhi' beautification to part of the Cooum Scheme. But this is no report from the AG. It is usual for the auditing party raising a number of queries from day to day and the question of a final objection would arise only when and if the auditors finally found the explanations received from the authorities implementing the scheme unconvincing. It is perhaps too early to lay a charge of diversion of funds.

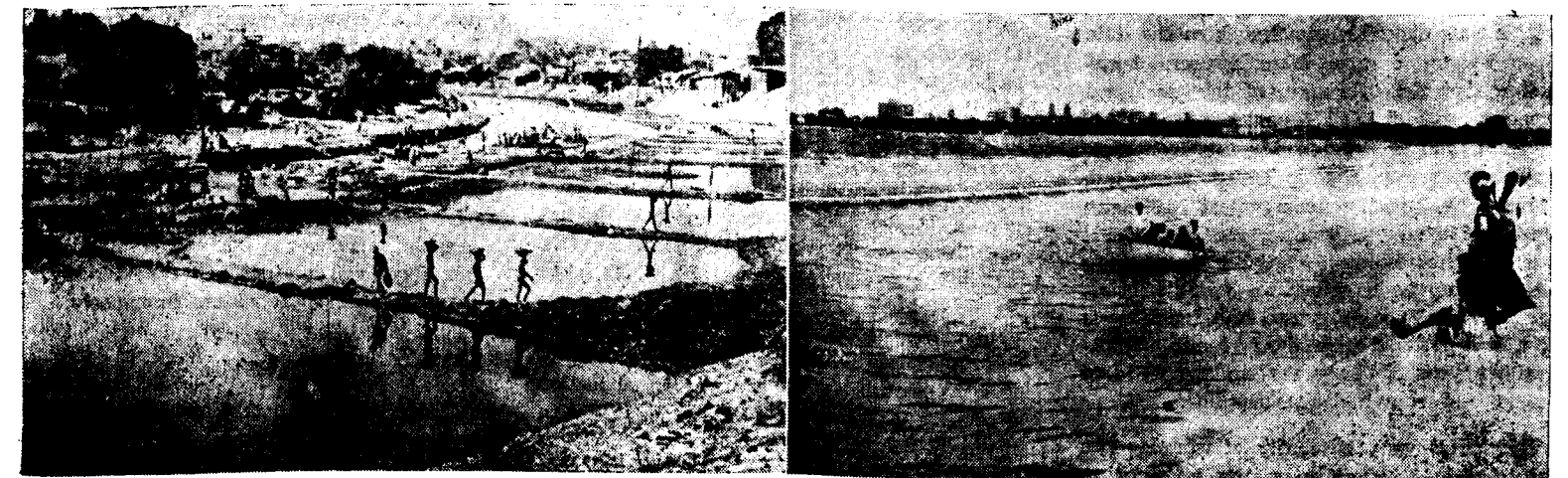
In the meantime, the public are told that the Cooum Improvement Scheme would be fully implemented by June this year. What does this scheme mean to the public?

Background of the Scheme

Cooum proved itself more a problem than an amenity to the citizens. Though there is no flow in the river for a good portion of the year with its course within the city extending upto the bar at its mouth becoming a stragant pool, still it could have been

number of improvements. The scheme under implementation is made up of these improvements. Steps are being taken to keep the Cooum and the Canal clean by preventing the overflow into them from the sewage pumping stations. The slums on the banks are in the process of being cleared. The river is being deepened and narrowed at the centre with the bed width decreasing from 150 feet at the Napier point to 75 feet at the Chetput point. The canal and the river banks will eventually serve as places of recreation and attractive evening resorts to the citizens as well as to tourists. The side slopes of the channelised section of the river have been given a protection of cement concrete lining. The northern and southern arms of the river girdling the Island (near Napier Bridge) are being rendered specially suitable for pleasure boatings.

Development of both the Canal and river to carry passenger and cargo boats as a measure of relief to the congested road



The Cooum Improvement Scheme has been in the news recently. The scheme envisages the narrowing of the width of the Cooum stretch within the city and line its banks with cement and continuously flushing sea water using giant pumps at the mouth of the river. The scheme originally estimated to cost Rs. 1 crore might exceed Rs. 2 crores ultimately. Several allegations have been made on financial irregularities in the implementation of the scheme which have, of course, been denied by the Government.

diversion of funds. The Accountant General had not given his Audit Report yet and there was, therefore, no question of his remarks of an objectionable nature, Mr. Karunanidhi said. He further stated that he would never hesitate to approach the House for even a crore of rupees for the purpose of beautifying Anna Samadhi if there was need, and there was no need for any clandestine diversion. He was sure the people of Tamil Nadu would not grudge expenditure on such an object as beautifying the 'samadhi' of the greatest son of Tamil Nadu.

Routine Audit Queries

Enquiries made show that some preliminary communication with respect to one aspect of

an amenity but for the enormity of the pollution at various points in its length. The overflows from a number of sewage pumping stations get into the river and the Buckingham Canal which is connected with it. The slums which developed rapidly on the banks of the river and the canal too contributed their share to the pollution. As the water level rapidly falls in the summer months due to evaporation and percolation losses and the contaminated banks got exposed to the heat of the sun, the putrifying matter emitted strong stench menacing the health of the citizens. It is in this background the scheme costing upto Rs. two crores (ultimately) has been taken up.

The search for a permanent solution of the Cooum problem began as early as 1890. In 1958 a technical committee recommended a

traffic is also being undertaken. As far as the Cooum part alone is concerned, an estimated expenditure of Rs. 80 lakhs in four years is being incurred.

No action has so far been taken by the Corporation of Madras to prevent the major part of the sewage pollution of the river and of the canal due to paucity of funds. It is understood that the Special Engineer of the Corporation has estimated that improvement to zone five alone, where 90 per cent of the sewage pollution occurs, would cost Rs. 75 lakhs and it would take at least five years to complete it from the date of sanction. So what is really urgent is action by the Corporation on prevention of overflow of sewage concurrently with Government measures on improvement schemes.

—V.M.

Unenviable Position of Cement Units

It is rather unfortunate that when there is an unsatisfied demand for cement thanks to the stepped up outlays on new industrial, housing and roadways schemes, the industry is unable to meet the growing requirements even though it has been steadily adding to its installed capacity. The industry has not been able to effectively utilise the expanded facilities, particularly in the southern and western regions, due to non-availability of railway wagons. And even with the efforts of many units in the surplus regions to use road transport inspite of the much higher costs involved they have been forced to accumulate stocks and consequently cut back production. At the same time, the shortage felt in deficit areas has become more acute as even the few factories there could not take full advantage of the demand situation and reap the maximum benefit as operational problems and shortage of fuel or power stood in the way of optimum use of capacity.

It is thus disturbing to find from the data given by the Cement Manufacturers Association that the utilisation of the expanded capacity dropped to 84.85 per cent from 87.95 per cent though despatches in the first quarter this year were slightly better in absolute terms at 39.39 lakh tonnes against 38.65 lakh tonnes in the corresponding period in 1971. But it is heartening that the total capacity has gone up by as much as 3 million tonnes in just 12 months and the industry is now in a position to produce 18 million tonnes per year if there are no shortages of wagon and raw material supplies.

The industry's profitability of working has naturally been affected by the inability to use the enhanced capacity more fully and many leading companies had great difficulty in avoiding a steep fall in earnings for last year. However, some of them which have diversified their operations into new lines have been able to offset the loss in earnings from their cement division as their other lines were more profitable. The industry is eagerly awaiting the Government's decision on their plea for a higher retention price but this may take sometime as the Tariff Commission will be going into the working of the industry in depth including the freight pool system. Meanwhile, it is hoped that the Railways will help the units in the surplus regions to move the increasing production.

Orissa Cements Pays More

Orissa Cements Limited has been benefiting considerably from its diversified activities and during 1971 there was a jump in its net profit, before depreciation and taxation, to Rs. 368.42 lakhs from Rs. 279.60 lakhs in 1970 and the directors have increased the

the equity dividend to 15 per cent, taxable, from 12½ per cent, taxable. But there is no indication about an early decision on a bonus issue as there are sizable free reserves. The sum set aside for depreciation is Rs. 51.84 lakhs (Rs. 40.94 lakhs) and development rebate Rs. 13.25 lakhs (Rs. 8.22 lakhs) while taxation claims a much larger sum of Rs. 196.50 lakhs (Rs. 129.50 lakhs). The higher dividend is to be paid from general reserve which gets Rs. 123.44 lakhs (Rs. 76.50 lakhs) whereas in the previous year there was an allocation of Rs. 36.07 lakhs to dividend reserve. The latest dividend will absorb only Rs. 40.5 lakhs and is covered over three times by disposable profits.

Dalmia Cements Repeats

Dalmia Cement (Bharat) Limited has also earned a larger profit of Rs. 193.92 lakhs in 1971 against Rs. 174.97 lakhs in 1970, though the unit had its share of difficulties in regard to transport experienced by cement units in the southern region. Perhaps the mining and other divisions functioned more profitably. But the equity dividend is only being maintained at 12½ per cent, taxable, while shareholders have also been eagerly awaiting a bonus issue. The provision for depreciation is Rs. 33.61 lakhs (Rs. 36.77 lakhs) and development rebate Rs. 3.47 lakhs (Rs. 7.15 lakhs). After allocating Rs. 75.50 lakhs (Rs. 74 lakhs) for taxation, the transfer to general reserve is Rs. 86.21 lakhs (Rs. 26.50 lakhs). The dividend is to be paid out of this reserve whereas there was an allocation of Rs. 38.15 lakhs to dividend equalisation reserve.

Graphite India

Graphite India Limited which has the country's only unit in West Bengal for graphite electrodes, anodes and other graphite products is setting up another factory in Bangalore. The new project is estimated to cost Rs. 4 crores. It is proposed to issue fresh equity shares at par on a rights basis for Rs. 25.84 lakhs while institutional investors will be offered convertible debentures for Rs. 1.20 crores carrying interest at 8.5 per cent taxable. These debentures will be convertible to the extent of 20 per cent of their face value into equities. The Industrial Credit and Investment Corporation of India will be giving a foreign currency loan for \$ 8.70 lakhs (Rs. 63.50 lakhs). The company's Rs. 10 paid up shares are quoting around Rs. 28.50.

S. I. Viscose Excels

South India Viscose Limited has fulfilled expectations in stock market circles of a

highly encouraging performance of the company in 1971 and an enhanced dividend on equity capital. There was a further rise in output of rayon yarn to 3,536 tonnes from 3,368 tonnes but production of staple fibre had to be restricted to 2,900 tonnes against 3,549 tonnes in 1970 due to acute shortage of caustic soda. Larger availability of pulp from its own plant was a very helpful factor, while sales of pulp were also made to outside consumers. As the new agreement on larger yarn sales to weavers and exporters became effective only towards the close of the year, profit margins were quite attractive. The turnover was sharply higher at Rs. 13.62 crores against Rs. 9.77 crores in 1970 while the rise in net profit, before depreciation, was more pronounced to Rs. 448.11 lakhs from Rs. 282.10 lakhs. The provisions include Rs. 158.78 lakhs (Rs. 168.65 lakhs) for depreciation and Rs. 90 lakhs (nil) for development rebate. General reserve gets Rs. 90 lakhs (Rs. 53.90 lakhs). There is no tax liability as in the previous year while development rebate yet to be claimed amounts to Rs. 2.80 crores. There is however a provision of Rs. 11.36 lakhs for taxation relating to earlier years and Rs. 7.72 lakhs (Rs. 31,524) has been written off expenses of previous years. After transferring Rs. 9.40 lakhs (nil) to gratuity reserve and allowing for donations of Rs. 2.41 lakhs (Rs. 62,504), the dividend on equity capital has been raised appreciably to 16 per cent taxable, from 12 per cent taxable, subject to the approval of the State Bank of India. The payment for 1969 was only 6 per cent, taxable. Thus the company's pulp project has improved profitability considerably and benefited the shareholders immensely.

New Schemes

There will be a further improvement in the company's fortunes where it completes the new schemes under consideration. In the first stage, the staple fibre capacity is to be trebled to 30 tonnes a day at a cost of Rs. 6 crores and this will be financed from internal generation of resources, and there will be no need to raise fresh capital. The required equipment will be supplied by Gwalior Rayon and the project will be completed before the end of 1973. There is also a plan to set up a polynosic fibre plant with 20 tonnes daily capacity at a later stage while Government permission has been sought to double the pulp capacity to 120 tonnes daily and a letter of intent is awaited. This will take care of the expanded capacity of fibre. The company has approached the State Government for the allocation of a larger area for growing blue gum and wattle trees as also undeveloped forest lands to ensure adequate supplies of soft woods. The excellent working results for 1971 and the growth prospects have been responsible, for a big jump in the quotation for Viscose shares to Rs. 220 from around Rs. 160 a few weeks back. Even the enhanced dividend will require only

Rs. 78.40 lakhs while the sum ploughed back out of the current earnings of Rs. 4.48 crores is as much as Rs. 3.40 crores.

Anglo-French Textiles

Anglo-French Textiles Limited is one of the few mills which have successfully weathered a difficult situation in 1971. In spite of costlier cotton and problems in exports, the company was able to earn a much higher net profit, of Rs. 78.34 lakhs, before depreciation and taxation against Rs. 54.74 lakhs in 1970. After providing Rs. 47.83 lakhs (Rs. 47.90 lakhs) for depreciation and Rs. 7.65 lakhs (Rs. 23.22 lakhs) for development rebate the transfer to general reserve is Rs. 14.65 lakhs (nil) and bonus to staff claims Rs. 6.50 lakhs (Rs. 5.52 lakhs). The dividend on equity capital has been maintained at 15 per cent, taxable and will be paid out of general reserve. On the last occasion, the appropriations were helped by a transfer of Rs. 23.60 lakhs from this reserve. There is no tax liability in view of the carry forward of unabsorbed development rebate and depreciation from the previous years.....

Seshasayee Industries

The operations of Seshasayee Industries Limited in 1971 were affected by a prolonged strike and the turnover as a result was lower at Rs. 158 lakhs against Rs. 172 lakhs in 1970. The net profit, before depreciation, was, however, only a little lower at Rs. 16.19 lakhs against Rs. 18.86 lakhs. The provision for depreciation is Rs. 9.12 lakhs (Rs. 9.57 lakhs) while deferred revenue expenditure for Rs. 1.05 lakhs (Rs. 80,000) has been written off. After adjusting for a loss of Rs. 1.37 lakhs (Rs. 40,325) on revaluation of small tools, and providing Rs. 46,000 (nil) for loan mortgage expenses and Rs. 70,000 (nil) for bad and doubtful debts, the balance of Rs. 3.49 lakhs has gone to reduce the debit balance brought in of Rs. 17.74 lakhs. As it is expected that there will be a sizable increase in turnover and earnings in the current year, it may be possible to wipe out a major portion of the accumulated losses. But it will be some more time before there can be payment of equity dividend as there are arrears of preference dividend for a number of years.

Rane Brake Linings

Rane Brake Linings Limited has been working on a highly profitable basis and there was a substantial rise in the net profit for 1971, before depreciation and taxation, to Rs. 31.77 lakhs from Rs. 19.07 lakhs in 1970 following a jump in sales to Rs. 72.69 lakhs from Rs. 49.18 lakhs. The dividend on equity capital has been raised to 18 per cent taxable from 15 per cent, taxable, in the previous year. An interim dividend of 9 per cent (6 per cent) has already been paid while the final payment

will be the same as last year at 9 per cent. After providing Rs. 3.72 lakhs (Rs. 3.58 lakhs) for depreciation and Rs. 23,405 (Rs. 29,400) for development rebate, the tax claim is as much as Rs. 12 lakhs (nil). The interim dividends on equity and preference shares absorbed Rs. 2.03 lakhs (Rs. 1.43 lakhs) while the transfer to general reserve is Rs. 13.78 lakhs (Rs. 13.33 lakhs). The final payments will be made out of this reserve and will need Rs. 2.03 lakhs (same). It must be noted that even the enhanced total dividend is covered nearly four times by disposable profits. Though the additions to general reserve have been sizable, it is pointed out that this is mainly due to the excess amount released as a result of the change-over to the straight line method for providing depreciation from the written down basis and the benefit was to the extent of Rs. 10.58 lakhs. The company is understood to be vigorously implementing its doubling of capacity to 480 tonnes per annum and the expanded facilities will be available for use by the end of this year. The entire cost of the scheme, estimated at Rs. 21 lakhs, will be met from internal resources.

Coromandel Fertilizers

The Vizag plant of Coromandel Fertilizers Limited operated at a much higher level throughout 1971 and production improved by 12 per cent over the previous year to 2.47 lakh tonnes. The capacity utilisation in terms of plant nutrient was 85 per cent, and would have been even higher but for two break-downs in the ammonia plant and a fire in the ammonia pre-heater. The loss in production due to the fire was however offset by an insurance claim for Rs. 57 lakhs. It was also possible to market almost the entire current production thanks to vigorous sales efforts by the company and the agents though a sizable quantity had to be moved by road involving higher transport and handling costs due to short supply of railway wagons. The power and water supply position has improved considerably with the strengthening of the power grid in the Vizag area and the completion of the water reservoirs with a capacity of 45 million litres. This must help plant operations on an assured basis and there may be a further rise in sales and profits in 1972. The company's turnover in 1971 rose to Rs. 26.80 crores from Rs. 25.11 crores in 1970, while there was a much larger net profit of Rs. 1.60 crores (Rs. 55.16 lakhs) after depreciation even with the excise burden. This was utilised to bring down the accumulated losses to Rs. 2.37 crores from Rs. 3.97 crores. It is also indicated that a maiden dividend may be considered much earlier than the year in which the development rebate reserve will be created out of taxable profits. The aggregate estimated amount to be claimed is Rs. 14.19 crores and it is thought advisable to provide for this only when the development rebate is actually allowed for tax purposes. As regards expansion sche-

mes, it has been stated that technical studies are in progress.

Enfield India Does Well

Enfield India Limited has been able to absorb a sharp increase in its working expenses by way of a larger wage bill and costlier raw materials and components and yet show a modest improvement in its net profit, before depreciation, for 1971 to Rs. 45.17 lakhs from Rs. 40.40 lakhs in 1970. This was made possible by an appreciable rise in turnover to Rs. 7.29 crores from Rs. 6.41 crores. The dividend on equity capital has been raised to 12 per cent, taxable, from 10 per cent, taxable, with the approval of the Industrial Finance Corporation. The directors are perhaps confident of even more satisfactory working in the current year. After providing Rs. 20.91 lakhs (Rs. 20.26 lakhs) for depreciation and Rs. 3.65 lakhs (Rs. 3.10 lakhs) for development rebate, there is a transfer of Rs. 8.50 lakhs (Rs. 9 lakhs) to general reserve while bonus for earlier years claims Rs. 3.45 lakhs (nil). An amount of Rs. 1.55 lakhs (Rs. 69,847) has been written back, being provisions no longer required.

The company has on hand a big expansion scheme which will increase its capacity to 30,000 motor cycles from the present 11,000 units. The programme has been approved by Government. The existing capacity of the Tiruvottiyur factory near Madras is to be raised, to 16,000 with the installation of balancing equipment and the Industrial Finance Corporation has agreed to give a loan of Rs. 30 lakhs for the purpose. For the balance capacity of 14,000 a new factory is being set up at Anaikarapatti in Ramnathapuram district of Tamil Nadu and will be eligible for a number of concessions allowed by the Central and State Governments, as the district has been declared a backward area. This unit will cost Rs. 95 lakhs but there will be no issue of fresh capital on rights or other basis. The I.F.C. has agreed in principle to extend a separate loan for Rs. 50 lakhs and negotiations are underway on the conversion of a part of this loan into equity shares at a later date. The State Government will be giving an interest-free loan for Rs. 24 lakhs which will be repayable after 18 years. The balance of Rs. 21 lakhs will have to be found from generation of internal resources. There may also be some benefit from the 10 per cent Central subsidy given for such projects. When the expanded facilities are in full operation by 1975 it is expected that the turnover will double to Rs. 14 crores.

Hind Lever Earns More

Hindustan Lever Limited has been able to increase its turnover in 1971 to Rs. 134 crores from Rs. 119 crores in 1970. There was also a modest improvement in the net profit, after providing for depreciation taxation and capital expenditure on scientific research beside transfer to development re-

bate reserve Rs. 2.75 crores from Rs. 2.39 crores in the previous year. Other details of appropriations are not available. The directors have increased the ordinary dividend to 15 per cent, taxable, from 14 per cent, taxable for 1970, with the announcement of a final payment of 9 per cent, taxable. The company has made good progress in import substitution and in utilising unconventional indigenous raw materials. Exports also were appreciably higher by Rs. 74 lakhs at Rs. 5.52 crores and shipments of synthetic detergents were made to Russia. The prospects for the current year are stated to depend upon the outcome of discussions with Government in regard to prices of products which are subject to price control.

NOCIL's Maiden Dividend

There has been some disappointment in stock market circles over the decision of National Organic Chemical Industries Limited to pay only a small maiden dividend of 5 per cent on the equity capital for 1971. (Polyolifins Limited, a sister company in the same Mafatall group, had announced a payment of 10 per cent for the first time in respect of last year and it was expected that NOCIL too would make a generous gesture). The directors have been cautious in their dividend decision though working results were quite encouraging. There was a further sizable increase in sales of various products to Rs. 28.79 crores from Rs. 23.52 crores in 1970 while, with better operating efficiency of all units, the net profit, before depreciation, jumped to Rs. 7.93 crores from Rs. 5.28 crores in the previous year. Of this, depreciation claims Rs. 346.93 lakhs (Rs. 332.82 lakhs) while an expenditure of Rs. 7.37 lakhs (Rs. 3.78 lakhs) has been transferred to capital account. After writing back Rs. 23,794 (nil) being excess provision in previous year, the disposable surplus has been used to wipe out the debt balance of Rs. 281.36 lakhs brought in from the previous accounts. There is also a small provision of Rs. 15 lakhs (nil) to development rebate

INDUSTRIAL ECONOMIST

A FORTNIGHTLY ON INDUSTRY
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ANNUAL SUBSCRIPTION

Rs. 15/-

FOR THREE YEARS

Rs. 40/-

reserve against a total estimated claim of Rs. 11.79 crores, while deferred taxation reserve gets Rs. 82 lakhs (nil) and general reserve Rs. 60.32 lakhs (nil). The proposed dividend will absorb Rs. 60 lakhs out of the latter reserve. The Rs. 100 paid-up equity shares of the company have turned subordinated at Rs. 230xd after earlier rising upto Rs. 250.

J. K. Synthetics

J. K. Synthetics Limited has produced excellent results in the 18 months ended December 31, 1971 with a big improvement in sales and earnings over the previous 12 months on an adjusted basis. Production of nylon yarn rose sharply with better use of plant capacity and sales increased to Rs. 41.18 crores in the 18 months from Rs. 24.80 crores in 1969-70. The net profit, before depreciation and taxation, showed a more than proportionate rise to Rs. 11.03 crores from Rs. 5.44 crores. A final dividend of 15 per cent, taxable, is to be paid on equity capital making with the interim, a total of 27 per cent, taxable for the extended period against 15 per cent, taxable for 1969-70. The adjusted dividend per annum works out to 18 per cent, taxable. The claim in respect of depreciation is Rs. 3.39 crores (Rs. 1.49 crores) and development rebate as much as Rs. 2.93 crores (Rs. 32.88 lakhs). The provision for taxation has been doubled to Rs. 1.55 crores (Rs. 75 lakhs). The disposable surplus amounts to Rs. 3.15 crores (Rs. 2.87 crores). The equity and preference dividends will claim only Rs. 95.25 lakhs (Rs. 54.50 lakhs) and there is again a substantial addition to reserves. The company will be deriving considerable benefit from the nylon tyre cord and nylon staple fibre plants which will

be going into commercial production shortly. The 3 lakh tonne cement plant is expected to go on steam in early 1974 while production of synthetic fibre machinery is likely to commence in the first quarter of 1973. No progress has however been made with the acrylic fibre project and the Government has been approached for revalidation of the licence for manufacture of 4000 tonnes per year. The growth prospects of the company are amazing and it will not be surprising if the directors decide on a sumptuous bonus issue to bring about a better alignment of paid up capital and total capital employed.

Universal Steel & Alloy Project

The erection of Universal Steel & Alloys project, which is being set up at Faridabad near Delhi, is in full swing. Mr. Raunaq Singh, Chairman of the Company disclosed that the plant would be commissioned by September, 1972. The electric arc furnace which has already arrived at the site is now being erected. The Company will manufacture about 12,000 tonnes of mild steel billets and other products every year. In the meantime, the Company has already approached the Government of India for approval of a substantial expansion and to manufacture a number of products for which there is a good export potential. Messrs. Raunaq International Private Limited, a leading recognised export house of which Mr. Raunaq Singh is also the Chairman, has already large orders and a number of enquiries for such products which the Company is planning to manufacture.

Mr. Raunaq Singh disclosed that the entire project has been planned and is being erected on most modern lines under the supervision of a leading firm of engineering consultants.

Out of the Inkwell

By RANDOR GUY

HAIR TODAY GONE TOMORROW

Raj was fond of his cousin Rekha, tall, shapely and long haired. Her lovely tresses touched her hips and Raj went crazy over her 'winsome locks of passion' as he described them. He fell deeply in love and took her out to films, dinners and picnics. Rekha was rather cold but tolerated Raj for he gave her free entertainment. And these days food and things were costly! One day as he took leave of her Raj buried his nose in her hair and sang sweetly.

"Dear, I'm crazy about your hair, making it mine..." he whispered.

"Yes, my sweet cousin, so it shall be," she replied and left him with her false-hair safe in his shaking hands!

ROMANCE ON WHEELS

Scooter-riders are a ruddy queer lot. Today the scooter has become a phallic symbol. Men like to have it and women ride it! It is responsible for many whirlwind romances. Not the serious stuff but what they call, coffee-in-the break business. Some of the riders remove the silencers and mufflers and the vehicle makes a roaring noise. Chaps dressed in Mexican blankets and tight pants tear through the Marina, accompanied by their time servers (the sleeveless variety) hugging them close. Such chaps are warned that riding rough on the wheels of instant romance is an offence against the society and I appeal to my friends to seek a quiet corner. Park the scooter behind some boat and let the path of true love run smooth and somewhat sandy!

FROM NIMBOO-PANI TO BOTTLED DRINKS

Gone are the days when nimboo-pani (simple lemon-water) served as an ideal thirst-quencher. Keeping pace with a fast changing world, sophisticated soft drinks are slowly usurping its place. Today their impact on people is quite strong. And Coca-cola, Fanta, Limca, Goldspot, Spencer, Kali Products and Vincent's are the order of the day. Among this wide variety, Coca-cola and Fanta are the most popular and are in great demand; Limca and Goldspot come next. Though the rest are having their own clientele, they are slack in their newspaper ads for quite some time, one knows not why. In any aggressive market, disinterestedness or intermittent stop overs are not healthy signs.

Recently in a Tamil magazine, it was reported that the contents of a soft drink bottle cost as little as six paise and it was the taxes alone levied at various stages that account for the high price of 50 paise and over. When brought to the notice of the bottlers, the statement was refuted no doubt. Yet no efforts seem to have been taken to correct the statement through a rejoinder. The question naturally arises in our mind: How will the consumer react to the situation?

A SOFT DRINK, A SWEET DRINK

Coca-cola and Fanta have entered the hearts of the people in a big way. Being an international drink, it is but natural. To that extent, they are partly correct in saying that they are not of late going in for any heavy advertising campaign. And the few press ads they release are more in the nature of an image building rather than an attempt at wooing the 'under-thirsties' or 'over-thirsties', which a competitive product now does quite vigorously.

"In India Coca-cola goes the Indian way," one of the ads issued by the Coca-cola Bottlers of India reads. The body copy too is quite crisp, and speaks of the international reputation of the product, Indianness in investment of capital, the employment potential and growth of ancillary industries. One more ad, after the 'All Indian' type set by Golden Tobacco Co.

THE EGYPTIAN IN J.K.

A straight talk has its advantages, no doubt. But does it always evoke interest? In the advertising world, straight talk does not always pay. Interest is created sometimes through a story narration, like teaching children a moral through a fairy tale. Something different, something unusual is attempted in the presentation by J. K. Straw Products. The visual (no Eve!) and copy too are out of the ordinary.

The origin of paper has been traced to an

Advertising in the March

By NIRAJ

Egyptian entangled in the Papyrus reeds, while bathing in the Nile. The image of J.K. is then projected as an institution which has been in the field for three decades. Now the range of J.K. like map litho, tissues, poster paper and the rest is spread before the reader. The illustration of an ancient Egyptian is keeping in line with the story.



Some people say
paper was discovered by
an Egyptian bathing in the river...

On a hot day, a man plunged into the River Nile. But when he tried to come out, his feet got entangled in some reeds that grew along the bank. Threshing about wildly, he realised desperation when he was ultimately rescued by some fishermen. Once home, he expected the reeds that had nearly killed him. They were strong and sturdy. Soon people started experimenting with them.

Papyrus reeds. They made ropes, corded shoes, mats, sails, boats, cloth, and finally paper! The story of J.K. Paper is just as exciting. Three decades of experience and experience. A name that guarantees quality and excellence. The range of J.K. Paper includes Map litho, tissue and poster paper, rough arrow board, grey, duplex and pulp boards.

J.K. PAPER
J. K. PAPER INDUSTRIES LTD.
100, The Valley Road, MAYAPUR, VARANASI.

None too remarkable though, J.K. tells the story in a different, at the same time interesting manner. The ad is an attempt at image-projection and sales talk put together. More than the product, the reader will remember the institution. That is the overall impact of the ad. Possibly, ASP has desired that the institutional image should be the predominant aspect in the ad. And well done at that.

AN 'ELEVATING' AD. FROM FOCUS

Focus has brought deductive logic to bear upon the maintenance of 'lifts'. The tail-piece proclaims that the ad has been issued in the interest of lift users and owners. If one looks deep, as one will be induced to, because of the vertical position of the ad and a clever headline coupled with a matching illustration of two children in the act of doing mischief to a lift, comes to learn that Best & Co. is soon to launch their own 'Beacon-Hitachi' lifts. Advance announcement in a subtle manner marks the ad.

The body copy is quite alive and 'kicking'. 'Grease-monkeys' may be a synonym for 'General Mechanics'; yet one may not take very kindly to the term. It is as distasteful as the word 'under-dog'. Any way, general mechanics are no substitute for specialists in lift maintenance. Agreed.

In fine, an elevating ad to come from Focus, judged from the intention behind.

PNB-A GOOD SAMARITAN

To treat one's loss as one's own calls for magnanimity of a high order. Punjab National Bank proclaims this virtue not from the house-top, not in a matter-of-fact tone but in an endearing manner. Children like Meera are bound to allocate PNB a soft corner in their heart. Not just that. They might even coax their parents into opening an account with PNB, if they already had not one.

The story of Meera's loss of a twenty paise coin is interestingly told with an undercurrent of PNB's own sense of participation in the sorrow. The body copy then introduces Meera's mother and father as having an account with PNB and then finally displays all its wares—other deposit schemes like Recurring Deposit, Special Fixed Deposit, Old Age Provision Deposit and the rest. The copy is never stale at any stage.

Meera lost her twenty paise coin



Who cares? PNB does!

Meera is sad. Today, she had saved ten rupees and, accompanied by her mother, goes to PNB to deposit the sum in her Recurring Deposit Account. She had been home from school, when suddenly it slipped out of her hand and was lost. Her day's saving is gone!

Meera is sad not because her loss is much but because her saving box will go hungry today. She needs it daily. She puts in it not only what she can save from her pocket allowance but also any odd money she receives on festive and other occasions.

Paradoxically, Meera's box is never full! On the first of every month she takes out

For further details please contact our nearest branch. We have over 100 branches throughout the country.

PUNJAB NATIONAL BANK

Building up the spirit of the nation since 1875

Another asset of the ad is good photography. The pensive face of Meera at her loss has been vividly brought out in the visual.

An off-beat ad with a deep insight in child (human, as well) psychology.

TAIL-PIECE

A rose is a rose is a rose. Compare and contrast this with 'D. J. Keymer' turned 'Bomas', turned 'S. H. Benson' and now 'Ogilvy, Benson & Mather (P) Ltd.'

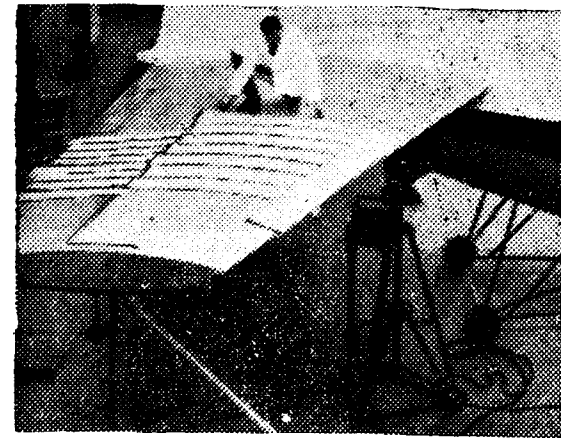
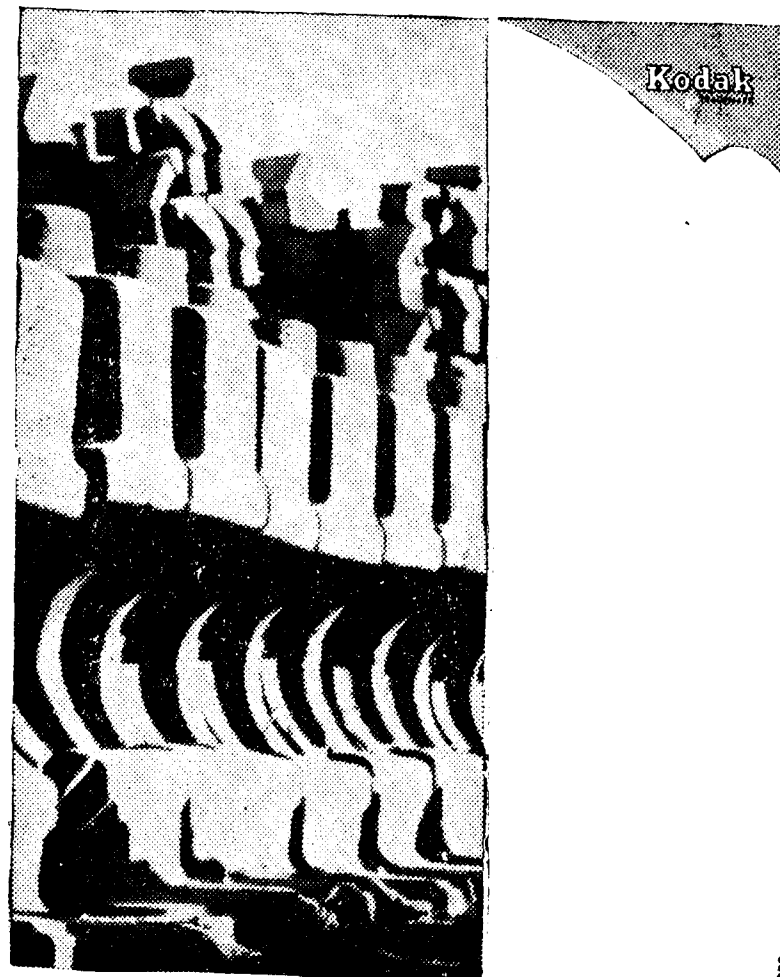
Industrial X-Ray films: non-destructive testing for fool-proof safety.

Photographs can reveal failures in equipment due to a flaw in its design or material. This not only safeguards you and those using your equipment, Industrial X-rays also safeguard the machine during the actual inspection. There are no harmful chemicals used for the testing, which is entirely safe, and non-destructive.

Industrial radiography can be used to inspect and safeguard pipelines, boilers, aircraft, textile machinery. It even helps test archaeology finds and jewelry. For further information on detecting industrial faults, please contact Kodak.

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Industrial Economist

A FORTNIGHTLY ON INDUSTRY & FINANCE MADRAS

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A SLIPPERY CUSTOMER

The indications presently available in Delhi show that the Indira-Bhutto Summit will come about in the last quarter of June. The only doubtful factor is the unpredictable character in Bhutto. He has proved himself to be a slippery customer in the past and there is nothing to show that there has been a change.

In the talks, Mrs. Gandhi is certainly going to be in a strong position and she can well afford to be tough. Whether she is going to be tough is a different issue. One thing is certain. If at all Bhutto gets any concession, you can be hundred and fifty per cent sure, it must have been given by Mrs. Gandhi; Mr. Bhutto would be making the costliest of mistakes if he thinks he can bargain. He would do well to make the 1971 war the last one. Pakistan cannot afford to have any more war.

Mr. Bhutto should put an end to his childish pranks: they have no place in international politics. It is high time he became serious. He tells his domestic audience one thing, his US audience another and his Middle East audience yet another. The explanation is that he has to keep his good relations with these groups. Nothing could be more repelling to common sense.

Normalisation of relations alone can assure lasting peace in this sub-continent. Pakistan should open its eyes to the reality. Bangla Desh and India, especially the latter, can offer a wide scope for trade benefits to Pakistan. It could earn a lot—a minimum of Rs. 100 crores a year which is a substantial proportion to its annual income—through transit trade. And once normalisation is through, Pakistan need not get iron ore from Australia for her steel industry, which incidentally is still in its formative stages.

Mr. Bhutto should consider all these before he comes to the conference table. In his country, due to the past errors of her rulers, the army is alienated from the people. Mr. Bhutto, however, seems to have control over both. He can use his position to do good to his country or use it to its peril.

India has gone out of the way to be courteous and generous to Mr. Bhutto. If the talks by any chance do not produce the desired results, we are not to blame. We want peace, durable and lasting.



ENSURING INDUSTRIAL PEACE...

More than anything else, peace in the labour front must be the main concern of the Government of Tamil Nadu. Even West Bengal seems to have learnt its lessons and the Ray Government is going the whole hog towards winning back many of the industrialists who fled the State: a number of factories that were closed in the last four or five years are being re-opened and pockets of industrial unrest such as Durgapur are showing signs of recovery.

Unfortunately, Tamil Nadu, which has been known for its industrial peace for a number of years is losing this in the last two years. Apart from the serious dislocations of production at the Simpson units, there have been a series of labour unrests in a number of other industrial units. There was a lock-out in the Heavy Vehicle Factory at Avadi; disturbed industrial relations prevailed at the B & C Mills at Perambur, almost leading to a lock-out; the Dunlops at Ambattur remained closed for over a month. Far beyond these factories, the repercussions were in the form of closure or staggering of production in a number of small units supplying components and subassemblies to these.

Leyland, where production is seriously upset. Due to various reasons the production of commercial vehicles in the country is low since sometime strike here will only worsen the situation.

In most cases the bitter contest for trade union leadership has resulted in demands for higher wages or higher quantum of bonus. An inability to resolve these has invariably led to loss of production at a time when the cry is for more and more production for full employment.

Just how contrasting is the situation in Mysore! Entrepreneurs from all over the land—the Kirloskars, the Birlas and the Thappars, not to mention a host of smaller ones—are vying with one another to set up larger units in this State.

Endowed as it is with no natural resources, coupled with a chronic deficiency in capital formation, can Tamil Nadu be indifferent to this situation? The Karunanidhi Government would do well to address itself to the improvement of industrial peace so as to induce other entrepreneurs to invest heavily in this State, taking advantage of the infrastructure and the availability of abundant skill.



Should TNCC Create Two Fronts?

The autonomy demand of the DMK came under heavy fire at the TNCC political conference at Madurai. Prime Minister Indira Gandhi in her address described this as a deliberate effort to divert the attention of the people from the basic economic and social problems confronting the State. Many of the earlier speakers including Planning Minister Subramaniam, Steel Minister Mohan Kumaramangalam and the Chief Minister of West Bengal, Siddhartha Sankar Ray also criticised this demand for autonomy. In fact, a major part of the Prime Minister's speech was devoted to the greater autonomy demand and to opposition to the learning of Hindi in Tamil Nadu.

This is understandable. The only organized opposition to the DMK so far in this State has been Congress (O), thanks to the leadership of Kamaraj. It is true the Ruling Congress has succeeded in weaning away a good portion of the following of Congress (O); but it has to build up the party from the grassroots level if it is to become a force to reckon with in the State. Naturally the Congress (R) has to take up those policies of the DMK which are vulnerable. In terms of socialist policies for attack, the Congress (R) cannot find many loopholes in the DMK's programme of action and in this context the demand for greater autonomy lends itself for easier attack at the hands of the Congress (R). After all, any criticism against a party must be broken down to simple and straight issues.

The Prime Minister described the word "autonomy" as dangerous and that it could be a threat to the unity and strength of the country. It is true the basic strength of the country depends largely on a strong Centre and few can justify any demands to weaken the structure. However, this does not mean that there is no scope for a greater degree of adjustment between the Centre and the States, particularly in the present context of the very stringent financial condition of many States which compels them to ask for continually increasing quantum of central assistance.

Complaints against the concentration of financial powers in the hands of the Centre are becoming more common. Not long ago, Mr. Dharma Vira, the then Governor of Mysore State, complained bitterly against the policy of overdrafts to Mysore. The present Finance Minister, M. Y. Ghorpade, is even more forthright than Karunanidhi in his demand for a more rational devolution of Central finance in favour of the States; particularly those States that are far away from Delhi suffer most in the form of the excursions they have to make to Delhi for sorting out problems relating to financial allocations, licensing, etc.

Rather than indulging in polemics aimed at strengthening the political aspirations of the individual

parties, which are of course understandable in any democratic set up, the Prime Minister should try to grasp the basis for the demand for greater autonomy, however unjustified it might seem to be.

It was a good show that was organized by Congress (R) at Madurai. The desire of the local leaders to strengthen the party at the State level is understandable; but the rash criticism indulged in by some of the leaders and the rank and file against Kamaraj and Congress (O) only weakens the extent of opposition to the DMK. Shrewd politician he is, Karunanidhi immediately capitalised on this by trying to drive a wider wedge between the two Congresses. The DMK party papers immediately towed his line, even through extolling Kamaraj to an unprecedented extent. The appeal of Karunanidhi that leaders like Kamaraj and Rajaji should depoliticise themselves and become advisers to the DMK was a direct consequence of the rabid criticism against Kamaraj at Madurai.

The immediate requirement of the Ruling Congress in Tamil Nadu is to strengthen its base; but it cannot achieve this by creating two fronts: the DMK and Congress (O) and thereby indirectly contribute to the coming together of these two. Political strategy demands its not teasing the Congress (O); if it is not bothered about the merger, the best it can do is to ignore the Congress (O) and concentrate its attack on the DMK. The victories of the DMK in an overwhelming measure in 1967 and 1971 elections have largely been due to a very shrewd alliance the DMK leadership forged with many other political parties and in singling out opposition to a few parties. This is a lesson for political organisation in any part of the country. The Congress (R) will do well to take a lesson from this strategy and not create avoidable opposition in other fronts. ●

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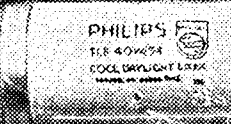
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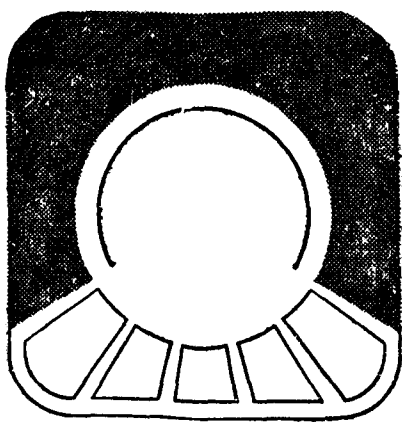
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Battle of Wits at Island Grounds

By S. VISWANATHAN

The long awaited visit of Prime Minister Indira Gandhi to Tamil Nadu to receive the State's contribution towards National Defence Fund did take place on May 21, 1972. In the vast time lag between the prompt announcement by the Tamil Nadu Chief Minister of his plans to contribute a handsome donation of Rs. 10 crores for the National Defence Fund in the wake of Pakistani aggression and the actual handing over of a major portion on May 21 many changes have occurred in the political sphere. Up to early December 1971 the DMK was still a political ally of the Congress (R); but in these last five months, this loose alliance had been completely broken and the two parties have been confronting each other in a bid to woo the masses.

This explains the respective stances of the two popular leaders who met on May 21 ostensibly for the NDF. Karunanidhi was just back in time to receive the Prime Minister after the political conference of the DMK Party for Nilgiris District organized at Ootacamund which concluded the previous day and Indira Gandhi was en route to Madurai to participate in the two-day TNCC conference to

strengthen the image of the Congress (R) in the State. Karunanidhi managed to be present at the airport just a few minutes before the arrival of Indira Gandhi: due to the failure of the railway engine at Tiruppur he along with Ministers Nedunchezhiyan, Natarajan and Rajaram had to rush by road and reached Meenambakkam just 15 minutes before the arrival of the Prime Minister. It certainly appeared that Karunanidhi who has been talking so much about the importance of Tamil Nadu's contribution to the Defence Fund and particularly in regard to his desire to bring the Prime Minister to Tamil Nadu to impress upon her the magnitude of the State's gesture, could perhaps have timed his Nilgiris District Conference a little earlier and could have avoided the hardships and anxious moments of the waiting gathering at the airport till his arrival. In politics perhaps this dramatic element adds lustre to events.

Undercurrent of Political Animosity

The undercurrent of political animosity came to surface in the address of the Chief Minister. Having decided to make a magnificent contri-

bution to the Defence Fund and having decided to organize a gala function for this purpose, the Chief Minister should certainly have restrained himself in his speech before the handing over of the cheque for a handsome sum of Rs. 6 crores. A modest speech identifying the State's interests with those of the country and terming the contribution as a humble one would certainly have enhanced the extent of the generosity involved in this. But, unfortunately an unwarranted comparison with Uttar Pradesh set the trend for the Prime Minister to confine a greater part of her speech to the defending of that State; not merely this, this also perhaps contributed to her more forthright attack of the DMK's policies at Madurai.

The contribution of Rs. 6 crores out of a total of Rs. 25 crores made from all over India was certainly magnificent by any standards; particularly for a not very affluent State with limited resources it was certainly a very grand effort. But, referring to the contribution of U.P., a much larger State the State from which the Prime Minister hailed, as being very much less than that of Tamil Nadu did not appear to be in good taste. Even as he was

addressing, one was fairly confident of what Karunanidhi was asking for and he got this in good measure. The Prime Minister was quick in getting to know the crux of his speech made in Tamil and after an initial appeal to work together in the larger interests of India with determination to overcome all obstacles in the building up of a new society, she extolled U.P. for its significant contribution towards the defence of the country: U.P. has made a contribution of Rs. 5 crores to NDF; but more important she said that U.P. being a much poorer State than Tamil Nadu has made this contribution of Rs. 5 crores; not merely this, the largest number of people who lost their lives and also those who were wounded badly, hailed from U.P. Continuing this trend in her address in Madurai, Indira Gandhi said that hardly a week passed in the Parliament when she was not blamed by the

entire opposition for favouring Tamil Nadu. There was a propaganda in U.P. that at the time of drought the Centre gave more money to Tamil Nadu than to U.P. For all the magnificent efforts that were made, should Karunanidhi have asked for these?

One aspect of the Prime Minister's visit that passed comprehension was the timing. It is not known as to why the unearthly hour of 11-00 a.m. in the very hot month of May at Island Grounds was chosen. It is also doubtful whether some astrologers had been consulted for the auspiciousness of the occasion. Madras, normally hot all through the year, is at its hottest in May. The arrival time of 10-20 a.m. at the airport, the drive through a fairly long stretch of nearly 8 miles through the hot winds in an open car and address at the Island Grounds from 11-15 a.m. to 12 noon in a day when the maximum temperature shot

up to over 105°F, all pointed to the almost total lack of imagination on the part of those who organized the programme. Having chosen this time, naturally the Government had to build a huge *pandal* at the Island Grounds; in spite of it being a Sunday, the crowd for the PM's meeting was not very much. All these expenses could have been avoided had they fixed up the meeting, say, by 6-30 p.m. on the sands of the beach when a ten-fold crowd would have gathered to hear the PM. It is surprising that this elementary fact had not dawned on either the PM's secretariat or the State secretariat in planning the Prime Minister's visit.

The translation of the PM's speech into Tamil by Mr. K. Dhiraviam was pleasant and to the point. A scholar both in English and Tamil, Mr. Dhiraviam made a good job of a forthright speech.

Holding Up Industrial Growth

Both the Planning Minister C. Subramaniam, and the Minister of State for Planning, Mohan Dharia have been prodded by question and supplementaries as well as a non-official resolution into making statements on the basic principles of the Government's economic policies. Mr. Subramaniam had to reply to a question whether the private sector was co-operating with the Government or was merely trying to extort more concessions. Mr. Dharia for his part had to intervene in the debate on the resolution seeking removal of all controls, reduction of taxes and creating conditions for massive inflow of foreign technical know-how and foreign capital wherever needed. The official replies, one would think, would stick to statements of fact in the former case and statements of official intentions in the latter. Such, however, has not been the case.

Conflict on Agreed Policy

Though Mr. Subramaniam said that many of the sanctioned projects were

not coming up with the expected speed and that the private sector wanted to function on its own terms which were sometimes in conflict with the "agreed policy", he was content with stating that the public sector had to play its role to keep up the industrial growth whenever there was a conflict between the national interest and that of the private sector. The question on hand, however the resolution of the supplementaries may be framed, is whether the present policy in respect of the public and the private sectors is calculated to achieve the requisite growth rate and, if it is not, what are the modifications that are required for the purpose. That the policy is not to promote growth has been made clear by the Deputy Industrial Development Minister Siddeshwar Prasad who pointed out that, while the Fourth Plan laid down a target of 8 to 10 per cent of industrial growth, the general index of industrial production registered a growth rate of a bare 2.8 per cent during the first 11 months of 1971 as against 5 per cent in 1970.

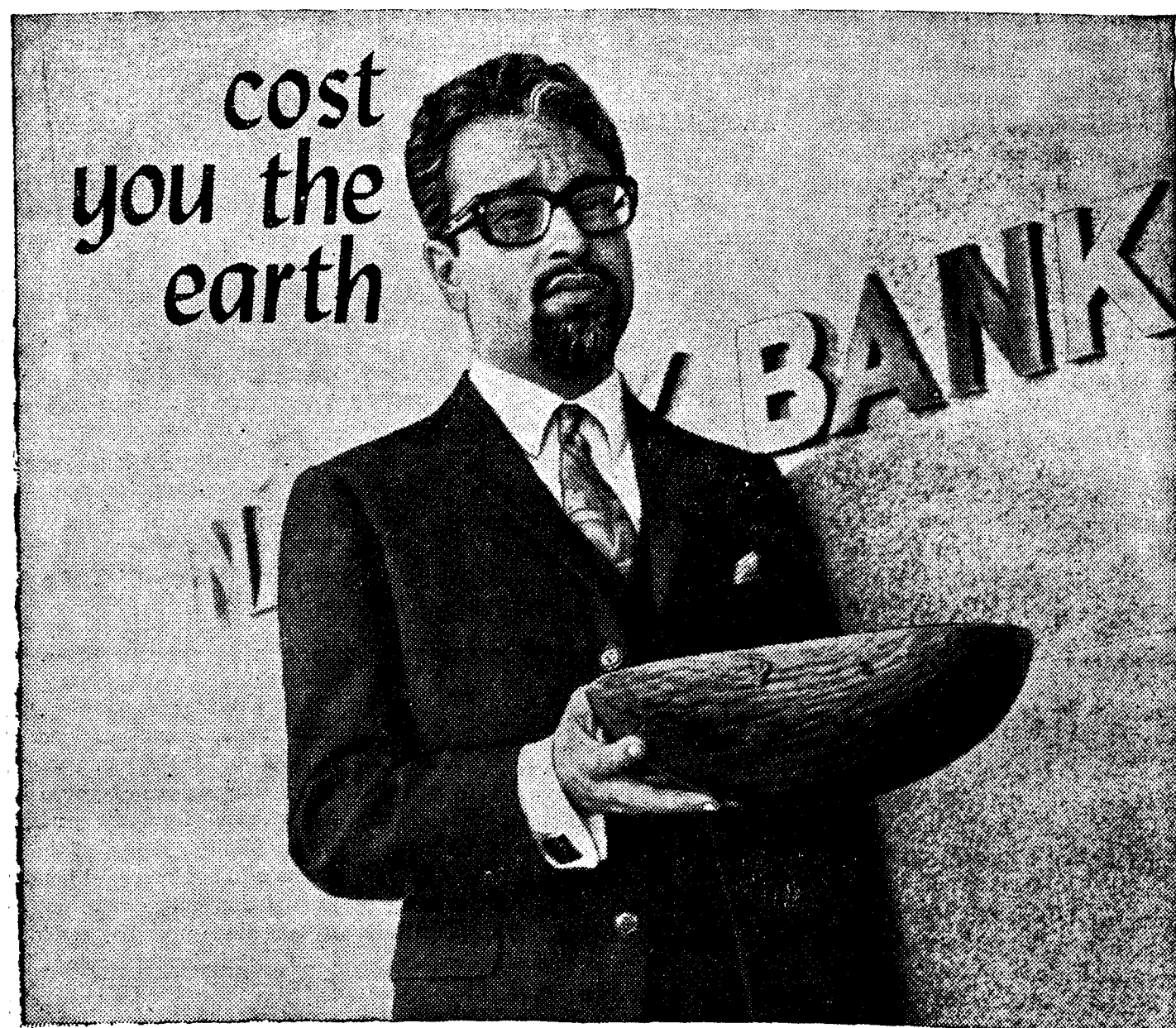
The failure of sanctioned projects to come up as expected would certainly suggest that the sanction was given to unsuitable persons because it had to be withheld from the suitable. The Prime Minister defended the grant of licences to big industrial houses on the ground that others were not prepared to take them up. The resolution may have been too sweeping to enlist Government support. But the official spokesmen must remember that all the three points have already been recognised to be valid by the leaders in Government; while the Prime Minister was ready for deviations from the licensing policy, Mr. Chavan, the Union Finance Minister recognised the merits of a policy of reduction of taxes. Modifications of the terms for collaboration of foreign capital has been offered in case of 100 per cent export-oriented industries. It will not talk of the public sector units taking up the commanding heights, when the commands are so unhelpful to growth. Nor will the talk of conflict between economic growth and social justice cut any ice when it is clear that the gravest injustice to society is to hold up growth under some pretext or other.—(FOC).



But who woos the masses more? Indira donning a Flower Crown at Meenambakkam.



What is behind this facade of pleasant pose? Karunanidhi is seen handing over cheque for Rs. 6 crores.



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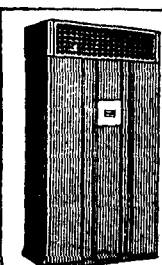
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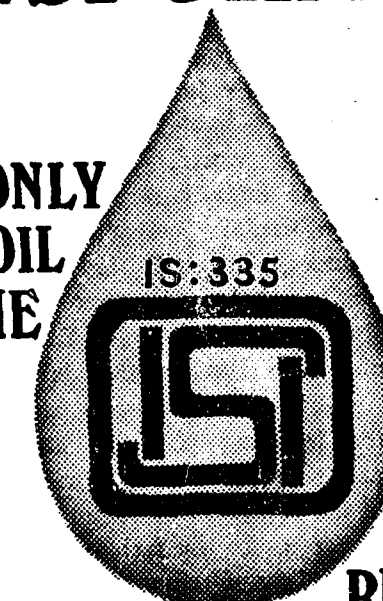
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INDUSTRIAL ECONOMIST

Stockholm Meet on Environmental Pollution

From the 5th of this month, the Stockholm Conference convened for a fortnight's session under United Nations auspices will be discussing ways and means of tackling the fouling of environment resulting from uncontrolled disposal of industrial wastes, emissions from factories and automobiles and poisoning of food through pesticides. The discussion on pollution has, in recent years, been carried on in too loud a key to enable audibility. As in the Tower of Babel, diverse voices have been heard about it. There is divergence of views on the question of many shades between the two extremes—one of complete indifference on the ground that the peril has been needlessly exaggerated and another of positive alarm that the world will soon be choked to death by its own garbage. Incidentally opposing views are also expressed about whether the problem concerns or does not concern developing countries which are yet to feel the impact of this technological menace.

On previous meetings arranged under national and international auspices, experts were divided about the particular way in which pollution delivers its peril. Some believed that pollution transmitted to the atmosphere acted as a blanket imprisoning heat—heat trap as it was thus called—which bade fair to melt ice caps and inundate coastal cities by the consequent rise in ocean level. Others held that mankind was destined to icy death because the air that was polluted allowed only the Sun's light, but not its heat, to pass through to Earth below. Many pointed to how even on the Earth itself, pollutants in the form of industrial waste had already worked havoc killing birds and fish and spoiling meadows. Yet others underscored the grave dangers emanating from the use of pesticides on farms. These chemicals had a durability and a malleability about them that made it easy for them to endure and transfer their noxious effect through cereals into the human stomach. Fears on this score were the motive force behind the banning of pesticides in the United States, though their production for exports is not prohibited at present.

Pollution Does not Respect Frontiers

But the major dispute is over whether the danger is real only in respect of developed countries. That this is only their headache is the view of those who are overawed by the traffic jams and the consequent auto-exhaust fumes on their overcrowded roads, as also by the enormous flow of effluents from their factories which have poisoned river courses. But the vast majority of experts believe that pollution does not respect frontiers. Airgarbage resulting from jet planes and smog have a tendency to travel all over the world. The fall-out from nuclear explosions speeds over huge continental belts. In the circumstances, he will be unwise who imagines that the apparently free air he breathes is that free. Even in a country like India which is only slowly getting industrialised, fumes from the fertilizer plant in Ennore (Madras), smog in Bombay, refinery waste in the Ganga have begun posing health hazards. In the last-mentioned case, the floating of refinery waste was of sufficient dimension to set the Ganga on fire. The use of DDT is also catching on. Some, impelled by the US example, have already asked for a ban on the use of DDT. They little realise that there is no less noxious alternative to DDT and that there is no barrier to malaria without it.

It is therefore clear that pollution is now a common problem of the human species. The various ingredients causing it, as identified for discussion at Stockholm, constitute indeed a formidable list. On top of that list is population. Large populations introduce environmental stress because they make great demand on resources and find it more difficult to organise themselves to minimise environmental damage. In developing economies like India, the unplanned disposal of human waste is itself a serious contributory factor. Another factor is social organisation. Obviously certain biological needs must be fulfilled to ensure individual and social survival and this basic level varies according

to the physical and biotic characteristics of the environment. However, the ways differ according to the respective standards of life—according to the size of the basket of consumer goods, how long the containers are used, etc. The third factor is the technological peril. The kinds of damage it imposes accelerate depletion of natural resources, social and ecological problems during the implementation stage of the developmental process arising from inadequate planning and other side effects.

Setting up International Standards

To tackle these factors, the following remedies have been indicated for discussion at the Stockholm meet. The first is control of population growth. It would be ridiculous for developed countries to preach such control, if they do not activate it at home, to developing countries. As for economic imperatives, the industrialised nations must make the requisite changes in their own social and economic systems and not just talk about the need for others to do so. They should study the consequences of a steady or no-growth state. Some of the characteristics of this stable state are emphasis on product durability, institutionalisation of recycling of wastes,—the US, Japan and Britain have shown how money can be made out of muck when it is converted or recycled into use—increased time available for non-work activities, probable decentralisation of decision-making and greater local control of living conditions within an over-all framework and a radical change in value structure, not all of which can be perceived, but which will have to include a modification of the competitive economic ethic and an increased recognition of the relationship between individual behaviour and the collective self-interest. In pursuing their goal of industrial development, richer nations have caused serious environmental damage. They should make the growing nations aware of the nature and extent of this damage, so that these nations may gain advantage from past mistakes.

The Unanswered Question

ISI as part of its Silver Jubilee celebrations conducted a day-long seminar on *Standardisation in the Automobile and Ancillary Industry* on May 30, at Madras.

As expected, sweet encomiums were paid to the 25 years of service ISI had done to the Indian industry. Also as expected, pious pronouncements were made as to how indispensable is the standardisation activity to the automobile and ancillary industry if they were to prosper. But one also hoped that there would at least be some sincere attempt at answering the primary question crying for an immediate solution from all those concerned; namely, why is it that, in spite of the many standards that have been formulated, the industry has not shown any enthusiasm in adopting and implementing them in the past and what can be done now to see that they are implemented at least in the future with the attendant guarantee of quality to the consumer?

ISI Has Made a Start

ISI for a long time was fighting shy of any attempts at standardisation of the automobile components. It has now brought out about 500 standards covering mechanical and electrical components. This is admittedly a very modest achievement, considering the fact that there are over 5000 components in a modern automobile. Nevertheless it is a sure beginning. At present ISI has many standards affecting safety and performance of the vehicle under preparation. The panel on standardisation of automobile ancillary components headed by Mr. Krishnamachari has done ground work and formulated a plan to bring out speedily more standards pertaining to ancillary industry.

ISI a Passive Spectator

It is an unenviable position for a professional institution like the ISI to be a helpless spectator when the standards it so painfully prepared and meticulously formulated are not even taken notice of, leave alone implemented, by the industries concerned.

ISI's failure in this field assumes greater significance for it comes at a time when the car quality has come under the vehement criticism from all quarters and the motor car quality report laid a lot of emphasis on the need for standardising the ancillary components with a view to improving the quality of the ultimate vehicle assembly. Perhaps it is in anticipation of this coolness from the industry, that ISI has been putting off standardising automobile components though other factors like foreign collaboration, import restrictions on raw material, etc., had their share to contribute. The story of the Japanese standardisation movement provides a refreshing contrast. The distinct improvement in quality of its exports in the post-war period and the consequent phenomenal rise in export earnings of Japan, can be attributed to the forceful stand that JSI took viz. that no goods should leave the country without certification regarding its quality from the JSI. The Indian counterpart suffers from the absence of such enforcement power.

Seller's Market, a Disincentive

Indian economy provides a monopolistic sellers' market to a large number of automobile ancillary industries, where the demand is always greater than the supply. Even today the practice in many ancillary industries is to sell the original equipment—rejects in the replacement trade, often with a greater profit margin. In such a situation, trying to lure the industry by incentives like the possibility of increased sales does not yield results, particularly when there are no facts and figures to prove the market preference of standardised products to non-standard products. At least if the consumer organisations, instead of crying wolf whenever they get on to a platform, directed their efforts at creating a movement among the consumers to shun non-standard products, It is to be expected that the large and medium industries will have lesser difficulty in standard-implementation. Because they are already

used to work to some standard or the other, (mostly that of their respective collaborators), it would be simpler to effect modifications in them. Also, since quite a few of them are closely associated in the formulation of standards, they are aware, well ahead of the release of the standards, about what is involved in the adoption of the standards. And since these industries have developed their own sub-ancillaries they can most effectively implement the standards by accepting only products satisfying the prescribed standards from their vendors. What prevails, however, is contrary to these expectations. The percentage of such industries that have a standards engineer in their rolls and the percentage of sales turnover spent on standardisation by these industries will be very revealing. Except for some notable exceptions the others are content with a superficial liaison with the ISI, with no supporting effort within their own organisations.

The Cry for Performance Standards

An oft-repeated demand by the industries in the seminar was the formulation of performance and test standards. It is true that though the ISI has formulated over 150 standards relating to components of direct interest to automobile industry less than 2 per cent of them relate to performance. The Krishnamachari Panel has taken note of this shortcoming and has given due priority to standards relating to performance. But one thing has to be considered. Historically automobile industry in India has been living on borrowed research with one or two exceptions. They have been accepting performance findings and test report of their foreign collaborators and manufacturing products with the same dimensional and other specifications. Their demand for more performance standards is meaningful only if they are in a mood to indigenously establish the requisite R & D and testing facilities with or without Government participation. If past figures are any indication, this seriousness is not apparent; they spend today less than 2 days' sales turnover on Research and Development.

Research Must Precede Standardisation

An indigenous designing tradition and indigenous research must form the basis for standardisation. In a situation where each industry has ties with a collaborator from a different country, standardisation should not merely be a compromise between the standards of so many different countries. It should incorporate what is best for Indian conditions, with the attendant constraints of the economic condition. This can be done only if we fix up performance standards suitable to our conditions, formulate test procedures to evaluate this performance, and prepare product standards incorporating minimum requirements fulfilling this performance level. Without Research and Development, this just would not be possible. Various associations of the industries were toying with the idea of establishing a common test facility for automobiles and automobile components for over a decade now, with no sign of translating it into action. The Guindy Engineering College seems to have come up with some plan for such a facility but one has to wait and see.

The recently held seminar brought to surface many questions that need immediate answer if standardisation is at all to benefit the public at large.

ISI shows all enthusiasm in the formulation of standards and with maximum degree of consensus, but is helpless in their implementation by the industries. The industries seem to accept the importance of standardisation but are content by and large to pay lip service to its adoption. The consumers do precious little except to raise their feeble voice occasionally against this or that unscrupulous business community, which ends up as a cry in the wilderness.

When will these sections come to grips with the problem in a more serious manner and evolve some kind of action plan so that standards will play their rightful role in the national goal of self-sufficiency? The question, after two days of deliberations by spokesmen of various sections of industry and Government, remains unanswered.

Improving Consciousness for Standards

In a chat with pressmen on May 28, 1972 Dr. S. K. Sen, Director-General of the Indian Standards Institution said that there were 6720 standards in force. Of these, 5131 have been adopted by various organizations. Some 4000 members subscribed to the ISI.

Dr. Sen agreed that the number of standards in force must be increased from the present 6000 odd to 25,000-30,000. The annual increase in the number of standards is just around 700. So, at this pace, the time-log for increasing the number of standards to around 25,000 will be long and time consuming. In this connection Dr. Sen has suggested that not all standards if may be prescribed by the ISI. Individual industries must themselves evolve the standards for the products coming under their fold, which alone can supplement the efforts of the national standards institution.

It is gathered that small scale industries constitute around 40 per cent of the members of the ISI. To help such units to be more standards-conscious, the ISI is planning to set up its own laboratory in Madras. This is the first time that such a lab is planned outside Delhi.

The consciousness for standards will improve only when there is a surfeit of goods. In a planned economy like ours, most of the products have remained in the sellers' market with the consequent disinclination on the part of the producers to concentrate on standards. The trend is happily changing now; with a number of goods coming into the fold of the buyers' market, there is a greater degree of consciousness towards standards. The ISI must do everything possible in its capacity to expand its services.

Mr. D. C. Kothari, Chairman of the Conference, was also present.



The Silver Jubilee Celebrations and Regional Conference on Standardization were held at Rajaji Hall, Mount Road, Madras on May 29. Tamil Nadu Minister for Education, V. R. Nedunchezian, inaugurated the celebrations. Mr. V. Karthikeyan (2nd from right), Secretary, Industries Department, Tamil Nadu opened the Exhibition of ISI certified products. Mr. D. C. Kothari (2nd from left) presided over the function.

Dr. S. K. Sen, Director-General, ISI, (Extreme left) and Mr. Dayanathan (extreme right) PMG, Tamilnadu are also seen in the picture.

They are Numberless

By VASANTHA RAMAKRISHNAN

The Committee on Unemployment set up by the Government of India says in its interim report that it is difficult to make a precise estimate of the number of educated unemployed in the country. With a country-wide network of employment exchanges and other agencies, if this is the condition regarding statistics of the educated unemployed, one can appreciate the necessity of a guess work regarding the number of millions of rural unemployed. Non-availability of reliable statistics is nothing new. The Whitely Commission's work was hampered in the absence of statistical data and it underlined the need for collection of labour statistics. In 1934, the Bowley-Robertson Committee made a variety of recommendations for statistics. Recently, however, the Labour Bureau, the Central Statistical Organisation, the National Sample Survey, among other agencies, are engaged in the collection of vital data regarding labour.

Short-Term Measures for Employment

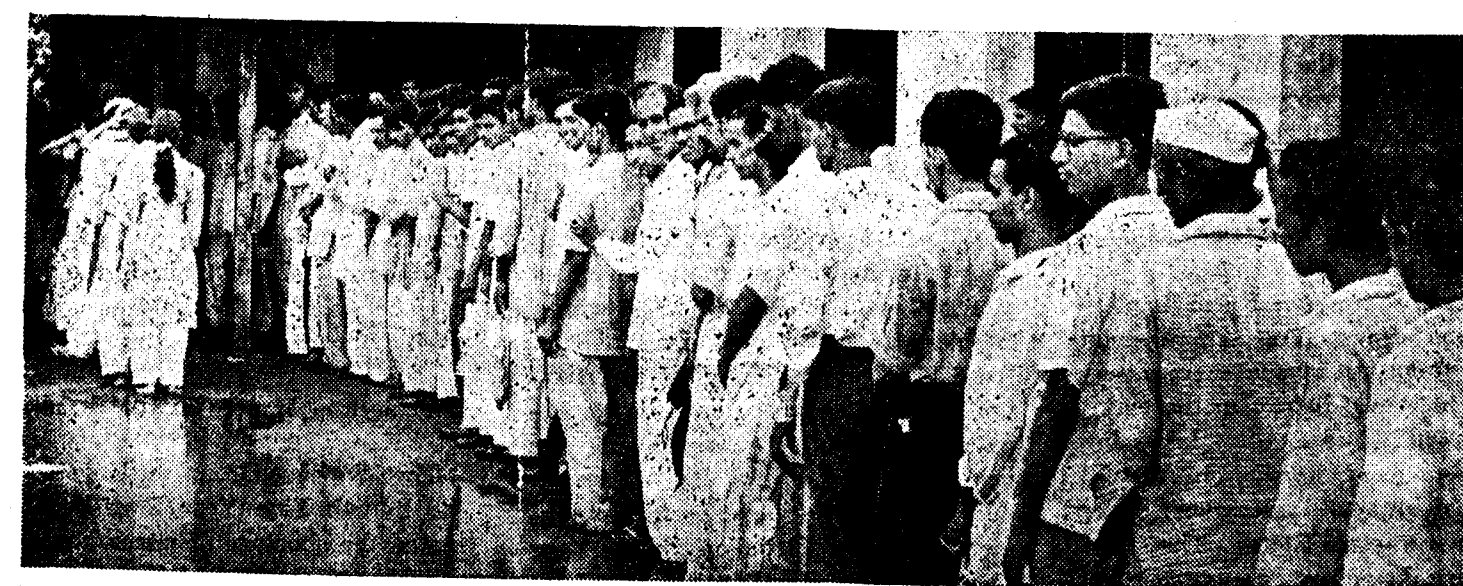
The Committee on Employment has made some interim recommendations towards short-term measures for employment. The predominant impression

borne in upon the Committee has been that unemployment is severe both in intensity and incidence in the rural as well as urban areas and among the educated as well as the uneducated persons, the problem is getting accentuated year by year, causing great hardship and suffering and

generating a sense of frustration and resentment particularly among the educated unemployed. The committee feels that the incidence of underemployment is very high. The committee says it is greatly concerned at the magnitude of the problem and feels that there is pressing and urgent need



The teeming millions....To assure them full employment will be the major problem for the coming Five Year Plans



THE LONG WAIT.....

As on June 30, 1971, some 4.5 million applications were registered with the employment exchanges in the country. Of course this is a fraction of the total number of unemployed and under employed in India.

TABLE I
No. of Applicants on the Live Registers of the Employment Exchanges

Sl. No.	Applicants	As on 31st December					As on 30th June	
		1966	1967	1968	1969	1970	1970	1971
1.	Total applicants	2619.0	2740.0	3011.6	3423.9	4068.6	3621.3	4494.6
3.	Educated applicants	917.5	1087.4	1309.3	1526.2	1821.6	165.9	2053.4
	(a) Graduates and above	93.6	121.5	175.4	215.2	276.5	232.3	333.4
	(i) Engineers	4.3	7.0	11.0	13.1	16.5	13.4	16.6
	(ii) Diploma Holders	18.7	28.2	39.6	44.7	47.3	47.3	48.4
	(iii) Others	70.6	86.3	124.8	157.4	212.7	171.6	268.4
	(b) Under-Graduates	204.4	251.8	324.3	401.3	443.9	395.1	529.0
	(c) Matriculates	619.5	714.1	809.6	909.7	1101.2	998.5	1191.0

Source: D.G.E.T., Department of Labour and Employment.

for remedial measures. It says: "Unemployment has been increasing over the last four years at a disquieting pace. In one year, 1970-71, the total number of job-seekers has risen about 24 per cent."

The Central Government has initiated a number of programmes to deal with the problem of unemployment of educated and technically qualified persons and weaker sections of the rural populations. The Small Farmers Development Agencies the Marginal Farmers and Agricultural Labourers Agencies, the Drought Prone Area Programme and the crash scheme for Rural Employment are intended to assist the under-privileged classes among the rural population and to meet the special requirements of chronically drought prone areas.

Crash Scheme for Rural Employment

The crash scheme for Rural Employment aims at providing employment for one thousand of the more needy persons in every district in the country. An outlay of Rs. 12.5 lakhs has been sanctioned for each district although additional allocations have been made in some States. The Committee has, however, suggested that the allocation for each district should be suitably refixed after taking into consideration its population, state of

agricultural development and other relevant factors. This, no doubt, is a very sound and practical suggestion especially because of the diversities that prevail.

The Committee has realised the very large employment potential of minor irrigation. The farm management studies conducted by the Ministry of Agriculture in selected regions in the country have revealed a much larger utilisation of rural labour per hectare in irrigated areas and among those cultivators using high-yielding varieties of seeds than in the rest of the surveyed areas. From the surveys conducted by the Ministry of Agriculture, it is understood that an estimated investment of Rs. 260 crores per annum for minor irrigation would have an employment potential of 3.28 million man-days of unskilled labour and 38.50 million man days of skilled labour. The targetted plan outlay (1969-74) is Rs. 520 crores. Besides, an institutional investment of Rs. 650 crores and framers' contribution of Rs. 300 crores are also anticipated. The total outlay during the next two years will be Rs. 673 crores and is expected to generate employment in the construction phase, for 23 lakh unskilled workers and 4.5 lakh skilled workers.

The committee feels that the rural electrification programme should be

extended to cover more areas and more villages in view of its employment and wealth generation potential.

For a predominantly agrarian economy like ours with millions of unemployed and under-employed persons living and earning their livelihood in rural areas, a system of well-knit highways and roads serving the rural areas would be an essential infrastructure. A total of Rs. 871 crores has been provided for the road development programme in the Fourth Five Year Plan both at the centre and in the states. In all, the total provision for rural roads would be Rs. 155 crores. An estimate made by the Planning Commission in 1960-61 indicates that an investment of Rs. 1 crore would generate 10,435 man-years of employment in road construction. On account of considerable increase in prices, the committee feels that an additional employment about 8.5 lakh man years may be expected from the programme during the next two years.

Shortages of Houses in Rural Areas

The Working Group on Housing for the Fourth Five Year Plan had estimated the shortage of pucca houses in rural areas at 718 lakhs at the beginning of the Fourth Plan. As against the about 2.6 lakh new units are being constructed every year. On the other

hand the number of houses required for the annual increase in population would be about 27 lakhs of which 22 lakhs would be in rural areas. Thus the Fourth Plan outlay of Rs. 237 crores is very meagre. The committee is of the view that 3.6 lakh units in 1972-73 and 4.1 lakh in 1973-74 should be constructed. This would create direct employment of 0.9 lakh workers in 1972-73 and 1.1 lakh in 1973-74. The total indirect employment would

be 3.2 lakhs. The committee has also suggested an extended water-supply scheme, which is expected to generate 25,498 man-years.

Expansion of primary education, the committee says, is one of the chief measures which can generate large employment opportunities for the educated unemployed. This programme would be suitably phased so as to provide educational facilities for 95 per cent of the children of the age

group 6-11 and for 45 per cent of the children of the age group 11-14 by 1975-76. This would generate additional employment opportunities for nearly 1.25 lakh teachers and 1000 Asst. Inspectors of Primary Schools every year.

The committee has also suggested maximum utilisation of installed capacity in industry, which would obviously generate direct and indirect employment.



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STATEMENT OF POSITION

DECEMBER 31, 1970 Rs.	LIABILITIES	DECEMBER 31, 1971 Rs.
2,80,00,000	CAPITAL : Paid Up	2,80,00,000
4,79,10,000	Reserve Fund	5,22,35,000
2,95,80,58,892	Deposits	3,37,43,98,457
21,11,47,116	Due to Banks and Correspondents	9,28,53,473
7,60,12,420	Bills Payable	5,28,79,850
34,18,73,143	Bills for Collection	34,30,22,487
10,69,28,107	Branch Adjustments etc.	10,69,53,546
30,17,45,910	Acceptances for Customers	24,51,23,663
	PROFIT & LOSS ACCOUNT :	
	1,42,02,974 Profit for the year	1,80,44,792
	Less : Transfer to Reserve Fund & Bonus to Staff	1,27,85,000
	Balance to be transferred to Central Govt.	52,59,792
47,10,920		52,59,792
4,07,63,86,508		4,30,07,26,267
	ASSETS	
33,12,25,968	Cash on Hand and with Banks	31,10,66,626
1,62,64,000	Money at Call & Short Notice	4,85,00,307
83,65,58,068	Investments in Govt. & other Securities, Shares, Debentures etc.	99,05,53,193
2,17,14,67,526	Loans, Advances and Bills Purchased & Discounted	2,28,86,42,352
34,18,73,143	Bills for Collection	34,30,22,487
30,17,45,910	Constituents Liability on Acceptances	24,51,23,663
2,41,24,238	Premises	2,61,54,342
2,69,66,312	Furniture & Fixtures	2,92,76,879
2,61,61,343	Other Assets etc.	1,83,86,618
4,07,63,86,508		4,30,07,26,267

Expanding the Capacity of Existing Steel Units

The feasibility reports of the Vijayanagar and Visakhapatnam steel plants indicate that the capital cost will work out to Rs. 3,750 to Rs. 4,000 per tonne of ingot capacity while the expansion scheme of Bokaro will cost only Rs. 2,160 per tonne and that of the Bhilai plant Rs. 2,500 per tonne. The disparity in costs has widened to a significant extent by the emphasis on using indigenous equipment to the maximum extent and eliminating altogether, if possible, imported plant and machinery.

Reducing Capital Cost

The feasibility reports are being scrutinised for finding out how the capital cost can be reduced and whether there are errors in the estimates. There is no doubt that the capital cost has been inflated by at least 25 per cent because of higher prices of indigenous equipment. It may not, however, be correct to assume that equipment secured from internal sources will always be costly as with a larger volume of production by the Heavy Engineering Corporation and others there can be a reduction in cost.

It will not be possible, however, to avoid an increase in capital expenditure on new steel plants as with a continuing rise in prices and heavier import and excise duties, and prices have been rising continuously. It will be found that the capital cost of the 2 million tonne programme of Tata Iron and Steel Company Limited would be much lower than even the capital cost of the Bokaro project.

Difficulties in Fabricating Indigenous Machinery

Unless there was stability in economy and the cost of new machinery can be reduced, the development of the steel industry is bound to be much costlier than in earlier years. The question is whether there will be a considerable delay in the construction of the new

plants on account of the difficulties in fabricating machinery by indigenous supply and there will really be an increase in foreign exchange expenditure due to the compulsion to import steel on a large scale. This point has been forcefully brought out by the Mysore Government in its representation to the centre. It has been stated that there will be an increase in capital cost by over 25 per cent and that by shortening the period of construction with the import of strategic items of equipment, there can be a saving of imports of steel to the value of Rs. 200 crores annually. Out of the total capital cost of around Rs. 800 crores for a plant with a capacity of 2 million tonnes, the foreign exchange content may not have to be more than 25 per cent. In fact it will have to be examined how even for completing expansion schemes the period of construction can be shortened by importing some portion of the equipment. At the same time the existing capacity of H.E.C. and other units should be fully utilised by maximising production of parts and machinery which can be more advantageously fabricated within the country.

It is rather surprising that not much thought has been given to the various aspects of development of the steel industry even though sufficient experience has been gained by now in the construction and running of major steel plants. What is really important in the present context is the achievement of a regular increase in production and avoidance of imports of steel to the maximum extent possible. There is as yet no indication of how the two new plants in Andhra Pradesh and Mysore are proposed to be constructed. It will in any case be difficult to erect an entirely new plant in less than six years and if the emphasis was on full quantum of indigenous equipment the period will be at least 8 years.

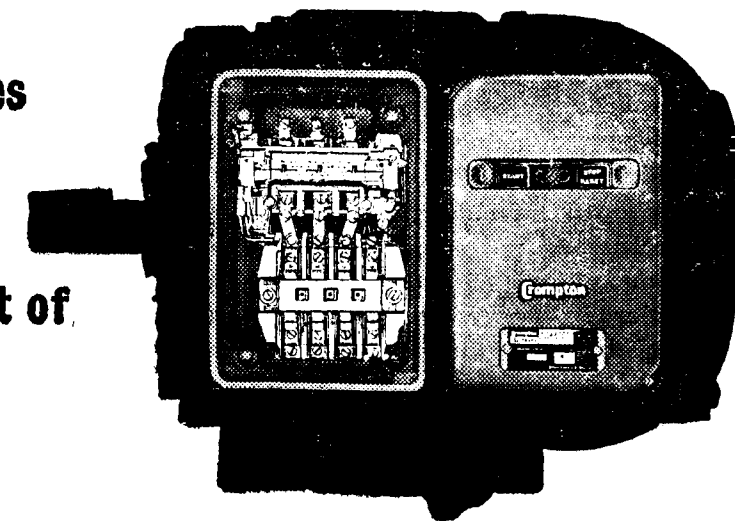
Expanding Existing Capacity

The expansion of the capacity of the Bhilai and Bokaro steel plants assumes

urgency and it should be the aim to raise the capacity of Bhilai to 4 million tonnes within two years and of Bokaro to 5.5 million tonnes in 3 or 4 years. It may not be possible, however, to adhere to this target if arrangements were not made for liberal imports of critical equipment from the Soviet Union. These two projects, however, will not be in a position to meet all the demand for steel that will arise till the end of the Fifth Plan. There are no reliable estimates of the growth in consumption in the coming years. But it is likely to be such as to warrant a more than doubling of the existing capacity in the next seven years. It will probably be advisable to fix a target of 20 million tonnes of steel ingots for 1978-79. As between Bokaro and Bhilai only a little over 5 million tonnes of new capacity will be created there will have to be new schemes for filling the gap of 6 million tonnes.

This big increase in capacity can be created only if the remaining 4 units, two in the public sector and two in the private sector, were allowed to expand impressively. As the Durgapur steel plant will take some time for improving its operating efficiency and raise production to at least 80 per cent of rated capacity, the proper course would be to accord greater priority to the expansion schemes of the private sector units. Already there is a proposal to revise the old plan of increasing the capacity of Indian Iron Steel Company Limited by 3 lakh tonnes. As the World Bank may be agreeable to grant a loan for this project, it may be explored how bigger assistance can be secured for doubling capacity to 2 million tonnes. In the case of Tata Iron and Steel Company Limited too it would be feasible to double the capacity to 4 million tonnes. Here also the World Bank may be willing to grant assistance as the earlier loan taken for implementing the 2 million tonne programme is being serviced properly. The Rourkela plant also can be encouraged to raise its capacity to 3 million tonnes, if need be, with some West German assistance. —Meenam

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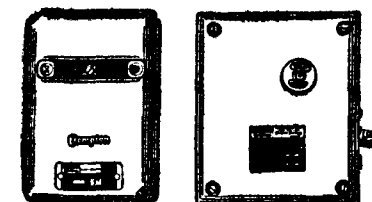
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CG 12

Was UNCTAD-3 a Total Flop?

The third United Nation's Conference on Trade and Development at Santiago ended on May 19. The Conference might have drawn on for a few more days but for the warning of the U.N. Secretary-General that he would run out of funds after May 19. By now comment on UNCTAD-3's achievement has crystallised into descriptions of "failure" and "flop". No Conference of such a dimension involving so many nations can ever hope to arrive at large areas of agreement. In assessing the worth of UNCTAD-3, the stress has to be on the relative complexity of issues and the preparedness or otherwise of those who holding opposite views to get down to brassbacks instead of indulging in rhetoric or recrimination. In this respect UNCTAD-3 displayed great sentiments with graver frustrations ultimately.

Richer Nations Dominate

The important disappointments related as usual to trade and aid. Delegates from developing countries were striving hard to get the richer nations consent to establishing an appropriate link between UNCTAD and GATT. The latter was dominated by the rich while the former encompassed all countries rich as well as poor from China to Peru. Likewise the IMF is a more restrictive group. But the richer nations saw it that the effort of the developed world to establish the claim of UNCTAD to lay down policies on trade and aid for GATT and IMF did not succeed.

Even on the general principle of trade liberalisation there were too many reservations and considerable confusion in thinking. Lofty ideals were aired as usual. The French Foreign Minister Mr. Valéry Giscard d'Estaing, observed: "Since underdevelopment is a dream above all of human proportions, its perception is dulled with the passage of time. This situation will persist as long as we continue to regard human beings as specks, divided by frontiers or bristling

with racial hatred. Since when have hunger and sickness required a passport?" Mr. Robert McNamara, World Bank President, commented that "the profound, even heart rending difficulties of the rich . . . are their excuse for doing next to nothing about the infinitely more real and heart rending problems of the poor." All these did not matter anything in respect of results because no worthwhile assurances were forthcoming on liberal trade or aid in favour of poorer nations.

Woes of Poor Nations

Going into details of the agenda, we get ample proof of the ineffectiveness of the Santiago meet. From the time GATT was founded, there has been considerable awareness among primary producers as well as industrialised countries that world-wide commodity agreements were the only means to stabilise prices and thereby the foreign exchange earnings from exports of primary products on which many developing countries depended for their survival and progress. But mighty little has come out of this awareness. As a commentator puts it, "on commodity agreements, experience suggests that the lamb is rather ill-advised to lie down with the lion." Except this agreement, the other two agreements on coffee and sugar have not been of much help. In coffee, the failure was because the main producers were unable to agree on market sharing or restriction of output while the United States, the largest consumer, was reluctant to vote for price rise in sugar also, it was the importer who got the best of the deal. No one thought of an agreement until the price shot up to £ 100 a ton from a slump level of £ 12, but when the agreement was stabilised it was at £ 50 and not at £ 100. Besides primary producers did not ever display solidarity of the type demonstrated by petroleum exporting countries. Nor were importers of agricultural products willing to help developing countries (exporting farm

products) by a 2 per cent cut in their home production which would have automatically enabled the developing regions to earn \$ 4 billions annually.

Trade Among Developed Countries

Another issue mooted at UNCTAD-3 was in respect of an increase in trade among developed countries themselves at the expense of the poorer countries. The latter were afraid that the liberalisation of tariff between richer nations would automatically edge out products of the growing regions from markets of industrialised countries. The export trade in manufactures on which the developing world has pinned its faith for faster progress is hampered automatically. It should be mentioned, however, that more trade among the rich is not purely the result of bloc building in trade but of the peculiar position in which the rich countries are placed. They enter into greater trade among themselves because they can balance that trade by exchanging products of similar industries—the German Mini car against the British Beetle. Clearly, "the man thrown out of work in a textile mill or a sports goods and shoe factory by cheap competition cannot simply start making the cranes, machinery and irrigation equipment which developing countries want to buy; so that there is a tendency to impose higher tariffs on goods from the developing world than from rich rivals."

What is required in these circumstances is to ensure that the tariffs against the exports from poorer regions are not such as would prevent developing countries from exploiting the advantage their exports have because of their low wage content. In the rigmarole of charges and counter-charges, this fact failed to emerge. Of course President Allende of Chile really made a good point when he said: "It is important to discard one important misconception which has led some to believe that the best policy for international trade is free trade based on maximum comparative advantage and the developing countries, instead of seeking trade concessions from the rich countries, should improve their own institutional conditions for the

absorption of science and technology and should then compete in a free and expanding world economy. But do we really live in a free world where goods, capital people and ideas can move without hindrance to permit a rational and efficient division of labour?"

Insufficiency of Trade Liberalisation

While the insufficiency of trade liberalisation had been recognised, the Santiago meet did not waste much time on the discussion of aid. Perhaps the borrowing nations have become aware that aid had an uncomfortable back-leash, that aid was not going in the near future to hit the target of 0.7 per cent of the GNP of lenders from the present 0.30 per cent and that they should have to seek solace from more direct private investment. Even on the last point, there was in evidence considerable suspicion about foreign capital and about the motives of multinational chains of foreign companies. But the spokesmen of developing countries were particular about linking SDR with developmental assistance. Many formulae had long ago been suggested for this purpose to the IMF

from its governors from the developing regions. They are still under scrutiny. What is interesting is that the US has veered round to the position that the IMF could function as a central bank of central banks and help developing countries to meet their temporary payments difficulties much in the same way as the central banks have been rescuing particular rich countries in such difficulties. The linkage of SDR with aid might ease debt service obligations of borrowers which are rising twice as fast as the export earnings of borrowers. The British delegate had, however, felt that any such easing should be undertaken only when borrowers follow better debt management policies than those in vogue at present. Seeing that linkage of SDR with aid should restrict availability of aid in a situation in which restriction of supply of paper gold may be deemed necessary to control an international boom, one is forced to conclude that, as in the case of trade, so also in the case of aid, UNCTAD-3 could not find any solution to conflicting viewpoints.

The only achievement of the Conference was the unanimous approval

Computers Aid Socio-Economic Development

Computers which used to be thought of as a device for saving clerical labour and time on a large scale, are of late employed to do the genuine brain work involved in making decisions in the light of massive, relevant data. The real aim of science must always be to narrow down the scope of subjective choice and to extend the domain of objectivity, as wide as possible. The Indian Institute of Management, Ahmedabad now claims to have achieved a significant breakthrough in applying computers to problem of economic development and a project report is under the consideration of the Centre. The system envisaged by the computer committee relies upon the building up of a library of indices and dictionaries to provide quick identification of the districts which are relevant for a specific study. The district is considered as an economic-social unit and the data would

pertain to topography and climate, resources, population and occupational distribution, infrastructure and the like. The cost effectiveness of development measures can be measured on this basis, the choice of district and the determination of priorities would both be on an objective basis.

Prof. Krishnayya, the Chairman of the Computer Committee claims that "it would be possible to measure and evaluate the progress of each district on the characteristics that might reasonably be expected to change in the short run". There is no doubt such evaluation would be a great help in ensuring the widest spread of the benefits of planned development without much risk of wasteful outlays ordered by popular politicians. It will be the duty of the Planning Commission to ensure that the objective findings of the computers are not disregarded by the State Governments.

—PRS

of a resolution to give the world's poorest 25 nations a better deal and thus bridge the gap between them and the other developing countries. The Conference adopted the 19 page report on the group which set out detailed means of aid including a programme of preferential finance, priority in access to markets, special consideration for commodity agreements, lower shipping rates, boosted technical assistance and efforts by international organisations to assist the 25 with diversifying their economies. The 25 are Haiti, Guinea, Mali, Volta, Dahomey, Niger, Chad, Sudan, Ethiopia, Burundi, Somalia, Lesotho, Uganda, Rwanda, Tanzania, Malawi, Botswana, German, Moldavia, Afghanistan, Nepal, Sikkim, Bhutan, Laos and West Samoa. The norms of selection were a per capita gross domestic product of \$ 100 or less, share of manufacture in GDP of 10 per cent or less and 20 per cent or less literacy among 15 year olds and over. Of these countries, 16 are in Africa, the largest being Ethiopia with 25 million population.

Subdued Optimism

To set the record straight, it should be mentioned that the greatest achievement of UNCTAD-3 is to have kept the dialogue between the developed and developing world open and continuing. On many an occasion, the clash of wills between them had induced some to expect that UNCTAD-3 would verily represent a parting of the ways as the positions of the rich and poor were irreconcilable. The thaw that set in later was strong enough to enable the passing of resolutions relating to the opening of markets in centrally planned economies for export from developing region. The possibility of the formation of a Group of Twenty in place of the Group of Ten to provide representation to governors from developed regions induces optimism about closer consultation between the rich and poor in matters of international trade and monetary reform under the auspices of the IMF. If the threads are picked up from here and further proceeded with, it should not take long for breaking groupism of the rich in the other prestigious body, GATT.

Japan's Uncomfortable Exports

After having been reduced to rubble and ruin in 1945, Japan has risen fast to seize the third place among the world's affluent nations after the United States and the Soviet Union. The country has a phenomenal foreign exchange reserve of \$16 billion and a balance of payments surplus of \$8 billion. Of late, some sluggishness has developed in the economy because of lethargic domestic demand with a consequent slowdown in business activity as reflected in the lower 4 per cent GNP growth rate as against the forecast of 5.5 per cent. To get the economy moving the Government announced in its last budget a cut in the discount rate by 0.5 per cent (instead of the usual 0.25 per cent) to 4.75 per cent, the lowest in two decades along with a boost in public expenditure by over 20 per cent. There is also an increase in allocations on public works (housing, sewage, parks, etc.) which will boost demand by 22 per cent. Thus even if present demand conditions are sluggish, things should improve by the second half of 1972-73 which should enable the GNP to record a real gain of 7 per cent. This is not to overlook the fact that private consumption will be somewhat more sluggish during this period.

Worrying Exports

The major worry immediately is exports. The \$16 billion exchange reserve is the result of an export boom which has gathered momentum in the teeth of the recent yen revaluation. The Japanese are naturally concerned about checking it lest international pressure be brought to bear upon them to consent to an yet more hike in the external value of their currency. They have therefore adopted a package of corrective measures: Exports are to be curbed through export taxes and through voluntary restraint by exporters assisted by export cartels ensuring orderliness in overseas marketing. Some of the dollars accumulating in the reserves will be

deposited with exchange banks to help them reduce their debts to foreign banks. Part of the reserves will be used for investment overseas to develop resources there which might be needed in Japan. Imports are to be helped through untied loans via Export-Import Bank. There will be commensurate liberalisation of aid. All these steps are intended to assure a sharp drop in exports and a rise in imports enabling a lowering of the payments surplus figures.

There are two issues involved in all this about which comment is difficult for lack of data. One is the compulsion of the economy to stay as a vigorous exporter. Since the economy is export-oriented, a fall off of exports below a critical level which may be reached sooner rather than later will make sense of the recovery staged so sedulously in the sixties. Even the present export boom is not considered in certain circles as capable of lasting long. Their argument is that the yen revaluation has not had time enough to reveal its adverse effects, that the present high figure of exports is a reflection of fructification of orders booked long ago and that more recent export data do reveal a downward trend. It is feared that when this trend gets established, it will only get worsened by the trade barriers in the U.S. which accounts for 40 per cent of all Japanese exports. While the U.S. is seeking to revise the Anti-Dumping Law of 1971 to shutout Japanese goods, the United Kingdom is ordering a probe into whether the Japanese goods are being pushed in at dumping prices while the European Common Market is contemplating similar scrutiny. Thus on present sights, the revaluation of the yen is likely to hamper normal export growth of Japan. The point is, however, that the economy is strong enough to devise the necessary insulation while Japan's influence in the Group of Ten is likely to obtain for that country favourable trading conditions ultimately.

Lesson for India

So far as India is concerned, the economic history of Japan in the post-war decades should be an object lesson. Labour relations in Japan have been cordial and the workers have a personal love for their factory as they have for their family. The relation of Japanese industry to the Government is on the basis of maintaining a continuous liaison and in the process ensuring that businessmen do not get entangled in politics or with politicians. The Japanese Government for its part has a practical approach to industrial policy. While oligarchic business groups of the type of the Zaibatsu cannot rear their head any more, the Government does not take fright simply because a concern is merely big in size, if it is able to deliver the goods better in the national interest that way. This is a lesson for our policymakers who, in their frenzied anxiety about curbing monopoly and concentration of economic power, have an illogical mental reservation against bigness to the extent of even overlooking economies of largescale operation. So far as our workers are concerned, it will be difficult for them to believe that strikes are rare in Japan and that demonstration of grievance is done by not interfering with production—those on night shift demonstrate during day and those on dayshift in the night. India now is where Japan was in 1955. But will it care to emulate the Japanese exertions thereafter? —SR

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Rs. 40/-

INDUSTRIAL ECONOMIST

States and Plan Schemes

No Escape from Additional Schemes

The ability of the State Governments to implement their Plan schemes calling for an additional outlay of Rs. 218 crores in 1972-73 as compared to the previous year, will depend on their determination to raise additional resource for not only correcting the earlier budgetary imbalances but also creating surpluses which will be helpful in stepping up development expenditure. In 1970-72 many State Governments like Andhra Pradesh, Tamil Nadu, Mysore, Kerala, Orissa, Uttar Pradesh and Bihar had recourse to heavy unauthorised overdrafts for meeting plan and non-plan expenditure.

Heavy Deficit Finance

Because of political considerations and unwillingness to impose new levies which will bear heavily on agricultural incomes, it has been necessary to resort to deficit financing for over Rs. 600 crores; and the gap in 1971-72 alone may exceed Rs. 300 crores. This would mean that all the State Governments will have to find on aggregate not only the Rs. 300 crores but also an additional amount for meeting the further increases in non-Plan expenditure as well as the projected higher outlay on Plan schemes. It can be roughly estimated that the States should have additionally Rs. 650-750 crores for meeting all commitments and avoid authorised overdrafts from the Reserve Bank of India.

The problem of mobilising resource of this order is not, however, so formidable as it appears at first sight. The Central Government alone will be raising, on behalf of the States, fresh tax revenues through new levies for Rs. 140 crores, while there will be the advantage arising out of a larger share

in the revenues that will accrue as a result of the massive tax effort made on three occasions by the Centre in 1971-72. On all these accounts, the States can hope to get Rs. 450-500 crores including the additional benefit that will be rising out of the intensification of the Small Savings campaign.

There may thus be roughly a gap of Rs. 200 crores which may increase to Rs. 300 crores, if the repayments of the erring State Governments are taken into account.

Resorting to Open Market Loans

A gap of this order can be minimised by securing credits from commercial banks for rural electrification and water supply schemes on strictly commercial terms. There can also be larger borrowing through open market loans and the target of Rs. 109 crores (net) should be considered rather low, having regard to the availability of investible resources with the Banking system.

There is, however, no escape from levying additional taxes for at least Rs. 200 crores and those states which have yet to present their regular budgets should not hesitate to raise Rs. 10 crores in each case, through new levies in Electricity charges and water rates besides affecting upward adjustments wherever it is found that large subsidies have to be borne by the State Governments or the State Electricity Board in respect of power consumption and water supply by unique completed irrigation projects.

Equitable Share of Available Resources

The Centre is obviously anxious that available resources should be shared equitably. It has now been agreed

that, apart from the use of credit for ways and means purposes on a defined basis, there should not be any attempt to secure assistance through unauthorised overdrafts. The Reserve Bank can now refuse payments against cheques when there are persistent overdrafts, alter consulting the Centre and giving notice to the State concerned.

Meanwhile, during the week ended May 5, the heavy State overdrafts have been brought down to Rs. 37.34 crores from Rs. 711.10 crores. This decline has taken place because of the adjustments carried out by the Central Government. In effect, the liability of the State Governments to the Reserve Bank has been taken over by the Centre on its own account. This process has necessarily met the conversion of overdrafts into unfunded debt, though it must be said that the creation of ad hoc securities has been restricted by using available cash balances to the maximum extent. Thus, Central Government deposits were sharply lower at Rs. 52.92 crores against Rs. 214.08 crores. However, as there was a slashing of overdrafts by nearly Rs. 675 crores, an increase in investments and holdings of the treasury bills could not be avoided. The former have risen to Rs. 330.49 crores from Rs. 74.86 crores and the latter to Rs. 58.89 crores from Rs. 51.65 crores.

There is also a significant rise in other assets to Rs. 304.94 crores from Rs. 49.80 crores. It may be the intention of the Government to make further adjustments by the end of June when the profits of the Reserve Bank are usually utilised for reducing overdrafts and payments to the States are effected. On the present occasion, it may not be difficult to reduce other assets by over Rs. 250 crores before the end of June as "other liabilities" stand at the very high level of Rs. 412.79 crores. There will then remain only the net increase in investments and holdings of treasury bills to the extent of Rs. 300 crores to be tackled. The Centre may attempt to close this gap by increasing borrowing through open market loans and revenue surpluses, though there will also be the repayment from State Governments against unauthorised overdrafts.

Chavan Wants Emergency Powers

Bill to Nationalise General Insurance

The long-awaited Bill enabling the Government to acquire the ownership of General Insurance Companies has been introduced in Parliament. Union Finance Minister Y. B. Chavan has asked for emergency powers for enabling the custodians to negative any proceedings that might be taken by the shareholders and directors to liquidate voluntarily the existing companies before the Government took over their assets and liabilities with the payment of compensation.

The new Bill has been referred to a Joint Select Committee and it is significant to note that there has been no attempt to promulgate an Ordinance as was done in the case of the nationalisation of major banks.

The ownership of General Insurance Companies, Indian and foreign, is proposed to be vested in the Government only on the appointed day to be notified by the Government.

Merger of Banks with Industries

The Government has clearly taken note of the developments after the major banks were nationalised. It probably did not expect that there would be mergers of erstwhile banks with industrial units and that it would be denied its share of taxes on the compensation amounts that would have been distributed to the shareholders.

These mergers, which will enable considerable savings for the shareholders, are not possible in the case of General Insurance Companies. This is because the companies themselves are proposed to be taken over with their assets and liabilities by payment of compensation for acquiring the shares from the existing shareholders.

There is, of course, provision that a group of shareholders may think of pooling their resources for starting other businesses with the aggregate amount of compensation, subject to suitable safeguards for dissident shareholders. But one fails to understand how such a grouping can be

effective when individual shareholders may opt out a scheme and the shareholders also will become liable for the payment of at least capital gain if the amount received by him was in excess of the cost of acquisition.

The companies taken over will become subsidiaries of the General Insurance Corporation to be formed specially for looking after their affairs. Meanwhile, the shares of the affected companies will remain with the Government.

The new Corporation will have an authorised capital of Rs. 75 crores under issued capital of Rs. 5 crores all in equity shares. The Government will grant a loan to this corporation for taking over the shares of the nationalised insurance companies. Thereafter, the loan will be adjusted and the paid up capital will suitably be increased to reflect fully the amount of compensation paid to the foreign insurers and the shareholders of Indian companies.

No Monolithic Corporation?

It has also been indicated that there will be mergers of the existing companies over a period and four Corporations will be formed eventually to operate in different parts of the country and on a competitive basis. This idea has been opposed by some political parties but Mr. Chavan has not agreed to the suggestion that there should be a monolithic Corporation and has asserted that four Corporations could function on a decentralised and competitive basis. Presumably, the Government is anxious to avoid the creation of another monolithic institution like the Life Insurance Corporation.

There may not be any serious objection to the method of take-over, as the entities are sought to be preserved and they will be subsidiaries of the new Corporation. What, however, is inexplicable is the mode of compensation and the differential treatment accorded to the foreign

insurance companies and the shareholders of Indian companies. No serious disability would have been imposed on the Government by agreeing to pay the whole compensation in cash in one instalment to every one concerned, as about Rs 23 crores would have to be paid in the first year out of a total of a little over Rs. 33 crores. The foreign insurance companies will get paid in full while the shareholder of Indian companies will receive their dues in three instalments if in an individual case the amount of compensation exceeded Rs. 25,000/-.

Paying Compensation on a Net Basis

It had been generally expected that the compensation amount would be fair and the amount would be more than capital and reserves, as some element had to be included for goodwill and appreciation of the value of assets. But a different formula would seem to have been adopted. Unlike the case of bank nationalisation, it was probably thought advisable to pay the compensation on a net basis as there will be no liability for capital gain that would have arisen if the companies had been in the control of private management and only the businesses were taken over. Besides there would be no liability for payment of income-tax on compensation at the hands of shareholders as no distribution out of accumulated reserves could be identified. The shareholders will be liable only for capital gains if at all.

Even allowing for these factors and the deductions that would have to be made for accrued liability in respect of gratuity and other contingent matters, the compensation amount seems to have been fixed at a very low level; and it has been complained that the course adopted is expropriatory in character. It has been found that in some cases the amount is not even equal to capital and disclosed reserves while in some cases it amounts to only the paid-up capital.

Vijayanta—A Tribute to Indian Capabilities

There is no longer any mystery about the production of *Vijayanta*, the Indian tank which beat hollow the American pattons deployed by the Pakistanis during the recent hostilities. Pressmen were allowed a close look—perhaps for the first time—at the factory in Avadi producing the invincible *Vijayanta*. Their queries were answered with laconic brevity by the General Manager, Major Gen. K. M. Kini.

The visiting pressmen were greatly impressed by the smart and efficient production of *Vijayanta* and by its performance at the track demonstrations.

India can rely completely on its own facilities established under licence from Vickers-Armstrong of Britain for the production of medium tanks based on the Chieftain design but adapted for Indian conditions.

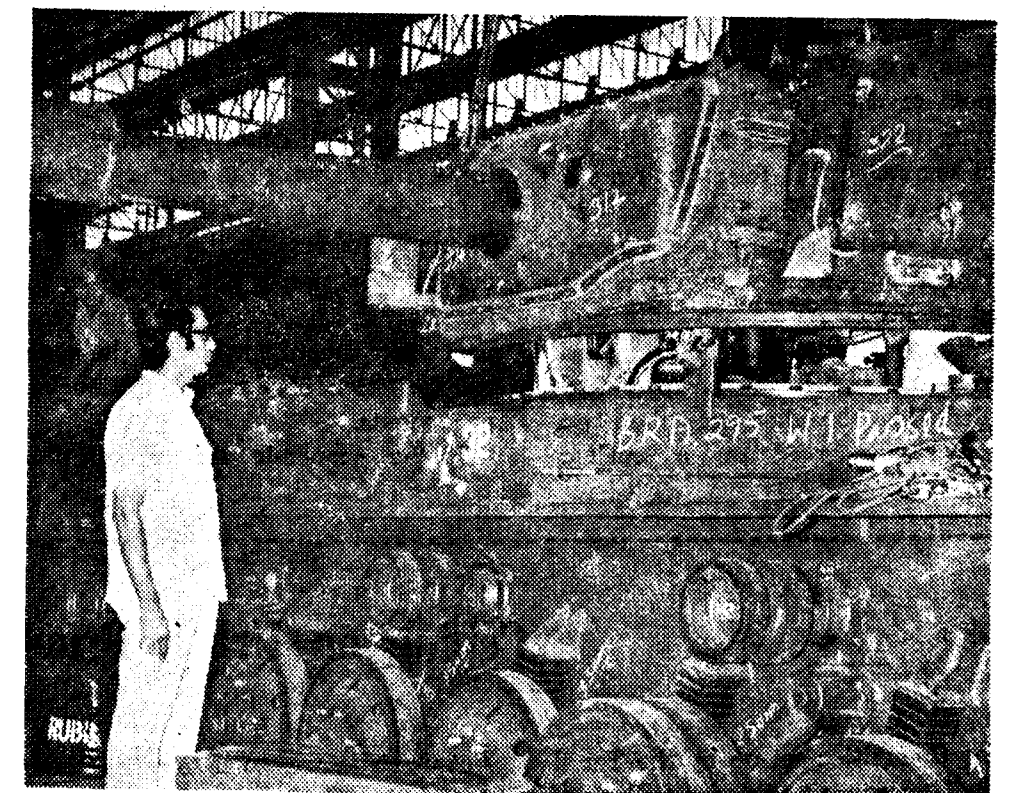
The Major-General told the pressmen that the most distinguishing feature of *Vijayanta* was its gun. This is the first modern tank in the world which has gone in for the 105 mm high calibre gun. The pattons in the new series will be having this gun.

Vijayanta has fire-power, mobility and armoured protection—all to an unusual measure. It is powered by a Leyland L-60: 550 h.p. engine. The gun is also of British design. The gun control equipment is again of UK design (AEI), but is manufactured under licence by the Bharat Electronics Ltd. Bangalore.

One peculiarity of the Avadi Factory that was impressed upon the visiting newsmen was that unlike in the other developed countries, here the hull, the turret, the engine, the gear box, the suspension items, items for the traverse gear box—in fact a great many components, are all produced under one roof.

High Indigenous Content

Discussing the indigenous content of the production, the General Manager put it at over 68 per cent. He expected no difficulty in reaching 85 to 90 per cent in the next few years. It all depended on the Madras industrial



A 'Vijayanta' being assembled at the HVF, Avadi

lists. If they could undertake the items now imported—for which they would extend all co-operation—85 per cent indigenous content would be within their reach in the next three years, he added. Electrical components, fuel injection pumps, pistons, bearings, etc. could all be made here. In fact a few Madras firms are taking steps to set up production of these items in the vicinity of the H.V.F.

The General Manager pointed out that with the increase in the indigenous content, their production costs did not go up; on the contrary they came down. This may be attributed to the

adoption of modern management practices. He could confidently say that their efficiency was as high as that of the best run private sector factories. "The factory's outturn capital ratio is better than one to one" he remarked.

The production range at Avadi is being diversified to include armoured recovery vehicles designed and developed entirely by Indian talent and a lighter series of vehicles like armoured personnel carriers. The complete requirements of the Army for all types of armoured vehicles would be met by Avadi when all the schemes on the anvil are implemented. —(FOC)

Summit at Moscow

The summit talks in Moscow appear to have been more fruitful both in immediate agreements and further potentialities than the talks at Peking. Communist China was too conscious of her advantage over the U.S. in the outstanding issues of international politics and the difficulty of cashing in on them to seek immediate gain.

Vietnam No Bar to Mutual Interests

The issues between the US and the USSR are far different. Both nations feel equally the need to reduce the burdens which the race for disarmament has laid on them. Both are equally conscious of the folly of foregoing the benefits of limiting the race

where possible, particularly when its continuance on the present lines would not ensure the security from the attacks of the other. In the economic field too, conditions are ripe for orderly relations, such as would facilities the payment to the agreed extent of the amounts owed by Russia to the US. It is not surprising that the intensive attacks on Viet Nam have not stood in the way of the two super powers arriving at agreement wherever it was found possible. As an avowedly first step towards the goal of nuclear disarmament which in the past had receded like the horizon, the two powers have agreed on a nuclear

parity between them to be attained through a stoppage for five years of strategic offensive weapons. The agreement leaves out of its scope the medium-range missiles in Europe or the strategic bombers armed with nuclear weapons. There is no provision, since both countries would seem to be content with the military intelligence derived from their satellites. Though Congress in the US may at first sniff at parity and the scope for increase of armaments in some respects, it will not be averse to the general limitation of the race for nuclear armaments.

In the economic sphere both Mr.

Nixon and the Soviet leaders are said to have abandoned the efforts for a comprehensive trade package and agreed instead to set up a joint commission to coordinate future talks. The differences between the two nations on the quantum of repayment, the period of payment and the terms are still too wide for any concrete results to emerge from the summit talks. Mutual most favoured nation treatment between the two countries will contribute vastly to the expansion of trade. But Congress would most probably insist on a settlement of lend-lease dues before approving of agreements of any wide scope. —PRS

Ceiling on Urban Property

The Committee set up by the Tamil Nadu Government some months ago to study the question of ceilings for private urban property has submitted its report to the Chief Minister.

While the Chief Minister rejected pressmen's requests to disclose the contents of the report, it is reliably learnt that the Committee headed by Mr. M. G. Rajaram, First Member, Board of Revenue, has suggested a ceiling of five grounds for a family of five members. For families with more than five members, half a ground could be allowed for each additional member subject to a total ceiling of 7½ grounds (one ground is about 225 sq. metres).

The committee has expressed itself against ceilings being determined with reference to the value (in money terms) of the property. It has given a number of reasons why it is not recommending a ceiling based upon value of property. Besides, raising practical difficulties of implementation, such a method would have no rationale behind it. In the opinion of the committee, ceiling on land extent is the most practical and rational thing to do.

Inducement to Build

The Committee feels strongly about compelling owners of unbuilt land to

put up structures so as to relieve housing shortage. One suggestion given is that the owners of such land could be given a stipulated time to complete construction of a suitable structure. If the owner should fail to do this, he must be penalised by bringing down the ceiling to three grounds, of course allowing half a ground for each family member beyond five.

The Committee has suggested exemption for urban lands of various categories. Some of these are lands used for social purposes like hospitals, schools and cinemas and those used for putting up factories and other employment providing establishments.

The report wants that the ceiling be applied to Madras and the major towns of Madurai Coimbatore, Salem and Tiruchi.

Maximising Land Utilisation

As in the case of ceiling on agricultural land, here too the intention is to let the owner make the maximum use of the extent allowed to him. In fact, according to the Committee, the object of the ceiling is to provide an inducement and stimulus to put land to maximum use and get the maximum return from it. An owner could therefore go vertically up when erecting a

superstructure and ease the housing shortage through multi-storeyed buildings within a compact area. It is because of this consideration the Committee set its face against monetary value limits.

In the course of its 40 page report, the committee discusses all the aspects of an urban property ceiling and the difficulties of implementing them without upsetting the economy of the State or the city concerned.

It has for its guidance the report of the Nayak Committee on urban property ceiling and the Central Model Bill.

Bristling Difficulties

As the Chief Minister said, the Government would find it very difficult to apply the ceiling. The matter bristles with all kinds of difficulties. Where a superstructure extends beyond the fifth ground what is to be done? Should it be demolished or part of it taken over by the State for redistribution among the propertyless? Fortunately the thinking is not in favour of imposing any ceiling whatsoever in regard to corporate and factory land. Such a step would almost have ruined the economy of the State. —V.M.

Pollution from Thermal Power Stations

Although electricity is a clean form of energy at the point of consumption and it can have growing uses for environmental protection purposes, such as mass transit systems to replace the growing demand of automobiles, in recycling wastes and for other purposes, thermal power production is also a formidable source of pollution. Large quantities of waste products from thermal power plants in the form of solids, liquids, gases or heat are discharged into air, water or on the land.

There is increasing concern about the effects of such discharges on the environment and the resulting problems. These concerns have led to greater attention being given to pollution control and esthetics in the planning, construction and operation of power stations. Many of the environmental problems, however, are inherent in the technology and a considerable research and development efforts are needed and are currently under way in advanced industrial countries to overcome some basic drawbacks.

Although the problems in the Indian context have not quantitatively reached alarming dimensions which they have reached in some advanced countries, the problems have already started showing up at certain locations. But in the dynamic context of a rapidly growing sector, this is at best a brief breathing spell not to be wasted in complacency but for planning ahead, exercising foresight and taking timely action to forestall or mitigate potential environmental hazards.

Sources of Pollution

The gaseous and solid effluents due to burning of coal and oil in the thermal power plants create hazards. Smoke is not normally emitted by power stations except for short periods when lighting up from cold or when a station is used as a peak load station. Power stations are potential sources of serious pollution by grit and dust partly because of vast quantities of coal consumed and partly because much of it is fired in pulverised form.

Thermal power plants in India thus become the focal point for action to protect environment. Construction of power stations is necessary to meet the growing power demand although such stations are sources of environmental degradation. The problem at hand is really to relate and if possible reconcile these conflicting public interest, namely supplying more power and maintaining the environmental quality.

There is a necessity of identifying the nature of environmental problems created by thermal power stations. The first step is to evaluate pollution making potential of a proposed new plant. Comprehensive, well coordinated and timely evaluation of environmental implications should be available ear-

ly in the planning processes. By this process environmental questions can be examined, discussed and resolved well in advance of the scheduled construction.

Costs of Environmental Protection

The costs for environmental protection will have to inevitably find their way into the price of electricity. We should not penalise the future generations by foisting on them environmental degradation by refusing to incur the costs of environmental protection. A basic necessity for controlling the thermal power station effluents is the establishment of standards based on objective analysis of what can be discharged into the environment without doing undue harm.

The environmental effects of plants to be built over the next decade will be significantly much more important than those of all existing station facilities combined. Installation of pollution control facilities could be more expensive and difficult in the older power stations. It is much more economical to instal pollution control equipment when the plant is being built. Economic improvements due to increase in sizes of units give another incentive to instal pollution control equipment. Many older plants in India are located in urban areas where problems are more acute and probably a greater expense on pollution control in such power stations is justified.

Decision about location of thermal stations should be based not only on considerations like availability of adequate land, water, minimum cost involved in coal transportation and power transmission costs etc., but weight should be given to consideration of

preserving air and water quality, assuming safety and a variety of ecological and aesthetic factors. A major power plant siting consideration is the disposal of waste heat into water course, since unplanned heat disposal might create problems of thermal pollution. The location has thus to satisfy both economic as well as environmental considerations.

Nature and scale of emissions, air quality and meteorological data provide the basic information for understanding the air pollution problem of an area. In India there is no 'emission inventory' of any place. It is of prime importance to have systematic monitoring of particulate matter and sulphur dioxide in areas in the neighbourhood of a thermal power station. Such an emission inventory is also needed for a location where a power station is being proposed.

Need for Effective R & D Efforts

Environmental quality management has to be backed up by research and development efforts. The research problems are to be carefully identified as major environmental benefits can be expected from them. A better technology is to be developed for using Indian coals in a manner compatible with the environmental concerns. The waste products both solid and gaseous have to be reduced and their emissions to air and water have to be controlled. We have mechanical collectors and electrostatic precipitators for handling the ash but there is nothing to control the sulphur dioxide. A proper technique for containing the sulphur dioxide has to be developed.

It is also important to develop a better understanding of the environment itself so that the intrusion of current and future technological advances can be minimised. Certain ecological and geological considerations also need study.

NUCLEAR EXPLOSION FOR MINING

A development of great national importance is the discovery of the Atomic Energy Commission that nuclear explosions can be used for the extraction of two such minerals as Copper and Uranium. Though the Commission has not yet decided on the project to which the new technology should be applied, there is no doubt that the discovery will be found before long to have a wide range of application. The question of cost has of course to be gone into. American estimates seem to show that compared to the cost of an equivalent TNT explosion, the cost of a 25 kiloton explosion is very low. But these estimates are no guide for India, since the cost of the

equipment is not included in the American estimates because of the much vaster atomic installation in the U.S. Whatever the cost in Indian conditions may be, the necessary preliminaries such as the geological, hydrological and ecological studies for ensuring that the environment is not dangerously polluted and the solution of the technical problems of emplacing, mounting and firing the explosions and calculating their costs have to be completed. The experts are, however, confident that in the use of nuclear explosions for mining, the radio activity will be trapped underground.

—PRS

Many Attractive New Capital Issues

It is heartening to find that a number of established companies, both Indian and foreign-controlled, are or will be coming on the market to raise fresh capital in the form of equity and preference shares as also debentures. All these companies have launched on schemes to expand and diversify their activities in the country in view of the keener demand for their products. The Government would also seem to adopt a less rigid attitude while considering new schemes of even the bigger industrial houses though the various formalities required before a licence can be got and work begun can be time-consuming and arduous.

Century spinning and National Rayon Corporation, for instance, have a number of new schemes on hand and hope to get clearance for most of them though in some cases it has been necessary to agree to enlist the Government as a majority partner. This joint sector concept may be pursued with greater vigour in the case of new projects of bigger houses and this would relieve to some extent the stupendous problem of finding the required resources particularly from the statutory financial institutions. It is also noteworthy that the additional capital sought to be raised forms only a small portion of the expansion cost. This is because in most cases the companies have sizable internal resources accumulated as a result of good working for a number of years and there is also no desire to water down, the capital unduly. In the case of foreign controlled companies there is also a compulsion to offer a stipulated portion of the additional cost to resident shareholders and the public to bring down the equity participation of the foreign interests. If the experience of Indian Aluminium Company is any guide, the Government would appear to insist on raising the Indian share through issue of fresh capital even while approving such companies' proposals to capitalise their reserves and issue bonus shares.

TISCO Seeks to Raise Rs. 15 Crores

While Southern Petrochemical Industries Corporation raised a big amount some time back through a public issue to finance its fertilizer project, the coming weeks will see a spate of new issues. The biggest amount will be sought by Tata Iron and Steel Company Limited which will be offering debentures for Rs. 15 crores besides raising term loans for Rs. 5 crores from four financial institutions. The company is engaged in a modernisation programme costing Rs. 116 crores. Generation of internal resources will provide Rs. 70 crores while

there will be a net foreign currency loan for Rs. 6.96 crores and Rs. 19.04 crores through bank finance and other borrowings. The financial institutions have relaxed their earlier stiff stand on the conversion of a portion of their loans into equity and have now agreed to exercise their option only to convert Rs. 2 crores into equity shares at par in the event of any default in repayment of instalments which is unlikely.

Standard Mills raised Rs. 2 crores in redeemable debentures for its expansion and modernisation scheme while Philips India will be offering equity shares for Rs. 52.4 lakhs for public subscription at a premium of Rs. 15 per share out of its new issue for Rs. 1.33 crores. Atlas Copco (India), Kirloskar Tractors, Shalimar Paints, Sakthi Sugars, Straw Products, Alfred Herbert (India), G.E.C. Bharuka Steel and East Coast Distilleries are all coming on the market shortly while Kothari Sugars, Graphite India (which will also offer debentures for Rs. 1.20 crores 20 per cent of which will be convertible into equity shares), Southern Asbestos, and Mysore sugars, will be issuing right shares to their shareholders.

It should however be pointed out that apart from a few mini steel plants and distilleries, there has been no evidence of entirely new companies being promoted on any significant scale, in spite of the Government's incentives to encourage a wider dispersal of entrepreneurship.

Century Repeats

There has been some disappointment over the working results of Century Spinning and Manufacturing Company Limited in 1971 though the equity dividend has been maintained at 45 per cent, taxable, with the declaration of a final payment of 29 per cent, taxable. The interim distribution of 16 per cent has been already made. The company recently decided to revive its one-for-one bonus issue proposal. Sales during 1971 improved further to Rs. 55.51 crores from Rs. 52.62 crores in 1970 but the net profit, before depreciation and taxation, declined to Rs. 13.09 crores from Rs. 14.85 crores mainly due to costlier cotton and lower realisations on rayon. Depreciation claims a smaller amount of Rs. 2.50 crores (Rs. 2.89 crores) but the provision for development rebate is higher at Rs. 26 lakhs (Rs. 16 lakhs) while the tax liability is only Rs. 5.80 crores (Rs. 7.06 crores) owing to the transfer of Rs. 1.04 crores (nil) to gratuity fund and the drop in profits. The transfer to general reserve

is Rs. 2 crores (Rs. 3.08 crores) and dividend equalisation reserve Rs. 1.48 crores (Rs. 1.10 crores). The final equity and preference dividends will be paid out of the latter reserve. The interim payment required Rs. 56.78 lakhs while the final distribution will need Rs. 102.92 lakhs. The dividend is covered three times by disposable profits. The gross block has gone up to Rs. 43.24 crores from Rs. 41 crores at the end of 1970 while the net block was slightly lower at Rs. 13.09 crores against Rs. 13.30 crores.

New Schemes

The company has a number of proposals to diversify its activities. The directors have decided to accept the suggestion of the Government for forming a new company in the joint sector to take up the manufacture of 30,000 tonnes of rayon grade and multi-grade pulp and 30,000 tonnes of writing and printing paper. The project is estimated to cost Rs. 30 crores. It is expected that the project report, terms of management and other formalities will be over in the next six months and the whole project can be completed in 2½ years thereafter (or by middle of 1975). It will be located near Kothgodam in U.P. in the foothills of the Himalayas where plenty of softwood is available. Century's investment in this project may be sizable. A cement plant with a capacity of 6 lakh tonnes is now under construction, and is expected to be ready in the second half of 1973. The seamless pipe project has had to be dropped for the present as the Government wants to set up a similar plant in the public sector and only if the latter does not materialise, new proposals will be considered later. While Century may be announcing some more schemes at a later stage, it has got Government approval for setting up a composite mill in Indonesia and is negotiating with international financial institutions and other sources for required assistance. Meanwhile, at home, the modernisation of the textile division is proceeding apace. It has also been indicated that a dividend of at least 22.5 per cent will be paid on the doubled capital for 1972 if the one-for-one bonus issue is approved under the new guidelines.

MALCO's Reduced Profits

The working results of Madras Aluminium Company Limited were adversely affected during 1971 by lower selling prices for virgin metal and higher working expenses. The output of metal also declined by 435 tonnes to 12,719 tonnes owing to changes being made in the potline and difficulties in getting prompt supplies of imported lining materials. Alumina output was however better at 32,785 tonnes against 30,983 tonnes. Sales of metal were lower at Rs. 6.09 crores against Rs. 6.69 crores in 1970, while those of bauxite were better at Rs. 3.24 lakhs against Rs. 2.59 lakhs and of finished products at Rs. 60.79 lakhs against Rs. 49.02 lakhs. The net profit, before depreciation is

much lower at Rs. 203.31 lakhs against Rs. 276.52 lakhs. There was also no tax credit against excess clearance against Rs. 22.36 lakhs. The dividend on equity capital has however been maintained at 12 per cent taxable, subject to the approval of Tamilnadu Industrial Investment Corporation. After providing Rs. 118.64 lakhs (Rs. 113.35 lakhs) for depreciation, the transfer to development rebate reserve is Rs. 118.64 lakhs, (Rs. 96 lakhs) and a sum of Rs. 1.31 lakhs (same) has been written off mining lease. The preference dividend requiring Rs. 13.95 lakhs and equity dividend of Rs. 5 lakhs will be paid out of general reserve. The pots are being operated at peak efficiency since the last quarter of 1971 and the existing capacity itself is expected to achieve an output of 14,000 tonnes in 1972. The first stage of the expansion will also be partially contributing to an increased output with the commissioning of the new pots in July this year while the expansion scheme is expected to be completed early next year. There will be no difficulty in fully utilising the expanded facilities next year as there will be no problem of power supply.

Higher Sales of VW Group

Sales of Volkswagenwerk AG and its subsidiaries rose by 5 per cent in 1971 to 2.32 million automobiles as compared to 1970 mainly due to a sharp increase in sales of the parent unit as also the continuing success of the Brazilian and Mexican subsidiaries. Total sales of passenger cars rose to 2.04 million from 1.92 million but those of trucks declined to 273, 365 from 287, 173 in 1970. There was a big demand for cars in the first half of last year, particularly in the U.S., but the increased price due to the floatation of mark and the U.S. import surcharge affected VW's competitive position in the latter half. At the same time, there was stiffer competition in West Germany itself from foreign manufacturers who could increase their share of the local market from 23.5 per cent to 26.5 per cent. Sales in Europe were however maintained around the 1970 levels despite the currency crisis. During the year production of VW AG was increased by 94,708 to 1.72 million but Audi NSU produced 34, 339 vehicles less due to labour trouble and fewer models offered. Total production of foreign plants was sharply higher by 49 per cent. The aggregate for domestic and foreign plants was however only 6 per cent higher at 2.35 million against 2.21 million in 1970.

According to the consolidated accounts, total turnover improved significantly in 1971 to DM 17,340 million from DM 15,837 million while net earnings, after depreciation and taxation slumped to DM 147 million from DM 407 million in 1970. Sales of VW AG alone increased to DM 11,237 million from DM 9,933 million while the net earnings were only DM 12.08 million against DM 190.49 million due to much higher wage bill and compulsory social expenditures. After trans-

ferring DM 68.96 million (DM 1,875 only) from reserves, the Board of Management has announced a distribution of DM 4.50 on DM 50 per value of capital stock or 9 per cent absorbing DM 81 million (DM 167 million in 1970). Fresh capital investments by the group as a whole in 1971 amounted to DM 297 million.

Synthetics & Chemicals

Synthetics and Chemicals Limited, the only Indian producer of synthetic rubber has reported very satisfactory results for 1971 thanks to brisker offtake and more effective use of existing capacity. The output increased to 33,010 tonnes from 30,339 tonnes in 1970 and sales to 32,919 tonnes from 27,749 tonnes. There was an appreciable rise in the turnover to Rs. 15.10 crores from Rs. 13.14 crores while the net profit, before depreciation and taxation, improved to Rs. 3.94 crores from Rs. 3.35 crores in the previous year. The directors have naturally decided to raise the dividend on equity capital to 15 per cent, taxable from 12 per cent, taxable. But the disposable surplus is much less as there is a tax provision for the first time of Rs. 1.43 crores after setting aside Rs. 1.38 crores (Rs. 1.31 crores) for depreciation and Rs. 1.52 crores (Rs. 2.01 crores) for development rebate. After transferring Rs. 1.16 crores (nil) from development rebate reserve and Rs. 1 lakh (Rs. 3 lakhs) being excess provision for previous year, the allocation to general reserve is Rs. 77 lakhs. (5 lakhs) and Rs. 1 lakh (same) has been provided towards disclosure fees. The latest dividend requiring Rs. 86.22 lakhs will be paid out of general reserve.

Southern Asbestos Pays More

Shareholders of Southern Asbestos Cements Limited will welcome the decision of the directors to raise the equity dividend for 1971 to 17½ per cent, tax free, from 15 per cent, tax free, for the previous year though there was only a slight improvement in the net profit, before depreciation, to Rs. 28.65 lakhs from Rs. 27.37 lakhs. Sales were better at Rs. 1.69 crores against Rs. 1.62 crores in 1970 despite difficulty over asbestos fibre supply for some months. After setting aside Rs. 7.46 lakhs (Rs. 7.91 lakhs) for depreciation and Rs. 1.10 lakhs (Rs. 3.21 lakhs) for development rebate, taxation claims as much as Rs. 10.48 lakhs (Rs. 3.07 lakhs). The transfer to general reserve is Rs. 6 lakhs (Rs. 2.35 lakhs) and reserve for tax-exempt profits Rs. 2.79 lakhs (Rs. 7.02 lakhs) after writing off preliminary expenses for Rs. 50,933 (same).

The company is going ahead with the work on its new unit in Dharwar in Mysore State. The project will be completed in the second half of next year and the plant will have an annual capacity of 39,600 tonnes. The estimated cost is Rs. 85 lakhs. This is to be met through a right issue for Rs. 25 lakhs at par in the proportion of one-for-one besides generation of internal resources and

loans. After completion of this project, the turnover is expected to increase to over Rs. 3 crores.

Rajalakshmi Mills

Rajalakshmi Mills Limited could not avoid a decline in sales during 1971 to Rs. 3.06 crores from Rs. 3.19 crores in 1970. The net profit before depreciation and taxation, was halved at Rs. 14.10 lakhs against Rs. 28.56 lakhs in the previous year due to increased working expenses and costlier cotton. The shareholders will not however suffer as there is only a slight reduction in the dividend on equity capital to 10 per cent taxable from 11 per cent, taxable, and even this is to be paid on an enhanced capital as raised by a bonus issue in the proportion of one-for-five. Depreciation claims Rs. 9.72 lakhs (Rs. 8.83 lakhs) and development rebate Rs. 1 lakh (Rs. 65,000). The provision for bonus to staff is Rs. 2.28 lakhs (Rs. 2.26 lakhs). There is no tax liability against Rs. 8.50 lakhs. The allocation for Kuppaswamy Naidu Trust is Rs. 15,000 (25,000). Gratuity reserve got in 1970 Rs. 4.50 lakhs. The transfer to general reserve this time is Rs. 2.89 lakhs (Rs. 3.54 lakhs) after writing back Rs. 87,000 (nil) from development rebate reserve.

Escorts' Setback

Escorts Limited could not utilise its expanded capacity effectively during 1971 due to stiff competition from imported tractors while profitability of operations was severely hit by unremunerative selling prices during the year. The prices were revised upward only with effect from last February. Sales in 1971 were however better at Rs. 40 crores against Rs. 38.88 crores in 1970 but there was a 16 per cent drop in net profit, before depreciation and taxation, to Rs. 2.27 crores from Rs. 2.71 crores. The provision for depreciation is Rs. 90.42 lakhs (Rs. 92.10 lakhs) and taxation Rs. 66 lakhs (Rs. 77 lakhs). The equity dividend has been reduced to 11 per cent, taxable, from 13 per cent, taxable. The amount required is Rs. 38.28 lakhs (Rs. 45.24 lakhs). The dividend could have been easily maintained at the previous level as the disposable profits are more than sufficient for the purpose and there is every prospect of a significant improvement in working on a larger volume of output of tractors and good working of the auto components division.

Associated Bearing

Associated Bearing Company Limited could increase its sales during 1971 to Rs. 8.85 crores from Rs. 7.90 crores in 1970 with a good demand for its products. But there was a slight drop in the net profit, before depreciation and taxation, to Rs. 305.82 lakhs from Rs. 325.65 lakhs in the previous year due to a substantial increase in the cost of raw materials. Also, the full impact of tax was felt in the year with the utilisation of all

past years' tax reliefs and allowances completely in 1970, and it also became liable to surtax for the first time. Thus even with a lower profit, the tax provision was as much as Rs. 1.33 crores (Rs. 64 lakhs) after setting aside Rs. 61.66 lakhs (Rs. 65.50 lakhs) for depreciation and a smaller amount of Rs. 7 lakhs (Rs. 25.28 lakhs) for development rebate. The disposable profit has naturally come down sharply to Rs. 104.16 lakh (Rs. 170.93 lakhs) which has been transferred to general reserve. But it is heartening that the directors have decided to increase the dividend on equity capital to 15 per cent, taxable from 12½ per cent, taxable. This will be paid out of general reserve, absorbing Rs. 60 lakhs (Rs. 50 lakhs). The dividend will be exempt from tax deduction at source to the extent of 75 per cent where-as the whole amount was tax free on the previous occasion, being paid out of tax exempt profits. The company's finances are very comfortable, with reserves and surplus amounting to Rs. 3.85 crores, against a paid-up equity capital of Rs. 4 crores. (The Swedish interests' holdings in the capital form 60 per cent). The company is awaiting a letter of intent for the manufacture of more ball bearings and textile items. The Chairman, Mr. A. Hydari, has however expressed concern over the rising costs of raw materials and capital goods and the outlay will go up when the licences for the new schemes are received and the projects implemented.

Chemicals and Fibres

Net sales of Chemicals and Fibres of India Limited (after excise duty) were marginally at Rs. 14.48 crores against Rs. 14.64 crores lower in the year ended September 30, 1971 in 1970. (Gross sales were slightly better at Rs. 33.89 crores against Rs. 32.03 crores). The pre-tax profit also declined to Rs. 335.94 lakhs from Rs. 353 lakhs. The tax liability is however higher at Rs. 215.50 lakhs (Rs. 186 lakhs) as there is no longer the exemption under Section 80 I of I.T. Act. After taking credit for Rs. 21.50 lakhs (nil) being excess provisions or no longer required, the disposable profit is Rs. 141.94 lakhs (Rs. 167 lakhs). Out of this, transfer to development rebate reserve is Rs. 1.50 lakhs (Rs. 3 lakhs) and general reserve Rs. 37.54 lakhs (Rs. 110 lakhs). A final dividend of 4 per cent taxable was paid on the increased capital of Rs. 5.34 crores as raised by a fresh issue out of general reserve. The interim dividends on the old capital of Rs. 4.90 crores totalling 21 per cent taxable, have already been paid. Thus the total distribution was 25 per cent, taxable, against 27.5 per cent taxable, for 1969-70. The expansion work to raise capacity to 6,100 tonnes from 4,500 tonnes is being implemented though there was some delay due to labour unrest last year. The company has also sought permission to take up the manufacture of 2,000 tonnes of polyester film and 500 tonnes of photographic film base.

Gujarat Fertilisers' Good Show

It is remarkable that Gujarat State Fertilisers Company Limited has been able to put up a consistently good performance ever since it began regular production when most other units have been unable to reach the profit-earning stage even after a long time. There was again a big rise in the net profit to Rs. 14.97 crores in the year ended March 31, 1972 from Rs. 11.82 crores, and the directors have announced a much higher dividend of 16 per cent taxable against 12 per cent taxable for 1970-71. The sum set aside for depreciation is Rs. 5.54 crores (Rs. 5.32 crores) while development rebate claims as much as Rs. 6.25 crores (Rs. 3.61 crores). Even then there is a larger transfer to general reserve of Rs. 3.18 crores (Rs. 2.89 crores). The dividend will be paid out of this reserve and the amount Rs. 1.44 crores (Rs. 1.08 crores) is covered nearly 7½ times by disposable profits. The Rs. 100 paid-up shares are quoting around Rs. 290 xd in Bombay.

Mahindra Ugin Earnings More

Mahindra Ugin Limited has reported excellent results for 1971 with a substantial rise in turnover and earnings over 1970. It was possible to make full use of the capacity by the cogging and re-rolling of ingots and blooms obtained from outside sources. The turnover improved further by over 26 per cent to Rs. 10.45 crores from Rs. 8.25 crores in 1970 while the net profit, before depreciation, rose even more markedly to Rs. 334.45 lakhs from Rs. 260.44 lakhs. The earnings turnover ratio is quite high at over 32 per cent. After setting aside Rs. 82.20 lakhs (Rs. 84.52 lakhs) for depreciation and a sizable sum of Rs. 154.87 lakhs (Rs. 81.41 lakhs) for development rebate, there is an additional provision of Rs. 150.27 lakhs in respect of depreciation relating to earlier years after transferring Rs. 81.41 lakhs from development rebate reserve and making adjustment for previous years for Rs. 1.09 lakhs. General reserve gets Rs. 28.46 lakhs and gratuity fund Rs. 1.15 lakhs (nil). The equity dividend has been raised to 10 per cent, taxable, from 7 per cent, taxable, previously. In 1970, it was necessary to wipe out a debit balance of Rs. 35.15 lakhs brought in and for clearing arrears of preference dividends for Rs. 23.82 lakhs and also write off preliminary expenses for Rs. 6.87 lakhs. The latest dividend will be paid out general reserve absorbing Rs. 31.75 lakhs whereas there was a separate allocation of Rs. 22.26 lakhs on the former occasion.

The working results for the current year are expected to be much better as efforts are being made to maximise production with the installation of balancing equipment and it would be possible to have integrated production of 24,000 tonnes per annum. The company has also sought permission to increase capacity to 60,000 tonnes.

L&T Canara Bank Ltd. Amalgamation

The Controller of Capital Issues has given his consent to Larsen & Toubro Limited to issue shares and bonds to the shareholders of Canara Bank Limited in lieu of the bank's shares. This was the last step in completing the amalgamation of Canara Bank Limited with Larsen & Toubro Limited.

The amalgamation was earlier approved by the shareholders of the two companies and by the High Courts of Mysore and Bombay. The Department of Company Affairs has already cleared the scheme under section 23 of the Monopolies and Restrictive Trade Practices Act.

Under the provisions of the amalgamation, Larsen & Toubro Limited will receive around Rs. 205 lakhs from Canara Bank Limited and in return will issue equity and preference shares and convertible and redeemable bonds to the shareholders of the bank.

The shares and bonds issued will be entitled to dividend and interest pro rata for the period October 1, 1971 to March 31, 1972, since the amalgamation is effective retrospectively from October 1, 1971.

Each holder of five shares of Canara Bank Limited will be entitled to eight L & T equity shares, three 9.5% cumulative redeemable 'A' preference shares of Rs. 50 each five 8% convertible bonds of Rs. 22 each and one 8% redeemable bond of Rs. 85.

BHEL Hyderabad Makes Profit

The Hyderabad Plant of Bharat Heavy Electricals Limited at Ramachandrapuram consisting of Heavy Power Equipment Plant and Switchgear Operations has achieved the break-even point. Preliminary accounts for 71-72 show that the margin of profit will not be less than what has been budgeted for viz. Rs. 1.2 crores. This is after providing for full depreciation, interest, etc. The General Manager of BHEL, Mr. C. B. Cariapa, said that this result has been made possible with the whole-hearted co-operation of the workers, engineers and senior executives of the Hyderabad Plant.

The Hyderabad Unit produced the first 80 MW Turbo set in 1967 and the 110 MW set in 1970 fulfilling the expectations of the Project Report. The first Air Blast Circuit Breaker was made in 1967 and the Minimum Oil Circuit Breaker in 1969.

The Plant has diversified the range of manufacture originally conceived and is now fully equipped to make Turbo sets ranging from 1.5 MW to 110 MW, Turbo-blowers and Compressors for handling large quantities of air and also high Speed High Pressure Compressors to handle ammonia, raw gas and other gases in the petro-chemicals and fertilizer industry.

Four 60 MW sets produced at Hyderabad have already been commissioned at Ennore, Delhi and Harduaganj. Two 110 MW sets will be commissioned at Kothagudem and Bhatinda in the next few months.

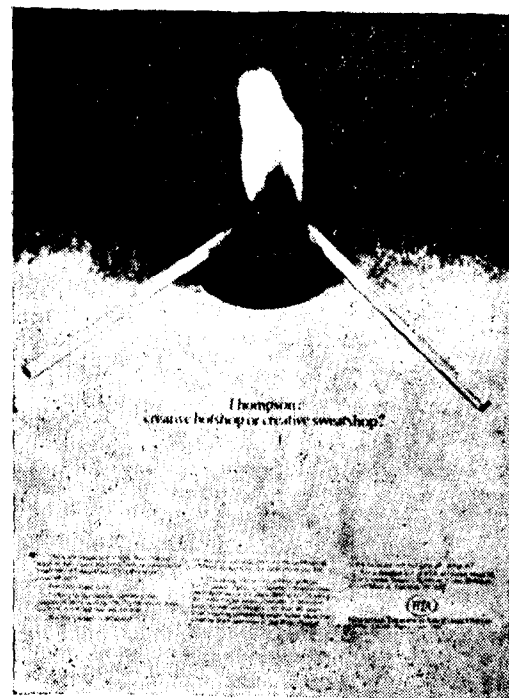
Advertising in the March

By NIRAJ

Glamorous as the advertising profession is, it is equally hazardous and nerve-shattering. Hazardous in the sense that no agency—even the mammoth organisation is not exempted—can today sleep with abandon with the faith that a client is its for the morrow. Advertisers change their agencies once too often. And they should have valid reasons too. Agencies too vie with one another to sway the accounts to their side. In the race for winning new clients, it seems agencies in general believe that the end justifies the means. Cases are not rare when the advertiser expects quick results on his advertisement expenditure, while the agency in its eagerness to win over a new client or in a bid to sway one to its side makes tall promises but is unable to show quick results. And on top of this all is the fact that consumers of today are not that gullible as to take things at face value. And certainly creativity too is not that cheap. It is a question of 'Wait and See' for both the advertiser and the agency. How far is this truth realised?

HTA's IMAGE PROJECTION

Hindustan Thompsons have at this juncture come out with a timely self-projection and it is heartening indeed. Even in this highly competitive age, HTA occupies an enviable position in the field. Not just a name that tradition built. Maintaining the name that tradition built and raising a super-structure—that is what HTA are today striving for. Thompsons are truly a creative sweatshop. Keeping a watch on consumer trend, painstaking study of facts, arriving at revealing statistics—these are what HTA believe in and work for. There is little to dispute about when the 'copy' says their headlines are seldom sensational and their visuals never mind-blowing. And the reason?



Without their saying it, it is clear that the aim is to sell the product, the 'copy' and visual being treated only, as means to an end.

The visual of two tube-lights converging at a fire-place is symbolic of the fire within HTA and the acid test the organisation subjects itself to in the matter of servicing the clients. The follow-up ad is that of "the double life of P. Achutan." HTA pay their tributes to people like Achutan, Kamlesh Pandey and Sashi Dethe who are business executives and at the same time who move with people freely. They are people who lead a double life.

It is interesting that out of the 116 accounts handled by HTA in India, Madras comes second, the number of accounts being 33. And it is next only to Bombay, whose contribution is 36. Ask— it is given. HTA sends a detailed list of their accounts to the interested.

SALES PROMOTION THROUGH PRICE REDUCTION!

In the aggressive selling market today, the 'free offer' has become a common and inevitable feature. The tie-up arrangement between two manufacturers has boosted the sales of their respective products and is boon unto themselves. Among washing powder, 'Sway' and 'Surf' are vying with each other in capturing the market, holding the plastic buckets and the like as the bait.

'Bonus' Detergent Cake has now come out with a price reduction, evidently to steal a march over its immediate rivals 'Rin' and 'Det'. The plus points of economy and performance are stressed in the body copy. But then, others too claim the same virtues. 'Bonus' ad would have been more appealing and convincing if only it had given the 'why' of price reduction coupled with statistics. But alas, that is absent.

It is a known truth that price reduction sells the product no doubt, but only in the initial stages and not for long. And one wonders too for how long can price reduction be maintained. Well, it is ultimately for the consumers to decide.

A CHANGED 'BINNY'

A poet's vision is something different from that of the ordinary man. In this nuclear age where constant change is the order of the day, nobody will take seriously to what Robert Browning said: "Grow old along with me." The desire of man to look perennially young—this desire is no more the exclusive privilege of the woman—is getting deep-rooted.

Binny's recent ads are making capital out of this desire.

Binny has now changed its approach towards its campaign. 'You're changed a lot lately—So has Binny'. And the sales talk



follows immediately—'Binny suitings worth changing too.' The visual is the miniature photograph of an ageing couple, well dressed but not fashionably enough dressed to suit the times. Just below appears the full size visual of a modern couple donning the latest fashion in dress. The whole range of polyester blended fabrics of Binny finds place in the body copy.

A copy theme of good taste and least offensive to any category with appropriate visuals marks the Binny ad. Interpub has handled the ad.

OVER POWERING/OVER-WEIGHING BUSH BELMONT AD!

Among radios Bush ranks one among the favourites. The newest addition to their ranks is 'Bush Belmont' and the 'dual power' of the set is well brought out in the press ad. 'Bush Belmont' can be operated on mains as also on battery—this is its dual power. The advantages are too well-known to need an elaboration. Yet the advantages are hammered very strongly in the body copy to the point of irritation. Perhaps to justify the vast space taken, copy matter has been cramped inside leaving very little white space. Heavy strain on the eye indeed. Instead of so long a copy, a simple invitation to the readers for an inspection and demonstration at their local dealer's would have been quite effective. An element of curiosity would have been kindled thereby.

Earlier, Nelco had made good and judicious use of space in their ad. The angle at which the visual (the set) appears attracted the eye and the types chosen were pleasant. The copy matter was short and hence sweet. Comparisons are odious. True. Yet, one could not help it at times.

PNB-CBI-151-72



**"EVERY MONTH
CENTRAL BANK
PAYS ME
Rs. 30.20
TO PAY OFF
MY BILLS"**

JL
X8(A) m 2, N72
N72.4

"I have a deposit of Rs. 5,000/- for 61 months in Central Bank's Monthly Interest Deposit Scheme. I earn interest of Rs. 30.20 in cash every month and my principal amount remains in tact."

Invest in Monthly Interest Deposit Scheme to pay off your sundry Bills every month.

Visit your nearest branch for further details or write to Central Bank of India, Business Development & Planning Department, Central Office, Mahatma Gandhi Road, Bombay-1.

For approved Religious/Educational/Charitable Institutions special rate of interest allowed.



CENTRAL BANK OF INDIA

CENTRAL OFFICE: MAHATMA GANDHI ROAD, BOMBAY-1